Cheatography

YNAB - A Digital Envelope Cheat Sheet

by Peter Fife (pfife) via cheatography.com/66301/cs/28759/

Introduction

The zero-sum method is a budgeting approach where every dollar you earn is assigned a specific job—paying bills, building savings, or covering future expenses. Giving each dollar a purpose makes you make proactive financial decisions, with nothing left idle. With this method, you're not just reacting to what's left over; you're intentionally directing your money to support your goals and priorities. With tools like YNAB, Every Dollar, and Monarch the zero-sum method becomes even more effective, giving you real-time insights and guidance to stay adaptable and in control as life changes..

Your budget isn't set in stone, you have all the flexibility to meet life's demands and adjust as you go. If you're not making adjustments then you're not utilizing your plan.

Finical Goals

Goals bring awareness. Doing so brings you closer to the ultimate life style you want and the ability to be generous with your money. These are meant to be achieved in the following order.

1) **Have a Budget** - Keep it Simple, adjust as you go

2) **Build an Emergency Fund** - $1,500 - $3,000. Think car repair bill

3) **Pay off Consumer Debt** - Snowball or Avalanche your choice

4) **Build up Cash Reserve** - 3 to 6 months monthly expenses, this becomes Emergency Fund

5) **Max out retirement savings** - 12% or higher, talk with a Finical Planner

6) **Pay off Mortgage**

Once you hit step 4 you're starting your wealth management journey. It would be good to start looking at your investment strategy to maximize your return on that cash reserve. Seek out a finical planner.

Adapted from Arrest Your Debt that revises Dave Ramsey's Baby Steps

Getting Started

It doesn't matter what tool you use, discussed later, one thing in common with any budgeting method is writing down your total expenses to start. Be as detailed as you want or as simple, it's really up to you. No two budgets will are the same, every budget is unique. Don't feel bad if you create a category just for those daily lattes. That's a great thing, you're earning money so budget for it!

When you start thinking about your expenses YNAB has a two tier grouping. A *Category Group* and the *Category its self*. Check out YNABs article How Many Categories Should I have in YNAB.

A very simple budget can look like the below. When you're paid put 70% of it into the Operating for those living expenses, 20% into Spending, for things on fun stuff and the last for building up your savings like an emergency fund and retirement.

* Operating (70% of income)
* Spending (20% of income)
* Retirement (10% of income)

Check out's YNAB's Creating your Budget in YNAB video, 26 mins, for everything you need to start with.

When things go wrong - Draft

Missing Transactions: Import file

Bank account amounts don't match: Reconcile

When Red dominates: Fresh start

YNAB's Four Rules

Rule	Description
1	**Give Every Dollar A Job**: Assign the money from the accounts you've connected, and start allocating $$ to your envelopes, categories.
2	**Embrace True Expenses**: Figure out those yearly one time bills. Own a home, plan for roof replacement in 20 years.
3	**Roll With the Punches**: Moving money from one category to another is really OK to do. You should because then you're aware of your priorities.
4	**Age Your Money**: Expand the time between receiving and spending your money. Break the paycheck to paycheck cycle.

See YNAB's page for full descriptions: https://www.youneedabudget.com/the-four-rules/

Creating the Budget Template

What are Targets?

Targets are the amounts you need for expenses, either monthly or yearly. They combine three elements:

Categories (what the expense is for)

Amounts (how much you need)

Due dates (when you need it)

How Targets Work:

Monthly expenses (like rent): Set a target for the full amount each month

* Example: $900 monthly rent = $900 target

Yearly expenses (like car registration): Set the full amount and due date

* Example: $400 car registration = System calculates monthly savings needed

The system automatically:

Prioritizes expenses based on due dates

Adjusts monthly savings if you miss a month

Helps you save the right amount by the deadline

Note: YNAB offers prebuilt templates to help you get started: https://www.ynab.com/blog/ynab-templates



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Categories and Targets

Categories are Digital Envelopes for spending. Refer to How Many Categories Should I have in YNAB if you don't know what categories to create. A **Target** is the amount of money you want to stuff into each envelope each month. Then the system can auto-assign the correct amount when required.

There are five types of **targets**: three for *Spending Categories* and two for your *Credit Card Payment* categories. See YNAB's Target documentation for full explanations.

Spending Categories

* **Needed for Spending**: Monthly variable expenses like: Utilities, Dining Out, Gas/Fuel, and groceries.

* **Saving Balance**: Mainly for those large one-time purchases like: house down payment, emergency fund, big vacation.

* **Monthly Savings Builder**: Always set aside this specific amount no matter what the amount balance is. Auto maintenance, home repairs, pet care/vet.

Credit Card Payments

* **Pay off Balance by Date**: Calculates a monthly amount to assign in order to pay off your credit card debt by a certain date.

* **Pay specific Amount Each Month**: help you assign a certain amount toward your debt each month, without having a specific payoff date in mind.

Assigning your dollars

Assigning dollars happen once when you first link your accounts, and every time you earn income, paychecks or checks, venmo, zelle transfers into your accounts. This is **Rule 1**.

To link your accounts see YNAB link Accounts documentation.

Assigning your dollars (cont)

Going back to the envelope analogy, think of it when you get paid a pile of appears on your dining room table. You now stuff those envelopes that are most important, ie due first. When you have left over money you now can start stuffing those fun money envelopes like vacation, a new bike, a new car, etc. But once the money is all assigned, that's it you stop stuffing! Because now you must wait till next income cycle.

What the colors mean

Red: Immediate action is needed. Represents cash overspending. Move money to cover that overspending in order to trust your other Available amounts!

Yellow: Overspent on a credit account, or you haven't assigned enough for an upcoming transaction or underfunded amount based on target in order to fund it by the due date.

Green: It's all good! Your Available amount is positive and enough to cover any upcoming scheduled transactions.

Gray: Available amount at zero and not underfunded. If there was an upcoming transaction and or an unmet target, it would be yellow.

For the full explination see YNAB's documentation Colors and Icons in Your Budget.

The Routine

This is where the budget muscle needs some time to time to develop that habit.

1) Enter or import any new transactions and click that Reconcile button.

2) Cover any overspending that came from these transactions! This is **Rule 3**: Roll With the Punches.

3) Check your scheduled transactions to see if anything is coming up.

4) Assign any new income to categories until Ready to Assign is zero.

The Routine (cont)

5) Finally, just spin through your categories and make any adjustments.

See YNABs documentation Keeping your budget Accurate

Credit Card Use - draft

Unlike others out there the use of credit cards is not frowned upon. As long as you're spending within your means then take advantage of those points and cash back offers. YNAB is the only tool that allows the use of credit cards the way we use them in real life, omho.

See YNAB's Credit Card Payments

Wish Farm - Draft

Do you have a lot of different savings accounts, savings for different goals? Do you dip in your main savings account for when you have a special project? Do you wonder how to track and manage all those 'projects' around the house which will require some type of money?

If you have then take a look at the Wish Farm concept blog post here with a related embedded.

The basics are, you create a group called Wish List, and Wish Farm. In your Wish List is every project, vacation, thing you want to do in the future. These do not get any funding, it's just a list to track. In the Wish Farm group, you can have **ONLY** have 3 projects, categories, you actively save for.



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