

# Automating Your Finances

If you've already made a budget and are looking for ways to streamline your financial activities, then automating your finances may be helpful to you. This means letting your regular financial transactions—contributing to your 401(k), transferring money to your savings account or paying your rent—happen automatically. This tactic may help you if you have problems with procrastination or sticking to your budget; with automated finances you'll pay your bills on time and reach your savings goals every month. You can set your bill paying, investing and savings activities to run on their own and significantly reduce the time you spend each month on financial upkeep.

## Automated Bill Paying

The first step to automated finances is setting up direct deposit for your paychecks so that they'll be automatically sent to your checking account each pay period. Once this is done, you can automate the rest of your finances without worrying about adequate funds in your account. To automate your bill paying, you have three options:

- Automate a bill to be paid by your credit card (and then automate your checking account to pay your credit card bill).
- Have money automatically taken from your checking account to pay your bills.

- Have your bank issue a tangible check on your behalf from your checking account to pay bills (such as rent) that might not accept electronic payment. This way you'll never have to actually write and mail a check, and you won't be in charge of making sure payments are made on time.

Don't forget that automating your bill paying doesn't mean you can overlook your bills entirely. With an automated system, it's important that you continue to scrutinize your bills, looking for errors, overdrafts or changes to regular charges. You might want to schedule a reminder to look over your bills before the date of your automatic transfer; this way you will have time to cancel your scheduled payment and dispute the bill.

taken out of your paycheck before you even get paid, you won't miss the money as much as if you'd had to take it out of your paycheck manually. If you have other investment or retirement accounts, you can set up automatic transfers from your checking account, too. It's also a good idea to pay your investment accounts before anything else to ensure that you're saving enough for the future.

## Automated Savings

Your savings account contributions can be automated as well. Your bank should allow you the option to set a recurring transfer from checking to savings—you can pick how much, when and how often. If you have a savings goal of \$1,000 per month and you've been manually logging into your online banking

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## Automated Investing

If your employer takes a certain amount or percentage from each paycheck and deposits it into your 401(k), you already practice automated investing. If this isn't already automated for you, you can talk to your HR department to get it done. If the money is

account to transfer the money each month, you can save yourself time (and ensure that you'll reach your savings goals) by automating the process. Some savings accounts allow you to create sub-accounts—for instance, a wedding account and an emergency fund under one savings account. You can



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automate your transfers to allocate a different percentage to each, which will make your savings goals and progress more concrete.

## Pros and Cons

As with any method of financial management, there are pros and cons. This method might work great for one person but terribly for another, and some people might benefit from automating parts of their finances and dealing with the rest manually.

### Pros:

**Easier to save/invest money.** Whether your problem is forgetfulness, laziness, or procrastination, automating will solve it.

**Save time.** You'll spend less time and energy paying bills each month. All you have to do is set it up at the beginning, and then spend a few minutes going over your bills and accounts each month.

**Electronic payments save you money.** You won't have to spend money on stamps or envelopes, plus many companies offer a discount if you automate your payments.

**Planning.** You can predict at any given time how much money is in each of your accounts, and you can even plan for the future that way.

**Budgeting is easier.** You'll only have what's left in your account to spend, which can eliminate impulse purchases and emotional money decisions.

**Never pay a bill late.** This is not only good for your credit score, but will also help you avoid late fees.

**Security.** By going paperless, you're lowering the risk of someone stealing your information out of your mailbox.

### Cons:

**Laziness.** Automating can make you even lazier about finances. If you don't regularly check to make sure your system is working correctly, you might be automating bad habits (such as regularly paying for a gym membership that you never use).

**Overdrawing.** You're at risk for overdraft fees if something goes wrong or you make a mistake.

**Fees.** If you don't regularly check your bills, there might be fees, errors or fraudulent charges that go unnoticed.

**Disputing charges.** It's harder to dispute a charge if you've already paid for it.

**Slacking.** You're less likely to rebalance your retirement portfolio if you automate investments.

**Complicated.** It can be complicated to set up, and you'll have to do it all over again if you switch banks or open/close accounts.

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Automated finances may be a successful strategy to get on track with your financial goals. It also may end up being detrimental in the long run. This system will only work if you are diligent about monitoring it and evaluating your transactions. The biggest benefit to automated finances is the convenience it provides, but if it's making your life less convenient, it may not be the right strategy for you.

