Organizing and managing finances

Many consumers live paycheck-to-paycheck. Bills and financial notices arrive by mail and e-mail at different times of the day and month. Consumers typically don’t act on them immediately.

While most consumers mean to make good choices—like avoiding late fees, saving for emergencies, or reducing interest rates—they often don’t follow through. More than half of consumers agree their financial life would improve if they managed it better.

About seven in 10 Americans don’t have a budget or financial plan, and about four in 10 agree with the statement, “I prefer not to think about money.”

Exploring the causes

Research shows that consumers have many reasons for their actions. To gain insight into why it’s so hard for consumers to organize and manage their financial lives, consider these factors.

1. All or nothing

When planning seems too hard, many consumers feel overwhelmed. They don’t know how to start. They don’t want to fail, so many don’t even begin.

2. Putting today first

Consumers struggle to prioritize their spending. They may buy on impulse, even as they intend to set aside money for longer-term goals. Under financial stress, it’s hard to see beyond immediate needs and easy to ignore long-term costs.

Inspired to help?

Think about ways you can make it easier for consumers to carry out their best intentions—or make it harder to slip up. The ideas below can help guide your brainstorming.

- Break down the money management process into manageable steps, and incorporate defaults, simpler choices, and more effective framing
- Remind people of their goals, to make the outcome feel real and present
- Reward people, emotionally or financially, for getting their finances under control, and for making long-term rather than short-term choices
- Give people real-time feedback on their available budget to help them manage their funds
- Provide people with a way to reconsider purchases before spending, to keep within their budget
- Show people data on money management and budgeting for people in similar financial situations, and consider ways to provide peer mentoring
3. **Overconfidence**
Consumers may be too confident in their financial skills, so they plan less and take more risks. They may feel satisfied with where they are, instead of looking for ways to improve.

4. **Too many decisions**
Consumers first choose where to get help managing money—friends, family, professional planners, at work, and more. Then, they still have to make the rest of the choices about what to do with their money. When it gets too complicated, consumers tend to do nothing.

5. **Always making exceptions**
Consumers find reasons to spend, if they can justify it as part of a special occasion, or after doing something beneficial like working overtime. With only an approximate sense of their finances, constant special occasions can add up.

**Inspired to do more research?**
The factors described above are starting points. You may want to dig deeper—for example, to find out which influences are strongest on different groups of consumers. You might ask questions like:

- What makes consumers feel overwhelmed by the planning process? What tasks could be made more manageable?
- How closely connected do consumers feel their future financial stability is to their current spending and saving actions?
- How confident do consumers feel about handling their finances? How does their confidence compare to what they really do?
- Do consumers regret buying things on impulse, if it puts their long-term plans in trouble?
- What are all the options consumers consider when they think about managing money?
- How much do consumers regret indulging in treats or making exceptions to their budget? In these cases, how price-conscious are they? Are they less likely to comparison shop?

**Making a difference**
Because most American households have no financial plan and many live paycheck-to-paycheck, solutions in this area can help a large number of people. Helping consumers organize and manage day-to-day expenses can free them to pay attention to more long-term goals.

**ABOUT THESE IDEAS**
The Consumer Financial Protection Bureau hired a group of analysts and researchers to investigate challenges that consumers face when they make financial decisions. The group reviewed published studies, talked to academics and financial experts, surveyed financial products, and looked at what actions consumers took—and why.

To pinpoint the most important challenges, the group set up a few categories: income, expenses, saving, borrowing, payments and transactions, and risk management. Then, the group looked into the causes of problems in these categories. Are there too few products and services that are safe, affordable, and high quality? Are there too many products and services that set consumers up to make mistakes? What else adds to the problems?

Finally, the group selected challenges that are based on consumer behaviors or decisions, widespread, possible to change, and possible to measure.