

Budgeting Tools Review

Having an effective budgeting tool is the key to making your personal financial plan work. Most attempts at debt elimination, saving, and budgeting fail because this step is not fully implemented.

There are many different budgeting tools or systems available, from pen and paper to sophisticated interactive online systems. They all have their advantages and disadvantages and the best one for you is the one you like and will use consistently to make your plan work.

I have listed several different tools for your consideration and some of the advantages and disadvantages of each:

Envelope Systems

With an envelope based system, you place all of your income into virtual envelopes (spending categories) in order to be able to accrue or carry forward any money left over in each envelope from one month to the next. Because envelope systems have this feature, I prefer these systems for household budgeting as they give you the most control, visibility, and flexibility in managing your budget.

mvelopes.com

Description

This is an internet based system that automatically interacts with your bank and credit card accounts. This is my personal favorite and the one that I use myself.

Advantages:

- You can access your budget from any computer with an internet connection as the information is stored online
- You do not need to enter your income or spending transactions. All of your financial transactions appear in a new transactions screen each time you sign in and you then assign the transactions from there
- Allows you to create a profile for your paychecks to allocate your income to your envelopes the same way each time so you don't have to recreate your budget for each paycheck
- Does not require the use of a check register since it automatically finds all of your transactions as it interacts with your bank accounts (zero entry)

- Reconciling your bank accounts monthly is fast and easy
- Once your budget is set up and running, this system takes the least amount of time to manage

Disadvantages:

- Because it offers the most features and interacts with all of your bank and credit card accounts online, it is also the most difficult and time consuming to set up. They do offer free live chat and a mentoring service for an additional fee to help with this
- While they do use bank level encryption for your data, some people are not comfortable having their data stored online or having a system that connects to their bank accounts online

YNAB (You Need A Budget)

Description

This is an internet based system that automatically interacts with your bank and credit card accounts.

Advantages:

- You can access your budget from any computer with an internet connection as the information is stored online
- You do not need to enter your income or spending transactions. All of your financial transactions appear in a new transactions screen each time you sign in and you then assign the transactions from there
- Does not require the use of a check register since it automatically finds all of your transactions as it interacts with your bank accounts (zero entry)

Disadvantages:

- Does not allow you to create a profile for your paychecks to allocate your income to your envelopes the same way each time, so you do have to allocate your budget for each paycheck
- While they do use bank level encryption for your data, some people are not comfortable having their data stored online or having a system that connects to their bank accounts online

snowmintcs.com

Description:

This is an envelope system that is purchased and downloaded to your computer rather than being an internet based subscription

Advantages:

- One time purchase and download rather than an ongoing subscription
- Some prefer that your data stays on your computer rather than being stored online
- Allows you to create a profile for your paychecks to allocate your income to your envelopes the same way each time so you don't have to recreate your budget for each paycheck
- Includes an electronic check register that interacts with your budget envelopes (single entry)
- Easier to set up than Mvelopes

Disadvantages:

- Cannot access from any computer since it is not an online system
- While the set up is easier, it is more work to manage once it is set up because you must enter all of your transactions since it does not interact with your bank accounts

Computer Spreadsheets

Description:

Create spreadsheets that show your budget and each envelope category

Advantages:

- Spreadsheets will do the math for you vs a manual accounting journal
- Can be created using your computer's spreadsheet program with no added system required
- Can be a quick and easy option to get started if you are proficient with spreadsheets

Disadvantages:

- Does not provide an interactive electronic check register
- Budget envelope spreadsheets must be reset each month
- All transactions must be entered manually in the budget spreadsheets and in your check register (double entry)
- Requires a lot of time to manage

Manual Accounting Journal

Description:

Create your budget and envelope pages with pencil and paper

Advantages:

- Does not require a computer

Disadvantages:

- Requires you to do all the math
- Does not provide an interactive electronic check register
- Budget envelope pages must be recreated each month
- All transactions must be entered manually in the budget spreadsheets and in your manual check register (double entry)
- Requires a lot of time to manage

Tracking Systems

Work like envelope systems with the exception that you do not place your income into virtual envelopes (spending categories) in order to be able to accrue or carry forward any money left over in each envelope from one month to the next. Because tracking systems lack this feature, I do not prefer them for household budgeting as they do not give you the best control, visibility, and flexibility in managing your budget.

quicken.com

Description:

Probably the most well-known internet based system that automatically interacts with your bank and credit card accounts.

Advantages:

- You can access your budget from any computer with an internet connection as the information is stored online
- You do not need to enter your income or spending transactions. All of your financial transactions appear in chart or report form
- Tracks your planned spending by category against your budget
- Does not require the use of a check register since it automatically finds all of your transactions as it interacts with your bank accounts (zero entry)
- Reconciling your bank accounts monthly is fast and easy

Disadvantages:

- While they do use bank level encryption for your data, some people are not comfortable having their data stored online or having a system that connects to their bank accounts online
- Does not accrue or carry forward any money left over in each spending category from one month to the next.

mint.com

Description:

A simpler tracking system than Quicken also From Intuit.

Advantages:

- You can access your budget from any mobile device as the information is stored online
- Tracks your planned spending by category against your budget
- Easy to set up and use

Disadvantages:

- While they do use bank level encryption for your data, some people are not comfortable having their data stored online or having a system that connects to their bank accounts online
- Since Mint auto assigns transactions, there is some work in re-assigning transactions weekly to your chosen categories
- Provides no bank account reconciliation feature so transactions that do not get captured by the program or accidental transaction deletions will not be detected and corrected

everydollar.com

Description:

This is an internet based system that can automatically interact with your bank and credit card accounts if you pay for the upgraded service.

Advantages:

- You can access your budget from any computer with an internet connection as the information is stored online
- You do not need to enter your income or spending transactions if you pay for the upgraded service. All of your financial transactions appear in chart or report form
- Tracks your planned spending by category against your budget

- Does not require the use of a check register if you have the upgraded service since it automatically finds all of your transactions as it interacts with your bank accounts (zero entry)
- Reconciling your bank accounts monthly is fast and easy if you have the upgraded service.

Disadvantages:

- While they do use bank level encryption for your data, some people are not comfortable having their data stored online or having a system that connects to their bank accounts online
- Does not accrue or carry forward any money left over in each spending category from one month to the next.
- You must create a new budget each month rather than setting up a budget for the year or longer.