

Tracking Spending

Trying to get a handle on spending? Take a close look at how you spend money on a daily basis. That is, the coins that go into vending machines, a few groceries here and there, money given to children for school expenses, parking, a cup of coffee, a birthday card, a magazine, etc. This is often where the money seems to vanish.

1. Keep track of spending.

One way is to record every expense in a small notebook. For a while, it is a good idea to write down every penny, using as much detail as possible.

For instance: Bowling \$8.00
 Shoe rental \$.75
 Sodas \$1.50

This tells you a lot more than an entry showing "Bowling \$10.25"

Another way is to place a container in a handy place. Put all receipts and/or slips of paper with expenses written down in the container. At the end of each week, the receipts and slips are sorted. You can use this to create a list showing how money is spent.

For example: Gas \$5.00 Stamps \$1.02 Soda \$1.00
 Milk & bread \$3.50 Soda \$.75

2. Set spending limits.

Once you've kept track of spending for even a week, you can start to plan your spending by setting some spending limits. This means you decide how much money you think is reasonable for an expense such as snacks, babysitting or gas. The same amount of money is set aside for that expense at the beginning of the week or pay period. The money for each expense can actually be put into an envelope, a coin purse, a jar or any small container. Any money used for this expense is taken from the container. Spending is limited to whatever is set aside.

Let's see how this works. Carla deposited her paycheck to her checking account each week. She would keep \$50.00 cash for spending money for the week. This money seemed to be gone in 3 or 4 days. Then she would write a check for more cash. When it was time for Carla to make her car payment for the month, there wouldn't be enough money in the checkbook; and she would sometimes end up paying fees for NSF (insufficient funds) checks.

Carla didn't know why she was spending more and more money. She couldn't really remember what she was buying. For two weeks Carla put receipts in a coffee can, and kept a notebook to write down the items she didn't have receipts for, such as buying a soda at work, a newspaper, ice cream cones for the kids, etc. At the end of the two weeks Carla sorted the receipts and notes. During the two weeks she had spent a lot more money than she realized on food--snacks at work, lunches out, popcorn or cookies at Wal-Mart.

Carla decided to set a spending limit of \$10.00 a week for food. She found a small coin purse that fit into her purse. Out of the \$50.00 spending money each week, she put \$10.00 into the coin purse. Whenever she purchased a snack, etc., the money was taken out of this \$10.00. When the money was gone, no more lunches out, snacks, sodas, etc. Deciding in advance how much she would spend, and using the coin purse to keep track of spending, helped Carla limit how much she spent. She no longer ran out of money before the end of the week.

