Guide to
Getting a Month Ahead
Financially

For
Next Month

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The idea of getting a month ahead on your finances is both intuitive and genius. Intuitive because it makes absolute perfect sense, yet genius because no one thinks to do it. Well, almost no one. I know I didn’t think of it on my own.

My first experience with getting a month ahead was after learning the YNAB (YouNeedABudget) method. Rule #4 in the YNAB method is called "Living on Last Month’s Income." Not only do you get a month ahead, but you stay a month ahead.

Unfortunately, instead of living on last month's income (like YNAB suggests), or living on this month's income (living paycheck-to-paycheck), we were living on next month's income (living on money we hadn't even earned yet)!

We made the majority of our purchases on our credit cards. We liked the feeling of “winning” the credit card game by getting a no-interest loan on next month's income. Since we paid off our credit card bill each month, we still felt responsible and there weren't any negative repercussions.

Or so we thought.

I didn't realize how stressful timing the paychecks with the credit card bills had become. On top of that, we were working hard to pay off six figures of student loan debt. We wanted to put as much money as we could toward our debt each month, but we were never sure how much of the money in our checking account needed to be held for the expenses that we had put on our credit card.

The more I learned about getting a month ahead, the more I could see how it would relieve so much stress. Boy was I right!
Before I get into the details of how getting a month ahead works, I want to highlight just a few reasons why it is wonderful!

**You have money for bills**
If you are living paycheck to paycheck, you have surely felt the stress that comes from worrying if you’ll have enough to cover your bills. When you are a month ahead, you already have the money set aside (from last month’s income) for this month’s bills. Bam! Stress about paying bills disappears. You can pay your bills without thinking twice about it.

**You have a buffer**
Being a month ahead gives you a buffer of time and cash that allows you to more calmly approach situations that could otherwise be disastrous. For example, if you were to lose your job today, you know that your bills and living expenses are covered for the entire month without even having to touch your emergency fund. Having a one-month buffer of money gives you time to handle the situation before it becomes an emergency.

**You can budget the entire month at once with real money**
When you’re a month ahead, you are budgeting money that you actually have, not just money that you hope to earn. Your budget actually means something instead of just being a guide. You can budget the entire month with real money at the beginning of the month since you know exactly how much you have to work with.

**You have peace of mind**
Feeling uptight about your finances all of the time is emotionally draining and can be hard on relationships. It’s amazing how much less stress we feel now that we’re not worrying about whether we’re timing our bills right or if we’re over-estimating how much money we’ll make. Peace of mind is the biggest reason that I recommend getting a month ahead.

**It’s perfect for variable income**
Traditional budgeting methods can be extremely frustrating for people who have a variable income. Since you aren’t sure exactly how much money you’ll bring in, it’s impossible to accurately say how it will be spent. When you’re a month ahead, you know at the beginning of the month exactly how much money you have to work with. Staying a month ahead financially is a dream-come-true for people with variable income.
In traditional budgeting methods, people assign dollar amounts to spending categories according to the money they expect to earn that month. When you’re a month ahead financially, you only budget money you actually already have.

In the beginning, this will mean that with each paycheck you will decide what expenses that paycheck needs to cover until you get paid next. When the next paycheck comes, you decide what the next priorities are. You will be allocating funds to your budget categories each time you get a paycheck.

The goal is to get to the point where all the money that you are budgeting (and spending) this month is money that was earned last month. Once you reach this point, it’s also true that the money you earn this month will be set aside and held for next month’s budget.

I like to explain it with a simple jar analogy.
Every paycheck or other piece of income you receive this month goes straight into a jar labeled "For Next Month." Nothing is spent or taken out yet, not to pay bills, not to pay tithing, not for savings, not for any other priorities you have.

Imagine that this jar's lid is locked on so that the money is completely inaccessible. You insert your money through a slit in the lid. All month long your money builds up in the jar. At the end of the month you have an entire month’s worth of income in the jar.

When the new month starts, you unlock the jar and count what you earned last month. That amount is the cash you actually have on hand, the amount you can budget for this new month. You know exactly how much money you have to work with, so you can budget every cent. I've included some resources at the end of this guide to help you master this non-traditional, but extremely effective form of budgeting where you spend money you actually have instead of money that you plan to earn.

During the new month, you use only the money from the open jar (money that was earned in the previous month). Meanwhile, all the money you earn this month goes into a new locked jar labeled "For Next Month."

For example, during January all of our January income goes into a jar labeled "For February." We don't touch any of that money until February 1st. On February 1st, we budget the amount in our “For February” jar so that it will cover our February bills, expenses, savings, and other goals. All during February we use the money we earned in January (and put into our “For February” jar). Any money we earn during February goes into a jar labeled "For March," and we do it all over again in March.
If we really were using jars, keeping track would be easy. You would just have to be sure to keep your two jars separate and make sure you were spending from the right one, and not sneaking funds from the locked jar.

If you operate in a completely cash world, then you could literally use jars. However, most people don't live in a completely cash world. We use banks. Paychecks are direct deposited into our accounts. We spend money without ever physically touching it.

So how do we keep our two "jars" separate? You have a couple of options.

**Separate Accounts**

One option is to set up two separate accounts. The first account could be either a checking or savings account. This is the account represented by the "For Next Month" jar. You won't do any spending from this account at all. It is just there to collect your income and keep it safe from impatient spenders. You have paychecks direct deposited into this account. You put any money you earn into this account. You never withdraw anything from this account, until the end of the month.

The second account is a checking account. This account is your "This Month" jar. At the beginning of each new month you will transfer the total from your first account into this account. The money in this account is the money that you will have to spend during the current month.

**Problems with Separate Accounts**

When you use separate accounts for your jars, you miss one of the benefits of getting a month ahead financially. When you're a month ahead, you have a built-in one-month buffer. That buffer can buy you time if you get laid off and have to find work, but that buffer will also prevent accidental overdraft.

I have never really worried much about overdraft because we are very aware of our finances and careful with our spending. However last year, our student loan servicer pulled out a large sum as an automatic payment which took us by surprise. We hadn't renewed our qualifications for our income-based repayment plan on time, so the withdrawal, which is usually zero, was hundreds of dollars.

Because we were a month ahead, the account had the remainder of “This Month” funds and all the “For Next Month funds in it, and the transaction went through
without a problem. If the withdrawal had been made from our “This Month” account while our “For Next Month” funds were in a separate account, there wouldn’t have been enough there to cover the withdrawal, and we would have earned a penalty fee for insufficient funds.

Another difficulty with having two separate accounts is that you have to remember to transfer the money over each month. If you have automatic payments coming out of your “This Month” checking account, you will need to be certain that "For Next Month" funds get transferred to "This Month" before those payments hit the account.

One Account

We prefer to house both of our "jars" in one account. Our checking account contains both the money for next month and the money we are currently using. We keep them separate by tracking our earning and our spending. If we earn $5,839 in May, then we will spend $5,839 in June. By "spend" I mean "do something with" (spend, save, give away, invest, etc.). Because we keep track of what we spend, we can easily see how much we have left to use. Keeping track of our income lets us know how much we can spend the following month.

You might be afraid that you would accidentally spend next month's money if you have it accessible and in the same account as the money for the current month. The solution is tracking all of your spending so you don't go over the “This Month” amount you have in your virtual jar. We do this through our YNAB budget. Instead of looking at our checking account to see if we can afford something, we look at the category balances in our budget to see if we have the funds available. The YNAB software (which moved to a web app as of the end of 2015) is designed to make this process a cinch.

Since the YNAB method is different from traditional budgeting, their software is tailored specifically for staying a month ahead. If you prefer, you can create your own spreadsheet to track your earning and spending and keep you a month ahead. YNAB has saved us both money and sanity. You don't have to take my word for it though. You can start out with a 34-day free trial.
If you have a month's-worth of income sitting around, then you can start being a month ahead right now. Take that sum of money and use only that money this month while you save all of your paychecks from this month to use next month.

Don't worry if you don't have a month's-worth of extra sitting around. With faithful and diligent budgeting you can set aside money each month until you have a month's-worth of income (or at least a month's worth of expenses) to get started.

You can build your fund both by decreasing your monthly spending and by increasing your income.

Here are some ideas to jump-start your getting a month ahead fund:

- Use your tax return, any bonuses, or any other windfall income
- Sell furniture, appliances, toys, and clutter locally or online
- Sacrifice something out of your budget until you get a month ahead (read Cut Something Quick to get some ideas)
- Lower your bills (here are some great ideas to get you started saving money on your monthly bills)

In the meantime, while you're saving up your buffer of a month's-worth of expenses, start by budgeting (and spending) only money that you have. You can still use credit cards if you account for the card purchases in your budget. Getting into this habit will make a huge difference in your finances.

When you spend with a credit card, the money you spend must be considered unavailable, gone, never to be spent again. Even though it is still in your checking account until you actually pay your credit card bill, marking those funds as gone gives you a true picture of your up-to-date financial outlook.

This step took us a few months. To get our budgeting system where we wanted it, we had to pay off our credit card bills (as we were accustomed to doing each month) and also account for current credit card spending. Essentially it was like paying for two months of expenses at once: paying the credit card bill for everything you bought on it before the bill came due, AND counting this month’s credit card spending as gone from the budget, even though it was still in the checking account.

After a few months we got on track with credit cards. All past credit card spending (pre-YNAB) was paid off and we treated current credit card purchases as if they had been
cash purchases by logging the expense and subtracting the amount spent from our available budget in the appropriate category. That way, even though our checking account showed we had money available (because we hadn’t actually used the money to pay our credit card bill yet), our budget categories, updated with all our expenses as we accrued them, showed us how much we really had left to spend.

Be patient and diligent and your fund will grow. Soon you will have a month’s-worth of expenses saved up so you can start the next month being a month ahead. The amount that you saved will be the money that you will use for the entire new month. Remember to not touch any of your paychecks or new income during they month you receive them. Keep that money safely in its “jar” so it’s ready to use next month!

Don’t give up! Trust me-- it’s totally worth the effort and the sacrifices.

As long as you keep your jars straight, you’ll continue to stay a month ahead on your finances. Even if you still have debt or other financial hardships, you will begin to feel a measure of peace about your finances. The stability and security of being a month ahead will free up your time and energy to do better things.

It’s time to take action! Start your plan for getting a month ahead now. Talk to your spouse and make sure you’re on the same page. You’ll be so glad you did.
YNAB (You Need A Budget)-- I know I mention YNAB more than a couple times in here. It has been a game-changer for us! You can try the free trial to check it out and see why I can't say enough good things about it. Also, take the time to check out their live classes to get the hang of using the software so you can make the most of your free trial.

Frugal Fresh Start: A 28-day challenge to trim your expenses, build a budget, and fix your finances-- If you are ready to overhaul your finances and make serious traction toward your goals, this book is for you. I wrote it in response to the question I receive time and time again: “I want to fix my finances, but where do I start?” Scroll down to read more about it!

Budgeting Every Penny-- How and why we budget every penny! Zero-based budgeting will let you take charge of exactly where each dollar goes. You will pay off debt faster and save more by budgeting down to zero.

Using Credit Cards on a Zero-Based Budget-- Some people think that credit cards won't work with a zero-based budget, but I would argue that it is actually the safest way to use credit cards. By accounting for each credit card purchase in your budget (where you're only spending money that you already have), you are guaranteeing that the money for your credit card bill is already on hand.

You'll find more ideas and encouragement for saving money, earning money, budgeting, and paying off debt on SixFiguresUnder.com.

A little About Me

Stephanie Jones and her husband live in the boonies of Northern California with their four kids ages newborn to seven. When she’s not crunching numbers for the family’s finances, you can find her adventuring outdoors with the family, sewing something fabulous for the kids, or baking something delicious for herself to share.

At Six Figures Under, Stephanie shares her family’s journey to pay off over $130,000 of law school student loans. Each month she openly shares what her family earns, spends, and pays toward debt.

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My goal in writing *Frugal Fresh Start* was to help people know where to start and to give clear direction and goals for getting their finances in order.

Essentially it starts with an awesome goal that motivates you to do hard things.

Driven by your goal, you’ll cut your expenses in a way that works for you. Rather than just reading lists of random tips and tricks for saving money, you zero in on the most effective and efficient ways that you can be frugal.

Frugal living goes hand-in-hand with budgeting. If you can’t budget your money, then it doesn’t really matter how much money you save (or earn, for that matter). You’ll learn to build a budget and how to make it work for you.

At 130-pages, *Frugal Fresh Start* is thorough and loaded with substance. It’s not meant to be read in one sitting.

Frugal Fresh Start is divided into 28 chapters to be read one day at a time. Each day includes an actionable challenge so you can make the day’s principle work for you. Because the challenges are designed to be customized to your situation, you don’t have to get frustrated with challenges that are either unattainable or too simplistic.

To put it simply, *Frugal Fresh Start* is 28 days packed full of real-life strategies to reach your financial goals by lowering your expenses and making the most of your hard-earned cash.

What will I get out of *Frugal Fresh Start*?

- A start with clear direction on where to move
- Practical and meaningful challenges
- Smart frugal and financial habits
- More money in your pockets to put toward your financial goals.
- Encouragement to keep going.

By the end of *Frugal Fresh Start*, you will have trimmed your expenses in effective and practical ways, leaving money in your hands. Those savings will no longer get lost in the shuffle! With your new budget, built especially for your personal style and financial situation, your money will be actively working to help you reach your goals. If those goals include paying off debt, you’ll gain a plan for tackling that, along with some serious momentum. If you are ready to make financial strides and turn your finances around, then grab my book on Amazon and get started! Finances don’t just fix themselves, you know.