

What Are the Best Auto-Deposit Settings?

One chunk per month? Or four smaller chunks per month? Betterment's behavioral economist Dan Egan provides some advice on the timing of your auto-deposits.

I was wondering if I could get some advice pertaining to the timing of making deposits. For example, I was considering contributing \$200 a month or \$50 a week to my account. Obviously it will equal out to be the same amount but would that effect my outcome of ROE? Just a thought. Thanks for your input.

Back when I was setting up my accounts, I had to think about this as well, and came to the conclusion that the best way (for me, at least) was to **deposit as soon as I could after being paid**. Let me take you through my reasoning.



Some advice on the timing of your auto-deposits.

First, I strongly subscribe to the maxim that it's "time in the market, not timing the market" which produces positive investment returns. If I delayed or attempted to be strategic with my deposits, I could end up sitting on cash for a long time (if the time is never "right") and having inflation eat away at it. Or I might miss a dividend or coupon or other income event. So from a tactical investment perspective, it is best for me to invest as soon as possible.

Second, I have a pretty defined budget I want to stick to. I find it confusing to have "extra" cash in my checking account which is actually already earmarked for savings, and if I have Betterment asking for cash which I've already spent, I could end up going overdrawn. Both these things lead me to not want to have "Betterment Cash" in my checking account, as it can cause problems. This won't happen right when I get paid.

So I set up the deposits to occur the first business day after I knew my paycheck would be deposited. This has worked excellently. It keeps my spending and saving money separate, and ensures that everything in my budget works smoothly.