

Burn Rate Budget

Quick Start Guide

How to budget effectively & consistently, without tedious budget categories.

Step #1: Set a monthly spending limit

What is the max you would like to spend each month, to better support your financial goals?

"Spend" means any 'pulling out your wallet' spending, like using cash, swiping the debit or credit card, anything that autocharges to your card (including everything from gas to groceries, lattes to entertainment, all shopping, etc.). It does not include your usual monthly bills (a.k.a. fixed expenses) like rent/mortgage, utilities, loan payments, childcare, etc. that are committed in advance and generally autodraft straight from your bank account.

Not sure what your monthly spending limit should be? Start somewhere for purposes of learning the budget method & tweak from there... it doesn't have to be perfect to get started. Use this formula as a guide:

Total monthly income - Total monthly fixed bills - Total monthly giving/saving/debt payments
= Total monthly spending cap

Total monthly spending cap = \$ _____

Allocating money by time, instead of by purchase category, is a universally effective way to control spending... for any income or season of life.

Step #2: Identify your buffer & burn rate

Consider 1/3 of the total monthly spending cap as a **buffer** to help absorb irregular spending that inevitably pops up (e.g. special occasions, vet, sports, autocharged memberships/subscriptions, minor repairs, etc.)

Total spending cap x 0.33 is your **buffer** = \$ _____

Use 2/3 of the cap for all your **day-to-day spending** (total spending cap x 0.67 = \$ _____).

Then, divide this number by 4.33 to identify your **weekly burn rate** = \$ _____

Ex. Total monthly cap = \$2,100. 1/3 = \$700 buffer. 2/3 = \$1,400 for day-to-day spending throughout the month. \$1,400/4.33 = \$325 spending limit ("burn rate") per week for all day-to-day spending (wants, needs, everything - from groceries and gas to takeout and birthday presents).

Step #3: Monitor your burn rate

Find a method that works for you... make notes on your calendar, your planner, in your phone, whatever is easiest to monitor your spending rate across the month.

Use primarily credit cards for spending?

Check your daily/weekly card balance change to monitor your spending accumulation. Use account alert tools to make this easy. *When you respect your cap, you will easily pay off your card statement balance 100% in full every month. This is essential.*

Use primarily cash for spending?

Withdraw your weekly burn rate allocation each week in cash for your wallet & leave your 1/3 buffer in your account (or a separate cash stash at home) for those irregular bigger things that pop up.

Use primarily debit for spending?

Use account tools to track spending, switch your spending money to a separate account for easier allocating/totaling, or manually total up your spending money transactions each week in your online account portal to track your burn rate. Find what works for you!

Step #4: Stick to your limit

Use short spending "fasts" (or a full on spending freeze... like eating rice & beans only) to slow down spending as needed to respect your limit. **Nothing is inherently off limits, but it may have to wait.** The harder you stick to your short term weekly limit, the less you'll need to sacrifice to respect your overall cap towards the end of the month. Start fresh each month, rinse, repeat. Remember perfect is the enemy of good, use your buffer as needed, and just keep tweaking to smooth things out over time.

Change your money, change your life.