

Simple Finances: How and Why to Build Up a Cushion in the Bank

Recently I began to do something in my bank account that would have been unthinkable to me a few years ago: build a (relatively large) cushion in my account, to allow myself to pay all my bills at the beginning of the month.

It makes more of a difference than you might think.



Photo by [Todd Ehler](#)

Building up a cushion in my bank account isn't a complicated concept: instead of having just about exactly what I need to pay my bills (and transfer for savings), and then getting down close to \$0 after all the payments are made and transfers completed, I decided to try to have a larger amount in the account, even after the bills are paid.

Let's take a look at why, and then how to do it if you're interested.

Why Build a Cushion

Let's take a step back for just a second ... to understand one reason why I want to build a cushion, you have to understand where I came from: it was only a couple of years ago that I was living [paycheck to paycheck](#). That's a scary thing for anyone, but especially if you have a family and only one income.

I've since improved my finances, mainly by [living more frugally](#), [paying my debts](#), and learning to [save for an emergency fund](#).

But the cushion I've been building helps create a sense of even more security, knowing that in addition to my emergency fund, there's money in the bank in case a bill is automatically deducted without my realizing it, in case I'm out buying something and realize I don't have enough cash, in case there are charges I'm not aware of.

Besides security, though, there's an equally good reason to build up a cushion in your bank account: **it simplifies your finances**. For example, if your cushion is big enough, you can pay all of your bills at the beginning of the month, instead of paying some each paycheck. And in my case, as I do freelance work and get some income from this blog, I get a bunch of checks a month, which can make bill-paying difficult.

There is real value in being able to pay all your bills at once and not have to worry about it for the rest of the month. Paying bills throughout the month can be complicated and stressful. Paying them all at once is simpler, easier, and saves time.

I'll admit that I could be making more money by taking my money out of my checking account and earning interest or investing it. But **I feel that this financial peace of mind, and simplicity, are both powerful reasons to**

keep that cushion in my account.

How to Build a Cushion in Your Account

So let's say you are interested in building up a cushion in your bank account, and in simplifying your finances by paying all your bills at once, instead of throughout the month. How do you do it?

Well, there's no one way, so I can't give you a step-by-step guide, but here are my suggestions:

- **Cut expenses.** This might sound obvious, so I won't belabor the point, but if building a cushion in your account seems difficult, you will probably need to cut out a few expenses to do it. And that's good advice for any financial goal, not just this one. Make it a goal to reduce your expenses by \$100 or \$200 a month (or more, if you think it's possible). See what expenses you're paying now that aren't absolutely necessary, or what can be reduced. Look at the big things, like house and car and food. Look at the little things, like magazines and music and clothes and coffee and dessert.
- **Budget.** If you're having a hard time financially (and you might not want to hear this), you'll need to create some kind of budget or spending plan. This allows you to plan for your expenses and know where you're going to put your money. With a budget, it's easier to see what you can cut, what's necessary, and how to put a little extra aside for the cushion. It's also good because then you know how large your cushion needs to be in order to pay all your bills at once. See [these ways to simplify your budget](#).
- **Emergency fund.** I've talked about how to create an emergency fund. Follow those steps, except that for the purposes of this article, you'll want to do one of two things:
 1. **Create an emergency fund, then a cushion.** Once you've saved up an emergency fund of about \$1,000 (the minimum you'll need to start with), then redirect those savings to build your cushion in your checking account.
 2. **Use your emergency fund as your cushion.** Alternatively, use the emergency fund, temporarily, as a cushion. As long as you don't spend the entire amount when you pay your bills at the beginning of the month, this is an easy way to get to that cushion quickly.
- **Little by little.** If you can put \$200 per month (or more) aside for your cushion, you can have a nice little cushion in a few months. It's important that for the purposes of spending, you pretend that cushion isn't there. I withdraw my spending cash, so I'm not tempted to use my debit card to withdraw the cushion. Setting aside a little at a time will take a little longer to get to your ultimate goal, which is to pay all your bills at once.
- **Refund.** If, however, you get a windfall such as a tax refund, or a bonus at work, or a large payment from an extra project you did, or something along those lines, instead of spending the money, you should leave it in the bank as your cushion. This is the fast method to building a cushion ... although as it's hard to plan on this happening, you should do the little-by-little approach in the meantime.
- **Pay bills all together.** Once you've built your cushion large enough so that it equals your monthly bills, you can now pay all of your bills at once (I like the beginning of the month, but your situation might vary). So set a day when you plan to pay all of your bills, go online, make the payments, transfer your savings deposit, and then withdraw your cash if you use the cash method. If you use a debit card for expenses such as gas, groceries, eating out, etc., again, you'll need to be careful not to spend your cushion. So, pay all your bills on one day, then forget about it. Ah, the simplicity!
- **Use last month's income for bills.** Once you reach this point, from now on, when you get paid, you don't spend it. You leave it in the bank to pay next month's bills. From this point on, this month's bills will be paid by last month's income, and this month's income will be used for next month's bills. It's a beautiful thing, knowing that you've got enough for more than a month's expenses sitting in your bank account. Your finances couldn't get much simpler.

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