

Goal

Use existing moneydance features to be able to create savings goals and do envelope budgeting without requiring doing double transactions or keeping track of virtual accounts. Have it be relatively maintenance free. This system should also allow you to fairly easily work off of a zero based budget, or to be able to assign all of your income to a specific area of use.

Solution

Use Asset accounts in combination with an income category and an expense category to use for funding the envelope budgets and savings goal. Be able to set up reminders to help automate some transactions and be able to use the awesome moneyforesight extension for forecasting.

Setup

1. Create a Parent Account for all accounts that need to be related to your savings goals/budgeted items (*I called mine Budget Accounts*)
 - a. Add the real bank accounts as sub accounts under this parent account. (*Checking Account, Savings Account, etc.*)
 - b. If you have other accounts that aren't part of the savings goals/budgets don't put them as sub accounts. Sub Account Balances roll up to their parent account.
2. Create a Parent Asset Account for all asset accounts that will be your savings goals/budgeted items (*I called mine Budgets*)
 - a. Create individual asset accounts that are your named what you want your savings goals/budgeted items to be called. These should be sub accounts of the Parent Asset Account (*Birthdays, Christmas, Vacation, Misc Expenses, etc.*)
3. Create an expense category for funding your savings goals/budgeted item asset accounts. (*I called mine Balance Adjustment*)
4. Create an income category for funding your savings goals/budgeted item asset accounts (*I called mine Budget Funding*)
5. On the Summary page add the Asset Widget so you can see your asset accounts.
6. Create reminders to help you with your maintenance. Set them to enter into your register automatically. I like to see them 5 days in advance.
 - a. Create reminders for Savings Goals Allocation
 - b. Create reminders for Budget Allocation
 - c. Create reminders for known transactions in your bank accounts

The balances for the asset accounts will be negative so that when you purchase an item and assign the transaction to that category it will subtract and eventually your asset will go to zero. If the asset account is funded with a positive number then when you assign a transaction to it, it will just add that amount to the fund which is not how this is intended to work.

How does it work?

The Parent Asset Account and the Parent Bank Account displayed balances should always match. This is the reason you only want to include the accounts that relate to your savings goals/budgeted items.

Each time you receive income, you should spend a little bit of time allocating the money into your savings goals/budgeted items asset accounts. This is the zero based budgeting aspect. You can use reminders to help out a little bit, but it will be important to take time to adjust amounts as needed.

1. Income is earned and entered into the bank account it is deposited into
 - a. A transaction with a matching amount is also created to send money from the Expense Category (Balance Adjustment) into the Income Category (Budget Funding).
2. Create a transfer from the Income Category (Budget Funding) that will transfer money [that is for things not related to your savings goals/budgeted items] out and back into the Expense Category (Balance Adjustment). In my example I moved money out that I use for my bills since these I'm not creating asset accounts for. This leaves only the amount in the Income Category (Budget Funding) that I have available for using with savings goals/budgeted items.
3. The reminders I set up will now show up for me in my income category (Budget Funding) register and I can quickly go and adjust any amounts I want to for my asset accounts.
4. When you spend money from your account, it is given one of the categories and if it's an asset account, it reflects the amount and shows me how much I have left to spend.

Pros of this system

- Ability to fund savings goals/budgeted items for more accurate spending knowledge
- Accounts are still easily reconciled
- Doesn't require a large number of duplicate/virtual transactions
- Still have the ability to use reminders and use forecasting
- Can use any type of account to make purchase (checking, savings, credit)
- Doesn't mess up cash flow and put any virtual transactions into your bank account registers

Cons of this system

- Amounts are negative in the assets accounts. It doesn't provide the desired result to have them amounts be positive.
- No budget or summary page budget bars
- Some reports don't work since things are switched around with income/expenses