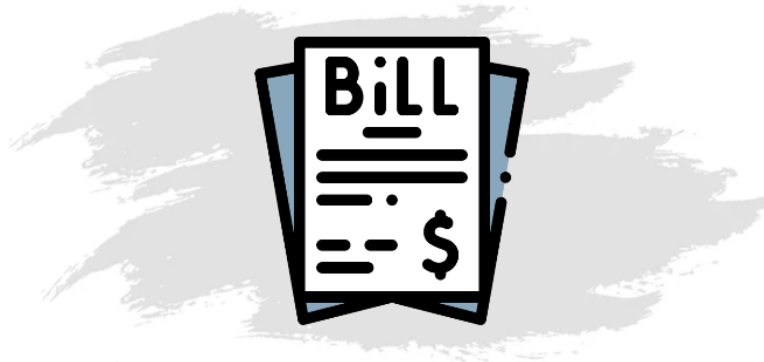


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# About Bills

Bills are financial obligations for the goods and services in your life that you are required to make payments toward. When getting started with a new cash plan, it could take a year or more before you have all of your bills added primarily because of infrequent payments, such as magazine and digital subscriptions. Annual payments can be difficult to identify until you receive the next bill.

You typically won't be spending much time with the bills in your cash plan other than adjusting the payment amount when you receive a bill for which payments can vary each month. Less frequently, you will edit a bill when the company changes the payment amount.

You will pay bills twice each month on the date of the first column in your cash plan spreadsheet. How long it takes for you to pay bills depends on the payment methods you use. The more automatic your payments, the less time you will spend paying bills.

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# Classes of bills

Most of the bills you will have are predictable. They come due on a fixed, monthly schedule. The payment amount tends to be the same month-to-month but, like your telephone, can vary slightly or, like utilities, can vary seasonally. Typical **predictable bills** include:

- Rent or mortgage
- Telephone/Internet
- Utilities (electricity, water, garbage, sewer)
- Loans (auto, home, personal, etc.)
- Insurance (home, health, auto, etc.)
- Gym memberships
- Subscriptions (magazines, newspapers, Netflix, Amazon, Hulu, etc.)

For unpredictable expenses, you may not know in advance when bill payments will be due, how many payments there will be, and/or how much the payment amounts will be. Examples of **unpredictable bills** include:

- Medical/dental care
- Household services (plumbing, electrical)
- Contractors
- Veterinary services

Then there are the emergency expenses that are totally unexpected. These bills could require only one payment, which could be large. An unexpected, due-on-receipt bill payment often translates to unexpected debt if you do not have cash in an emergency fund to handle the event. In *You Need A Cash Plan*, you can set up an automatically maintained emergency fund for unexpected expenses such as:

- Repairs (auto, household, etc.)
- Urgent medical/dental care

# Types of bills

Bills are categorized by whether or not the payments are due on a relatively fixed schedule with fairly consistent payment amounts.

**Regular bills** - Payment amounts are fairly consistent. Payments are due

on a predictable schedule. The payment amounts for regular bills may vary slightly from one payment to the next, but there is a predictable maximum for each payment that can be used for planning. Examples of regular bills with *fixed payments* are:

- Rent, house payment
- Entertainment (Internet, Dish, Netflix, Amazon, Hulu, etc.)
- Subscriptions
- Memberships
- Loan payments

Examples of regular bills that normally have *variable payment amounts* could include:

- Utilities
- Telephone

For bills with payments that vary month-to-month, the aim is to "plan high and pay low."

Setting aside money for long-term savings is done by making regular **pseudo bill payments** to savings or investment accounts. You can think of it as paying yourself first. You use long-term savings to achieve your larger financial goals like buying a house, having a comfortable retirement, or building generational wealth.

**Unscheduled bills** - Either sporadic payment amounts and/or payment due dates on an inconsistent schedule. In You Need A Cash Plan you edit an unscheduled bill to enter the due date and amount for payments as they become known. Examples of unscheduled bills include:

- Medical/dental care
- Household services (plumbing, electrical, pest control, etc.)
- Contractors
- Auto expenses (service, tires, etc.)
- Seasonal lawn care

# Payment due dates

A payment due date for a bill is the date by which the payment is to be received and completely processed by the payee. If the company to which you are making a payment cannot process your payment on or before your due date, your payment is late.

The main reason for paying attention to payment due dates is that late payments can result in being charged a late fee and possibly paying interest. In the case of credit cards, for example, when a payment is one day late, in addition to a late fee, you will also be charged interest on your total unpaid balance *before the payment amount is deducted*.

Not paying your bills on or before the payment due date can cost you money.

# Payment methods

There are many options for making bill payments. All of these payment methods are available in You Need A Cash Plan, including:

**Check** – You write a paper check, which draws from your checking account.

## **Online**

*Cash transfer* – You transfer money from your checking account using an online money transfer service like PayPal, Venmo, or Zelle.

*Bill pay* – You use your bank or credit union’s online bill pay service to arrange for a check to be received by the payee on a future date, which draws from your checking account.

**Automatic Deduction** – You authorize automatic payments to be made with electronic withdrawals directly from your checking account.

**Credit card** – You charge the payment online to a credit card.

**Automatic Credit Card** – You authorize payments to be automatically charged to a credit card.

**Money order** – You purchase a money order from a store like Walmart or from the Post Office using cash or a paper check that draws from your checking account.

### **Other**

*Cashier's check* – You get/purchase a check that is guaranteed to be good, from your bank or credit union (A cashier's check is signed by a cashier or teller and draws on the bank or credit union's funds instead of your checking account. The bank or credit union guarantees the check, not you. A cashier's check can also be called an official check.).

*Cash* - You pay in person or you pay a fee to a business, like Walmart or Western Union, that offers a money transfer service.

## Payment lead times

To make bill payments on time, the payments must be submitted in advance of or on the due date. The time between when a payment is submitted and is due is called the payment lead time. The length of a payment's lead time is affected by the payment method.

For example, a person lives in Idaho and mails a monthly payment to a subscription service in Florida. Payments are due on the fifteenth of each month. The usual time for a letter to get from Idaho to Florida is four days. Payments could be mailed on the eleventh for a four-day lead time. Doing so assumes payments will always be received within four days and that the company will open and process the payment before the close of business on the same day the payment is received. There is no allowance for:

- unexpected mail delays
- due dates falling on weekends and holidays
- the eleventh falling on a day when there is no mail service

When the fifteenth falls on a weekend or holiday, does the company move the due date to the following business day? If not, payments that could have arrived on the fifteenth will be received after the due date, possibly resulting in a late fee.

One solution for overcoming all the possible mail delays is to extend the lead time to two weeks. Payments would be mailed on the first of the month.

Extending the lead time, however, does not eliminate the ever-present risk of a payment getting lost in the mail.

Alternatively, if the company accepts credit card payments, monthly payments could be charged on the company's website or by calling customer service on or before the due date. Late fees are still possible if you forget to make a payment, but the concern about possible delays with mailed payments are avoided.

The optimal solution would be to take advantage of automatic payments, which are often referred to as *auto pay*. If a company has auto pay available, signing up for this option puts the responsibility for making your payments on time with the company. There is no payment lead time and late fees are avoided regardless of whether or not a due date falls on a weekend or holiday.

## When bill payments are due

Bill payments for regular bills are normally scheduled on some form of monthly schedule. A change to a particular due date is typically the result of the due date falling on either a Saturday, Sunday, or holiday. When that happens, the due date might be moved to either the preceding or following workday. You Need A Cash Plan makes this adjustment automatically.

Regular bill payment due dates are typically scheduled on the same day:

- each month
- once a quarter (every three months)
- semi\_annually (every six months)
- annually (every one or more years)
- every so many months

Regular deposits into investment or other long-term saving vehicles are also typically made on some type of monthly schedule. These long-term savings deposits are made in You Need A Cash Plan with *pseudo bill* payments.

## Playing "what if?"

Playing "What If?" with your bills could happen when you:

- are contemplating taking on a new loan;

- want to accelerate paying off debt;
- want to see how your net cashflow will be affected by stopping or adding a bill.

The safest way to play "what if?" with your bills is to:

1. clone your cash plan;
2. in the cloned cash plan, make your "what if?" changes;
3. if you decide to go ahead with the changes, make the changes in your cash plan;
4. delete the cloned cash plan.