







# How To Budget Using the Cash Envelope System aa

Tucking your monthly income into several cash envelopes might sound old school, but the cash envelope system has long proven itself to be an effective budgeting method, even for complete beginners.

As this system physically restricts you from spending more funds than you've initially budgeted for each expense, it ensures you won't exceed your monthly budget even if you don't consciously track your expenses.

This article covers everything you need to know about the cash budget envelope system, including how it works, the common envelope categories, and the top tips to guarantee success in this budgeting challenge.

## Key Takeaways

- Only include cash envelope spending categories that can vary monthly. Rent or insurance bills, for example, typically remain the same every month, so no extra budgeting is necessary for them.
- Some of the best tips to succeed in the cash envelope system challenge are to find an accountability partner, always keep track of how much money you have left, and start with easily achievable budgeting goals.
- YNAB and Goodbudget are two platforms that offer digital cash envelope system services.

## The Cash Budget Envelope System Explained

The cash envelope system, also known as cash stuffing, is a budgeting method that requires you to cash out and portion out your monthly budget into envelopes designated to your specific spending categories.

After you've stuffed your allocated budget for each category's money envelope, you should limit yourself to only spending that maximum amount.

Once you've already spent all the cash allocated to a specific envelope, you won't be able to spend any more in that category until the next budgeting period, forcing you to spend wisely and value every financial choice.

## How the Cash Envelope System Works

Before you implement the cash envelope system, ensure you know exactly how much your monthly income is from all your income sources.

After that, simply follow these simple steps, and you'll be on your way toward an effective budgeting strategy.

### Step 1: Decide on a budget

Of course, there's no one-size-fits-all budgeting approach for everyone. But many have found success in following the 50/30/20 budget rule, where you allocate 50% of your

