

# All About Money

## Keeping Track of Spending

In just a few years, an average family spends over \$100,000. Without organized expense records, it's often difficult to know just how this large sum was used. Expense records can help you decide whether more debt can be afforded realistically or where spending adjustments are needed to reduce debt, increase savings or cut spending "leaks." With organized financial information, credit applications can be completed more efficiently and tax preparation can be less difficult and more accurate.

### Record-Keeping Tools

While it's possible that only accountants enjoy keeping records, personal or family record keeping need not be a burden. The task can be much easier with these basic tools: 1) a "bill holder,"<sup>1</sup> 2) an "in box,"<sup>2</sup> 3) a "receipt file,"<sup>1</sup> 4) an account book, and 5) an inexpensive calculator.

Purchase an account book at the county Extension office or at an office supply. Or, use a notebook in which you rule your own account columns. An inexpensive calculator simplifies math computations. Computer software (such as Quicken or Microsoft Money) also may be an option.

### Categorizing Expenses

For a *meaningful* picture, individual expenses need to be grouped in categories. There is no single list of categories that will work for everyone. Consider the following when developing categories that will work in your situation:

- Start with a "sample" list (as illustrated). Delete items that don't apply and add others or combine categories to fit your needs.
- Think about the information *YOU need* or *want* (for example, use a category for "meals eaten out" if you want to keep track of the cost of eating away from home).

- Try to use categories that "match" *your* spending. (If you've not kept records, use a 6- to 8-week trial period of recording expenses and adjust the categories as needed.)<sup>3</sup>
- Separating "fixed" expenses (such as rent, loan payments, etc.) from "variable" outlays can help you determine whether additional fixed obligations can be undertaken. (Remember that once committed, fixed expenses are hard to reduce should you change your mind or suddenly have a reduced income.)

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Cut out and tape or paste these labels on small boxes (shoe box for the bill holder, coffee can for the "in-box," etc.).

#### Bill Holder

1. Open Bills AS They Arrive
2. Write Payment Date:
  - A. On Outside of Envelope
  - B. & on Payment Calendar
3. File Bills By Date in "BILL HOLDER"

NOTE: Allow Enough Time for Payment to Reach Creditor by Due Date.



#### In-box

1. To Hold TEMPORARILY:
  - A. Receipts and Paid Bills
  - B. Notes of Non-receipt "Cash Payments" (such as gasoline)
2. REGULARLY, Record Items (2-4 times per month)
3. Transfer Recorded Items to "RECEIPT FILE" as Each is Recorded



#### Receipt File

1. File Receipts By Category AFTER Recording Expenses
2. At End of Tax Year, Transfer Receipts Required for Tax Records and Insurance Proof of Purchase to Long-Term File (for example, medical payments, statement of mortgage payments, furniture purchase receipts, etc.)



<sup>1</sup> Empty shoe box can be used.

<sup>2</sup> Use empty coffee can or small box.

<sup>3</sup> To compare your records with "standard budgets," you will need to use comparable categories.

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"SAMPLE" EXPENSE CATEGORIES					
	FIXED	FLEXIBLE		FIXED	FLEXIBLE
<b>EMERGENCY FUND</b>	—	—	<b>FOOD</b>	—	—
<b>SAVINGS/INVESTMENT</b>	—	—	AT HOME	—	—
<b>TAXES</b>	—	—	MEALS OUT	—	—
INCOME	—	—	<b>CLOTHING</b>	—	—
OTHER _____	—	—	NEW PURCHASES	—	—
OTHER _____	—	—	DRY CLEANING	—	—
<b>HOUSING</b>	—	—	OTHER _____	—	—
RENT/MORTGAGE	—	—	<b>HEALTH</b>	—	—
INSURANCE	—	—	MEDICAL	—	—
REPAIRS/MAINT.	—	—	DENTAL	—	—
EQUIP./FURN.	—	—	DRUGS	—	—
OPERATION/SUPP.	—	—	SUPPLIES	—	—
TAXES	—	—	OTHER _____	—	—
OTHER _____	—	—	<b>CHURCH/CHARITY</b>	—	—
<b>UTILITIES</b>	—	—	<b>GIFTS</b>	—	—
ELECTRICITY	—	—	BIRTHDAYS	—	—
GAS	—	—	GRAD./WEDDING	—	—
OTHER FUEL	—	—	HOLIDAY	—	—
WATER	—	—	OTHER _____	—	—
TELEPHONE	—	—	<b>PERSONAL</b>	—	—
TRASH COLLECT.	—	—	GROOMING	—	—
TV CABLE	—	—	OTHER _____	—	—
OTHER _____	—	—	ALLOWANCES	—	—
<b>CONSUMER CREDIT</b>	—	—	<b>RECREATION</b>	—	—
<b>PAYMENTS</b>	—	—	MOVIES/SPORTS	—	—
CAR LOAN	—	—	HOBBIES	—	—
OTHER _____	—	—	VACATIONS	—	—
OTHER _____	—	—	OTHER _____	—	—
<b>TRANSPORTATION</b>	—	—	<b>EDUCATION/</b>	—	—
LICENSE PLATES	—	—	<b>INFORMATION</b>	—	—
DRIVER'S LICENSE	—	—	SUBSCRIPTIONS	—	—
GASOLINE	—	—	NEWSPAPER(S)	—	—
REPAIRS/UPKEEP	—	—	TUITION/REGISTRA.	—	—
PARKING	—	—	SCHOOL SUPPLIES	—	—
FARES	—	—	OTHER _____	—	—
OTHER _____	—	—	OTHER _____	—	—
<b>INSURANCE</b>	—	—	<b>OTHER</b>	—	—
LIFE	—	—	_____	—	—
CAR	—	—	_____	—	—
MEDICAL	—	—	_____	—	—
OTHER _____	—	—	_____	—	—

## Some Record-Keeping Tips

It's possible to simplify the accounting task. For example, use a "reasonable" personal allowance to cover the many small "incidentals" that add up over time. This means fewer accounting entries and also gives a sense of some personal spending freedom, which can be especially important for tight budget situations. Other tips include:

- Simplify math by rounding home account book entries to nearest half or whole dollar (not appropriate for your check register, however).
- Use a wallet-size file card or notebook to record the nonreceipted cash purchases (gasoline, vending machines, etc.).
- Star entries that are tax-deductible to save work when you complete tax returns (or, use additional categories for tax-deductible items).
- Avoid "hiding" expenses and don't put too many items in the "miscellaneous category."
- Remember that habits, including spending, are not changed easily. Avoid controlling too tightly. Also, recognize that individual tolerance for detail can vary considerably from one person to another. Try to evolve a system that is compatible with personal tolerances.

## Find a Workable System

Some make notes on shirt cuffs and others scribble in the backs of check-books. People sometimes use unusual methods to keep track of spending. Finding a workable system may be puzzling, especially because there is no single best system that will work for everybody.

The approach suggested earlier (bill holder, keeping can, etc.) is one possibility. It may be easier if one person assumes the primary record keeping responsibility. This means that other family members need to regularly report their spending. Perhaps the recording task could be rotated every six to twelve months to share responsibility and to keep familiar with the financial information.

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### RECORD KEEPING & FINANCIAL PLANNING

For More Information . . .

Ohio State University Extension

- Home Account Book, \$1.25 (plus "T, P & H")
- Counting Your Money Calendar, \$0.75 (plus "T, P & H")
- Managing Your Money (6-part self study; price determined in county)

("T, P & H" = sales tax, postage & handling. Prices current as of date of publication but are subject to change without notice.)

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