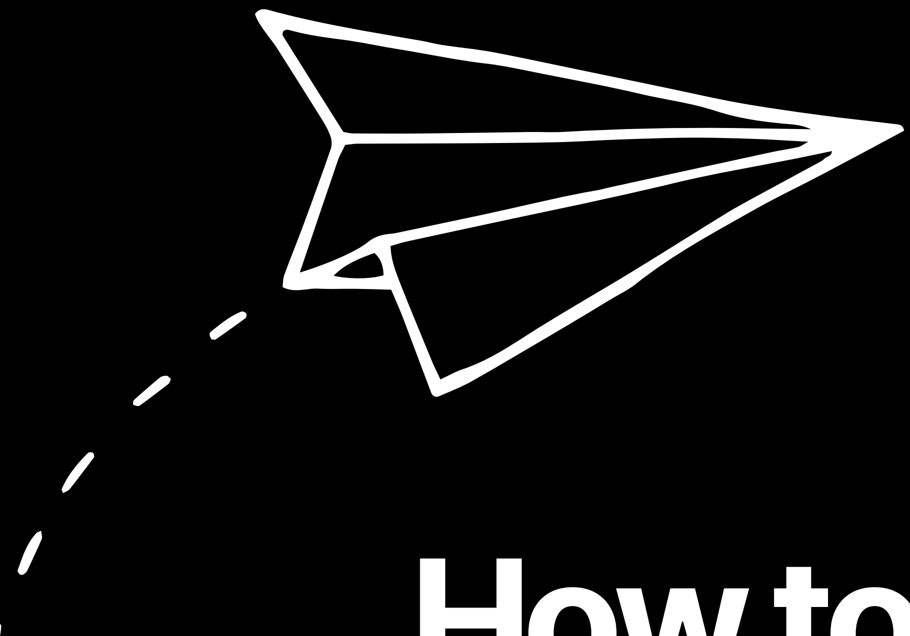

How to Put Your Money on Autopilot

A STEP-BY-STEP GUIDE

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BY

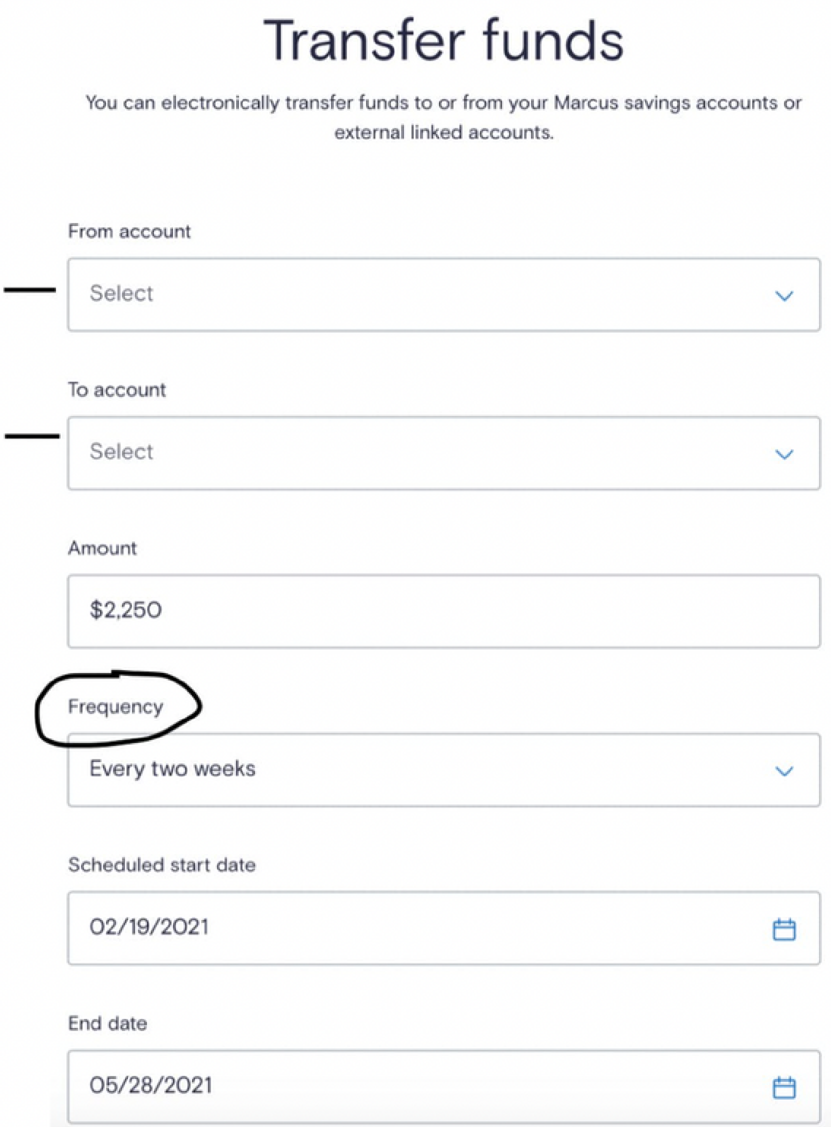
ALLSTREET
WEALTH

It sounds more complex than it is and with online banking, putting your money on autopilot has never been easier.

First, it's important that you have 2 accounts - a checking account and a savings account. If you only have a checking, you can open a savings account at your bank, or get an online high-yield savings account.

Next, log in to your banking app or your computer and go to 'Transfers'.

Most apps have you select a few things - which accounts the money is going to and from, the amount, and then it asks for the frequency. This is where you set up the recurring transfers.



Depending on how often you get paid, you can set up transfers to happen once a month or bi-weekly.

For example let's say you get paid on the 1st and the 15th.

Since rent is due on the first, you might not have much money left over after the first paycheck - so for that automated transfer, you set it up so it transfers $100 from your checking account on the 4th of every month to your savings account.

And then on your second paycheck, you can set a monthly transfer the exact same way but maybe you're able to do $700 on the 18th.

(It's recommended to try and save 10-20% of your monthly income so those numbers will need to be adjusted for your situation and what makes sense for your budget)

I recommend setting the transfers for a few days after pay day since they'll happen automatically, you don't want it to transfer the money and then the account goes negative because the paycheck hasn't landed yet for whatever reason.

But once you've got those recurring transfers complete, your savings is now automated

This technique is also called **reverse budgeting** because instead of saving what's left at the end of the month, you save first and spend what's left.

This is super effective if you find yourself struggling to save or stick to a budget.

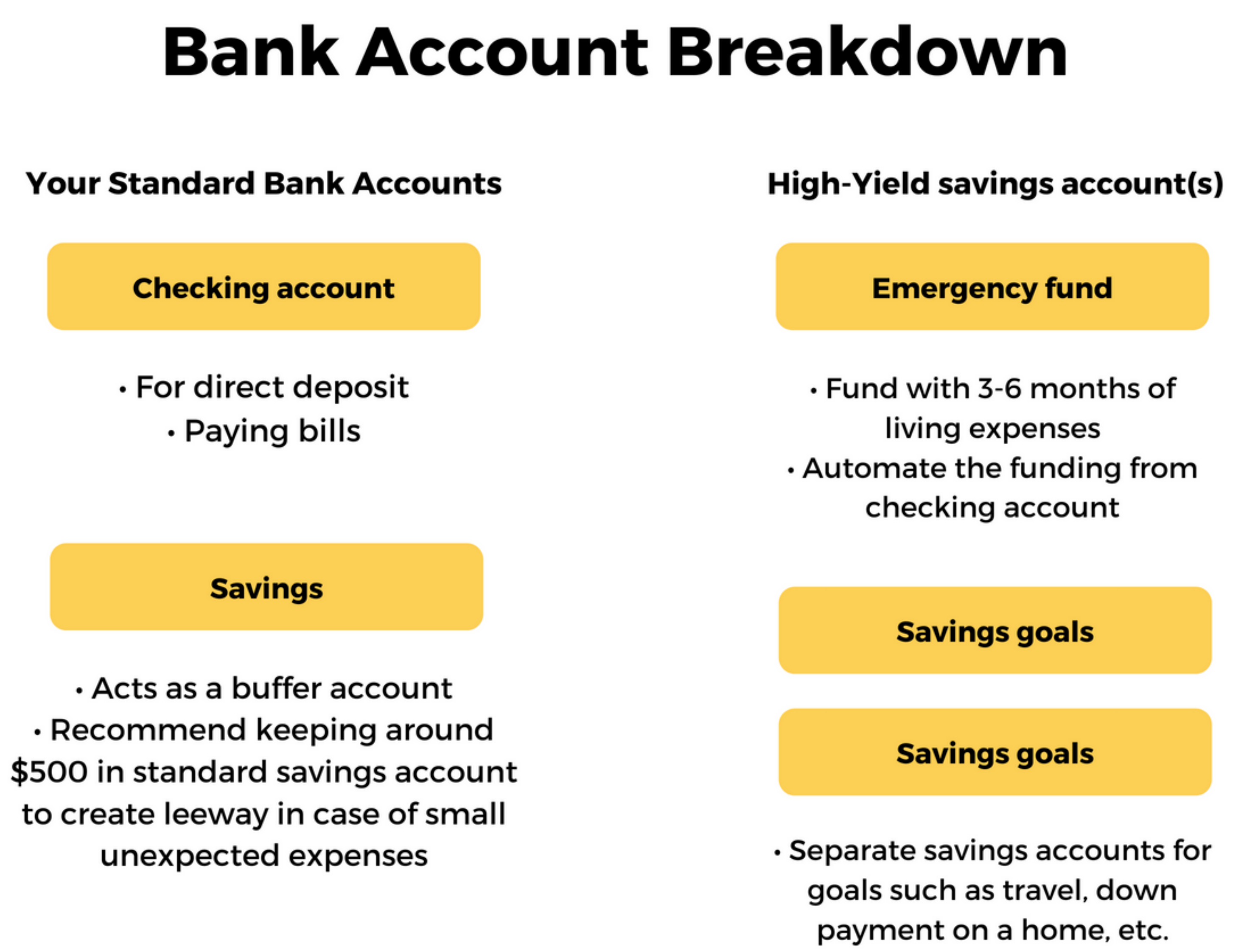
(And budgeting sucks, so I'm a huge fan of reverse budgeting and automating your savings before spending anything)

Now, let's dive into how to put all of your money on autopilot.

The first thing I recommend is setting up a high-yield savings account with either **Ally Bank** or **Marcus by Goldman Sachs**.

I personally use Marcus, but any high-yield account provider will work. And I currently have 4 savings accounts with them: emergency fund, travel, a buffer account, and taxes.

This image is a breakdown of what bank accounts you "should" have to begin putting your money on autopilot:



If having this many accounts seems unnecessary I get it, but there's a reason behind it.

Your checking account is going to act as a landing spot for your paycheck and then everything is going to be automated out of it.

Your savings account at the same bank as your checking can play a few different roles - I like using it as a buffer account, meaning I keep around $500 in it so I can cover any quick unexpected expenses without having to pull money from my emergency fund. You could also use it for all of your savings, but I recommend having ***separate*** accounts which is where the high-yield accounts come into play.

High-yield accounts are the exact same thing as a savings account, but with higher interest rates.

Standard bank accounts provide an average of .05% interest and high-yield accounts are around .5%.

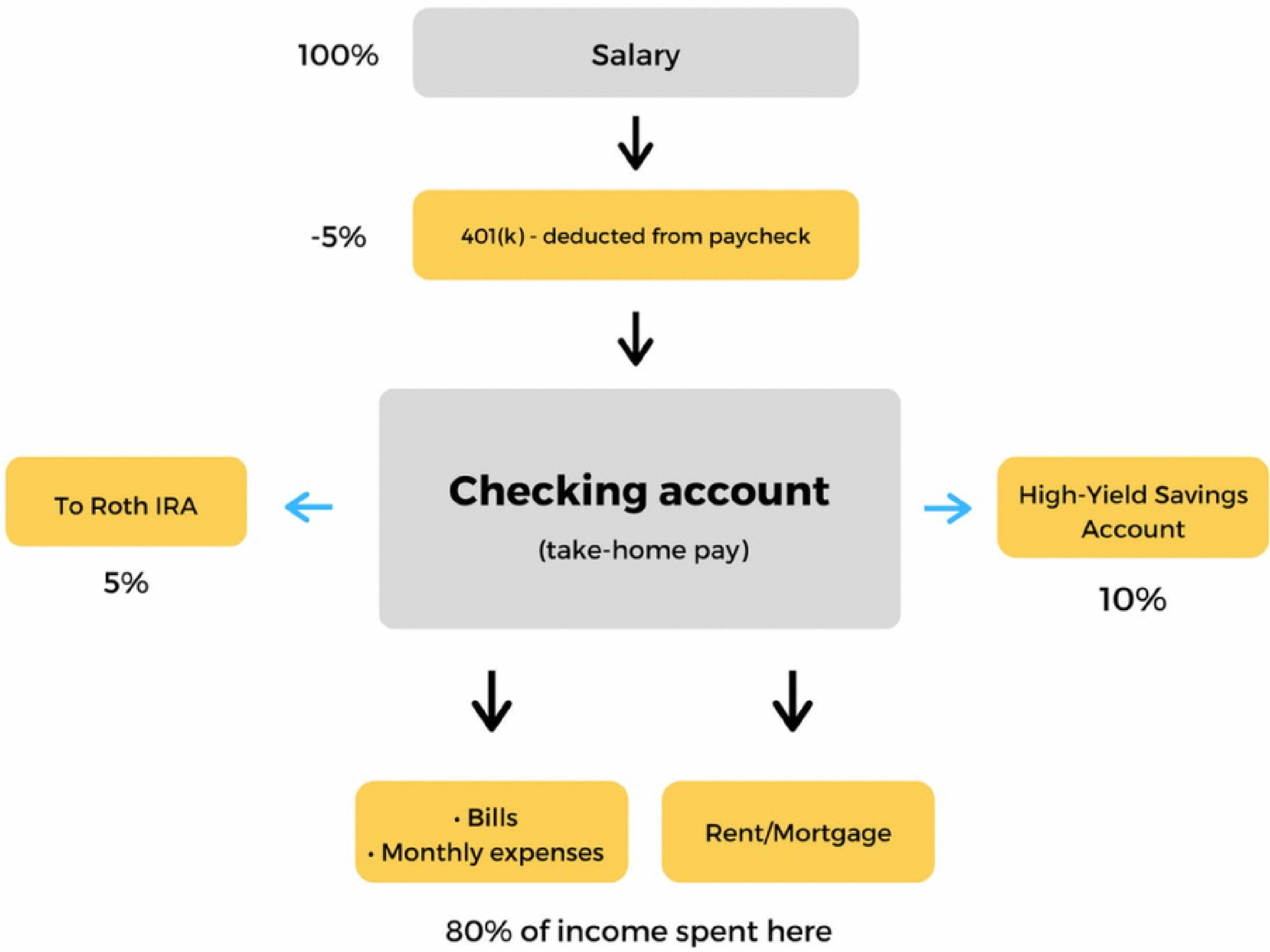
So just by having a high-yield account, you're earning more money.

But my favorite part is that you can separate out your money and have separate accounts for each goal, which makes it easier to keep track of and know what your overall savings picture looks like.

So I like having one account for my emergency fund, and then having separate accounts for other goals like travel, or saving for a new camera.

Now that we know we're going to automate savings, let's talk about automating investments.

But before we go into it, a visual showing what's going to happen might help, so this is a breakdown of how your salary can be automated throughout the month:



Depending on your situation, it's recommended to contribute up to your company match with your 401(k). For this example, we'll say that it's 5% of your salary.

With 5% automatically taken out of your paycheck through your employer for your 401(k), you receive **95% of your salary in your checking account each month.**

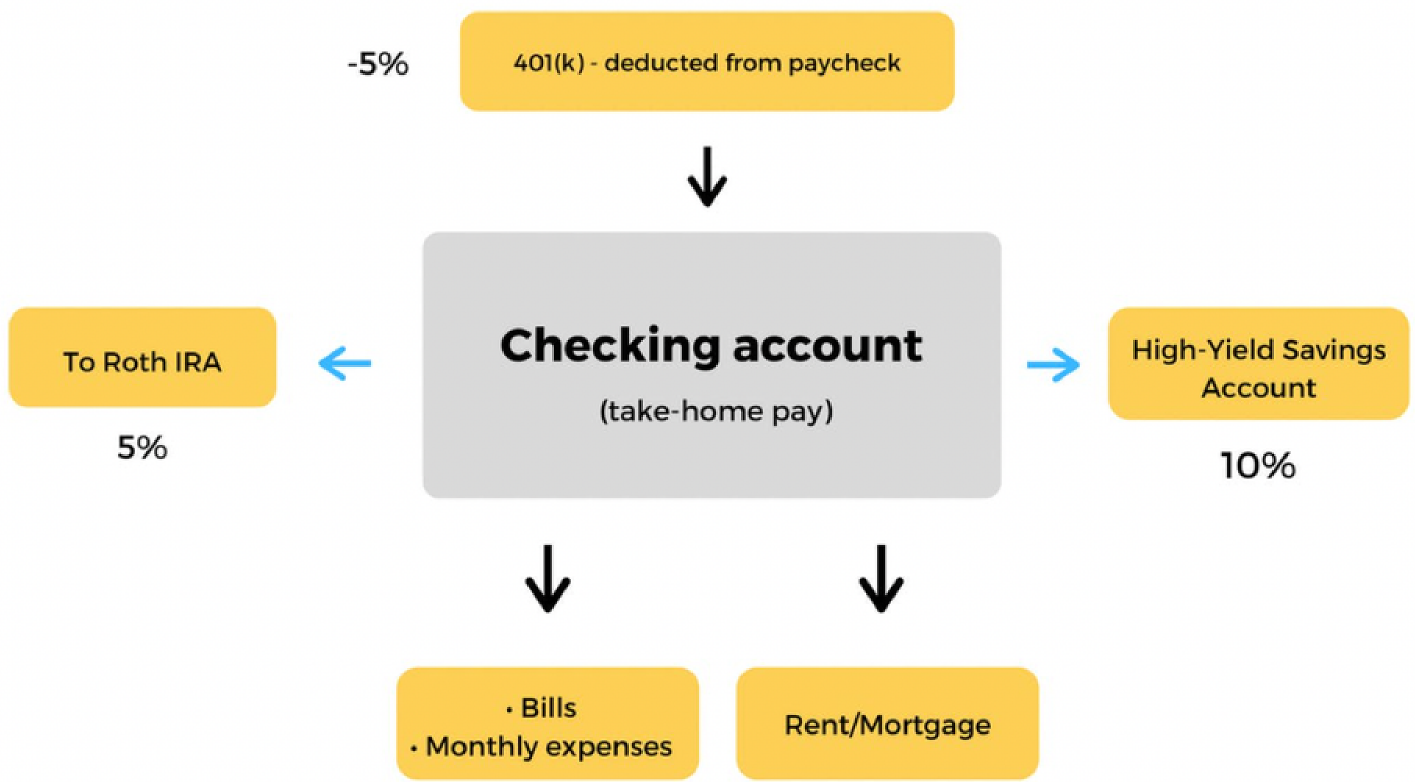
Of that 95%, 5% can be automated and go towards a Roth IRA (or other investment account) and 10% can be automated and go towards a high-yield savings account. Just like the screenshot above where you set up automated transfers in your banking app, you can do the same thing within your investment accounts.

So for example, the annual contribution limit for a Roth IRA is $6,000 - you could set up a recurring monthly transfer of $500 towards your Roth IRA so you could max out the account by investing $500 each month.

By placing your savings and investments on automated transfers, you can save 20% of your income without even thinking about it.

5% (401k) + 5% (Roth IRA) + 10% (savings) = 20%

That leaves you with 80% of your take-home income to cover your standard monthly expenses like rent, bills, groceries, etc.



Now, these numbers won't always be perfect for every situation, but they can be something to strive for.

I also recommend putting bills such as phone and internet on autopay either set to withdraw out of your checking account or my preference, charged to your credit card.

I prefer credit card because if there are any mis-charges you can dispute them and your credit card company has your back, but if the money is taken straight out of your account, it's harder to get resolved and you're out that money until they refund it.

It's also easier to pay one bill each month (credit card bill) than it is if you were manually making separate payments for each bill and service you use. You also get a more consolidated view of your spending if it's all coming from one credit card and the best part, you can get cash back.

To take it a step further, once you're comfortable with your savings rates and you have fairly consistent monthly expenses, you can begin putting your credit card on auto payoff.

The reason I don't recommend this when first getting started with automation is because if you don't know what your monthly expenses are, you may not have enough in your checking account after transferring savings and then the account would go negative and you might get charged overdraft fees - so I think that you should wait a few months after getting started before fully automating all bills alongside your savings and investments.

Now, this may seem like a lot of effort, and upfront, it does take a little bit of work to get it set up. But once you do it, it's done and you no longer have to worry about how much you should be saving and making sure it gets done every month.

The purpose of all of this is to remove stress around your money because everything that needs to happen is happening each month without you having to keep track of all of it.

So a real life example of this would be saving for a down payment on a home. Let's say the amount you need to have saved is $25,000. If you wanted to buy a home in 5 years, you'd need to save $5,000 per year. That comes out to around $420 per month so you could set up automated transfer for that amount and in 5 years, you'd have enough money saved without thinking about it. This can be done with any goal and any timeframe.

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