THE ABC BUDGET AND BUDGETING

WORKSHEET

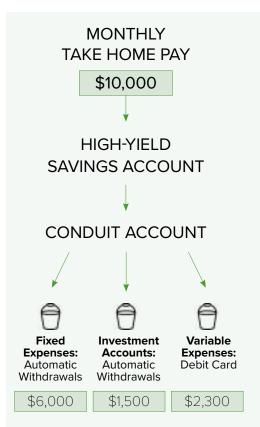


WHY AUTOMATE YOUR BUDGET?

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 AC	CCOUNT	
Does your current financial institution or use a regu	ution offer a high-yield savings account? lar savings account.	If not, you may need to find a
Open a high-yield savings ac	ccount	
Every month, move most or all of account to your conduit account.	the money from your high-yield Write the amount to transfer here:	
Set up automatic monthly tra	nsfer	
CONDUIT ACCOUNT		
The conduit account is a regular	checking account at the same financial i	nstitution as your high-yield account.
Open a checking account		
→₽	→1	→ Ĵ
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.	Investment Accounts Your monthly investment account deposit will depend on how much you estimate for fixed expenses and variable expenses.	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 yourse through your investments.
Set up checking account for fixed expenses	Set up automatic transfer to investment accounts	Set up checking account with debit card
	Monthly investment account transfer	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 Group 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 www.wealthenhancement.com.