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Monday, Nov. 23, 2009

What Gets Lost When Our Finances Go Paperless

By Barbara Kiviat

Banks, credit-card companies and other financial firms are doing everything they can to wean us off paper. Tracking our accounts online is better for the environment, they say, more convenient and safer too, since we won't have sensitive data sitting in our mailboxes. (The fact that firms save about \$1 per statement tends not to make it into the pitch.)

Companies are asking, cajoling, even paying people to ditch paper--and it's working. Two years ago, 13% of us got credit-card statements online only; today, 24% do. But as we stop holding that information in our hands once a month in favor of glancing at account balances on our computers or cell phones moments before we buy, could we be losing the big picture of where all the money goes?

Sound curmudgeonly? O.K., maybe a little. After all, our statements are still there--just on a server instead of the kitchen table.

The problem is we take in information from a website differently than we do from a sheet of paper. "The online medium lends itself to a more superficial processing of information," says Jakob Nielsen, a Web-usability expert who has written a dozen books on how people interact with technology. "You're just surfing the information. It's not a deep learning."

Consider the way we read online. By tracking people's eye movements, Nielsen figured out that our focus moves around the screen in an F pattern. We start scanning horizontally, but pretty soon we're dropping down to see what else is there. By the time we're halfway down a Web page, we're tuning out.

So while online statements are fine for retrieving specific information--say, last week's bar tab--internalizing broader spending habits is a different story. "The reality of what you're spending isn't nearly as strong," says Naomi Baron, a linguistics professor at American University who studies the impact of technology. That's especially true for those of us who sign up to have our bills--cell phone, cable--automatically debited each month from our bank accounts.

Sure, we can always print online statements and turn them into paper ones. But very few of us actually do, according to consumer surveys by Forrester Research.

There might, though, be a way to restore or even enhance the 30,000-ft. view. Personal-finance-management tools, like those found at Mint.com and Wesabe.com are starting to gain traction among consumers (and not just the hard-core ones who have long relied on Quicken to interpret their finances). These programs pull together online statements and, with features like pie charts, show how much of our money goes to groceries, how much to gas, etc.

In other words, they use the Web to make statements more comprehensible, not less. That's an approach we'll probably see more banks pursue, says Mark Schwanhausser, an analyst at Javelin Strategy & Research. "Financial institutions are putting a lot of emphasis on paperless," he says, "and now they have to come up with what you get in return." Because we definitely are giving something up.

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