

Setting up a complete home bill paying system



Monica Nelson
P.O. Box 44
Murdock, NE 68349

wingsabove.com

\$29.95

Table of Contents

Congratulations.....	1
Preparation.....	1
Tools for maximum efficiency.....	1
Receipts Notebook.....	2
Current Bills Folder.....	2
Your Work Space.....	3
Preliminary Work.....	3
First Steps to Bill Organization.....	3
Financial Snapshot.....	3
Building the Financial Snapshot.....	4
Filling in the Financial Snapshot.....	4
Bill Paying Schedule.....	6
Building the Bill Paying Schedule.....	6
Filling in the Bill Paying Schedule.....	7
Bill Paying Record Keeping.....	8
The Holding Account.....	8
Emergency Fund.....	9
Choosing a Payment Method.....	9
Physical Delivery.....	9
Snail Mail.....	10
Automatic Withdrawal.....	10
Internet Transfer.....	11
A Word About the Internet and Security.....	11
What Works Best For You.....	12
Bill Paying Process.....	12
The Bill Paying Routine.....	12
Taking the Time to Do It Right.....	13
Keeping an Eye Out for Your Bill Obligations.....	14
End of Year Record Keeping.....	14
Going a Step Further.....	15

Gaining an Edge.....	15
Arming yourself with details.....	15
One Final Word	16

Congratulations

You have taken the first step toward assuming responsibility for your personal financial status. Most people take a haphazard approach to bill payments without realizing that with a little bit of effort and care, they can:

1. Improve their credit score by knowing when obligations are due and making timely payments.
2. Know at any given moment when and how they paid their bills.
3. Keep organized financial records.

The system you are about to set up requires a little work in the beginning. It will take approximately two to four hours to do the initial setup. Longer if you have many obligations. After gathering all the data required for setup, you can begin immediately to put your system to work for you.

You should be able to put your hands on most everything you need except bill arrival dates. You can begin working with the system while you collect those dates. It is important that you structure your system with arrival dates in place because it allows you, at any given moment, to see where you are at in your bill paying cycle.

So, without further delay, let's get started.

Preparation

Tools for maximum efficiency

Begin by gathering the tools that will help you do the job right. These are the supplies you will need.

Three-ring binder

Blank dividers (one or more sets depending upon how many creditors you have)

Sturdy two-pocket folder

3-hole punch

“Received” stamp

“Payment” stamp (see instructions that follow)

Date
Ref #
Amt

The payment stamp is a unique stamp that you will need to create and order. A good source of inexpensive stamps is [Vistaprint](#). You will want your stamp to look something similar to the illustration to the right. You may also download a .jpg of this stamp [here](#).

Receipts Notebook

Use a fairly large (2-inch or larger) three-ring binder for creating your Receipts Notebook. This is where you will file your old statements and other financial receipts that you want to keep. So, if you have a large number of bills you will need a larger notebook. Label your dividers as follows:

- Bill Paying Schedule
- “Creditor” – Replace “Creditor” with the actual name of each company you make payments to (for example, Sears, JC Penneys, etc.) and make as many of these dividers as you need.
- Miscellaneous Receipts

Place the dividers into your notebook.

Current Bills Folder

Label your sturdy two-pocket folder “Current Bills.” A plastic folder holds up better over the long run than a cardboard one. This folder will house your bill statements until they are ready to be paid.

Your Work Space

It is important that you have a corner of your home dedicated to paying bills. Your office or computer desk will work nicely. But if you have neither, you may use your kitchen table. It is imperative that you create a dedicated spot to keep your work tools: Receipts Notebook, Current Bills Folder, and other tools listed above needed to complete your bill-paying work. Keep your things in this spot and you will always know where they are. When you do bill-paying work, get them out. Put them away when you are done.

Preliminary Work

First Steps to Bill Organization

A good bill paying system requires that you be organized at all times. Having all your paperwork in a specific place and readily available is a necessity if you are to pay your bills fast and efficiently. So let's start organizing your information.

Gather together all your financial information:

1. Coupon booklets, credit card statements, and other payment reminder notices.
2. Bank account statements and ledgers.
3. Any other financial records.
4. A piece of paper and something to write with, or if you feel more comfortable, bring up a document on your computer's word processing application.

Before jumping into paying bills you will need to create two documents. These documents help you track and manage your bills. The first of these is the Financial Snapshot.

Financial Snapshot

The Financial Snapshot is the foundation for the rest of your system. It pinpoints your financial status at one moment in time: now. I will briefly describe setting up this document on paper or electronically. But the easiest approach will be to download them already set up for you from [my website](#).

The electronic version is handy if you use a computer and have an office suite. If you have a computer and know how to use an office suite but don't want to purchase the software, I suggest going to [Open Office](#) and downloading their free software. It is very similar to Microsoft Word and Excel.

If you are planning on doing your work on the computer, it is best to set up a separate file under your “My Documents” file and call it “Finances” or some other similar name so that you know where your financial information is.

Building the Financial Snapshot

If you have downloaded the Financial Snapshot, you can skip this section.

Head your paper with the name “Financial Snapshot” followed by a blank for the date. On your paper or electronic spreadsheet, make ten columns. Write these column heads in order: Creditor, Interest Rate, Amt Varies?, Minimum Amount (currency field), Anticipated Payment (currency field), How Often Paid, Approx Arrival Date (date field), Approx Due Date (date field), Current Payoff (currency field), Next Due (date field).

If using an electronic spreadsheet, be sure to format your columns. Minimum Amount, Anticipated Payment and Current Payoff columns are currency formats. Use the date format for Approx Arrival Date, Approx Due Date and Next Due fields.

Save this document under the title of “Financial Snapshot Template.”

Filling in the Financial Snapshot

The first thing we are going to do is list every bill or item that you pay on a regular basis. Date the top of your paper, or save the document using today's date in the title. If using an electronic spreadsheet, you can copy to a new page.

Using the information you gathered initially, begin filling out the fields. Do not worry about the order. We will deal with that later. Most people will not have all of this data until bills arrive. Begin by filling in the information that you know. Following is a list of the categories and a brief description about their use to assist you in filling them out..

Creditor	This is the company, organization or individual
----------	---

	that you owe money to.
Interest Rate	If the payment you are required to make is through a credit card or some other loan arrangement, you should record the current interest rate you are required to pay. You will not use this information for bill paying purposes, but it will be useful if you choose to start a program to pay off your debts.
Amt Varies?	Is your payment a set amount or do you have a minimum payment and a choice to pay more? Fill in a simple “yes” or “no” in this column.
Minimum Amount	In this column list the minimum payment amount you are expected to pay. If there is no range, than simply list the payment you owe.
Anticipated Payment	This is the amount of each monthly payment you plan to make each month. Again, this can be the same amount as the Minimum Amount column or you can use this column for your program to pay off debts.
How Often Paid	The majority of your obligations will say monthly. There are some payments that come quarterly, semiannually, or annually. We will deal with those debts later in the section entitled The Holding Account.
Approx Arrival Date	If your statement arrives in the mail, use this column to record the date the bill reaches your mailbox. This is handy for planning purposes because you know when to expect the bill and how much lead time you have until the payment is due.
Approx Due Date	Most obligations will have a solid date, but if you are dealing with a credit card you most likely will have a floating date that moves over a range of a few days (for instance, between the 12 th and the 15 th). Record here the earliest of

	those dates.
Current Payoff	This column is for obligations that are not ongoing, but have a finite payoff date. For instance, your utilities bill is an ongoing obligation if you want heat, etc. But a student loan will (hopefully) have a date at which your obligation will be paid off. This column is useful for planning to have all your bills paid off.
Next Due	Place here the current due date.

After you have filled out what you know, three-hole punch and place the list at the beginning of your Receipts Notebook. As each bill comes in, do the following:

1. Double-check your information.
2. Stamp the bill with your Received stamp and write the date down.
3. File the bill in your Current Bills Folder.

Bill Paying Schedule

Now you can put together your Bill Paying Schedule. This is the document that will show you at a glance where you are in your bill paying cycle. Consulting this document you can see what bills are due up next and when. I will give you instructions on how to create your own, or you may [download](#) a paper or electronic version.

Building the Bill Paying Schedule

If you have downloaded the [Bill Paying Schedule](#), you can skip this section:

Head your paper with the name “Bill Paying Schedule” followed by a blank for the date.

On your paper or electronic spreadsheet, make five columns. Write these column heads in order: Approx Due Date (date field), Creditor, Amt Pd (currency field), Date Pd (date field), and Reference No (this should be kept a text field although it generally will contain a reference or check number).

If using an electronic spreadsheet, be sure to format your columns. Approx Due Date and Date Pd are date formats. Use the currency format for the Amt Pd field. Keep

the other two at the defaulted text format.

Save this document under the title of “Bill Paying Schedule Template.”

Filling in the Bill Paying Schedule

First, make a copy of this page. You will want to keep the blank copy (blank template) so that if you make mistakes or later on down the road your creditors change, you can make a new Bill Paying Schedule. Retrieve your Financial Snapshot from your Receipts Notebook.

We'll be looking at the columns marked Approx Arrival Date and Approx Due Date. From the Approx Arrival Date column, select out first those bills due earliest in the month. For instance, if you have five bills due on the 1st of each month, list those out first. Out of those you will order them by the distance between their arrival time and their due date, starting with the shortest period first. This puts each of the bills due at the same time in a priority ranking. For more information on this ranking, see the section later called Keeping an Eye Out for Your Bill Obligations.

Once you have determined an order for that set of bills, list them on your Bill Paying Schedule. Work through the rest of your bills in this same way going on to the next succeeding due date until you have completed inputting your list onto the Bill Paying Schedule.

A couple tips to keep in mind: Be sure to fill in the Approx Due Date and Creditor section for each obligation. If the amount to be paid is a fixed amount, fill that in also. Be sure to add in bills you don't pay monthly to the list. (See the section below on The Holding Account for information on how to determine that monthly amount and payment.

When your list is complete, use this document as a template (populated template). When a new month occurs, start a new list by copying this document and placing the month and year at the top. Store all Bill Paying

TIP: *When you receive your credit card statement, go through each entry to validate that all are legitimate purchases. The small amount of time you spend is well worth it.*

Schedule forms in front of your Receipts Notebook ordered as follows:

- Most recent bill paying month on top
- The preceding months' Bill Paying Schedule starting with the most recent month
- Populated template
- Blank template

When bills are paid off or new ones come on the horizon, adjust your Bill Paying Schedule so it is always current.

More on how to use this document later.

Bill Paying Record Keeping

The Holding Account

It is important to talk about a concept used in planning for bill payments that come due quarterly, semiannually, annually, or at other odd times. The concept is called saving forward and it is one that you can use for other desirable practices. But for now, we will use it to deal with periodic payments.

Saving forward means anticipating future as well as possible future needs. Analyzing what current funds need to be put aside in order to meet those without the need to place the necessary funds on credit.

Payments that present at odd times can surprise you and make you scramble to find enough money in your current pool to make the payment. Examples of such payments might be insurance payments, estimated taxes, real estate taxes, periodic fees such as safety deposit boxes, vehicle registrations, etc.

For each of these payments, add up their total obligation for the year. Divide by 12. This is your monthly amount. Use this figure as the amount you owe each month. You won't make this payment to the creditor every month. Instead, you will set the money aside to be used when the due date comes up. These amounts become your holdings.

If you are extremely disciplined, you can set your holdings aside in your checking

account. But the best way to handle these moneys is to set up a separate account, preferably an account you can easily transfer to and from when you need it. At the same bank you having your checking account, set up a new savings account where you will transfer each of your holdings into for safekeeping until your payment comes up.

Now that we have the theory, let's move on to how to work the process.

Emergency Fund

It is important to start an emergency fund and feed it regularly. You should keep a minimum of three to six months worth of living expenses in your account at all times.

Unless you keep meticulous records and are extremely disciplined, your emergency fund account should be separate from your Holding Account. The two have separate functions and commingling those funds is inadvisable.

A savings account that you can transfer easily into and out of is an ideal place to house this account.

Choosing a Payment Method

Before we proceed on with setting up your system, we need to talk a little bit about your bill paying method. In the past you made payment to your creditors by either writing and sending a check through the mail, a method known as snail mail, or by physically delivering payment to your creditors' place of business. Today, we have the additional methods of automated withdrawals and Internet Transfer. We will take a brief look at each of these considering the pros and cons as well as points you will need to remember when choosing a method or methods.

Physical Delivery

At first glance this method may seem outdated and time-consuming. And you would be right. But there are times when it may be your best choice, although you will probably not choose to pay all your bills in this way.

Reasons you may choose to use this method are because it is required, you live or

work close by (for instance, your apartment's office), or you are running up against your deadline (something that should not happen once your system is in place).

If you use this method –

- Be aware of office hours and make sure you can deliver during those times.
- Always get a receipt with that day's date on it.
- Don't take chances. Pay at least one day before your due date.

Snail Mail

Snail mail is the tried and true method of hand-writing out a check and placing it in the mailbox. This is still a popular method for paying bills. Many people prefer to make changes slowly. If you are one of those people, this is still an acceptable way to pay your bills.

If you use this method –

- Save time by filling out envelopes ahead of time.
- Always have more postage on hand than you need so your bills are not late due to having to get last minute stamps.
- Send payments 10 to 14 days before the due date. You not only have to add processing time at your creditor's business, but you need to allow for mail travel time also.

Automatic Withdrawal

Many creditors offer the opportunity to make an automatic withdrawal from your checking account on a specified date. This is a nice choice because it saves you a great deal of time. All the work of getting the payment ready to go is done for you. But, beware, it does not relieve you of your responsibility to keep track of the billing itself. You must be aware of when it is due, assure there is enough money in the account to make the payment, and make the adjustment to your personal tracking paperwork.

If you use this method –

- Keep your emergency fund well stocked with funds to cover all of these payments for three months time. If you are running your emergency fund

correctly, you will have more money than this in it. But as a rule, three months is the minimum. In a crisis, such as loss of your job, it may take a while to cancel automated payments.

- Always follow up to make sure the payment is made. Glitches happen. And when they do, it is your responsibility to straighten out any problems. If you bank online, it is simple to check your account standing for evidence the payment has been made. Otherwise, you may have to contact your bank or creditor for verification.

Internet Transfer

If you have a computer and Internet connection, I strongly recommend making bill payments online. You can do this one of two ways. More and more companies are making online payments an option through their websites. But it can be somewhat time-consuming to make your payments from numerous websites. The easiest method I have found is to make online payments through your bank's website. The majority of banks today have the capability to offer this option to you at little or no charge.

If you use this method –

- For payments through your bank, check with their policies to see when payments are made and when they can be reasonably expected to arrive in your creditor's account. Then, add an extra day or two for good measure.
- Always print and keep your confirmation in your Receipts Notebook.
- Double-check all information you enter. Mistakes can cause many problems.

A Word About the Internet and Security

Whether you use the bank method or creditors' site method, after making your payment be sure to copy and keep the confirmation page.

When making a payment through the Web, be sure to check for a secure connection. When data travels through the Internet, it most often travels through many servers until it reaches its destination. The data is plain text which means that anyone along the way can intercept and read your private information.

Using a website that has taken precautions to make that connection “secure” protects your information from being read by anyone but that website. They do this by

obtaining an SSL (secure sockets layer) certificate which ensures that your data is encrypted before making the journey from your computer to their server.

To check that the site you are doing business with is secure, do the following two steps:

Look to the URL. Most URL websites begin with http. A secure site will have an “s” after the “p”: https.

Look to your browser's face for the padlock symbol. This will be on the browser interface, not the website area. Click or double-click the symbol. If the symbol is authentic, another window will pop up displaying the site's security information.

If you want to learn more about SSL or website security, click [here](#).

What Works Best For You

You must find the best method or combination of methods that fits your personality and bill paying style. The more comfortable you are with your ritual, the better you will feel about it and the better it will work for you.

Bill Paying Process

The Bill Paying Routine

You are now ready to start implementing the bill pay system you have just set up. As mail comes in, you will open it as usual. When you see a bill or statement in that mail, pull it out and stamp it with your Received stamp. Write the date underneath it. Also stamp it with your Payment stamp. Paperclip the envelope to the bill and place it in your Current Bills Folder.

Set aside time once a week to review and pay bills. If you set aside a regular time period, you will not allow time to get away from you. And when you review your bills, you will have a reference point for which bills will need to get paid and which can wait for the next bill paying session. Choose a time that you can dedicate solely to this activity.

During your bill paying session, pull out your Receipts Notebook, Current Bills Folder, and other bill paying tools. Review your Bill Paying Schedule for your next due bills. Pull out the bills that are coming up. As you work this system, you may want to stay at least a 10 to 14 days in advance of your obligations. If you can do this, you can be sure that you will never be late making your payments. (This action alone can trigger a comment of “Never Late,” a desirable entry, to show up on your credit report.)

TIP: *Consolidate credit card bills into as few cards as possible. The fewer payments you have to make, the fewer chances of missing a payment date.*

As you pay each bill, you will do the following:

Update Ledger Totals. Record your bill payment in the bank (checking) account register that you keep showing current balances. Whether you use ledger software or a paper ledger, it is important to keep your accounts current and ledgers up-to-date.

Update Your Bill Paying Schedule. Record Amount Paid, Date Paid, and Reference Number

in the appropriate columns opposite each bill listing. For each holding account entry, you will make a payment either to the creditor or to your holding account. If you make the payment to your creditor, enter the information as you would any other bill payment. If you make the payment to the holding account, under the Reference Number column write or type “HA” for holding account.

Fill in the Payments Grid. On each individual bill, record Amount Paid, Date Paid, and Reference Number in the stamped payments area.

When you are finished, three-hole punch your bills and file them under the appropriate tab in your Receipts Notebook. File the most current statements on top.

Taking the Time to Do It Right

Don't worry if this seems like a lot of work. It will take you a little extra time, but in the end the record keeping will save time when you need to find bill payment information or require proof for a dispute. And after awhile the extra time will diminish to nearly no extra time at all.

Keeping an Eye Out for Your Bill Obligations

One important aspect of your bill paying process is to keep an eye out for possible discrepancies that may arise. One duty you will want to keep on top of is to anticipate payments and make sure that you are making them on time. Don't rely on waiting for your statement to remind you of your payment. When you make payments, look forward to next week's payments. If you have not received your statement and your Financial Snapshot tells you you should have received it, get on the phone and make a call to your creditor and find out what the holdup is. Being proactive protects you and your financial reputation.

Another duty to do every month is to balance your checkbook. It is important to know where you are always in your checkbook. But it is also important because you can see what payments have not been cashed. Things can get fouled up in the transportation of your statement from creditor to you. But they can also get fouled up in the transportation of your payment to your creditor. You won't be able to blame the mail or electronic funds transfer. You need to investigate and find out why it has not been cashed. If it is because they have not received your payment, you must make other arrangements. In the end, it is you who is ultimately responsible. And it is you and your reputation who will suffer.

TIP: *Set aside a small sum for impulsive spending. Place the money in an envelope. Keep it with you at all times. Stay within your limit, and never put impulsive purchases on a credit card.*

End of Year Record Keeping

When the end of the year hits, you need to clean out your Receipts Notebook and start the new year fresh. It's best to do so at the end of January or beginning of February. Remove all the year's records into a file keeping any new year receipts in the notebook. Place your records in files and label them. Get a good sturdy box like a paper box or a storage box from the office supply store. Label the box for the year and place all your files into that box along with tax returns and records for that year. Store in a safe place.

Keep records for as long as you need to. Check with the [IRS](#) to see how long their requirement is. But keep records longer if you anticipate needing them. When you are

sufficiently sure that you no longer need them, take them from the box and shred or burn them. Don't just throw them out, they contain too much personal information in them.

You now have the knowledge to gain the edge in the bill paying arena. Use these steps and you will always have organized financial records, paid-up bills, and a good credit score. For improving other areas of your financial life, keep reading.

Going a Step Further

Gaining an Edge

There were several fields on the Financial Snapshot that we did not use. These fields are useful if you should decide that you are going to get some bills paid off and put yourself in a better financial situation. If you are planning a major purchase, want to simplify your lifestyle, or simply don't want to pay unnecessary interest and fees, this is an option to consider.

To make the most headway, you will need a plan. The figures in the Financial Snapshot are the first step in determining your plan. Follow up with a budget and strictly defined goals. If you do not know where to start or simply want to skip figuring it out for yourself and go straight to getting it done, consider getting *Setting up a plan to pay off debt*. This report is currently in the works and will be available soon. Watch for it at Payloadz.

Arming yourself with details

More than likely in the course of your bill paying life, disputes will arise between you and a creditor. Companies that you do business with keep databases in their customer service centers that hold information from their perspective. Their customer services representatives often have access to this database and will enter notes covering every word said during your call with them.

Armed with this knowledge, you must be careful of not only what you tell them, but how you talk to them. This advice also pertains to any dispute correspondence you may send to them. For in-depth information on planning for and managing a dispute, consider reading the upcoming *Protecting yourself during a consumer dispute*. This report

is also in the works and will be available soon. Watch for it at Payloadz.

One Final Word . . .

You now have the tools to stay on top of your bill paying obligations. But this won't do you any good unless you work the process. There is a difference between simply having the tools and actually working the system. Discipline is the key. If you diligently work all the principles in this report, you will take control of your bills and accomplish your goals. The choice is yours.

If you have any questions, visit [my website](#) and contact me. If you are interested in counseling sessions, we can discuss that possibility also.

I wish you the best of luck in your new resolve to take control of your bill paying obligations.