

# Money 2000

and Beyond

## Tracking your spending

---



### How can you track your spending to stay within your spending plan?

Discovering where your money goes is a critical step in becoming an effective money manager. Keeping a record of expenditures is an important part of planning and controlling your spending.

These tracking methods will help guide you in achieving a more secure financial future. Choose the one that works best for you.

#### Receipt method

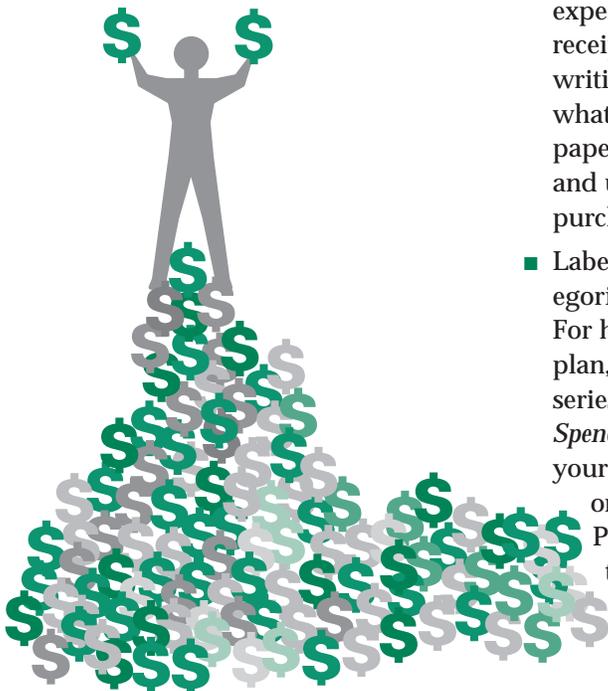
Saving receipts is an easy way to keep track of what you have spent. A sales slip, cash register tape and other receipts are available with most purchases. Collect the receipts in a box or drawer located in a convenient place, such as near where you unpack groceries or other purchases.

- Be sure to get a receipt for all expenditures. If you don't have a receipt, make your own by writing the amount spent, for what and to whom on a piece of paper. Or carry a small notepad and use it to record cash purchases.
- Label the receipts by expense categories from your spending plan. For help developing a spending plan, use the publication in this series *Taking Control of Your Spending* B3709-2, available from your county UW-Extension office or Cooperative Extension Publications at the address on the back page.

- Sort receipts by expense category. On a regular basis — every week, bi-weekly or monthly — add up totals in each expense category. Record amounts in a notebook, ledger or computer spreadsheet and compare them with the planned amounts from your spending plan.

Receipts are easy to sort and simple to total. Receipts are also important for proof of purchase and tax purposes.

To make this method work, all family members must cooperate by saving receipts, putting them in their proper place and remembering how and where the money was spent.



## Calendar method

This method can be used to keep track of income and bills. A calendar with large spaces to write on works best. Here's how it works.

- Write in income whenever you receive it.
- Write in bills and expenses when they are due.
- As you pay each bill, cross it off so you know it has been paid.

The calendar may also be used to plan for larger irregular expenses that don't occur every month, such as insurance payments, property taxes or holiday gifts.

## Envelope method

The envelope method is a simple but helpful way to keep track of your family expenses and control your spending. It works well for tracking and controlling expenses purchased with cash. All you need to do is set aside money for various expenses in separate envelopes on a regular schedule, perhaps weekly, bi-weekly, monthly or when you get paid. Use expense categories from your spending plan.

- Label envelopes with a specific purpose such as GAS or GROCERIES, and the amount budgeted for each expense category from your spending plan.
- When you receive your income, put the appropriate amount of money identified on your spending plan in each envelope. When it is time to fill the car with gas or go to the grocery store, take the money from the envelope for that expense category. Note the date and amount spent on each envelope.
- At the end of a month or pay period, transfer any money left in envelopes into a savings and/or emergency fund account.

This method of keeping track of your spending is simple, with far less recording or paperwork compared with other methods. Income is conveniently divided to cover all anticipated expenses. It is easy to see how much money is available to spend.

However, if you think you may be tempted to use money from one envelope for another expense, this may not be the tracking method for you. It may be too tempting to "borrow" money from another envelope if a shortage occurs. If this happens, you lose control over your spending.

There are other disadvantages to the envelope method. Having cash so conveniently available may encourage careless spending. It is also risky to keep a lot of cash in the house.

## Modified envelope method

The envelope method can be used in combination with checks and/or specially designated savings accounts. Use checks to pay for larger fixed expenses such as rent or mortgage, car payments and utilities. Use the envelope method for cash expenses, such as food, household expenses and transportation. You could also use envelopes to set aside a small amount of money for personal allowances or other planned miscellaneous expenses from your spending plan.

To pay for annual or semiannual expenses like insurance payments, property taxes, holiday gifts or other large irregular expenses, you could establish special savings accounts for those specific purposes instead of using envelopes. Every month, make regular deposits into these accounts so there will be money to pay these bills when they come due.

## Checkbook method

The checkbook method involves paying by check for most expenses, recording transactions immediately, and keeping an up-to-date balance.

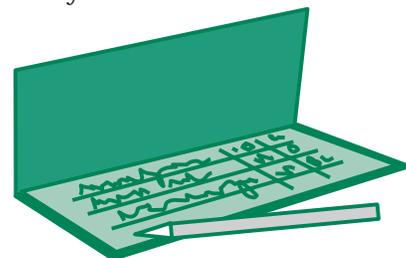
- Keep careful records of what each check is written for, where it was spent, and the amount spent.
- Balance the checkbook regularly so you know how much money is left.
- Always compare your checkbook records with the monthly statement from your financial institution to make sure it is accurate.

On a regular basis, total the expenses recorded in your check register by expense categories, and compare the totals with your spending plan. Total amounts can be recorded in a notebook or ring binder to complete the picture of where your money is going.

In addition to the valuable information about your spending, checks can provide proof of payment. Also, many checking accounts pay interest on your account balances.

However, you need to look out for possible bank charges that add to your cost, such as charges for a low balance, charges per check written, or automated teller machine (ATM) card or debit card fees.

Two people owning a joint checking account can write checks from one checkbook. However, this may result in problems if checks are not recorded or if the checkbook is not balanced. Cooperation is necessary for two people to use this method successfully.



## Modified checkbook methods

### Checkbook plus savings accounts

You could use a checking account for monthly expenses, along with a savings account to set money aside for periodic or irregular expenses that occur during the year.

A second savings account can be used for permanent savings, emergency funds or to meet specific goals. This helps you keep these funds separate from those used for monthly expenses.

### Separate checking accounts

This tracking method uses more than one checking account with different expenses paid from each. For example, you might use one checking account to pay fixed expenses that remain the same each month — rent or mortgage, car payments, or child care.

Then use a second account for flexible expenses — like food, clothing and recreation — and the money set aside for periodic or irregular expense like insurance, property taxes or holiday gifts.

### Check register

Your checkbook register can be modified to provide space for recording your spending by expense categories. Place adhesive labels across the top of each page of your check register. Keep the far left column for the check number and date. Use the far right column for the account balance. Divide the space in between for each expense category. Label each column with the category name from your spending plan, and draw vertical lines down the page to separate the categories.

For more information on check registers, contact your county UW-Extension office for these publications in this series: *Using a Check Register to Track Your Expenses* B3709-5 and *Check Register Tracking System* B3709-6. These are also available from Cooperative Extension Publications at the address on the back page.

### Account book method

Another option is to keep a daily log of all your expenses in an account book. You can create your own with single sheets of paper or by using a spiral notebook or three-ring binder. You can also purchase an account book or ledger at your local store. *Our Family Account Book* B2372 is available from most county UW-Extension offices or the address on the back page.

- Across the top of your ledger page, write in columns for each of your expense categories from your spending plan. You may want to include the amount budgeted for that category.
- As you spend money or pay bills, record the expenditures in an appropriate column.

Then, on a regular basis — weekly, bi-weekly or monthly — add all of the entries for each expense category to determine how much you spent. Or subtract each entry from the amount budgeted in each category to determine how much you have to spend. Either way, you can then compare each expense category to your spending plan to see if family financial goals are being met.

The advantage of the account book method is that it gives a more accurate, up-to-date picture of your financial situation. It also serves as your tax record for deductible expenses.

However, everyone in the family must be diligent in recording expenses almost daily to be accurate and up-to-date.

### Computer software programs method

If you have a computer, you can use it to help track your spending. You can create your own expense sheets and tracking system by using a basic computer spreadsheet program.

You can also purchase a commercial software program designed specifically for personal finance.

Besides helping you keep track of your spending, these programs usually print checks, balance your checking account, identify tax deductions, and provide graphs to help you analyze your financial situation. Check with software companies to determine what program may be right for you.

### Strategies for tracking your spending

Tracking your spending will be easier if you...

- **Keep records simple.** Avoid unnecessary detail.
- **Appoint one person** in the household to assume responsibility for recording family expenditures.
- **Set a regular time schedule for recordkeeping.** Getting behind can make it challenging to catch up.
- **Analyze expenditures regularly.** Ask:
  - Are all expenditures listed?
  - Are all financial obligations being met?
  - Is spending within your income?

(more)

- Are you satisfied with how your money is being used?
- Are you satisfied with the amount being saved and/or invested?

## Tracking your spending pays off

While tracking your expenses may be time consuming, it is also rewarding. Good records will...

- Provide an objective view of your finances.
- Help you live within your income.
- Enable you to chart your financial future.

## References

Boelter, Linda, and Margaret Nelson. *Tracking Your Spending: Teaching Guide*. Money Talks for Farm Families Project, University of Wisconsin-Extension, 1984.

Boyce, Laurie. *Family Financial Management Program*. Family Living Education, UW-Extension, 1993.

Boyce, Laurie, and Beverly Phillips. *Planning to Stay Ahead: Dollars and Cents* B3478, Wisconsin Nutrition Education Program, UW-Extension, 1995.

Pankow, Debra. *Taking Charge of Family Finances: Family Money Manager*. North Dakota State University, May 1994.

## For more information

Other University of Wisconsin-Extension publications that will help you plan for and spend your money wisely:

*Money 2000 and Beyond: Organizing Your Financial Records* B3709-1

*Taking Control of Your Spending* B3709-2

*Using Power Payments to Pay Off Debt* B3709-4

*Using a Check Register to Track Your Expenses* B3709-5

Use with: *Check Register Tracking System* B3709-6

*Our Family Account Book* B2372

*Our Family Records* B2369

**Web sites** — If you do not have Internet access, try your local library. Many libraries have computers linked to the World Wide Web.

*Money 2000 & Beyond*, UW-Extension Cooperative Extension:

<http://www.uwex.edu/ces/money2000>

*Your Money Matters*, Wisconsin Department of Financial Institutions:

<http://www.wdfi.org>



© 1999 by the Board of Regents of the University of Wisconsin System doing business as the division of Cooperative Extension of the University of Wisconsin-Extension. Send inquiries about copyright permission to: Director, Cooperative Extension Publications, 201 Hiram Smith Hall, 1545 Observatory Dr., Madison, WI 53706.

**Authors:** Peggy Nordgren, associate professor and family living agent, Taylor County UW-Extension; Judith Knudsen, associate professor and family living agent, Brown County UW-Extension; and Linda Boelter, CFP, professor and family resource management specialist, UW-Extension. Produced by Cooperative Extension Publications, UW-Extension: Rhonda Lee, editor; Susan Anderson, designer.

**Reviewers:** Marsha A. Goetting, extension family economics specialist, Montana State University-Bozeman; Carolyn M. Krueger, family resource management specialist assistant, UW-Extension; Cynthia Needles Fletcher, associate professor and extension specialist, Department of Human Development and Family Studies, Iowa State University; and David Mancl, administrator, Division of Corporate and Consumer Services, Wisconsin Department of Financial Institutions.

**University of Wisconsin-Extension, Cooperative Extension**, in cooperation with the U.S. Department of Agriculture and Wisconsin counties, publishes this information to further the purpose of the May 8 and June 30, 1914, Acts of Congress. UW-Extension provides equal opportunities and affirmative action in employment and programming, including Title IX and ADA requirements. If you need this material in an alternative format, contact Cooperative Extension Publications at (608) 262-2655 (Voice & TDD) or the UW-Extension Office of Equal Opportunity and Diversity Programs. Before publicizing, please check this publication's availability.

**This publication is available** from your Wisconsin county UW-Extension office or:

Cooperative Extension Publications  
630 W. Mifflin St., Room 170, Madison, WI 53703  
Toll-free: (877) 947-7827 (877-WIS-PUBS)  
In Madison: 262-3346; Fax (608) 265-8052  
Internet: <http://www.uwex.edu/ces/pubs>

**UW  
Extension**