

Save Money with Piggy Banking

A simple budgeting technique for organizing your finances

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Piggy banking is a simple yet effective budgeting technique that helps you organize your money by separating it into different "pots" for different purposes. Instead of keeping all your money in one account, you divide it up according to what you need to spend it on – making it easier to manage your finances and avoid overspending.

What is Piggy Banking?

The concept is based on the traditional piggy bank, but adapted for the digital age. Instead of physical containers, you create virtual "pots" (using tools like Monzo Pots) and split your money between each one. You use the money in each pot for a different purpose – like bills, groceries and new clothes.

This makes it easier to see how much you've got left for each type of spending. And it helps ensure you have enough set aside for the essentials, like bills and rent.

How to Start Piggy Banking with Monzo

Step 1: Balance your budget. First up, you need to make sure you can afford your expenses. This involves comparing what you expect to earn with what you plan to spend, and deciding where to cut costs if needed. It's really important not to skip this part – no amount of tips or tricks will work unless you know your income can cover your expenses.

Step 2: Decide your categories. Think about the different types of spending you do regularly. Common categories might include: bills and essentials, groceries, transport, eating out and entertainment, savings, and emergency fund.

Step 3: Create your pots. Each category needs its own pot. If you use Monzo, simply create a new Pot for each one. The Salary Sorter tool will even do it automatically after you get paid.

Step 4: Allocate your money. Decide how to split your income between your different pots. You should already have an idea about how to do this from balancing your budget. It's a good idea to slightly overestimate the amount you'll need for bills and other essentials, just in case.

Step 5: Personalise and automate. Next, personalise each Pot with a name, and add money to it as soon as you get paid. Set up automatic transfers so your money is divided up without you having to think about it.

Step 6: Spend from the right pot. When you need to pay for something, take the right amount out of the right Pot, or set up scheduled payments. You can even lock your Pots so you're not tempted to dip into them early!

Benefits of Piggy Banking

Visual clarity: You can see at a glance how much you have for different purposes, making it easier to avoid overspending.

Prevents bill stress: By setting money aside for bills as soon as you get paid, you eliminate the worry about whether you'll have enough when they're due.

Encourages saving: Creating dedicated savings pots makes it easier to work towards specific goals without accidentally spending that money.

Flexible: You can create as many or as few pots as you need, and adjust the amounts as your circumstances change.

Tips for Success

Don't forget about big annual expenses like Christmas or car insurance. You might want to set up a separate pot and put money into it every month so you're prepared when these costs come around.

Use Monzo's lock feature if you're tempted to dip into your savings. That little extra friction might help you think twice before taking money out for non-essentials.

Review and adjust your pots regularly to make sure they still match your spending patterns and financial goals.