

Envelop System

- 1. Divide your spending into categories.**
Look over your budget, and divide it into areas of spending: food, gas, clothing, entertainment, etc. Then create an envelope for each category. No need to be fancy; a plain, white envelope with the category written on the front will do.
- 2. Fill your envelopes**
Fill each envelope with the money that you've allotted to that particular category.
- 3. Spend until the money is gone.**
Pay for your purchases out of the appropriate envelopes – using the food envelope for food purchases and the clothing envelope for clothing purchases – but only until the money is gone. At that point, all spending in the drained category must cease until the next month.
- 4. Put any leftover money into savings.**
If you have any money left in your envelopes at the end of the month, add it to your savings or use it to pay down a debt.
- 5. Refill again the next month.**
Refill the envelopes, and start again. Each month is a new shot at making your budget work.

Tips:

1. Tweak your category allocations over the first few months until you arrive at numbers that work for you.
2. If you're not used to paying for your purchases with cash, it may take a few months to adjust to the envelope system. Don't beat yourself up if you run out of money before the month is over. Just try harder to stay on budget the next month.
3. If a monthly envelope system doesn't work for you, try a weekly or bi-weekly envelope system. The goal is to create a system that works for you.
4. Does the idea of carrying cash make you nervous? No problem. You can use your debit card and still use the envelope system. Just subtract each purchase on the back of the appropriate envelope, and stop spending when you get to zero.

What You Need:

- Envelopes
- Pen or pencil
- A copy of your budget