



About Sinking Funds

A sinking fund is used to accumulate a goal amount of money over a specified period of time to purchase something in the future. It's how you "save up" to buy something.

Sinking funds can be used to save up for the purchase of anything.

Examples could include:

- New tires
- Christmas gifts
- Wedding expenses
- Dishwasher
- Plane tickets
- Electric bicycle
- Clothes for a special occasion
- Vacation
- Home remodel
- Down payment on a car or house
- Sending a child to college

Since sinking funds, by definition, are needed only when you want to "save up" money to buy something, you probably won't be using this feature often. A sinking fund, once set up, is automatically maintained by the program until the goal amount is reached.

Playing "What If?" with a sinking fund is done when the fund is first set up to determine what combination of goal amount and reach-by date is possible.

Sinking funds can be short- or long-term. They are considered an expense because you are setting current income aside for use in the future thus making the money unavailable to use today.

Short-term sinking funds are used to buy relatively inexpensive items within a short time frame. Earning interest on the money set aside for a short-term sinking fund is not a concern.

In You Need A Cash Plan, a short-term sinking fund is automatically maintained by the program until the goal amount is reached. The money stays in your checking account.

Money set aside to sinking fund ledgers can be used in one of three ways:

1. Linking a sinking fund to a bill or credit card automatically deducts from the sinking fund balance to make payments when you pay bills;
2. Writing a paper check;
3. Using the *Move Money* or *Consolidate Money* features.

Long-term sinking funds are for large purchases well into the future (e.g. down payment on a house, sending a child to college). Earning interest or dividends on the money in a long-term sinking fund can significantly contribute to the growth of the sinking fund. The money in a long-term sinking fund is, therefore, set aside in You Need A Cash Plan by transferring the money, via a scheduled or unscheduled pseudo bill payment, from your checking account to an external saving or investment account.