

StackBacks Automated Budget System

www.stackbacks.com

Premise

This budget system is based on a simple idea...

You shouldn't have to think about your budget. Figure your budget out once, not constantly. I want to pay my bills on time, reach my financial goals, and have money I can spend without worrying about it.

Budgets I've Tried

I've tried a lot of different ways to budget my money. I've used a ledger and I've used software (Microsoft Money and Quicken). I've tracked my expense down to granular levels like movie rentals and magazines and I've spent carelessly. I've used cash, I've used debit cards, and I've used credit cards. None of it worked.

I get lazy and I don't update the software or the ledger. If I have a budget, I don't stick to it, and if I don't have a budget, then I feel guilty about not meeting non-existent goals.

So after some thought and experimentation I've come up with a budgeting system that meets my lifestyle. It's simple. Anyone can do it.

Two Types of Expenses

There are 2 types of expenses, those that are planned and those that are not planned. Unplanned expenses are all lumped into a category called living.

Living expenses are what you would use an allowance on, if you still got one. The money you spend here is all variable, and dependent on the others. If you spend \$300 on dining out, chances are you don't need to buy any groceries. Sometimes you'll spend \$20 on movies, other times you'll spend \$20 on drinks. You'll get your haircut one week, the next you'll buy clothes. I think it's useless to budget specifically in these categories, it's better to lump them all into one.

Planned expenses are items you can easily budget. These are items that can be scheduled and/or are about the same amount. Your car payment is usually something that is the same every month, easily budgeted. Your utilities may vary from month to month, but you can estimate about how much they'll be, and you know when they are due. These are either date specified or monetarily specified.

Telling the Difference Between the Two

Here is an easy way to tell the difference. Ask yourself...

"Is this something I've agreed to pay, or is this something I spend whenever I want?"

"Would I still need to spend this money if I was on vacation?"

Examples of Two Different Expenses

Living	Planned
Gas	Rent
Groceries	Car Payment
Dining out	Cell Phone Bill
Haircuts	Auto Insurance
Drinks	Student Loans
Clothes	Utilities
Events	Budgeted Items
Impulse buys	Savings
Movies	Investments
Books	Debt Reduction

Setting Up the System

Setting up your system is easy. This assumes you already have a checking account. If you don't, stop reading this and go open one.

Step 1 Figuring Out Your Expenses

Step 2 Opening a Second Checking Account

Step 3 Start Depositing Money Into the New Account

Step 4 Control Your System

Step 1 Figuring Out Your Expenses

This is what requires the most effort. You'll only need something to record with (a pen and paper, a text document, or a spread sheet) and a stack of your bills (or a computer if you pay them all online). The information you want to collect for each bill is simple: the payee, the due date (just the day) and the amount owed. I round up to the next dollar, but you can be as precise as you want. You'll come up with a list like this (this is simplified)...

Date	Payee	Amount
1	Rent	600.00
1	Student Loan	74.00
1	Car	380.00
12	Cellphone	55.00
17	Car Insurance	94.00
	TOTAL	1203

You now know approximately how much money you need to live off for a month. Now it is time to figure out how much you need to maintain your lifestyle. If you aren't currently budgeting your money, this is just a guess. It's ok if you are not right.

You guess that you could maintain your lifestyle at about \$150 a week (your gas, food, entertainment). So you give yourself that as an allowance to start.

You should also double check to make sure you are earning enough money to cover this. Let's say you earn about \$2300 a month. This is approximately the after tax equivalent of earning \$40,000 a year.

2300 income
-1203 budget
-600 (150 x 4) allowance
\$497

For those paying attention that's \$500 a month you can invest, save, or whatever you wish.

Step 2 Setup a new account

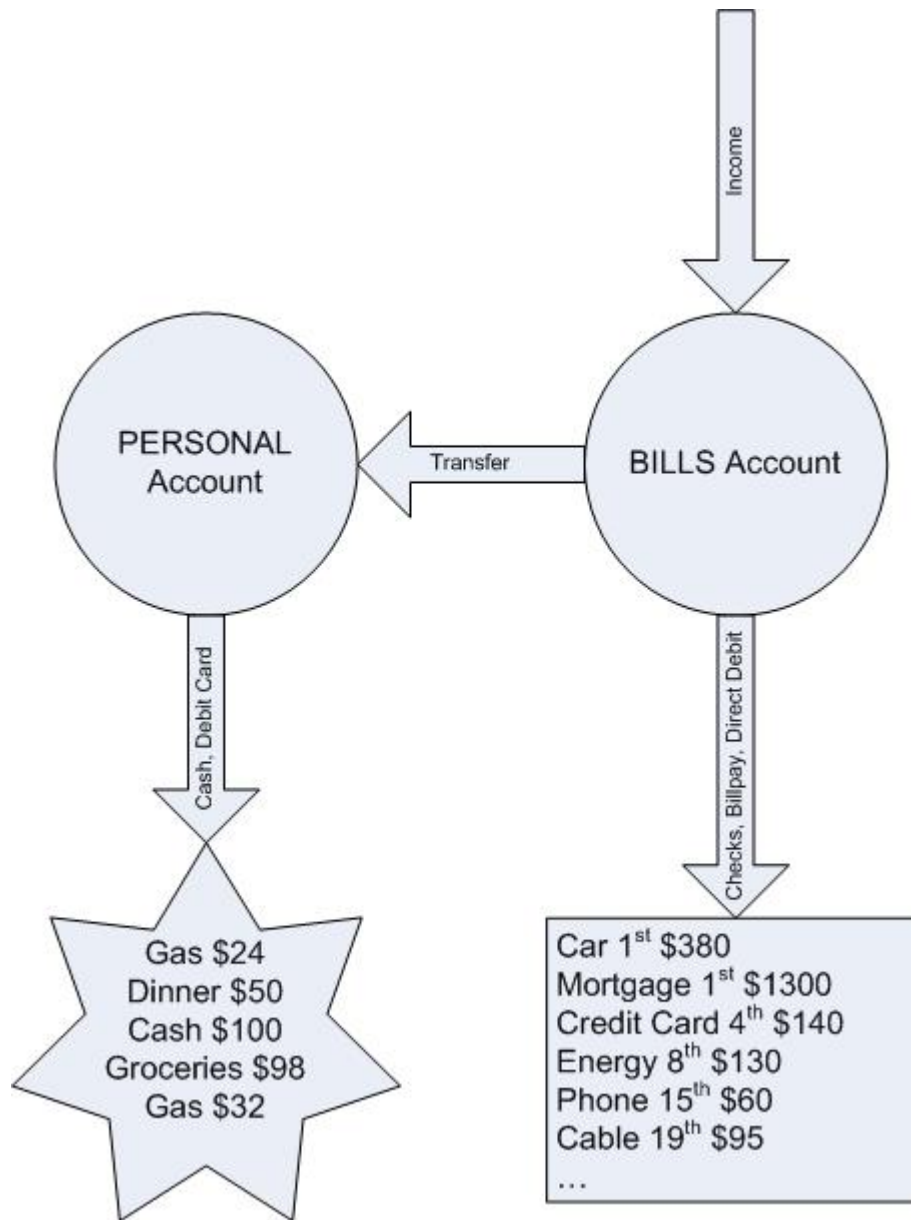
The setup is easy and requires very little money. Most banks will allow you to open a starter checking account with a \$50 minimum, sometimes \$100. Most people already have one checking account so you're looking at a \$50-\$100 startup cost, which you can spend almost immediately. You probably have at least \$50-\$100 in bills, so the start up cost is virtually nothing.

Step 3 Setup the flow

This is another easy step. This just means getting the money to flow in the right direction.

Now this part is crucial. The money you receive (paycheck) goes into your bills account. Your bills account pays all your bills, and pays you your allowance. If you put the money into your allowance account, you run the risk of spending money you don't have, or that's budgeted for something else. So, the solution to this, is only give yourself money you can spend.

Diagram of the Flow



Control Your System

Keeping personal expenses under control

There is one rule for your personal account, no checks or automatic debits. Other than that, go buck wild. Take out all the cash you want and swipe that card.

The problem with checks is that they aren't automatically controlled or instantly withdrawn. You have the ability to write checks your account can't cover, or you can write a check and then spend that money before it's cashed.

If you follow that one rule, then you never have to worry about bouncing checks or having insufficient funds. Your bank handles this for you. Want to know how much money you have till your next check? Just check your available balance.

Keep Your Budget Under Control

You need to do some calculations on a regular basis to make sure of two things.

1. You're budgeting enough money for your expenses
2. Nothing strange is being debited out of your account

You're expenses will change. You're utilities cost may go up in the winter or your auto insurance may go down. Just run the numbers and make sure you're allotting the right amount of money.

After you first setup your account I recommend paying your bills early and checking your accounts regularly crossing off bills as they get paid. You don't want to incur any late charges or overdrafts for any mistakes. After your system is setup I recommend you move to either checking after each pay period, or at the minimum once a month.

Going Forward

After a month or two if you're spending less than your making, you'll be accumulating money. Now it's time to think about your financial goals and incorporate them into your budgeted expenses. Do you want to save for a vacation? Invest money in mutual funds? Build a 6 month emergency fund?

The system is now in place for you to work in whatever way you want. Good luck!