

Always Have Money to Pay Your Bills

User Instructions

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Table of Contents

About the Author 4

Preface How This Spreadsheet Solved my Problem 5

Section 1: How This Spreadsheet Works. 6

Section 2: Inputs to the Spreadsheet.7

Section 3: Using the Spreadsheet. 8

NOTES.12

Preface

How This Spreadsheet Solved my Problem... And Can Solve Yours

Years ago, when we first had children and only one income, it was hard to make ends meet. Every month there seemed to be some “surprise” expense like car insurance, a relative’s birthday, or a water bill. I say surprise because these expenses seemed to just pop up out of nowhere. Of course, we were aware of them, but with a busy life we didn’t think about these items until the bill actually arrived in the mail or someone mentioned the birthday. Often it seemed as though we would never have enough saved (or leftover at the end of the month) to pay the surprise expenses. I was puzzled. My salary should have been enough to meet these expenses without upsetting the whole month’s budget, but sometimes we just had to use the credit card. Does this sound familiar?

The problem wasn’t the amount of income I was making but the way I was managing it. So I asked myself how I could make the monthly expenses more predictable and always have money to pay those surprise bills. That’s when I got the idea for the Personal Escrow Spreadsheet.

Today my income is much greater, my children are grown, I continue to be very busy, but I still use the Personal Escrow Spreadsheet. Why? Because I like predictability. Using this spreadsheet successfully became a key tool in my personal money management and gave me a feeling that I was in charge of my bills (and not the other way around). Now it is yours and I sincerely hope it can do the same for you!

For real estate investor, this spreadsheet also has great utility in leveling the cash flow for property water bills that seem to arrive in waves. Save the same payment each month and always have money to pay your water bill!

Section 1: How This Spreadsheet Works

Very simply, this spreadsheet adds up those easily forgotten expenses that come only a few times a year, and tells you how much you need to save, each month in a separate bank account, so they can be paid when they come due. I call this account “The Personal Escrow.”

To use the spreadsheet you need to:

- Make a list of all those “surprise” expenses
- Have Microsoft Excel software
- Muster a little discipline
- Imagine how great you will feel being able to pay each of those expenses without upsetting your monthly budget

After all your surprise expenses are entered for each month, an escrow payment is computed and shown at the bottom of the spreadsheet as shown in Figure 1-1. This is the amount you need to deposit every month in your personal escrow account. The spreadsheet also calculates the expected end-of-month balance in that account. This includes both the deposits (additions) and withdrawals (subtractions) that are planned for the month. These two pieces of information are key in taking control of the financial situation. Section 3 “Using the Spreadsheet” expands on this idea.

Figure 1-1. Example spreadsheet. A blank is included for your use.

ESCROW BREAKDOWN								
DATE DUE	\$ AMT	DESCRIPTION / PAY TO	DATE DUE	\$ AMT	DESCRIPTION / PAY TO	DATE DUE	\$ AMT	DESCRIPTION / PAY TO
JAN			FEB			MAR		
15	1487	Auto Ins, Allstate	10	300	Children's Clothes			
20	70	Auto Tags, MVA	30	15	Pia's Birthday	15	60	Mother's Day
30	200	Billy's Birthday				18	363	Life Insurance
						2	95	Water bill
APR			May			JUN		
10	200	Children's Clothes				15	2000	VACATION
30	15	Susie's Birthday				15	127	HOA dues
15	30	Father's Day	30	95	Auto inspection fee	27	125	Her Birthday
30	15	Mother-in-law Birthday	31	350	Auto Ins, Allstate	2	95	Water bill
						15	150	Anniversary
JULY			AUG			SEP		
15	1487	Auto Ins, Allstate	10	900	School Books	2	363	Life Insurance
5	125	My Birthday	17	15	Tina's Birthday	10	95	Water bill
10	600	School Clothes				30	15	Sister's Birthday
						30	50	Mom's Birthday
OCT			NOV			DEC		
10	1000	CHRISTMAS	15	1000	Christmas	2	200	CHRISTMAS
			15	156	Professional dues	2	95	Water bill
			10	25	Magazine subscription	10	300	Children's Clothes

Month	Monthly		Expected Balance
	Totals	Deposit	
January	1757	1018	\$ 139
February	315	1018	\$ 842
March	518	1018	\$ 1,342
April	260	1018	\$ 2,100
May	445	1018	\$ 2,673
June	2497	1018	\$ 1,194
July	2212	1018	\$ -
August	915	1018	\$ 103
September	523	1018	\$ 598
October	1000	1018	\$ 616
November	1181	1018	\$ 453
December	595	1018	\$ 876

ANNUAL TOTAL	\$12,218
ESCROW PAYMENT	\$1,018

Section 2: Inputs to the Spreadsheet

1. Before entering any data, list every surprise expense that you want to pay without worry. This only includes expenses not paid monthly. Here are some suggestions:
 - Birthdays
 - Car insurance
 - Life insurance
 - School tuition
 - Heating oil
 - Christmas (or equivalent)
 - Vacation
 - Water bills
 - Home owner association fees
 - Seasonal clothing
 - School supplies
 - Magazine subscriptions
 - Professional dues
 - Anniversary
2. Collect the following information about each expense:
 - Expense name (Example: Water bill)
 - Date due (Example: April 15)
 - Amount due (Example: \$120)
 - Expense description or to whom paid (Example: WSSC)
3. Do not enter expenses that are paid monthly (such as mortgage, rent, or electric bill). These are part of your regular anticipated monthly budget. The monthly escrow payment calculated by the spreadsheet will now become part of the monthly budget by converting those surprise expenses into anticipated ones.

Section 3: Using the Spreadsheet

Helpful Hints:

- Save a copy of the spreadsheet before entering any data
- The cells tinted blue are places that you may enter data
- You do not need to enter something in every blue cell
- Be sure to “save” the spreadsheet after you complete your data entry.

STEP 1: Enter Information About Each Bill

Enter the information about each expense in the month it will be paid. See the example in Figure 3-1. Here is some additional guidance:

- If you have more expenses in a month than there are available cells, consider moving the expense to the month in which the shopping is done.
- Remember you want to place an expense in the month that it is paid. For example, if a bill is due on the 1st then you will probably pay for the item a week earlier. So, the expense actually belongs in the prior month.
- Some expenses may be spread out over a period of months, like holiday shopping. In this case, the total saved for that expense might appear as several smaller expenses over several months.

Figure 3-1. Enter your expenses in the blue cells. Not all the lines need to be used nor do they need to be in order. The entries shown are for example purposes.

ESCROW BREAKDOWN					
DATE DUE	\$ AMT	DESCRIPTION / PAY TO	DATE DUE	\$ AMT	DESCRIPTION / PAY
JAN			FEB		
15	1487	Auto Ins, Allstate	10	300	Children's Clothes
20	70	Auto Tags, MVA	30	15	Pia's Birthday
30	200	Billy's Birthday			
APR			May		
10	200	Children's Clothes			
30	15	Susie's Birthday			
15	30	Father's Day	30	95	Auto inspection fee
30	15	Mother-in-law Birthday	31	350	Auto Ins, Allstate
JLY			AUG		

month after this is the best time to make the first escrow payment, because the account is properly funded since the balance is supposed to be zero.

Example: Looking at Figure 3-3 let's say you wanted to make your first escrow payment of \$1018 but had no other money on hand. Since the "zero balance" was in July the escrow account does not need funding. This means by simply making monthly deposits of \$1018 beginning in August you will meet all your future bills from August onward.

Month	Monthly Totals	Monthly Deposit	Expected Balance
January	1757	1018	\$ 139
February	315	1018	\$ 842
March	518	1018	\$ 1,342
April	260	1018	\$ 2,100
May	445	1018	\$ 2,673
June	2497	1018	\$ 1,194
July	2212	1018	\$ -
August	915	1018	\$ 103
September	523	1018	\$ 598
October	1000	1018	\$ 616
November	1181	1018	\$ 453
December	595	1018	\$ 876

AS	15	1000	Christmas	2
	15	156	Professional dues	2
	10	25	Magazine subscription	10

ANNUAL TOTAL			\$12,218
ESCROW PAYMENT			\$1,018

Figure 3-3. In this example, July is the "zero balance" month allowing you to start deposits and bill paying in August without "funding". If you start in November, however, you'll need to also make a one-time deposit of \$616 to "fund" the escrow account.

To begin making deposits immediately: In contrast, to begin making deposits into the escrow account for any time during the year *other* than the "zero balance" month, you will first need to "fund" the escrow account. This is done by making a one-time deposit equal to the Expected Balance of the month *prior* to the month that you intend to make your first escrow payment.

Example: Looking at Figure 3-3 let's say you wanted to make your first escrow payment of \$1018 in November, but the "zero balance" was in July. To meet all your expenses from November onward, you'll first need to "fund" the account by depositing \$616 (October's ending balance) into the escrow and then your escrow payment of \$1018 on November 1. From November onward, you only need to deposit your escrow payment of \$1018 each month to meet all your future expenses.

STEP 4: Making Payments

After the first deposit, continue making the same escrow payment on the same day of each month. As long as the escrow balance of the previous month is equal to or greater than the expected balance AND you have made your current escrow deposit you are ready to begin withdrawing funds to pay those surprise expenses. This is true even in the first month! When those bills arrive, withdraw only the amount of the bill. If the bill is more than predicted (for example, the insurance company raised their rates), withdraw the budgeted amount and use other discretionary funds for the difference. Then update the spreadsheet and begin making the new escrow payment the next month. If you draw out more than the bill's amount or you spend it on expenses not in the spreadsheet, this spells trouble. Remember, at the end of each month the escrow account must have *at least* the "expected balance" amount in it. If it falls below, some month down the road you will not have enough in the account to pay a bill.