So, you've decided to use YNAB to handle your budget. Nice!

In this step-by-step tutorial, we'll walk you through how to use You Need a Budget (YNAB) in conjunction with the principles found in *The Budgeting Habit*.

Before You Start

If you haven't already done so:

- Determine where you stand right now by adding up all of your income and expenses, as described in the First Steps section of *The Budgeting Habit*. To assist you with this, we've provided a free income and expense spreadsheet [which you can find here](#).
- Categorize your expenses. To get you started, here's a list of the default expenses in YNAB. Feel free to ignore any that don't fit your needs, as well as add additional categories that are specific to your situation.

    Immediate Obligations
    - Rent/Mortgage
    - Electric
    - Water
    - Internet
    - Groceries
    - Transportation
    - Interest and Fees

    True Expenses
    - Auto maintenance
    - Home Maintenance
    - Renter's/Home Insurance
    - Medical
    - Clothing
    - Gifts
    - Giving
    - Computer Replacement
    - Software Subscriptions

Debt Payments
- Student Loan
- Auto Loan

Quality of Life Goals

- Vacation
- Fitness
- Education

Just for Fun

- Dining Out
- Gaming
- Music
- Fun Money

Now let's go ahead and dive in to setting up your first budget in YNAB!

Step #1: Sign up for the free, 34-day YNAB trial.

Go to https://www.youneedabudget.com/ and click on the "Try YNAB Free for 34 Days" button.

TRY YNAB FREE FOR 34 DAYS

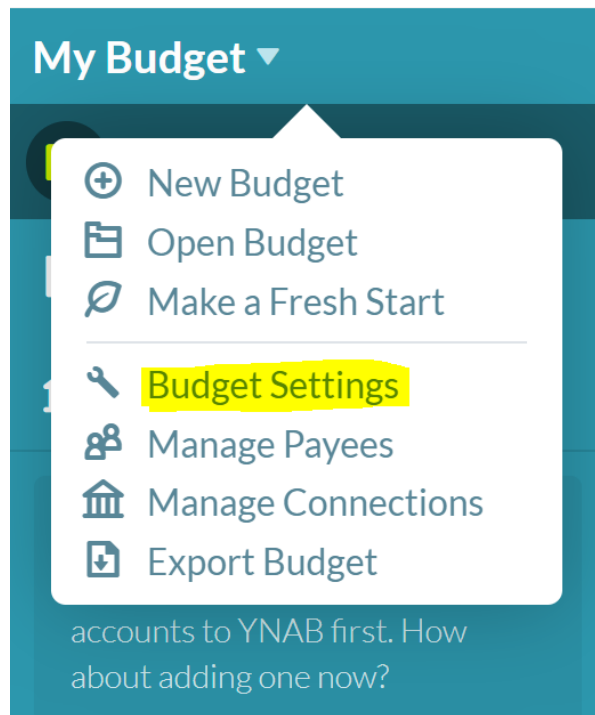Fill out the form. Note that no credit card is required. :)

Sign up for a free trial today!

✉ Email	🔒 Password

TRY YNAB FREE FOR 34 DAYS

Step #2: Create a Budget

In the upper left, click on the "My Budget" dropdown menu and then, Budget Settings.

My Budget ▼

⊕ New Budget
🗀 Open Budget
🥬 Make a Fresh Start

🔧 Budget Settings
👥 Manage Payees
🏛 Manage Connections
⬇ Export Budget

accounts to YNAB first. How about adding one now?

Make any desired changes such as your currency type and then click on Apply Settings.

Budget Settings

Budget Name:	My Budget

Currency: US Dollar–USD ▾

Number Format: 123,456.78 ▾

Currency Placement:
- ⦿ Before amount ($123,456.78)
- ◯ After amount (123,456.78$)
- ◯ Don't display symbol (123,456.78)

Date Format: 12/30/2015 ▾

Cancel　**Apply Settings**

Step #3: Add at Least One Account

You can connect to your financial institutions electronically or manually. For the sake of this tutorial, we'll use the manual option.

#1: Click on the "Add Account" button on the left

⊕ Add Account　①

#2: Click on skip.

#3: Give your account a name (e.g. Chase checking).

#4: Select a BUDGET account type from one of the following options:

- Checking
- Savings
- Credit Card
- Cash
- Line of Credit
- PayPal
- Merchant Account

#5: Put in Today's Balance for that specific account.

IMPORTANT! The YNAB system focuses on money you actually have, not what you expect to get next month, next week, or even tomorrow, so put the exact amount you currently have in the account.

#6: Click save.

Add Account   ✕

Give your account a name, choose your account type, and enter its balance:

Account Name

Chase Bank Checking   ③

Account Type

Checking   ④   ⌄

Today's Balance

1,000   ⑤

What's the balance of this account right now?

Back to Banks   ⑥ ——→   Save

Add any additional accounts as desired.

Note: As you add accounts and account balances, you'll see your "To Be Budgeted" amount at the top of the screen change.

For example, when I added in the Chase Checking Account and indicated that I have $1,000 in that account, the To Be Budgeted amount at the top is shown as $1,000.
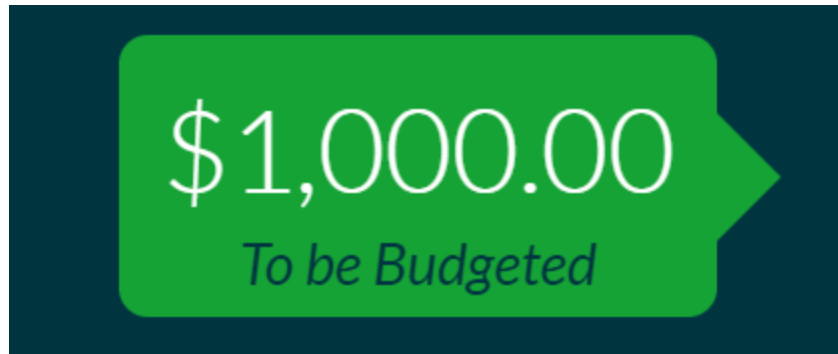
Step #4: Customize Your Categories

The budget items in YNAB are organized by Category Groups and then categories within the category group:
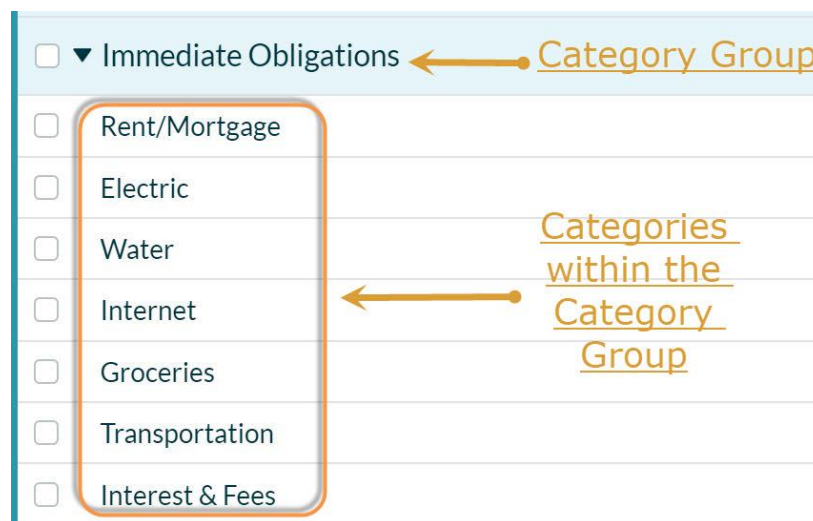
YNAB comes with default categories already in place as mentioned above. By all means, you can use their categories. But since personal finance is indeed personal, you'll likely need to change things up a bit.

Let's look at the default Category Groups and how you might want to change them.

Immediate Obligations are things you need every single month. Included are things such as rent/mortgage, electric, and groceries. These are not optional expenses, and you spend money on them every month.

True Expenses are things that you don't spend money on every month, but need to be part of your budget. For example, Christmas and birthdays roll around just once a year. Other things such as auto maintenance and computer replacement are less predictable, but you'll likely need to spend money on them eventually. YNAB is set up in such a way that you add to your True Expenses categories on a regular basis so the money is there when you need it.

In addition to the default items listed under True Expenses, I like to add things I pay quarterly, bi-annually, and annually. Car insurance and property taxes are examples.

Debt Payments include things like student and auto loans.

Next is **Quality of Life Goals**. Here's where you budget for a vacation, education, fitness and so on.

Finally, you have **Just for Fun**, which includes dining out, gaming, music, and fun money.

Deleting and Editing Categories

Not all of the default categories will apply to you. There's also a chance that some of the categories you need will be missing. For example, my HOA pays the water bill, so I can delete the Water category by clicking on the Water category, then delete, and then okay.
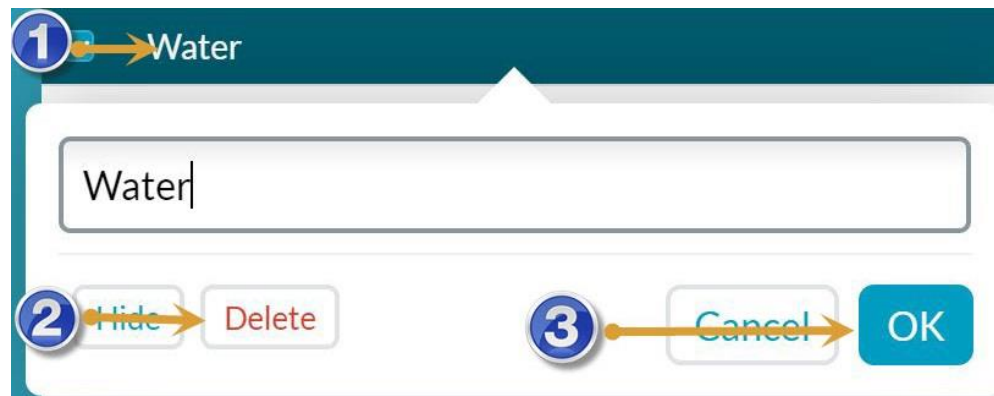
Alternatively, I can edit the Water category so it says HOA instead of Water by clicking on the category, changing the word "Water" to HOA, and then clicking OK:
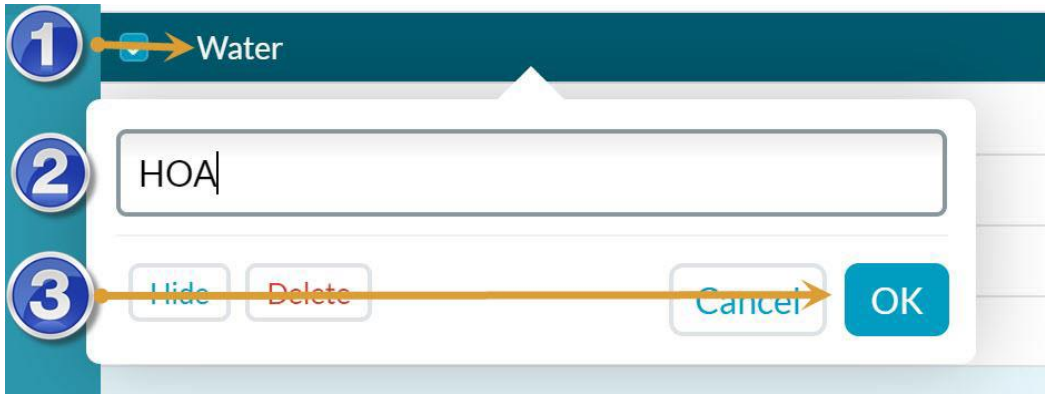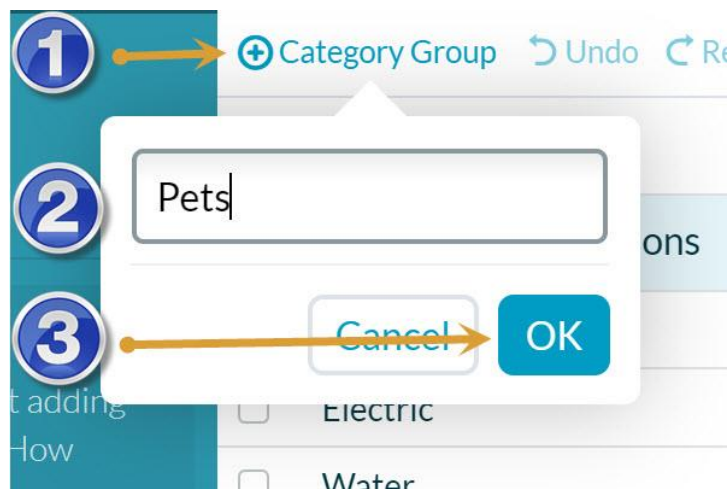
How to Add Category Groups and Categories

While the default category groups are a great starting point, you may want to add some custom Category Groups and categories.

For example, if you have pets, you may add a pet category. Here's how:

Click on the plus sign by "Category Group" (upper left). Type in a name for the Category Group and click OK.
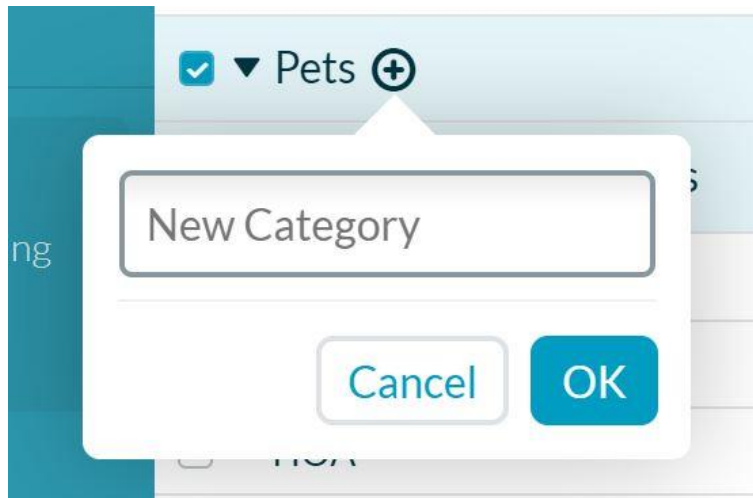

Now let's add some categories to the Pets Category Group.

First, hover over the pets category until you see a plus sign, and then click on the plus sign.

Next, type in the name of the new category and click OK.

Continue this process to add additional Category Groups and categories. I added three categories to my Pet Category Group and came up with this:

Step #5: Set a S.M.A.R.T. Goal

The goal option in YNAB is a great way to save money toward any of the S.M.A.R.T. goals you created.

For example, let's say that you set a S.M.A.R.T goal of saving $2,000 for a vacation by December 2019.

Follow these steps to add this goal to your budget in YNAB:

Click the category where you want to create a goal. For this goal, I clicked on Vacation.

On the right side, you'll see a section with goals. Click the plus sign next to "Create a goal."
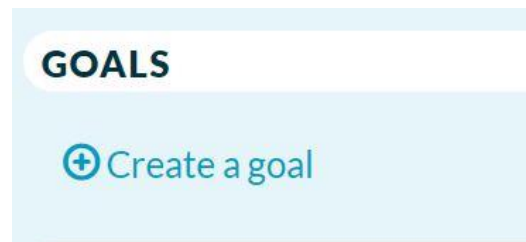
You'll see there are three types of goals:

- Target Category Balance
- Target Category Balance by Date
- Monthly Funding Goal

For the sake of this tutorial, we'll choose, "Target Category Balance by Date" since the date component fits with the "T" in S.M.A.R.T goals.

Type $2,000 in the Target Balance field. Next, since select December and 2019 from the dropdown menus and then click on OK.

GOALS

○ Target Category Balance
● Target Category Balance by Date
○ Monthly Funding Goal

Target Balance:

2,000

Target Month & Year:

| December ▼ | 2019 ▼ |

Delete | Cancel   OK

Now when I click on the vacation category, I can see that I'm 0% of the way toward accomplishing my goal and that I need to save $90.91 this month to stay on track with meeting that goal.

Available $0.00

You're **$90.91** short of your goal for the month. Budget another **$90.91** to keep on track.

QUICK BUDGET

Goal Target: **$90.91**

Budgeted Last Month: **$0.00**

Spent Last Month: **$0.00**

Average Budgeted: **$0.00**

Average Spent: **$0.00**

Set Available Amount to $0.00

Reset Budgeted Amount

GOALS   Edit

0%
Complete

BUDGETED
$0.00

TO GO
$2,000.00

Budget $90.91 more to stay on track towards reaching your $2,000.00 goal.

NOTES

Enter a note...

There is also an orange reminder in the available column that shows how much I've saved toward the goal (currently $0.00). The orange button alerts me to the fact that I need to add some money to that budget category to stay on track with my goal.

| ☑ | Vacation | $0.00 | $0.00 | $0.00 |

Now don't worry. If for some reason you can't budget the recommended amount that month, just budget what you can and YNAB will adjust future monthly budgets to reflect the change. On the flip side, if you're flush with cash one month and you want to budget more than the recommended amount, YNAB will, in that scenario, also adjust the recommended budget amount in future months.

Step #6: Give Every Dollar a Job

As you added your various accounts to YNAB, along with the account balances, the "To Be Budgeted" figure at the top of your account number changed. In addition to the one checking account I added in Step #3, I've added some additional accounts, and now have $3,000 To Be Budgeted.
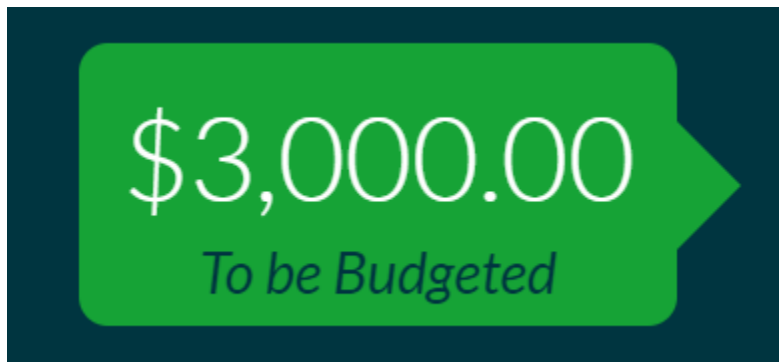
Now is the time to assign every single dollar to specific categories.

The goal is to bring the "To be Budgeted" amount down to zero.

To budget a specific amount in a category, click on the category and then in the "Budgeted" column, type in the amount you want to budget.

For example, if my mortgage payment was $1,000 per month, I'd click on Mortgage, and then in the budgeted column, I'd type in $1,000:

☑ Mortgage	$1,000.00	$0.00	$1,000.00

After doing so, you can see that I now have $1,000 available to spend on my mortgage.

	CATEGORY	BUDGETED	ACTIVITY	AVAILABLE
☐	▼ Immediate Obligations	$1,000.00	$0.00	$1,000.00
☑	Mortgage	$1,000.00	$0.00	$1,000.00

When you assign money to a category, your "To Be Budgeted" amount goes down. Since I added $1,000 to my budget for my mortgage, instead of having $3,000 in my "To Be Budgeted" amount, I now have $2,000.
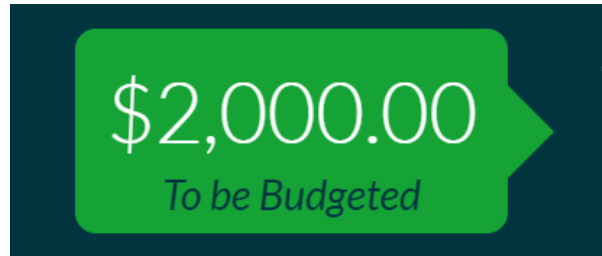
Remember that the goal is to get all the way down to $0.00 in your To Be Budgeted figure. If you've added all the necessary budget amounts and have money left over, you can budget the remaining money to categories in future months.

For example, in this imaginary budget, I've added appropriate amounts to every category, and still have $34.09 leftover:

$34.09
To be Budgeted

+$3,000.00 *Funds for Mar*
-$0.00 *Overspent in F*
-$2,965.91 *Budgeted in M*
-$0.00 *Budgeted in Fu*

⊕ Category Group   ↶ Undo   ↷ Redo

CATEGORY	BUDGETED	ACTIVITY	AVAILABLE
▾ Immediate Obligations	$2,075.00	$0.00	$2,075.00
Mortgage	$1,000.00	$0.00	$1,000.00
Electric	$75.00	$0.00	$75.00
HOA	$300.00	$0.00	$300.00
Internet	$100.00	$0.00	$100.00
Groceries	$500.00	$0.00	$500.00
Transportation	$100.00	$0.00	$100.00
▾ True Expenses	$630.00	$0.00	$630.00
Auto Maintenance	$50.00	$0.00	$50.00
Home Maintenance	$50.00	$0.00	$50.00
Renter's/Home Insurance	$30.00	$0.00	$30.00
Medical	$40.00	$0.00	$40.00
Clothing	$25.00	$0.00	$25.00
Gifts	$50.00	$0.00	$50.00
Giving	$300.00	$0.00	$300.00
Computer Replacement	$75.00	$0.00	$75.00
Stuff I Forgot to Budget For	$10.00	$0.00	$10.00
▾ Quality of Life Goals	$110.91	$0.00	$110.91
Vacation	$90.91	$0.00	$90.91
Fitness	$20.00	$0.00	$20.00
▾ Just for Fun	$150.00	$0.00	$150.00
Dining Out	$100.00	$0.00	$100.00
Fun Money	$50.00	$0.00	$50.00

When this happens, you can add more money to one or more categories until the To Be Budgeted amount is $0.00.

I decided to add the $34.09 to my clothing category by clicking on the category, and then next to the $25 typed in +34.09:

☑	Clothing	25.00+34.09		$0.00	$25.00

YNAB calculated that addition, and brought my clothing budget up to $59.09 and my "To Be Budgeted" amount down to zero:

		MAR 2018 ▾ Enter a note...			$0.00 To be Budgeted	+$3,000.00 *Funds for M* -$0.00 *Overspent i* -$3,000.00 *Budgeted in* -$0.00 *Budgeted in*

⊕ Category Group ↻ Undo C Redo

	CATEGORY	BUDGETED	ACTIVITY	AVAILABLE
☐	▼ Immediate Obligations	$2,075.00	$0.00	$2,075.00
☐	Mortgage	$1,000.00	$0.00	$1,000.00
☐	Electric	$75.00	$0.00	$75.00
☐	HOA	$300.00	$0.00	$300.00
☐	Internet	$100.00	$0.00	$100.00
☐	Groceries	$500.00	$0.00	$500.00
☐	Transportation	$100.00	$0.00	$100.00
☐	▼ True Expenses	$664.09	$0.00	$664.09
☐	Auto Maintenance	$50.00	$0.00	$50.00
☐	Home Maintenance	$50.00	$0.00	$50.00
☐	Renter's/Home Insurance	$30.00	$0.00	$30.00
☐	Medical	$40.00	$0.00	$40.00
☑	Clothing	59.09	$0.00	$59.09

Note: If by chance you assign more money to categories than you have in "To Be Budgeted" you'll note that it turns red.

-$80.00
To be Budgeted

+$3,000.00 *Funds for Mar*
-$0.00 *Overspent in Feb*
-$3,080.00 *Budgeted in Mar*
-$0.00 *Budgeted in Future*

Reduce the amount budgeted in one or multiple categories to bring that number back to $0.00.

| Electric | 155.00-$80.00 | $0.00 | $155.00 |

MAR 2018 ▾
Enter a note...

$0.00
To be Budgeted

+$3,000.00 Funds for M
-$0.00 Overspent i
-$3,000.00 Budgeted in
-$0.00 Budgeted i

⊕ Category Group ↺ Undo ↻ Redo

	CATEGORY	BUDGETED	ACTIVITY	AVAILABLE
☐ ▾	Immediate Obligations	$2,075.00	$0.00	$2,075.00
☐	Mortgage	$1,000.00	$0.00	$1,000.00
☑	Electric	$75.00	$0.00	$75.00

Step #7: Record Transactions

Record both money that comes in and money that goes out by clicking on the appropriate **account** (e.g. Chase Checking), and then add transaction.

YNAB Demo ▾

✉ Budget   ②

📊 Reports

🏛 All Accounts

▾ BUDGET $3,000.00
Chase Checking $1,000.00   ①
Chase Checking 2 $2,000.00

Chase Checking
Cleared Balance $1,000.00 + Uncleared Balance $0.00 = Working Balance $1,000.00

⊕ Add Transaction ✏ Edit ⬇ Import ↺ Undo ↻ Redo

		DATE	PAYEE	CATEGORY
☐	▌	03/19/2018	Starting Balance	Inflow: To be Budgeted

In this example, I'm adding a transaction to the first Chase Checking account.

Type in the payee (either the person paying you or the person/company you paid) and then select the category. If you were paid, place the amount in the Inflow field. If you paid someone, put the figure in the Outflow field.

Click on Save.

In the example above, Employer 1 paid me $2,000, which I put into the "Inflow:To be Budgeted" Category. Note that since this was money coming in, I added it to the INFLOW field at the right.

In the example above, after getting paid, I went to the grocery store and spent $200. Note that since this was money spent, I put $200 in the OUTFLOW field.

Step # 8: Schedule Recurring Transactions

You can set up recurring transactions such as rent that are the same amount of every month.

First, click on the account that you want to pull the money from to add to the budget. In most cases this is a checking account.

Next, click on "Add Transaction," select the date for the next transaction, and the appropriate repeat frequency.

Then type in the Payee, select the appropriate budget category from the dropdown menu, and put the amount in the Outflow field.

Finally, click on save.
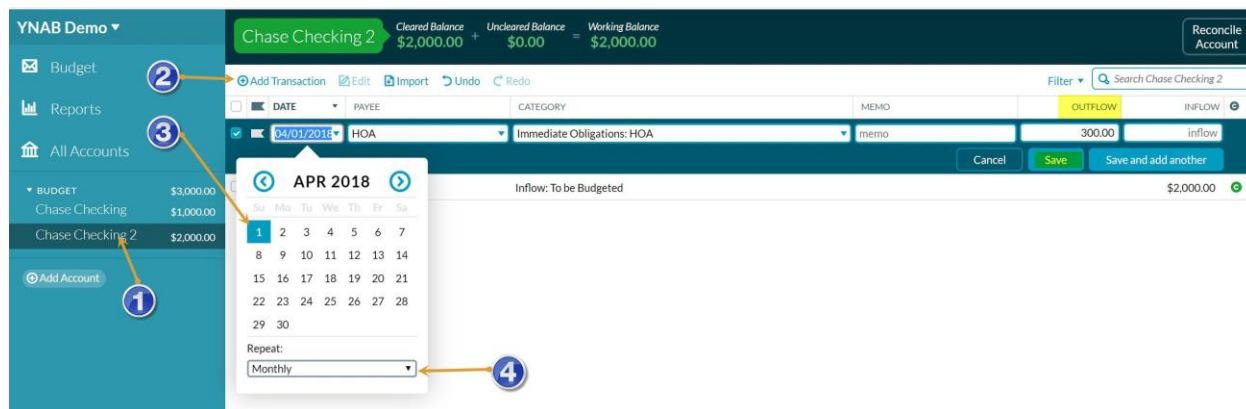
In the month the bill is due, you'll see a yellow alert in the available column to remind you to budget for that expense.

Step #9: Move Money

Sometimes you need to make changes to your budget. YNAB refers to this as "rolling with the punches." You do this by moving money from one category to another.

For example, let's say that you get a higher-than-expected electric bill. Since you don't currently need to buy clothing, you may decide to move some money from clothing to electric.

To move money, click on the figure in the Available column in the category that has more budgeted than you need.

Next, enter the amount of money you want to move, and the category where you want to move the money. Then click OK.

Obviously, you don't want to move money from an immediate obligation category such as rent to a Just for Fun category such as gaming unless you're sure you'll receive enough additional income to cover rent before it's due.

Digging Deeper

You now know the basics of how to use YNAB. To learn some of the finer details such as how to break free from living paycheck to paycheck or how to handle credit cards and cash in YNAB, be sure to check out the free classes and tutorials found on the YNAB site:
https://www.youneedabudget.com/classes/