

TRACKING EXPENSES

Five Tracking Methods

There are several ways to keep track of spending. Here are five that work for some families. Choose one. Keep a record of where every penny goes for a set period of time. Tracking your expenses for seven days will help you get an idea of where your money goes each week. To get a more accurate picture, track expenses for a month. This will help you establish the cost of all monthly expenses such as food and utilities.

1. Receipt Method

This is an easy and convenient way to track your spending. Get a receipt every time you pay for a product or service. The key to this method is saving EVERY receipt whether it be \$1.00 or \$100.00.

- Label all receipts with expense categories, such as food, transportation, or clothing.
- Place receipts in a box or drawer. Use one envelope or divider for each category. Bills such as utilities and insurance should also be placed in the box after they are paid.
- If you use credit or debit cards, be sure to file those receipts also.
- If you don't get a receipt, make one, label it, and file it in the proper category.

At the end of each week sort the receipts. Write down how much money you spent in each category. Keep receipts for proof of purchase and taxes.

2. Envelope System

The envelope system works well if you like to pay for things with cash. It requires little paperwork.

- Make an envelope for each expense category (rent, utilities, food, etc.). Label the envelope with the category, amount, and date due.
- When you cash your paycheque or receive other income, divide cash into envelopes for each expense category.
- Inside each labeled envelope, put the amount of money you plan to spend in that category each month. You don't have to record how much you spend. Just replace the cash with receipts.
- Pay bills right away, so you won't get late charges or be tempted to spend money for something else.
- To pay bills by mail, use money orders (not cash), available at banks, grocery stores, and post offices. Money order fees vary, so shop around.

Keep envelopes in a safe place, preferably locked. Try not to shift money from one envelope to another. If there is money left in an envelope at the end of the month, you'll know you've done well. Save leftover funds for future emergencies in a savings account or safe place.

People often find that going back to good old fashioned cash results in them spending less. Seeing how much money you have left can make a big difference. On the flip side, other people find cash on hand just is too tempting and spend it too quickly. This is something people have to determine or learn for themselves.

3. Calendar or Notebook Method

Some families use a calendar or notebook to track income and bills.

- List income on the date it is received.
- Write in bills and expenses on dates they are due.
- As bills are paid, mark off each one.

A calendar with large spaces to write on works best. The calendar may also be used to plan for larger irregular expenses. Examples are insurance payments, school supplies, or holiday gifts. The notebook can also be used to store bills so they are easy to find. Use the “Expense Tracking Log” on our website as an example for how to set up the notebook method.

4. Computer System

Tracking your expenses on a computer is an easy way to identify spending in different categories. It also supplies you with accurate records for tax-time. You can buy personal finance software or develop your own categories on a spreadsheet.

Using a computer to manage your finances is relatively easy.

- You can quickly update your spending information.
- If you enter transactions often you will stay on top of your financial picture for the month.
- Besides helping you track your spending, programs such as Intuit Quicken or Microsoft Money can print checks, balance your checking account, and provide graphs to help you analyze your finances.ⁱ

5. Online Options and Apps

There are more than a few tools online that are able to handle all the details — and may have a few additional features thrown in:

- www.xpenser.com: If you're always on the go, Xpenser can be a good option. It allows you to text your expenses in, helping you ensure that you don't forget to track your spending between the store and home. In addition to SMS, you can email, Twitter, IM, call or manually add your expenses.
- www.moneytrackin.com: For tracking expenses in multiple accounts — such as business and personal — Moneytrackin' provides easy management of expenses between those accounts. You can also tag transactions and budget easily.
- www.mint.com/expense-tracking-planner/: While Mint only tracks your expenses made through a bank account (checks, debit cards, credit cards), it does integrate expense tracking with a whole host of other features, including tools to help you analyze your spending and automatic expense categorization.
- www.buxfer.com: Another site that primarily tracks expenses made through bank accounts, Buxfer also has tools to help organize shared expenses — such as splitting the rent with a roommate.
- www.shoeboxed.com: You can add expenses by hand to Shoeboxed, but the site's real value is that (for a price) they'll scan in your receipts and upload them to your account on the site. If you do a lot of spending with cash, this site can truly simplify matters.

No matter which option you decide to go with, don't be afraid to change it so that it works for you. These systems are just ideas to give you a starting point. You may decide to combine a couple of the systems. The key is to find what works best for you and your family. Don't worry if it does not work perfectly the first week, or even the first month. Tracking expenses is a going to be something new and like all new things, it will take some getting used to. However, once it becomes a habit you won't have to even think about it anymore, it will become something you do automatically.

ⁱ Lockhard, Marsha. (2003). *Tracking Income and Expenses*. University of Idaho. CIS 1112.

