

Reducing Debt and Saving Money

In This Chapter:

- *Taking control*
- *Using the Debt Reduction Planner*
- *Understanding Quicken's automatic budget*
- *Working with your automatic budget*
- *Organizing categories into groups*
- *Forecasting for your future*
- *Understanding why we save*
- *Saving strategically*
- *Using Savings Goals*

As we face a different future from that of our parents and grandparents, the importance of saving money and reducing debt is becoming more apparent. The best way to prepare for life events is to build up your savings. Saving money is an important part of financial management. Savings enable you to take vacations and make major purchases without increasing debt, help your kids through college, handle emergencies, and have a comfortable retirement.

This chapter tells you about saving money and how tools within Quicken Personal Finance Software can help. If you're in debt and can't even think about saving until you dig your way out, this chapter can help you, too. It starts by covering Quicken tools for reducing your debt.

Reducing Your Debt

Consumer credit is a huge industry. It's still easy to get credit cards—even with the new regulations. And it's a lot easier to pay for something with a piece of plastic than with cold, hard cash. The “buy now, pay later” attitude has become an acceptable way of life. It's no wonder that many Americans are deeply in debt.

Those credit card bills can add up, however. And making just the minimum payment on each one only helps the credit card company keep you in debt—and paying interest—as long as possible. If you're in debt, don't skip this part of the chapter. It'll help you dig yourself out so you can build a solid financial future.

Taking Control

It's not easy to save money if most of your income is spent paying credit card bills and loan payments. If you're heavily in debt, you might even be having trouble keeping up with all your payments. But don't despair. There is hope! Here are a few simple things you can do to dig yourself out of debt.

Breaking the Pattern

Your first step to reducing debt must be to break the pattern of spending that got you where you are. For most people, that means cutting up credit cards. After all, it's tough to use a credit card if you can't hand it to a cashier at the checkout counter.

Before you take out the scissors, however, think about this: you may not have to cut up all of your credit cards. Leave yourself one or two major credit cards for emergencies, such as car trouble or unexpected visits to the doctor. The cards that should go are the store and gas credit cards. They can increase your debt, but they can be used in only a few places.

Here's the logic behind this strategy. If you have nine credit cards, each with a credit limit of \$2,000, you potentially could owe \$18,000, just on those credit cards. If the minimum monthly payment for each card is \$75, before you even start each month, that's \$675 for which you are obligated. If you have only two credit cards, each with a credit limit of \$2,000, you can get yourself into only \$4,000 of debt. Based on the same assumptions, you start your month owing only \$150 in minimum payments.

Reducing Your Credit Limits

Sure, it's a great temptation to use your credit cards to spend just a little more every month—especially when you're not even close to your credit limit. But high credit limits are a trap. The credit card company or bank flatters you by

offering to lend you more money. What they're really doing is setting you up so you'll owe them more—and pay them more in monthly finance and interest fees.

The next time your credit card company tells you they've raised your credit limit, do yourself a favor: call them up and tell them to reduce it right back to where it was—or lower!

Shopping for Cards with Better Interest Rates

Yes, it's nice to have a credit card with your picture on it. Or one that's gold, platinum, or titanium. Or one with your college, team, club, or association name on it. However, the purpose of a credit card is to purchase items on credit. That means you are renting the money from a credit card company or bank at a certain amount of interest. If you do not pay off the balance of a credit card at the end of each billing period, you pay the interest on that balance. The balance and interest rate determine how much it costs you to have that special picture or name on a plastic card in your wallet. Is it worth 19.8 percent a year? Or 34 percent?

Here's a reality-check exercise: Gather together all of your credit card bills for the most recent month. Now add up all the monthly finance fees and interest charges. Multiply that number by 12. The result is an approximation of what you pay in credit card interest each year. Now imagine how nice it would be to have that money in your hands the next time you go on vacation or need a down payment on a new car or home.

Low-interest credit cards are still widely available; try a web search. But before you apply for a new card, read the terms carefully. Many offer the low rates for a short, introductory period—usually no longer than 6 or 12 months. Some offer the low rate only on new purchases, while others offer the low rate only on balance transfers or cash advances. Be sure to find out what the rate is after the introductory period.

Here are two strategies for using a low-interest card:

- Consolidate your debt by transferring the balances of other credit cards to the new card. For this strategy, select a card that offers a low rate on balance transfers. When you transfer the balances, be sure to cut up the old cards so you don't use them to add more debt to your load.



Be sure that any fees involved in a balance transfer are not more than the savings you will receive by a lower interest rate!

- If you must use credit, use the low-interest card to make purchases. Even better, make the new card your emergency credit card and pay cash for everyday items. Be sure to cut up your old emergency card so you don't wind up using both of them.

And if you really like that special picture or name on the card in your wallet, call the credit card company and ask if they can give you a better interest rate. In many instances, they can—especially when you tell them you want to close your account.

Consolidating Your Debt

Consolidating your debt may be one way to dig yourself out. By combining balances into one debt, whether through balance transfers to a single credit card or a debt consolidation loan, you're better able to pay off the balances without causing financial hardship. This is sometimes the only option when things have gotten completely out of control and you can't meet your debt obligations. However, make sure you have cut up the old cards so you don't add new debt to the older, consolidated amount.



If you do choose to use a debt consolidation company, investigate them thoroughly before you give them any money.

Although this can be a risky way to handle your debt, if you own a home, you might consider a home equity loan to consolidate your debt. The interest rate is usually lower than any credit card or debt consolidation loan, and the interest may be tax-deductible. There's more about home equity loans in Chapter 12.

Using Charge Cards, Not Credit Cards

There's a difference between a credit card and a charge card:

- **Credit cards** enable you to buy things on credit. If each month you pay less than what you owe, you are charged interest on your account balance. Most major "credit cards" are true credit cards. MasterCard, Visa, and Discover are three examples. Most store "charge cards" are also credit cards.
- **Charge cards** enable you to buy things on credit, too. But when the bill comes, you're expected to pay the entire balance. You don't have to pay any interest, but if you don't pay the entire balance on time, you may have to pay late fees and finance charges. One American Express plan is an example of a charge card.



The benefit of charge cards is that they make it impossible to get into serious debt. Using these cards prevents you from overspending. Every time you use the card to make a purchase, a little accountant in the back of your head should be adding the charge to a running total. You should stop spending when that total reaches the limit of your ability to pay.

Chapters 4 and 5 explain how you can use Quicken to track credit and charge card balances either manually or online. If you use Quicken to keep track of expenditures, you won't need that little accountant in the back of your head.

If you don't want an American Express card (for whatever reason), use another major credit card as a charge card. Just pay the entire balance each time you get a bill. If you don't carry a balance, you can't be charged interest. However, be aware that, with new banking regulations, many financial institutions are changing the way they deal with credit cards. Some have instituted fees and other charges. Be sure to read any literature that comes from your bank regarding their practices. Also, check out the financial institution's website for specific information on their credit practices.

If You Can't Stop Spending, Get Help

Many people who are deeply in debt may have a spending problem. They can't resist buying that fifth pair of running shoes or that trendy new outdoor furniture. They don't need the things they buy, but they buy them anyway. There's nothing wrong with that if your income can support your spending habits, but if your net worth is less than \$0, it's a real problem—one that might require counseling to resolve.

The next time you make a purchase, stop for a moment and think about what you're buying. Is it something you need? Something you can use? Something you can justify spending the money on? If you can't answer yes to any of these questions, don't buy it. If you have to buy it anyway, it's time to seek professional help.

Living Debt-Free

It is possible to live debt-free—and you don't have to be rich to do it. Just stop relying on credit to make your purchases and spend only what you can afford.

Imagine how great it would feel to be completely debt-free. It's worth a try, isn't it?

Using the Debt Reduction Planner

Quicken's Debt Reduction Planner is a tool for helping you reduce your debt. You enter information about your financial situation, and Quicken develops a debt reduction plan for you. The Debt Reduction Planner is thorough,

easy to use, and an excellent tool for teaching people how they can get out of debt as quickly as possible, saving hundreds (if not thousands) of dollars in interest charges.

If you're in serious debt—actually having trouble making ends meet because you can't seem to get any of your debts paid down—a pair of scissors, a telephone, and the Debt Reduction Planner are probably your three best tools for getting things under control.

First, use the scissors to cut up most, if not all, of your credit cards. Next, use the telephone to call your credit card companies and try to get your interest rates reduced. (The answer is always no until you ask!) Then use the Debt Reduction Planner to come up with a solid plan for reducing your debt.

Here's what the Debt Reduction Planner can help you do that you might not be able to do on your own:

- Objectively look at your debts and organize them by interest rate. The debts with the highest interest rate (that cost you the most) are the ones that are paid off first, thus saving you money.
- Show you the benefit of using some of your savings to reduce the balances on your most costly debt.
- Help you set up spending limits, with alerts, for the categories on which you spend too much money.
- Create an itemized plan based on real numbers that you can follow to reduce your debt.
- Show you, in dollars and cents, how much money you can save and how quickly you can become debt-free by following the plan.
- Help you to stop dreading the daily mail and its package of bills. Use the Debt Reduction Planner to get things under control.

Note that the Debt Reduction Planner is designed to create a plan to pay off your credit card debt first. While you can track and include all of your debt in the plan, Quicken suggests you begin with the debt that costs you the most (the debt with the highest interest rate). That means setting up accounts for your credit cards rather than simply tracking monthly payments as bills paid. Chapters 2 and 4 discuss the two different ways to track credit cards in Quicken.



The wording on the initial debt reduction plan view is a little different depending on which accounts you have already set up. If you have not created any accounts, there is a line just above the Get Started button that says “Add your Accounts to get started.” If you have created accounts other than credit cards and loans, the line will say “Add your Credit Card and Loans Accounts to get started.”

Using the Debt Reduction Planner with Your Currently Entered Debt Accounts

To get started with the Debt Reduction Planner, from the Planning tab, choose the Debt Reduction button. The Debt Reduction Planner appears with its Get Started button as seen in Figure 16-1. What you see next depends on whether you have entered information about your debt into Quicken.

- If you have not yet entered any credit card or other debt into Quicken, you are prompted to do so after you click the Get Started button. The Add Account dialog appears so that you can enter your credit card. See Chapter 2 if you need to review how to enter a new account in Quicken. See the section “Starting Debt Reduction Planner from Scratch” later in this chapter to work with new accounts in the Debt Reduction Planner. Click the Get Started button to start. This takes you to the Identify Your Debt screen.

Quicken 2013 Premier - myfinances - [Planning]

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Budgets **Debt Reduction** Lifetime Planner Tax Center Savings Goals

Planning Tools Tax Tools Reports

Reduce the interest you pay

Get Out of Debt

Use the Debt Reduction Planner to tame your debt in a whole new way. After entering your credit cards and loans into Quicken, it's easy to create a plan to reduce the interest you pay and get out of debt as early as possible. Quicken helps you set realistic goals and visualize the long term impact of your plan.

Add your Credit Card and Loans Accounts to get started.

GET STARTED

How much can you pay towards your debt each month?

YOUR DEBT PLAN
\$1,254 monthly

YOU'LL PAY: \$33,155 in interest

YOU'LL SAVE: \$14,957 in interest

\$1254

TOTAL DEBTS \$ in thousands

Debt Free Jun/2020

PAYOFF DATE

To Do Help

Figure 16-1 • Starting the Debt Reduction Planner is your first step to financial security.

- If you have already entered debt information, you will see a dialog that reflects your current (entered) balances, as seen in Figure 16-2. The balance of this example assumes at least some of the information about what you owe is already entered into Quicken.
- If you have entered credit cards and other debt accounts but have not yet created a debt reduction plan, you will see the Get Started button without a tagline suggesting you add accounts. You can click the Get Started button to start, which will take you to the Identify Your Debts screen.



If you have existing debt, click Plan Actions | Edit Your Plan to get to the Identify Your Debts screen.

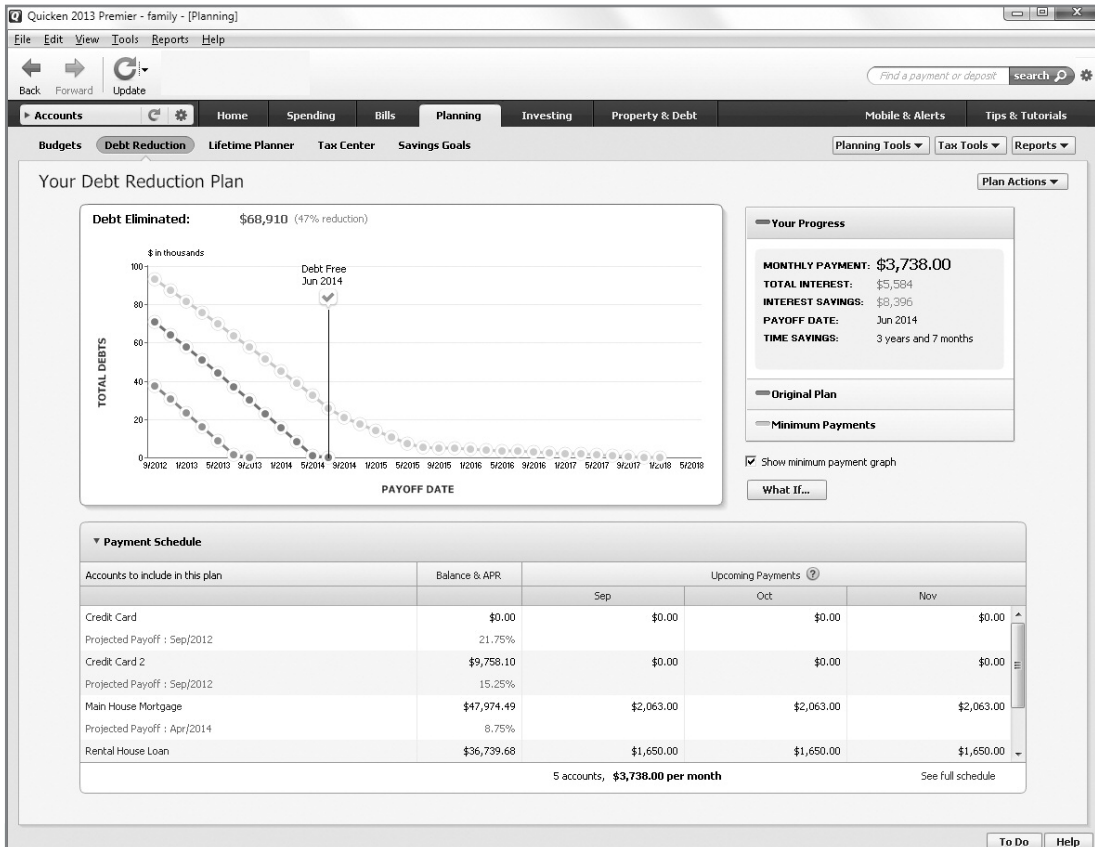


Figure 16-2 • Use Quicken’s Debt Reduction Plan to help you get out of debt.

What Do You Owe? The first step in creating a plan is to recognize what you owe. By default, the Debt Reduction Planner is designed to help you decrease high-interest credit card debt before long-term debt, which Quicken assumes to have lower interest. However, you may add any debt account to the plan. Figure 16-2 shows a completed Debt Reduction Plan that saves the planner more than \$8,000.00.

1. To include an account to your Debt Reduction Plan, click the Plan Actions button at the right side of the Debt Reduction Plan window.
2. Click Edit Your Plan to open the Debt Reduction Planner dialog as seen in Figure 16-3. Note that your current credit cards appear on the left side of the Planner in the Accounts To Include In This Plan section. Other debt accounts, such as your mortgage, appear on the right side of the screen in the Other Debt Accounts section. (A non-zero ending balance is the criteria for displaying debt accounts in the Identify Your Debts screen. If you have future-dated payments that pay your account balance down to zero, you will not see these debt accounts in the Identify Your Debts screen.)
3. Position your mouse cursor to the left of the account you want to add to the Planner. Click the Include link that appears. The account now appears as part of your plan in the column on the left side and is no longer included with the Other Debt Accounts column on the right side of the Planner.

The screenshot shows the Quicken Debt Reduction Planner interface. At the top, there are navigation tabs for Accounts, Home, Spending, Bills, Planning, Investing, Property & Debt, Mobile & Alerts, and Tips & Tutorials. Below these are sub-tabs for Budgets, Debt Reduction, Lifetime Planner, Tax Center, and Savings Goals. The main content area is titled 'Identify the debts you want to reduce' and includes instructions: 'Listed below are the debts you currently track in Quicken. Click Include or Remove to choose which debts to include in your plan. Being complete is important. If a debt is missing, click Add an account to add it to the list.'

The interface is divided into two columns:

- ACCOUNTS TO INCLUDE IN THIS PLAN**

	BALANCE
Credit Card 2	\$9,758.10
Gas Card	\$128.10
Main House Mortgage	\$47,974.49
Rental House Loan	\$36,739.68
Total in plan:	\$94,600.37
- OTHER DEBT ACCOUNTS**

	BALANCE
2010 Ford Focus Loan	\$6,042.47
2011 Ford Fusion Loan	\$17,696.39
Solar Paneling	\$21,288.66

A tip at the bottom states: 'Tip: Be sure to include all credit card and other high-interest debt in your plan.' A 'NEXT' button is located at the bottom right of the main content area.

Figure 16-3 • Your first step in reducing debt is to identify what you owe.



If you hover your mouse over any of the text in the panel on the left, the Remove link appears. Conversely, if you hover your mouse over any of the text in the panel on the right, the Include link becomes available.

4. To remove an account from the plan:
 - a. Position your mouse cursor to the right of the account.
 - b. Click Remove. The account is not included in the plan and appears in the Other Debt Accounts section of the Planner dialog as seen here.

ACCOUNTS TO INCLUDE IN THIS PLAN		OTHER DEBT ACCOUNTS	
	BALANCE		BALANCE
Credit Card 2	\$9,758.10	2011 Ford Fusion Loan	\$17,696.39
Gas Card	\$128.10	Solar Paneling	\$21,288.66
Main House Mortgage	\$47,974.49		
Rental House Loan	\$36,739.68		
2010 Ford Focus Loan	\$6,042.47		
Total in plan:	\$100,642.84		

Tip: Be sure to include all credit card and other high-interest debt in your plan.

5. After you have chosen all the accounts you want to include in your plan, click Next.

Get the Details The Get The Details dialog of the Debt Reduction Planner appears as seen in Figure 16-4. Here is where you enter the current interest rates and the minimum payments for each of the accounts you’ve included in your plan. If you have not yet entered this information into Quicken, you can find this information on your latest credit card statement or from the financial institution’s website. If the current interest rate or minimum payment amounts are different than shown here, do the following:

1. Enter the actual interest rate in the Interest Rate field for each account. Click in the field, and any existing information is highlighted. Type in the correct rate.
2. Click in the minimum payment field for each account. If there is an existing amount, it will be highlighted and you can type in the proper amount. If you enter a minimum payment that does not meet the minimum based on the interest rate you entered, you’ll see a warning message as shown here.

MINIMUM MONTHLY PAYMENT	
<input type="text" value="\$490"/>	Based on this Interest Rate your minimum payment must be at least \$222
<input type="text" value="\$150"/>	
<input type="text" value="\$35"/>	

1 IDENTIFY YOUR DEBTS 2 GET THE DETAILS 3 MAKE A PLAN

Get the details

A good debt reduction plan requires a few critical details about your debts. Being accurate is important. It's best not to guess or "ballpark" this step.

	INTEREST RATE (APR)	MINIMUM MONTHLY PAYMENT
2010 Ford Focus Loan	8.975 %	\$490
Credit Card 2	15.25 %	\$222
Gas Card	0 %	\$35
Main House Mortgage	8 %	\$1,641
Rental House Loan	7.25 %	\$2,365

Tip: Review your statements or visit your financial institutions' web sites to get the correct numbers. For credit cards, look for a "Purchases" or "Standard APR" to find the interest rate.

BACK NEXT

To Do Help

Figure 16-4 • Enter the interest rate and minimum payment amounts for each credit account to be included in your debt reduction plan.

You will not be able to continue until you make any necessary corrections. When the corrections are made, the Next button becomes available. Click Next to continue.

Make Your Plan The Make A Plan dialog is the workhorse section of the Debt Reduction Planner. You'll see that Quicken first calculates the plan based on your current payment amounts, as seen in Figure 16-5. There are several areas of information in this dialog with which you can work to create a plan that gets you out of debt sooner.

1. Your Debt Plan is shown at the upper-left corner of the Make A Plan dialog. As you start your planning, the amount displayed shows how much interest you will be paying if you continue paying just the minimum monthly payments. Below the minimum payment information is a chart showing when you will be debt-free making just the minimum payment on each outstanding account. The Your Debt Plan summary may appear anywhere

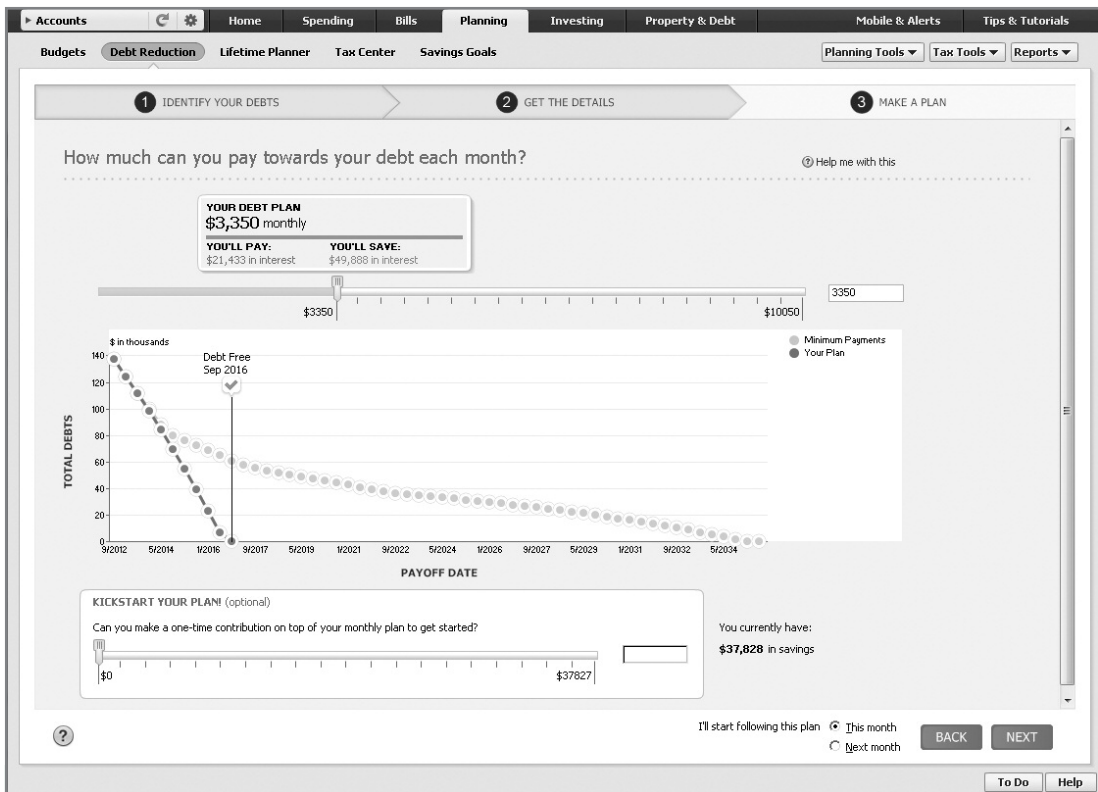


Figure 16-5 • Quicken shows you how long you'll be paying when you make only minimum monthly payments on your debts.

along the slider above the chart, depending on the accounts and minimums in your plan.

2. Move the slider or enter a new amount into the field to the right of the chart to see how much you will save by paying more than the minimum payment each month, as shown next. In our example, paying only \$250 more each month results in a savings of an additional \$9,398.00 in interest.

At the bottom of the Make A Plan dialog, Quicken displays another slider that lets you tell Quicken how much you could pay on debt if you choose to make a one-time payment from your savings and nonretirement investments. Shown at the right of the Kickstart Your Plan slider are the balances of accounts you have that might be used to pay down your debt.



The Help Me With This link at the upper-right side of the Make A Plan dialog offers suggestions to help with your plan as seen here.

Once you have entered your plan amounts, finish your Debt Reduction Planner session by telling Quicken when you plan on starting the new payment schedule. See the option at the bottom right of the plan next to the word “Back” as shown here.

- Click This Month if you intend to pay more than minimum payments starting with this month’s payments.
- Click Next Month if you’ve already paid the minimum for this month and want to start paying more than the minimum next month.

If you are satisfied with your plan, click Next to see your completed plan as seen in Figure 16-6.

In your Debt Reduction Plan dialog, use the Plan Actions button to explore other plan options or delete the current plan and start over. You can click the legends at the right of the graph to see summary info on either Your Plan or Minimum Payments. See “Modifying Your Plan” later in this chapter for more information.

You can opt to display the plan graph or include the minimum payment graph along with the graph for your plan. Click the Show Minimum Payment Graph to toggle between the two displays.

Use the What If button to experiment with other plan options, change the pay-off order, and update your plan.

- Click the downward arrow in the Payment Schedule section to hide the schedule of upcoming payments. You can also click the See Full Schedule

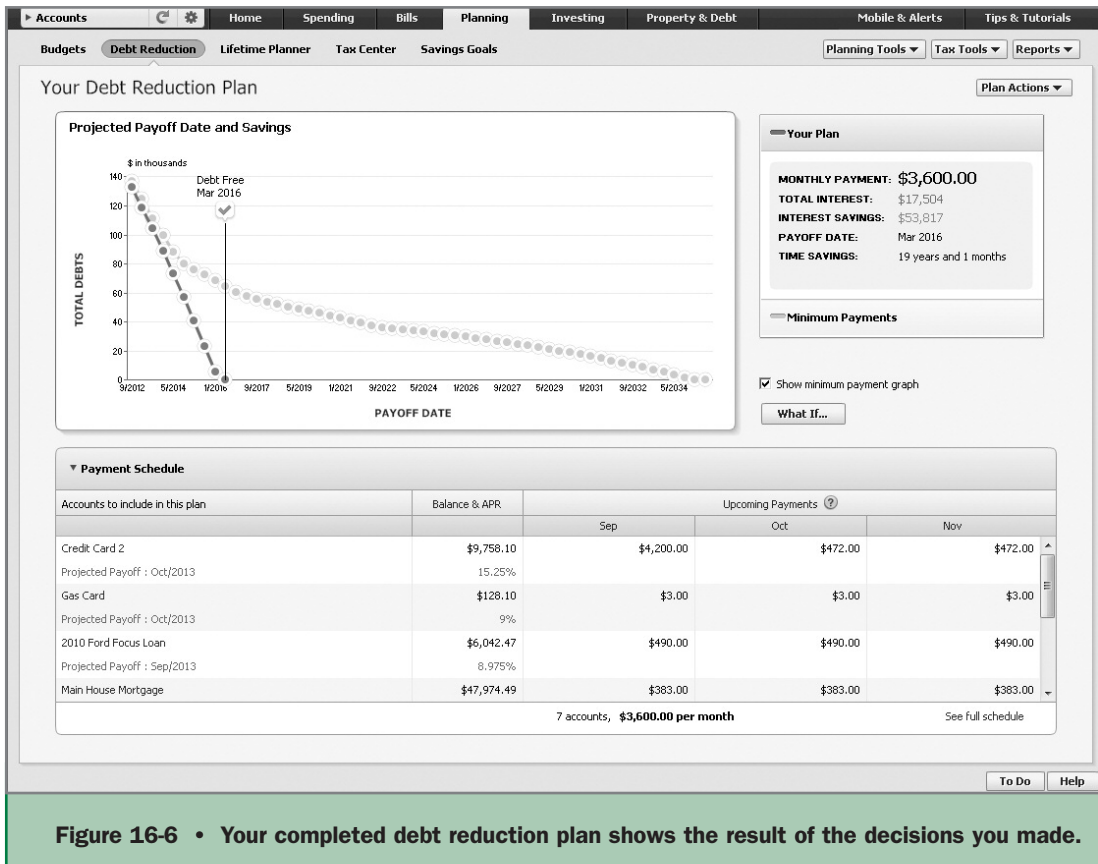


Figure 16-6 • Your completed debt reduction plan shows the result of the decisions you made.

link at the bottom right of the Payment Schedule section to see the schedule for this month and next month, as shown here. This schedule also shows the projected balance for each account after the plan's payment schedule is met. You can also print a 6 Month or a 12 Month Plan from the My Payment Schedule dialog.

My Payment Schedule

My Payment Schedule

September, 2012	PAYMENT	PROJECTED BALANCE
Credit Card 2	\$4,200.00	\$5,631.69
Gas Card	\$3.00	\$119.92
2010 Ford Focus Loan	\$490.00	\$5,597.66
Main House Mortgage	\$383.00	\$47,911.32
Rental House Loan	\$1,650.00	\$35,311.65
Solar Paneling	\$227.00	\$21,149.48
2011 Ford Fusion Loan	\$375.00	\$17,391.44
Projected remaining:		\$133,113.16

October, 2012	PAYMENT	PROJECTED BALANCE
Credit Card 2	\$472.00	\$5,231.26
Gas Card	\$3.00	\$117.82
2010 Ford Focus Loan	\$490.00	\$5,149.53
Main House Mortgage	\$383.00	\$47,847.73
Rental House Loan	\$1,650.00	\$33,874.99
Solar Paneling	\$227.00	\$21,009.72
2011 Ford Fusion Loan	\$375.00	\$17,085.28
Projected remaining:		\$130,316.33

November, 2012	PAYMENT	PROJECTED BALANCE
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- Click Print 6 Month Plan to open the Print dialog from which you can preview or print the payment schedule for the next six months. This schedule also shows the projected balance for each account after the plan's payment schedule is met.
- Click Print 12 Month Plan to print or preview the scheduled payment plan for the next year.
- Click Done to close the schedule and return to your plan.

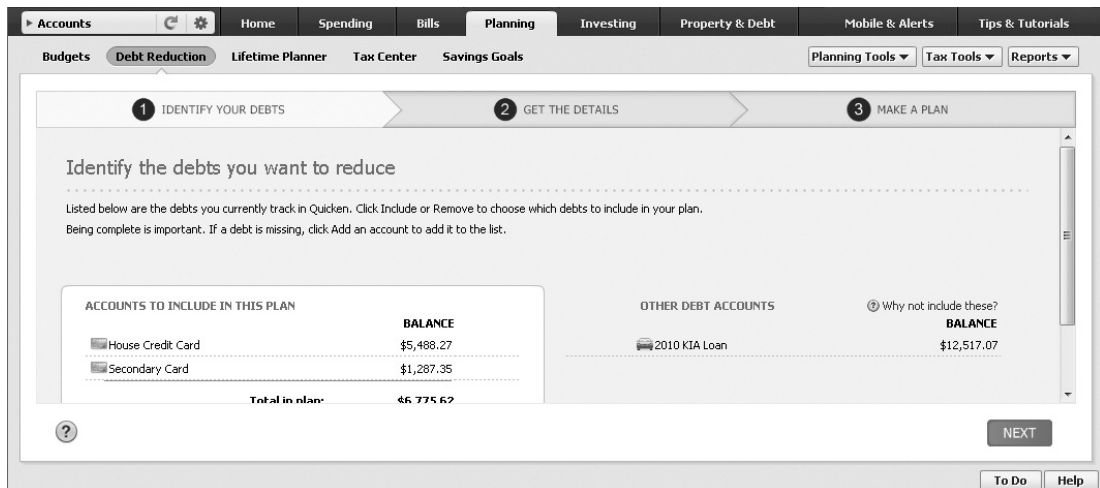
Starting Debt Reduction Planner from Scratch

If you have not entered any of your credit cards or other debt into Quicken, the Debt Reduction Planner will prompt you to do so. To get started, from the Planning tab, choose the Debt Reduction button. The Debt Reduction Planner

appears with its Get Started button as seen in Figure 16-1. If your Planning tab is not currently displayed, choose View | Tabs To Show.

1. Click the Get Started button. The Add Account dialog appears.
2. From the Add Account dialog, select Credit Card and click Next.
3. Enter your financial institution's name or select it from one of the lists. You can also use Advanced Setup, choosing I Want To Enter My Transactions Manually, to enter your information without downloading. If you need more help adding your accounts, review Chapters 2 and 4.
4. Enter the date of your latest credit card statement, and enter the balance as of that date.
5. Click Next to complete the setup of your debts. At this point, you'll see the Account Added screen. If you are going to add more accounts, click the Add Another Account button rather than the Finish button. Clicking the Finish button starts the debt reduction plan's Identify Your Debts screen. If you aren't paying attention, you'll be "stuck" in the debt reduction plan without all of the accounts you wanted to include in the plan. You can click menu path Tools | Add An Account to add any accounts you might have missed. When you have finished adding accounts, you can click the Planning tab to return to the debt reduction plan's Identify Your Debts screen and the newly added accounts will be shown in the Other Debt Accounts section of the screen.
6. Repeat steps 1 through 5 for each debt with a balance.

Once all of your debts are entered, they will be reflected on the Identify Your Debts dialog in the Debt Planner as shown next. Once all of your information is complete, click Next to continue.





7. In the Get The Details dialog, enter the interest rate shown on your credit card statements for each item. You can move between the fields with your TAB key. Quicken will automatically enter the correct minimum payment based on the interest rate you enter.
8. Click Next to open the Make A Plan dialog. Follow the directions described in the “Make Your Plan” section shown earlier.

Modifying Your Plan

Once you have created your plan to reduce debt, you can adjust it at any time. To review the plan, go to the Planning tab and choose the Debt Reduction button. Your current plan appears.

- Click the Plan Actions button and choose from one of the menu options:
- Click Explore Other Plan Options to open the Experiment With Other Plan Options dialog as described in “Use the What If Option” later in this chapter.
- Click Delete This Plan to delete your current plan and start over.
- Choose Edit Your Plan from the drop-down menu to work with your current plan.



The What If button opens the Experiment With Other Plan Options dialog as well as the Plan Actions button.

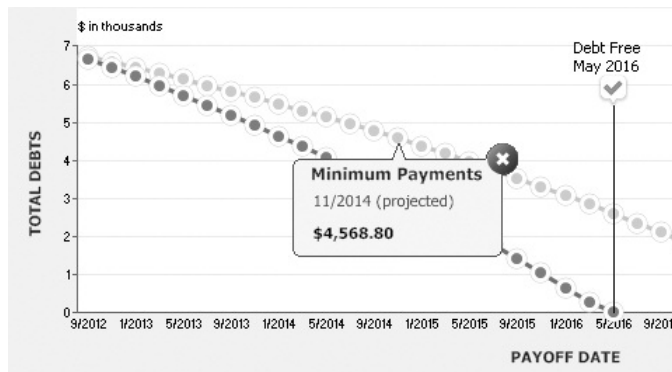
Editing Your Plan When you choose Edit Your Plan you are returned to the Identify Your Debts dialog, where you can remove or include any of your accounts. Once you have made changes, click Next to continue.

1. In the Get The Details dialog, make any necessary changes to interest rate and/or minimum payments. Click Next to open the Make A Plan dialog.
2. Make any changes in the Make A Plan dialog. Perhaps you’ve decided to pay an additional \$50 per month to reduce debt faster. Or you’ve decided to take more money from savings. Whatever the choices, indicate as appropriate and click Next to complete your modifications. In the Make A Plan dialog, you cannot click Back once you have clicked Next.
3. Position your mouse cursor and click any “tick” on the Projected Payoff Date and Savings graph lines to see how much you will owe at a specific date. The yellow line shows your debt as of a specific date paying minimum payments, while the green line shows the total projected debt at that date using your current reduction plan, as seen next.



You can choose to hide the minimum payment graph by clearing the Show Minimum Payment Graph check box.

Your plan displays the monthly payment, total interest you will pay, the interest savings, the payoff date, and how much time you will save over paying just minimum payments. Click the green bar to show Your Plan; click the yellow bar to see the result of paying just the minimum payments as seen here.



Use the What If Option

You may be pleased with your debt reduction plan as it stands but curious about what would happen if you applied your income tax return to your debt, or increased or decreased the monthly payment amounts. The What If option allows you to see these changes without really changing the plan. To see your options, select the What If button to open the Experiment With Other Plan Options dialog, as seen in Figure 16-7.

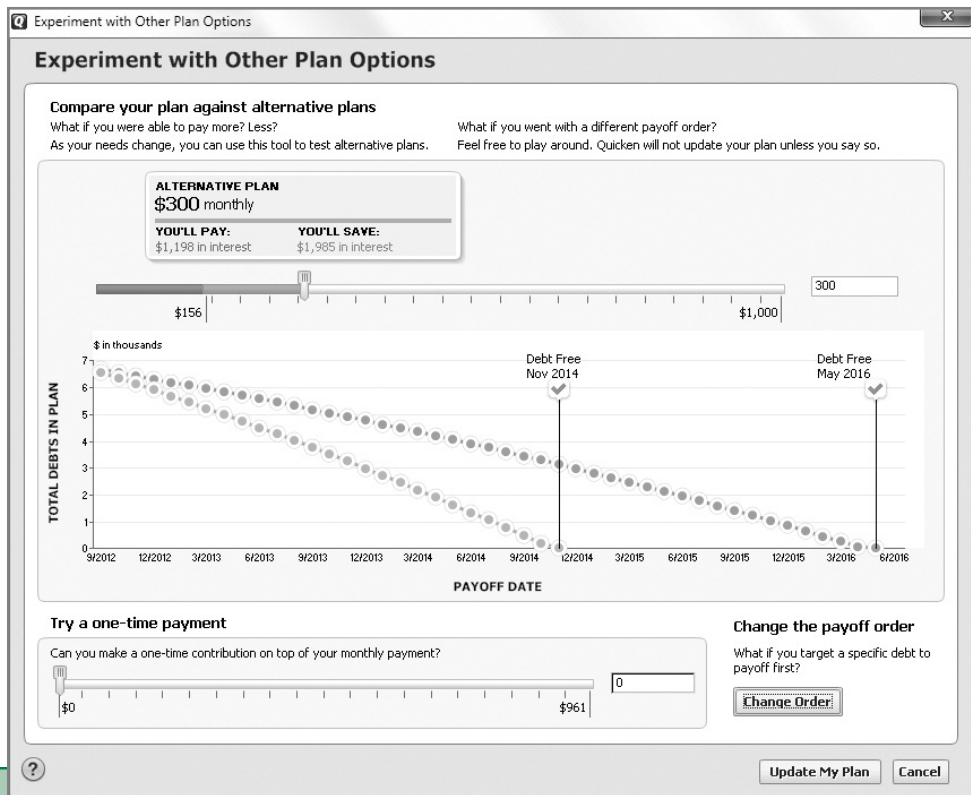


Figure 16-7 • You can experiment with different payment schedules without changing your plan in the Experiment With Other Plan Options dialog.

Change Your Monthly Payment Either use the sliders or type a new amount directly in the payment field in the Experiment With Other Plan Options dialog. Position your mouse key on a tick on each graph line to see the total due at that point in time.

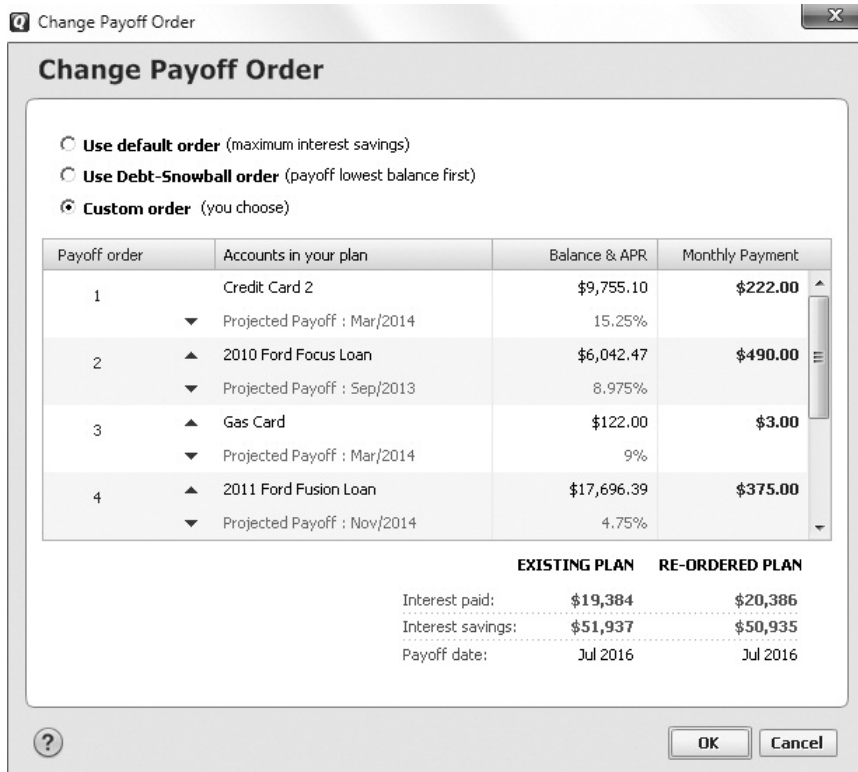
Note that the second graph line in this dialog is blue, indicating your possible alternative plan.

Try a One-Time Payment Considering selling that gas-guzzling second car? Did you win the sports pool at work? If you come into some extra cash, think about applying those funds directly to your debt load. Enter the amount in the payment field or use the slider to see how those extra funds would lessen your debt load.

Change Payoff Order By default, Quicken maximizes your interest savings by selecting the order in which you pay off your credit card debt. You can use another method if you choose. Click the Change Order button to open the Change Payoff Order dialog as seen next. From this dialog you can

- See the default order, which maximizes your interest savings.
- Use the Debt Snowball method.
- Choose the order yourself.

Select the Custom Order option to tell Quicken the order in which you plan to pay off your cards. When you select that option, small blue up and down arrows appear to the left of each card, as seen next. Click the upward-pointing arrow to move a card up in the list and the downward-pointing arrow to move it down.



Click OK to save any changes to the Change Payoff Order dialog, or click Cancel to return to the Experiment With Other Plan Options dialog.

IN MY EXPERIENCE

One of the suggested methods of paying off credit card debt is the Debt Snowball method. Using this method, a person starts by paying as much as possible on the card with the lowest balance while paying minimum payments on the rest of their credit cards. Then, when the first card is paid off, they apply the same method to the card with the next lowest balance and so on. The main advantage to this system is a feeling of accomplishment; one debt is paid off and gone.

While this method may not save the debtor as much interest as when paying off the card with the highest interest rate first, it is often used when one has a very high debt load and is feeling overwhelmed.

You can decide what method, or combination of methods, works the best for your financial situation. The main goal is to get out of debt and then stay away from the credit card debt merry-go-round.

At the Experiment With Other Plan Options dialog, click Update My Plan if you have made changes you want to keep. If you are satisfied with your current plan, click Cancel to return to your Debt Reduction Plan screen.

Budgeting with Quicken

When money is tight and you're interested in meeting financial goals, it's time to create a budget and monitor your spending. But if you're serious about managing your money, consider creating a budget before you need one. Although Quicken's categories give you a clear understanding of where money comes from and where it goes, budgets enable you to set up predefined amounts for each category, thus helping you to control spending.

Budgets also make it easier to create forecasts of your future financial position. This makes it possible to see how much cash will be available at a future time—such as next summer for your vacation or when your child graduates from high school and wants to go to college.

The idea behind a budget is to determine expected income amounts and specify maximum amounts for expenditures. This helps prevent you from spending more than you earn. It also enables you to control your spending in certain categories. For example, say you realize that you go out for dinner a lot more often than you should. You can set a budget for the Dining category and track your spending to make sure you don't exceed the budget. You'll eat at home more often and save money.



If you don't like the word "budget," consider it as a "spending" or even a "making better use of our money" plan.

This section explains how Quicken works with budgets, and how you can use the budgeting tools to set up a budget and use it to keep track of your spending. Hopefully you'll see that budgeting is a great way to keep spending under control.

Quicken's Automatic Budget

Quicken automatically generates a budget for you based on past transactions. You can edit the budget it creates to meet your needs, or you can create a budget from scratch.

The quickest and easiest way to create a budget is to let Quicken do it for you based on your income and expenditures. For Quicken to create an accurate budget, however, you must have several months' worth of transactions in your Quicken data file. Otherwise, the budget may not reflect all regular income and expenses.

To get started, choose the Planning tab and click the Budgets button. Click the Get Started button to open the Create A New Budget dialog as seen in Figure 16-8. Quicken assigns the default name of Budget 1. If you wish to change the name, highlight it and type in your own. Click Advanced Budget

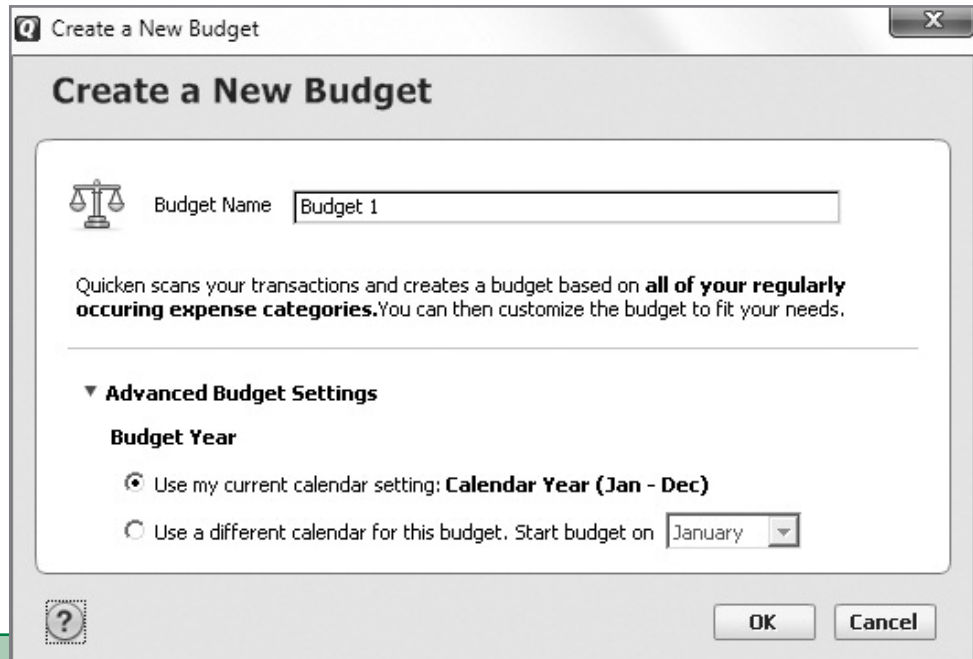


Figure 16-8 • Quicken helps you manage your finances by creating useful spending plans.

Settings, as we've done here, to set a Budget Year. The default is the calendar year (January through December), but you can use a different calendar for your budget. For example, if you earn most of your income during the school year, you might want to start your budget year in September.

Once you have created your budget and set any additional options, such as the calendar year, click OK to create the new budget.



If you do not see the Get Started button, click the Budget Actions button and select Create A New Budget. If the Planning tab does not appear, click View | Tabs To Show | Planning.

Click OK to continue. Your automatic budget appears as seen in Figure 16-9. As you can see, the automatic budget graphs the top five expenses and puts all of the other expenses into the Everything Else category.



Figure 16-9 • Quicken creates an automatic budget based on the transactions you've entered.

For our example, we've started a small checking account with a few expenses entered for the first nine months of the year, as seen in Figure 16-9. The transactions span only nine months of activity and use only a few expense categories. When creating a budget, Quicken can use as few as three months' worth of expenses, but it is better to have more transactions.

Understanding Quicken's Automatic Budget

Quicken creates its budget based the amount you spent on each category and the total number of months in which you spent money in that category. In our example, we spend a total of \$494.00 on cable (which includes our Internet connection) for the last eight months in which we entered transactions. Quicken averages the expenditures for each month *prior* to the current month to calculate the monthly budgeted amount. As seen in the next illustration, the total spent for this category through August was \$493.77. This amount divided by eight months is an average of \$62.00 per month.

Date ▲	Check #	Payee	Payment	Clr	Deposit	Balance
▶	✎	Category	Memo			⚙
1/10/2012	DR	Cable Company Cable & Internet	58 35			-58 35
2/10/2012	DR	Cable Company Cable & Internet	61 22			-119 57
3/10/2012	DR	Cable Company Cable & Internet	58 35			-177 92
4/7/2012	DR	Cable Company Cable & Internet	46 99			-224 91
5/7/2012	1352	Cable Company Cable & Internet	57 99			-282 90
6/7/2012	DR	Cable Company Cable & Internet	48 12			-331 02
7/15/2012	DR	Cable Company Cable & Internet	91 50			-422 52
8/15/2012	DR	Cable Company Cable & Internet	71 25			-493 77
Ending Balance:						4,748.97



The average is for the full month of each of the prior months. So if you are creating the budget on September 19, 2012, and you have 12 months or more of transactions, the first full month included in the average is September 2011. For a cable bill or other regular monthly bill, this may not make much difference. For an irregular expense like gas or groceries, knowing the first month in the average is a full month might make a big difference on the calculation.

Thus, \$62 is displayed in the Budget column of our automatic budget. Since we spent \$85.33 so far in September, we are \$23 over the “budgeted” average amount computed by Quicken, as seen in Figure 16-9.



Quicken rounds all amounts to the nearest dollar in Budget dialogs.

If you want to adjust the “budgeted average” displayed by Quicken, click in the Budget column to highlight the current number. Type in the number you want to use as seen next.



Working with Your Automatic Budget

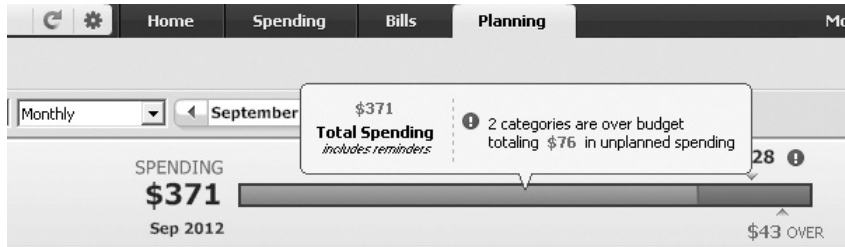
As seen in Figure 16-9, Quicken’s automatic budget has a wealth of information. Since we are looking at our budget in the Monthly view, the total monthly summary is displayed for the current month. Each bar shows the total budgeted for the time period selected, the amount you have spent, and the amount you have left over or have overspent.

The Graph View

In the graph view with which we are currently working, each category has a green, gray, or red bar:

- A green bar means you have spent what you budgeted or less.
- A red bar means you have spent more than you budgeted. In both cases, the actual amount you spent shows as a number on the bar.
- A gray bar means there are no transactions for the current period in that category.

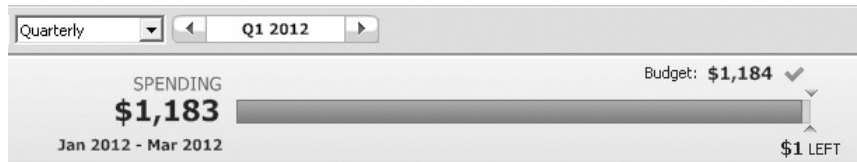
- A light green or red portion within a bar means you have scheduled reminders for the future in that category. The sum of any reminder transactions shows as a number within the bar as well.



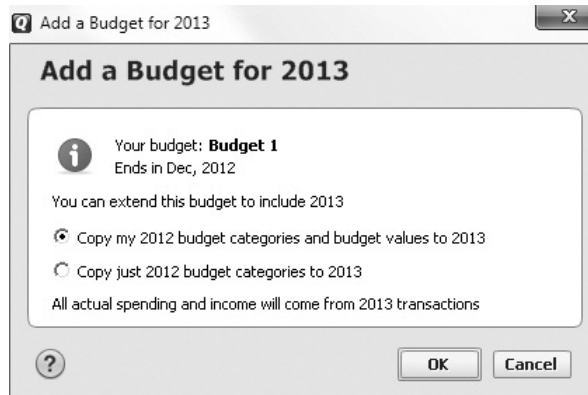
Graph View Filters The graph view has several filters from which you can choose. The first filter toggles between the graph view and the annual view. See “The Annual View” later in this chapter.

Use the date filter in the graph view to set the time period with which you want to work. Your choices are

- **Monthly** As we show in our illustration, this is information for the current month. As seen here, you can use the arrows to the right and left of the current month to look at previous and future months.
- **Quarterly** This option shows your budget by quarters. The previous and future filters to the left and right of the selected quarter’s name allow you to see all four quarters of the year, as shown next.



- **Yearly** This filter option shows the current year’s budget information. If you click the left or right arrows in the year shown at the right of the time period option, a dialog appears from which you can add a budget for that year, as seen next. In our example, we clicked the right arrow and were prompted to enter a budget for 2013.



- **Quarter/Year To Date** This option reflects the transactions and budgets for the current quarter (or year) through today's date.
- **Last Three/Six Months** Choosing this filter displays transactions and budgeted amounts for the last three or the last six months, no matter when in a quarter you are viewing the information.

Click the small arrow to the left of Everything Else at the bottom of your expenses to see the items included in that figure, as seen here. If you use custom category groups, you may see more than one instance of Everything Else.

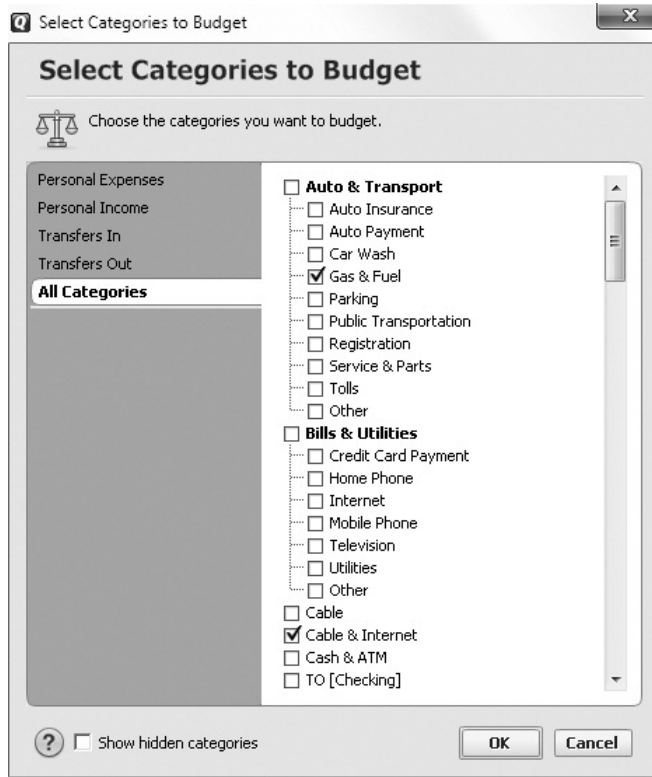
▼	Everything Else	11,124
	Home:Rent	8,550
	Shopping:Clothing	174
	Travel:Vacation	2,400



You can learn more detail about any category by hovering your mouse over the red, gray, or green line for that category.

Selecting Categories To add a category to the budget, click Select Categories To Budget at the bottom left of the Budget window as seen in Figure 16-9. This displays the Select Categories To Budget dialog as seen next.

Select the categories you want to budget by clicking the check box to the left of each category name. To ensure all categories, including any hidden categories, are listed, click the Show Hidden Categories check box at the lower left of the



dialog. If you have created custom category groups, the custom category group name will appear on the left side of the dialog, along with the standard category groups such as Personal Income and Personal Expenses. To learn more about creating custom category groups, see “Organizing Categories into Groups” later in this chapter.

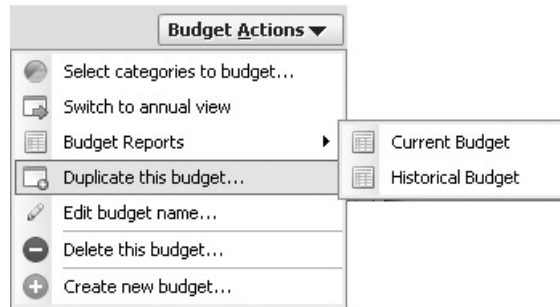
After you have marked all the categories you want to budget, click OK to close the dialog and return to your budget.



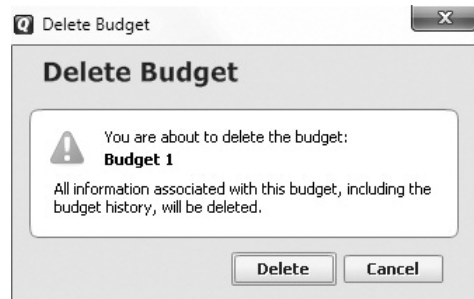
To use a specific category group in your budget, you must choose at least one of the categories within that group in the Select Categories To Budget dialog.

Budget Actions The Budget Actions button at the right of your budget screen opens a menu, as seen in the following illustration. From this menu, you can

- **Select Categories To Budget** This option opens the Select Categories To Budget dialog described earlier.



- **Switch To Annual View** See “The Annual View” section later in this chapter to learn about the annual view of a Quicken Budget.
- **Budget Reports** This option allows you to create both a current and a historical budget report.
- **Duplicate This Budget** Click this option to open the Duplicate Budget dialog.
- **Edit Budget Name** This option opens the Edit Budget Name dialog from which you can change the name of the current budget.
- **Delete This Budget** This option opens the Delete Budget dialog as seen here.
- **Create A New Budget** This option opens the Create A New Budget dialog as seen in Figure 16-8.



Columns in the Graph View The column labeled Budget in the graph view indicates the budgeted amount for each category for the date range you selected in the date filter.

The amount in the Balance column is the difference between the amount you have budgeted for a specific time period and the amount you spent during that same time period. For example, in Figure 16-9, the total for Gas & Fuel shows that there is \$16 left to spend against the budgeted amount of \$63. In the Cable & Internet category, \$23 more has been spent than the budgeted amount of \$62.



There are three additional controls you see when you have a category selected: rollover, an options gear, and a historical spending chart icon.

Everything Else The Everything Else amount is the sum of all categories you have chosen not to include in your budget. You can

- Budget the “Everything Else” amount by assigning an amount to create a collective budget for all of the categories contained in this total. To do so, click the white cross within the green circle as shown here. A new line will appear in your graph showing the total spent in that collective “category” for the time period selected.



Once you have clicked the white cross within the green circle, there is no way to remove the Everything Else amount from the budget!

- Eliminate or reduce the “Everything Else” amount by adding those categories to your budget. To see the categories within the Everything Else amount, click the small right-pointing arrow to the left of the words “Everything Else,” as seen here. The individual categories that have been included in the Everything Else total appear. You may add them to your list by clicking the white cross within the green circle.



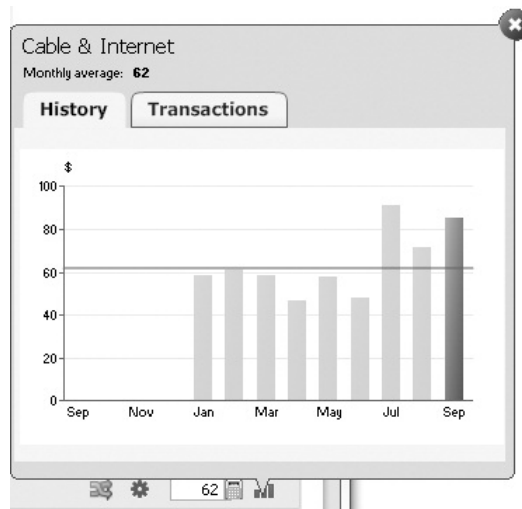
- Simply ignore the amount shown in Everything Else.

Other Budget Choices As you are working in the default Monthly filter of the graph view of your budget and select a specific category, you’ll see several additional tools, as shown next:



- The Rollover tool allows you to create or change rollover categories and amounts. See “Using Rollovers in Quicken Budgets” later in this chapter.

- Click the Action (small gear icon) to open a menu from which you can choose to
 - Apply the current budget amount to the end of the current year.
 - Apply the amount to every month of the current year.
 - Set the current month's budget based on the average spending for this category.
 - Get help setting a budget amount. This choice opens the Quicken Help screen to the Budget Amount information.
- Set a different amount in the Budget Column, as discussed earlier in this chapter.
- Click the blue column icon to see the category's transaction history for the current year, as seen next. The History tab shows all of the transactions in columnar form, while the Transactions tab shows only the transactions for the time period you have selected to display in the graph view's date filter. Click the white X in the gray circle to close the history.



You can also open a category's history by clicking anywhere on that category's red or green bar in graph view.

The Annual View

The annual view of your Quicken budget displays information in a columnar format, as shown in Figure 16-10. This view gives you the opportunity to assign budget amounts and scrutinize your spending.

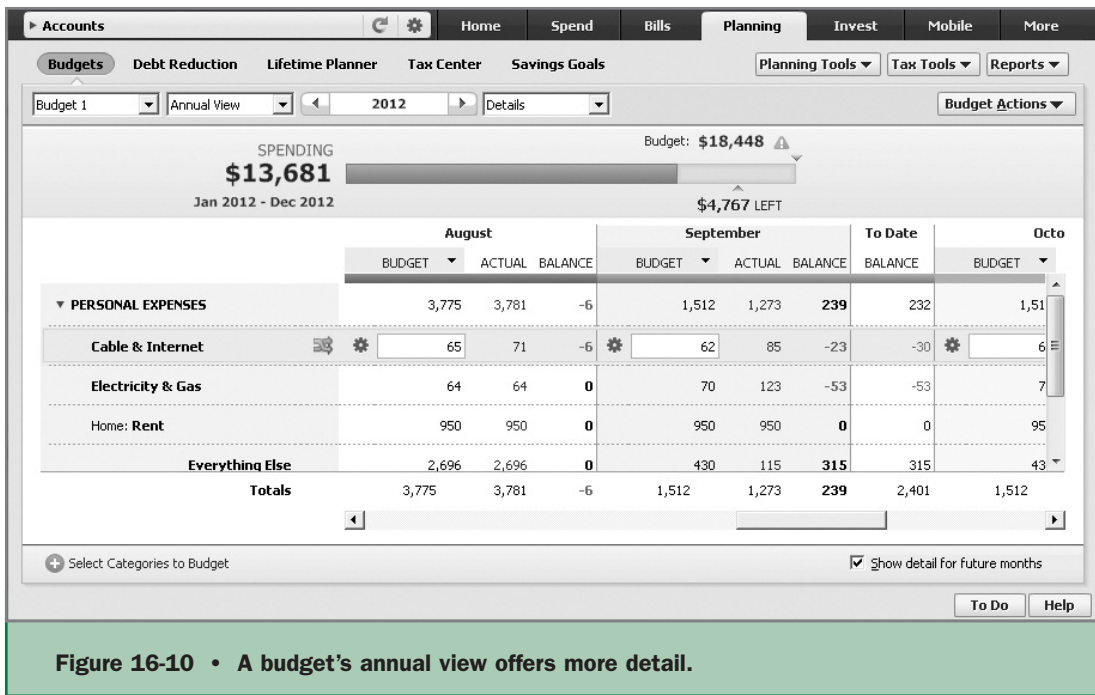


Figure 16-10 • A budget’s annual view offers more detail.

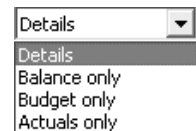


After you have added more budgets, an additional filter appears in both the graph and annual view of your budget. Choose the budget with which you want to work from the filter’s drop-down list.

Filters in Annual View When you work in the annual view of your budget, there are two filters from which to choose.

The Year filter gives you the opportunity to apply your budget to both the last and next calendar years. Use the left arrow to open the Add A Budget for 20xx to work with the previous year’s information. Click the right arrow to work with the next calendar year.

The Details filter (seen here) allows you to see the current year’s budget information displayed in four ways:



- **Details** shows both the budgeted amount and the actual amount spent in each category for each month. In this view, click in any category, and in the Budget column you can enter a new budget amount. Click the Action gear icon to open a menu, as seen next, that allows you to apply the budgeted amount forward or to all of the current year. You do not see the gear icon until a category is selected, as seen in Figure 16-10. You can

August			September		
BUDGET ▼	ACTUAL	BALANCE	BUDGET ▼	ACTUAL	BALANCE
3,775	3,781	-6	1,512	1,273	239
65	71	-6	62	85	-23
					-53
					0
					315

also set the budget for the chosen month based on the average spending in this category for this current year or see help on setting the budget amount. You can see information for future months by clicking the Show Detail For Future Months check box as the lower right of the dialog.

- **Balance Only** shows the amount over or under budget for each category for each month. Click the Show Balance In Future Months check box to show the current budget balance in each of the months following the current month.
- **Budget Only** displays only the budgeted amount for each category for each month. Click in any month to make the budget amount field active, where you can change the budget amount or access the Action gear icon.
- **Actuals Only** shows the actual amount spent during each month for each category. You cannot make any changes to this filter's display.

Using Rollovers in Quicken Budgets

A budget rollover is an element of a budget category. As stated in Quicken Help, “Budget categories that have rollovers carry cumulative balances from one month to the next.” The idea is that there are many categories for which you don’t have a set amount each month, such as groceries or household repairs. By using rollovers,

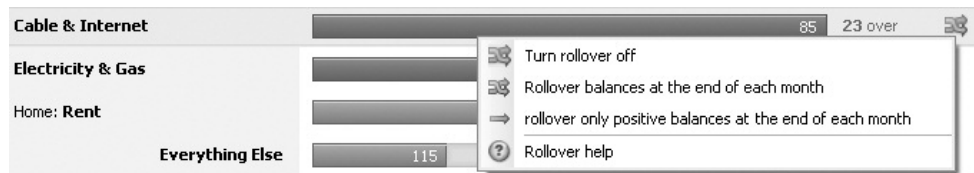
IN MY EXPERIENCE

When working with Quicken budgets, occasionally there may be one-time items you do not want to include, such as a large down payment on a new car. Normally this expense would be categorized as an Auto & Transport expense, but would certainly skew your budget if the amount were included. You might consider creating a subcategory under Auto & Transport entitled Down Payment and then excluding that item from your budget. See “Creating Your Own Budget” in this chapter to understand how to exclude a category or subcategory from a budget.

you can account for these monthly spending variations over the year. A good example might be an annual budget of \$1,800 for household repairs. This amount would show as \$150 per month. If in one month you spent \$70, if you choose to make Household Repairs a rollover category, you could “roll over” \$80 to the next month to add to that month’s total ($\$150 - \$70 = \$80$). Quicken gives you the option to roll over both negative (you’ve spent more than you budgeted for that month) and positive (you did not spend as much as you budgeted) amounts.

Budget categories do not automatically “roll over.” You have to add this attribute to each budget category to which it applies. To do so:

1. Click the Planning tab. If the Planning tab does not show, from the Quicken menu choose View | Tabs To Show | Planning.
2. From the Planning tab, click the Budgets button.
3. In graph view, select a category in your budget and click the small criss-cross icon to open a list of options as seen next:



- a. **Turn Rollover Off** turns off the rollover characteristic you’ve set before.
- b. **Rollover Balances At The End Of Each Month** tells Quicken to include the amount you have left, whether positive or negative, in the next month’s totals.
- c. **Rollover Only Positive Balances At The End Of Each Month** tells Quicken to include only positive amounts in the next month’s totals.
- d. **Rollover Help** is a shortcut to the What Is A Budget Rollover? section of Quicken Help.

Creating Your Own Budget While Quicken’s automatic budget is great, you might want to create an alternate budget to see “what if” scenarios and then compare both your original budget with the alternate one.

To create another budget, from the Automatic Budget (either view), click Budget Actions | Create New Budget. This opens the Create A New Budget dialog from which you can make changes. Enter a name for your customized budget and click OK.



A new Quicken budget appears, based on the average spending for each category. If the time between your first budget and creating this budget is minimal, you probably don't have enough change in your spending so the new budget appears to be like the original budget.

Working with More than One Budget If you have created more than one budget, you can choose the budget with which to work. From the Planning tab, click Budgets. Click the Budget Name drop-down list to see your choices. Click the budget you want to use.

To edit a budget's name, select the budget name and click the Budget Actions button at the upper-right corner of the budget window. Select Edit Budget Name from the drop-down list. Enter a name in the Edit Budget Name dialog that appears, and click OK.

Deleting a Budget To delete a budget, select the budget name. From the Budget Actions menu, choose Delete This Budget. The Delete Budget dialog appears. Click Delete to eliminate this budget or Cancel to close the dialog.

Showing a Budget in Your Home Tab You can display your budget graph in a customized view of the Quicken Home tab's window. This feature enables you to keep an eye on the budget that interests you most.

To use this feature, switch to the Home tab. By default, the Budget snapshot is included in the main view of the Home tab. However, you can add it to other views that you may have customized. To do so, choose the view with which you want to work and click Customize. Use the Customize View dialog. Choose Budget in the Available Items list, and click Add to move it to the Chosen Items list. Click OK to close the dialog. You can see more information about creating customized views in the Home tab in Appendix B.

Organizing Categories into Groups

Budgets are based on transactions recorded for categories and subcategories. (That's why it's important to categorize all your transactions—and not to the Miscellaneous category!) Quicken also enables you to organize categories by customizable category groups. Although you don't have to use the Category Groups feature when creating your budget—it's entirely optional—grouping similar categories together can simplify your budget.



Some Quicken users see Category Groups as an annoyance when working with budgets, as each group displays the Everything Else total, which clutters the Budget display.

Choose Tools | Category List to display the window. (You can also open the Category List by pressing SHIFT-CTRL-C.) If the Group column does not appear in your list, choose the Category Action gear icon at the far right of your Category list and click the Group check box.

By default, Quicken assigns nearly every category to either the Personal Income or Personal Expense group. Your bank and investment accounts have no groups assigned. How to assign groups is explained in “Assigning a Group to a Category,” later in this chapter.

The Default Groups By default, Quicken includes two category groups that it assigns to the categories it creates when you first set up your Quicken data file:

- **Personal Income** is for earned income, such as your salary, and miscellaneous income items, such as interest, dividends, and gifts received.
- **Personal Expenses** are all of your personal expenses, items you pay for and record in your account registers.
- **Transfers** are for transfers between existing accounts. You may not see this available until you have added several accounts to your Quicken file.

Creating a Custom Group

To create a custom group, in the Category List window, click Options and choose Assign Category Groups. The Assign Category Groups dialog appears, as seen in Figure 16-11.

If this is the first custom group you are creating, the Assign Category Groups dialog will display a message that you have not created any custom groups.

Click the Add Custom Groups button (or if you have already added a custom group, click the Add/Rename Custom Groups button) to open the Custom Category Groups dialog. When it appears, click New to open the Create Custom Group dialog. Type the name of your custom group and click OK.

The new group appears in the Assign It to a Custom Category Group dialog in the Custom Groups list at the right side of the dialog, as seen in Figure 16-11.

IN MY EXPERIENCE

In addition, if your Quicken data file includes business-related categories, Quicken includes Business Income and Business Expenses groups to track the income and expenses from your business.

To create a Business Income or Business Expense group, you must have created either an income or expense category and assigned it to a business tax schedule in the Tax Reporting tab of the New Category setup.

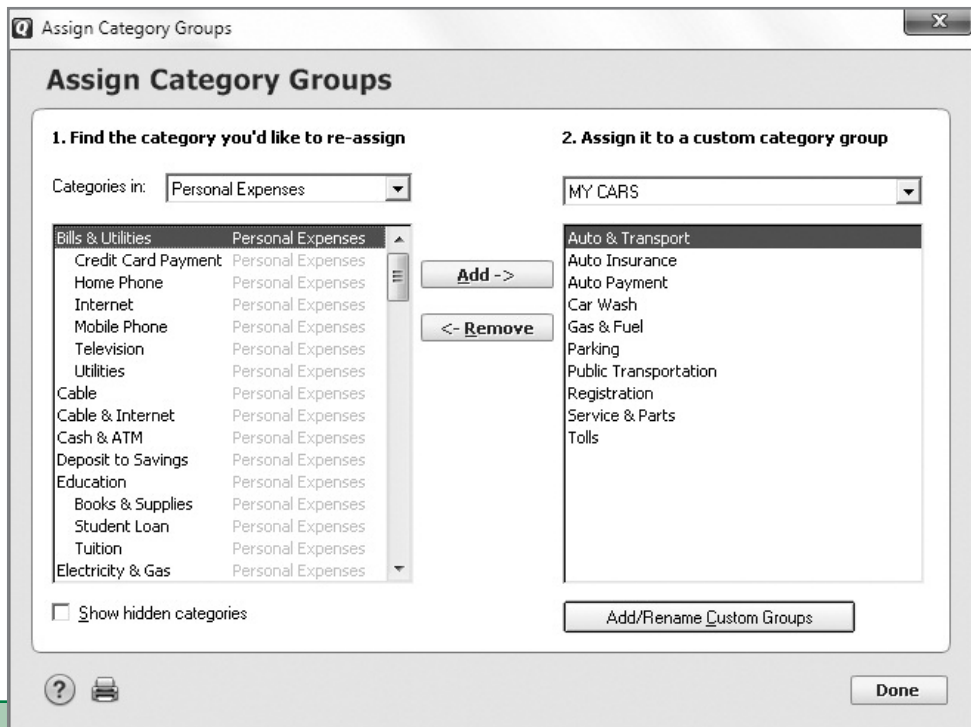


Figure 16-11 • You can assign category groups and create new groups to better organize your transactions.

Click Done to close the Custom Category Groups dialog and return to the Assign Category Groups dialog.

To add categories to your new group, select a category from the list on the left side of the dialog and click Add. It will appear on the right side of the dialog in the Assign It To A Custom Category Group column. Continue through the list of categories until you have finished selecting the categories you want to include in this group.

You can add more than one item at a time by choosing the first item in a group of categories in the left column, holding down your SHIFT key, and choosing several categories in a row. You can select categories from several locations in the list on the left side as well. To do this, hold down your CTRL key and while continuing to hold it down, click the items you want. If you have to scroll, keep holding down the CTRL key until you have selected (clicked) all the categories you want to include. Then, release the CTRL key and click the Add button. All of your selected items will appear in the right column.

Should you want to include categories you have hidden, click the Show Hidden Categories check box.

If you want to remove a category, select it from the list in the right column and click Remove. It will once again appear in the left column.

After you have completed your choices for this custom group, click Done to close the Assign Category Groups dialog and return to the Category List.

Assigning a Group to a Category You can assign a standard or a custom group to a new category. In the Category List window, click Add Category to create a new category. The Set Up Category dialog appears. Enter the category name and whether it is an income or an expense item. Click the arrow next to the Group box to display the drop-down list and choose a group from the list.

You can also assign a standard group to a category.

1. Right-click the category you want to assign. Select Edit. The Set Up Category dialog appears.
2. Select one of the three radio buttons: Income, Expense, or Subcategory.
3. Clear any information in the Group field.
4. Click OK to close the dialog and return to the Category List.
5. Click Done to close the Category List.

You can create a new group directly from this dialog by clicking the New button, or edit an existing group by clicking Edit. (Chapter 2 discusses creating new categories in more detail.) After you have selected the group, click OK to include the group with this category and save your new category to the Category List.



If you have not yet created any custom category groups, you will not see the Group field in the Set Up Category dialog. Return to the Category List, click Options | Assign Category Groups, and create at least one custom category group.

To add a group to an existing category, select the category, and, from the Action column, click Edit to open the Set Up Category dialog. Click the arrow next to the Group box to display the Group drop-down list. If the category is one of the default Quicken categories, the Personal Expenses group may appear in the Group box, although it is not an option in the group list. Simply click the group to which you want this category assigned, and click OK. The custom group is now assigned to this existing category.

Modifying the Custom Category Group List You can modify or delete custom category group names. From the Category List, click Options | Assign Category Groups, and click Add/Rename Custom Groups. The Custom Category Groups dialog appears. Select a group name, and click Rename to rename an existing group. To delete a custom category group, select the group name and click Delete.

After you have made your changes, click Done to return to the Assign Category Groups dialog. Click Done one more time to close the Assign Category Groups dialog and return to the Category List. Click Done once more to close the Category List.

Where Does Your Money Go?

As you work with the various planners and reports available in Quicken, you are probably getting more comfortable understanding just where your hard-earned dollars are going. If you've used the Debt Reduction Planner and created a budget, you may also be thinking about the future and how your financial situation will be improving. Quicken offers several tools that help you understand where you will be spending your funds. Using Quicken's Projected Balances tool will help you to understand what expenditures are coming up in the near future. Then, in the second part of this section, we'll discuss saving your money.

Remember when you got your first piggy bank? It may not have looked like a pig, but it had a slot for slipping in coins and, if you were lucky, a removable rubber plug on the bottom that made it easy to get the coins out when you needed them. Whoever gave you the bank was trying to teach you your first financial management lesson: save money.

As an adult, things are a little more complex. See the section entitled "Understanding Why We Save," which explains why you should save, provides some saving strategies, and tells you about the types of savings accounts that make your old piggy bank obsolete.

Forecasting for Your Future

Forecasting uses known and estimated transactions to provide a general overview of your future financial situation. This "crystal ball" can help you spot potential cash flow problems (or surpluses) so you can prepare for them. Quicken helps you to see your projected balances and can also help you create savings goals.

Projected Balances

Quicken helps you keep up with what your account balances will be in the future with the Projected Balances report. This report can be found in the Bills

tab, as a link from the Stay On Top Of Monthly Bills snapshot in the Main View of the Home tab, and by choosing the Planning tab and then Planning Tools | Projected Balances. If you do not see the Planning tab, from the Quicken menu, click View | Tabs To Show | Planning.

You can set the range for the Projected Balances report for the next 7 days, next 14 days, next 30 or 90 days, or the next 12 months, or even customize a range that suits your requirements. See Figure 16-12 for an example of the Projected Balances report for the next 30 days. See Chapter 6 for more information on Projected Balances.

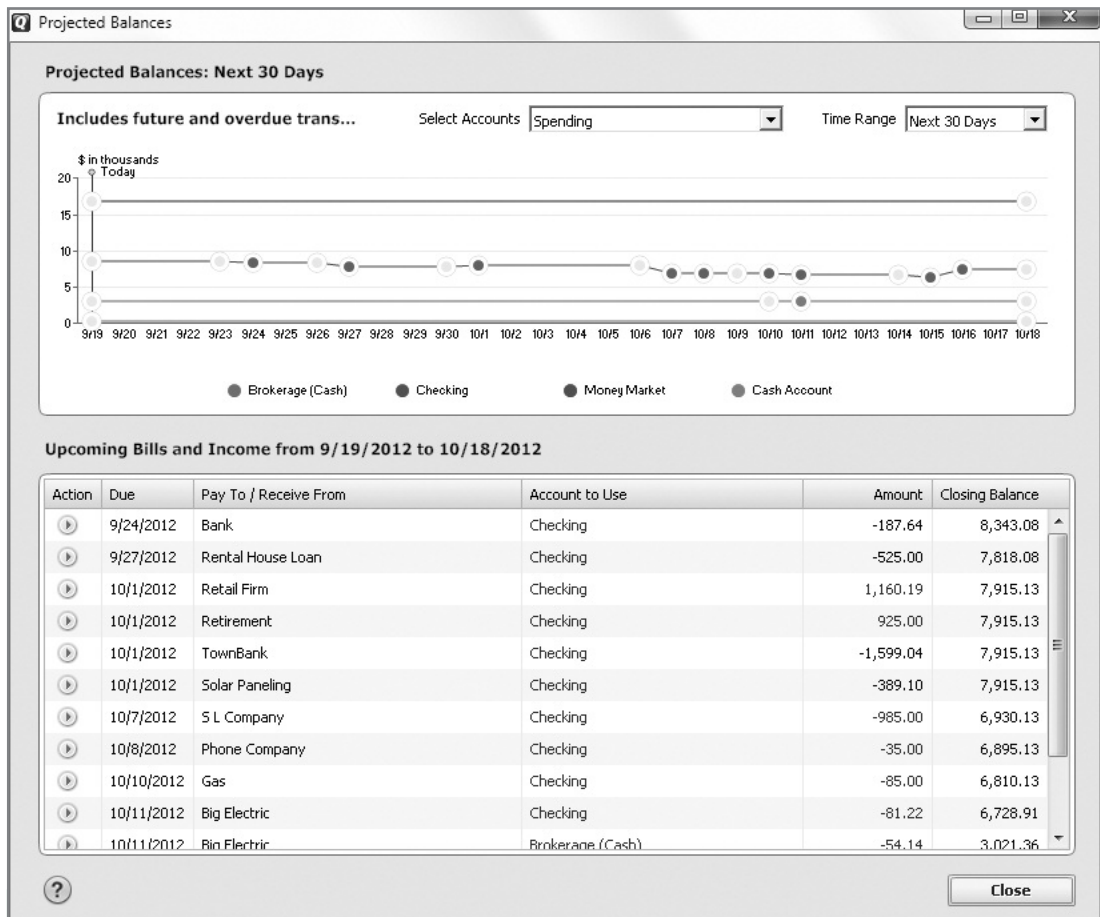


Figure 16-12 • The Projected Balances report shows what the balance in your accounts may be for a selected time period.



Understanding Why We Save

Most people save money so there's money to spend when they need it. Others save for a particular purpose. Still others save because they have so much they can't spend it all. Here's a closer look at why saving makes sense.

Saving for “Rainy Days”

When people say they are “saving for a rainy day,” they probably aren't talking about the weather. They're talking about bad times or emergencies—situations when they'll need extra cash.

For example, suppose the family car needs a new transmission. Or your beloved dog needs eye surgery. Or your daughter manages to break her violin three days before the big recital. In the “rainy day” scheme of things, these might be light drizzles. But your savings can help keep you dry.

If your paychecks stop coming, do you have enough savings to support yourself or your family until you can get another source of income? On the “rainy day” scale, this could be a torrential downpour. Your savings can be a good umbrella.

Saving for a Goal Planning for your future often includes planning for events that affect your life—and your wallet. Saving money for specific events can help make these events memorable for what they are, rather than what they cost.

For example, take a recently engaged couple, Maxine and Jack. They plan to marry within a year and buy a house right away. Within five years, they plan to have their first child. That's when Maxine will leave her job to start the more demanding job of mother and homemaker. They hope their children will go to college someday, and they want to help cover the expenses. They also want to be able to help pay for their children's weddings. Eventually, they'll retire. And throughout their lives, they want to be able to take annual family vacations, buy a new car every six years or so, and get season tickets for their local football team's games.

All of these things are major events in Maxine's and Jack's lives. Saving in advance for each of these events will make them possible—without going into debt.

Saving for Peace of Mind

Some people save money because events in their lives showed them the importance of having savings. Children who lived through the Depression or bad financial times for their families grew up to be adults who understand the value of money and try hard to keep some available. They don't want to repeat the hard times they went through. Having healthy savings accounts gives them peace of mind.

Saving Strategically

There are two main ways to save: when you can or regularly.

Saving When You Can

When money is tight, saving can be difficult. People who are serious about saving, however, will force themselves to save as much as possible when they can. Saving when you can is better than not saving at all. One suggestion given by financial specialists is to “pay yourself first.” This means that you consistently take a portion of any income and put it into a savings account. The amount really doesn’t matter; it is the consistency that creates the habit.

Saving Regularly

A better way to save money is to save a set amount periodically. For example, consider putting away \$25 every week or \$200 every month. Timing this with your paycheck makes sense; you can make a split deposit for the check. A savings like this is called an annuity, and you’d be surprised at how quickly the money can accumulate.

Seeing What’s Available

There are different types of savings accounts, each with its own benefits and drawbacks. Check with your financial institution (or do an Internet search) to see what products might best meet your needs. A short list of possibilities is shown here:

- Standard Savings Accounts
- Payroll Savings
- Certificates of Deposit
- Money Market Accounts
- Interest-Bearing Checking Accounts



As current interest rates are so low, none of these options is a very good choice for building savings. Try doing an Internet search for reputable financial institutions that might offer better rates.

Using Savings Goals

Quicken’s Savings Goals feature helps you save money by “hiding” funds in an account. You set up a savings goal and make contributions to it using the Savings Goals window. Although the money never leaves the source bank account, it is deducted in the account register, thus reducing the account balance in Quicken. If you can’t see the money in your account, you’re less likely to spend it.

IN MY EXPERIENCE

Kind of sounds silly, doesn't it? Using Quicken to transfer money from your checking account to another account that doesn't even exist?

But don't laugh—the Savings Goals feature really works. A friend used a similar technique. She simply deducted \$10 or \$20 from her checking account balance, thus giving the illusion that she had less money in the account than was really there. This helped her save money by making her think twice about writing a check for something they really didn't need. It prevented her from bouncing checks during the time when the needs of her growing family caused her to keep a dangerously low checking account balance. When her daughter graduated from high school, there was enough money in this “secret” account to pay for a new laptop as the girl went off to college!

Give it a try and see for yourself!

Getting Started

Open the Savings Goals window by choosing Planning | Savings Goals. The Savings Goals startup screen appears.

Click Get Started to open the Create New Savings Goal dialog as seen here. If you do not see the Planning tab, from the Quicken menu, choose View | Tabs To Show | Planning. If you do not see the Get Started button, click Goal Actions and select New Savings Goal from the drop-down list.

Enter your goal's name and amount and the date by which you want to have saved the money. The finish date should be shortly before you leave for your trip or before you've planned your 40th wedding anniversary party. Click OK to close the dialog. Your Savings Goals dialog appears as shown in Figure 16-13.



The name of the savings goal cannot be the same as any Quicken category or account.

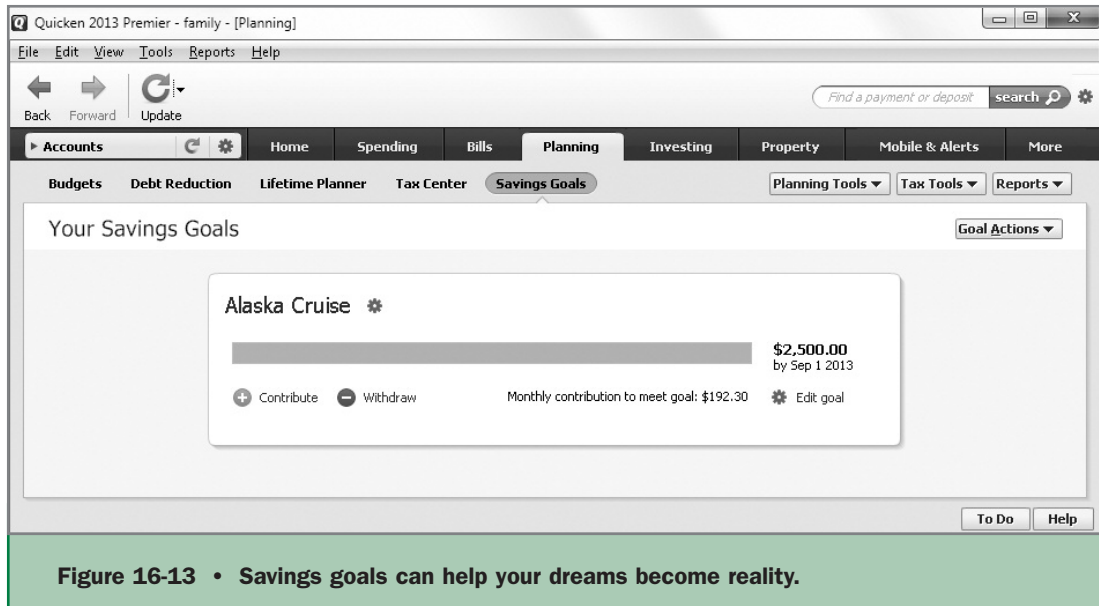


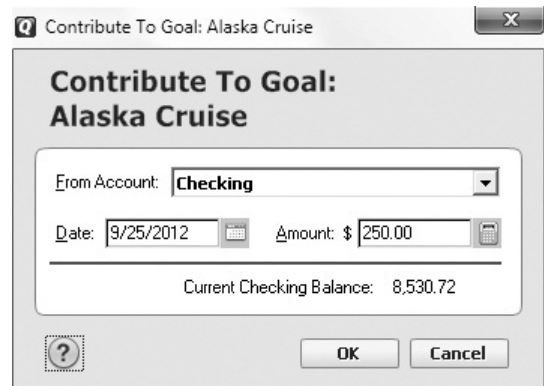
Figure 16-13 • Savings goals can help your dreams become reality.

Contributing Funds to a Savings Goal

To contribute funds to a savings goal, select the Contribute icon (the white cross in a small green circle) to open the Contribute To Goal dialog, shown here.

Select the account from which you want to transfer the money from the From Account drop-down list. The balance and name of that account appear in the bottom of the dialog. Then enter the amount of the transfer in the Amount box. By default, Quicken suggests the projected monthly contribution amount, but you can enter any amount you like. When you've finished, click OK.

If you choose, Quicken will create an entry in the account register of the account from which the money was contributed. It also updates the progress bar and information in the Your Savings Goals dialog. To show this entry:





- Click the Goal Actions button in the Your Savings Goals dialog.
- Click Show Savings Goal Transactions In Register And Reports.
- Click the Contribute icon or click the word itself.
- Your entry will appear in the register of the selected account as shown here.

The screenshot shows the 'Checking' register window in Quicken. The main register table has the following data:

Date	Check #	Payee	Category	Tag	Memo	Payment	Clr	Dep
9/25/2012		Contribution towards goal	[Alaska Cruise]			250.00		

The right-hand pane, titled 'Transactions', contains the following menu items:

- Set Up Online
- Visit Financial Institution home page
- Visit Financial Institution activity page
- Visit Financial Institution other page
- Edit Account Details (Ctrl+Shift+E)
- Write Checks (Ctrl+W)
- Reconcile (Ctrl+R)
- Reporting**
- Account Attachments (Ctrl+Shift+A)
- Account Overview (Ctrl+Shift+O)
- More reports
- Print Transactions (Ctrl+P)
- Export to Excel compatible file
- Register Views and Preferences**
- Two-line Display (Ctrl+2)
- Show Savings Goal transactions in register and reports

When you create a savings goal, Quicken creates a Savings Goals account to record the goal's transactions and balance. This account is shown, with the total of your contributions, at the bottom of your Account Bar.

To automate contributions to the goal, you can create a scheduled transaction to transfer money periodically from one of your bank accounts to the savings goal asset account. Scheduled transactions are covered in Chapter 6.

Meeting Your Goal

Once you have met your savings goal, you can either withdraw the funds from the savings goal so they appear in a Quicken account or delete the savings goal to put the money back where it came from.

Withdrawing Money You can withdraw funds from your savings goals should you need to do so. Click the Planning tab and choose Savings Goals. All of your savings goals will appear. If you have more than one goal, select the one from which you want to withdraw money. Click the Withdraw icon (a small white minus sign in a red circle) or just the word Withdraw. The Withdraw From Goal dialog, which works much like the Contribute To Goal dialog, appears. Use it to

remove funds from the savings goal and put them back into the account from which they were contributed. Unlike the Contribute To Goal dialog, your only choice is to put the funds back into the account from which they were deducted. Enter the amount and the date of withdrawal. Click OK to close the Withdraw From Goal dialog.

Editing a Savings Goal To edit an existing savings goal, from the Planning tab, click Savings Goals. Select the Edit Goal gear icon in the goal you want to change. The Edit Savings Goal dialog appears. Enter the new goal amount and/or finish date. Click OK or Cancel to close the dialog.

Deleting a Savings Goal To delete a savings goal, right-click its name in the Account Bar and, from the context menu, select Edit/Delete Account. From the Account Details dialog that appears, select the Delete Account button at the bottom left of the window. A message appears that the account will be permanently removed and all transfers put back into the account from which the transfers were made. You must type **Yes** to confirm the deletion and then click OK to close the dialog. If you decide not to delete the account, click the Cancel button. You can also delete a goal directly from the Savings Goals view.

1. Click the Planning tab and select Savings Goals.
2. Click the Action gear icon to the right of the goal's name. From the list that appears, choose Delete Goal. The Delete Savings Goal dialog appears. The dialog states that all funds will be returned to their source accounts and you are to determine what to do with the Savings Goal account.
3. Choose Remove It From Quicken Completely to remove all record of this goal.

Or

- Choose Keep It As A Zero Balance Asset Account For My Records.
4. Click Cancel to stop the action or OK to close the dialog.