

The ABC budget and budgeting worksheet

Why automate your budget?

The Automated Budgeting Channels (ABC) budget automates your budgeting cashflows so you can make better money decisions. According to Richard Thaler, our decisions are often influenced by “irrational” emotions that hamper our outcomes. By automating what we can and tracking the rest, we create a smart budgeting design.

How the ABC budget works

Here, we’ll follow our example budgeter, Dustin, through his own ABC budget. Along the way, we’ll highlight the most important parts so you can do it yourself on the back of this sheet.

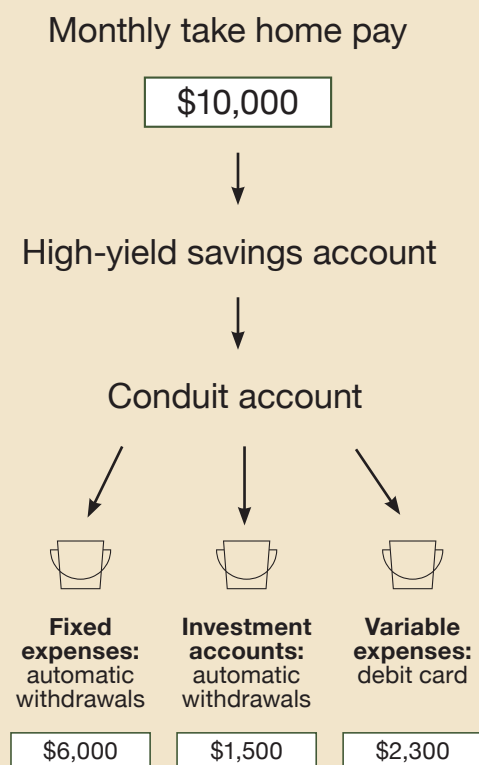
Dustin’s ABC budget worksheet

Every paycheck, Dustin’s income is **direct deposited** into a **high-yield savings account**. This way, any money that doesn’t flow out will grow without his attention.

High-yield savings accounts often limit the number of withdrawals per month. To circumvent this, Dustin makes one large distribution per month into his “**conduit account**”, a checking account at the same financial institution.

Dustin makes three types of distributions from his conduit:

1. **Fixed expenses**, such as his mortgage, insurance, and car loan. He schedules these to withdraw automatically from this checking account so he never misses a payment.
2. **Investment accounts** In our example, Dustin has worked with his financial advisor and determined that he should save \$550 in his Roth IRA and \$950 in his non-qualified brokerage account.
3. **Variable expenses**. Dustin has a set amount each month that he can spend on variable expenses. This is the amount that Dustin can spend guilt free on expenses such as groceries, going out to eat, entertainment, travel, etc.



The beauty of the ABC budget

Automating the flows of this diagram is where the magic happens. As your income grows or you earn bonuses, any amount in excess of what you automatically withdraw into your conduit account is captured in your high-yield account, earning yield until you move it elsewhere. In the example above, Dustin has \$200 that will stay in his high yield saving account. Using this process you’ll never miss a fixed expense thanks to your automated payments. And with a defined limit to your variable expenses through a debit card, you know you won’t overspend, no matter what you buy.

On the flip side of this sheet, you’ll find a blank ABC budget worksheet to set this flow up for yourself.

Build your own ABC budget

worksheet

This worksheet has fillable zones and checkable boxes so you can keep track of your progress and pick back up where you left off. Keep in mind that budgeting isn't "set and forget"—as your financial situation changes, your budget will as well.

Monthly income _____

☐ Set up direct deposit

High-yield savings account

Does your current financial institution offer a high-yield savings account? If not, you may need to find a different institution or use a regular savings account.

☐ Open a high-yield savings account

Every month, move most or all of the money from your high-yield account to your conduit account.

Write the amount to transfer here: _____

☐ Set up automatic monthly transfer

Conduit account

The conduit account is a regular checking account at the same financial institution as your high-yield account.

☐ Open a checking account



Fixed expenses

List your fixed monthly payments here. Check each box after you set up an automatic monthly disbursement for that payment from your fixed-expenses account.

☐ Set up checking account for fixed expenses

☐ _____

☐ _____



Investment accounts

Your monthly investment account deposit will depend on how much you estimate for fixed expenses and variable expenses.

☐ Set up automatic transfer to investment accounts

Monthly investment account transfer



Variable expenses

You can use a debit card to cover your variable expenses to prevent you from overspending. Your variable expenses budget will be determined after paying your fixed expenses and paying yourself through your investments.

☐ Set up checking account with debit card

Monthly variable expenses transfer

Need help? Reach out to your financial advisor.

Designing a new ABC budget isn't easy. In addition to setting up your automation and transferring the right amounts, you need to keep up with changes to your financial life. The advisors at Wealth Enhancement handle comprehensive financial situations with unprecedented care. If you want help making sure your new budget is as strong as it can be, reach out today at wealthenhancement.com.