

Tracking Your Spending

By Steve Gilbertson

If you are like most of us, it is not an uncommon occurrence for you to open up your wallet or purse (or to check your checking account balance) and think to yourself, “Where did all my money go?” It can be quite unnerving to see our money disappear so quickly with seemingly so little to show for it. And because we don’t know where the money is going, we don’t know how to prevent it from continually disappearing. The obvious way to solve the problem, then, is to figure out exactly where our money is being spent. This can be accomplished fairly easily by conscientiously tracking spending over a designated period of time.

There are a couple of different ways to effectively do this. The first way is to carry around a pocket-sized notebook, recording all purchases as they are made. A second way is to keep receipts of all purchases and record these purchases each night. As you record your purchases, organize them by category. For example, for the purchase of groceries, record it in the “food” category. Other categories may include “housing,” “transportation,” “entertainment,” “insurance,” “investments,” and “medical.” You will have to make some judgment calls, for instance having to decide whether to classify eating out as “food” or “entertainment.” (Just as a suggestion, it could be partially allocated to both, categorizing the dollar amount that you would have spent eating at home as “food,” while categorizing the rest as “entertainment.”)

Tracking your spending in this manner for at least 30 days should give you a pretty clear picture of where your money is going. Try not to alter your spending habits over this time period; keeping your normal routine will give you a much more accurate picture of what you are spending your money on.

Once you have a month’s worth of expenditures recorded, add up each column to determine into which category most of your assets are going. The results are likely to surprise you. It’s amazing to see how much the little things tend to add up over time. Analyze your findings to determine if there are obvious ways that you could reduce expenses - for example, getting your morning cup of coffee at work instead of spending four dollars each morning at Starbucks.

The classic adage, “knowledge is power” certainly applies here. Just being cognizant of your spending habits puts you in a better position to make more prudent decisions regarding future spending. And the next time your checking account balance makes you frustrated, causing you to ask yourself, “Where did my money go?” you’ll be much more equipped to answer your own question. More importantly, you’ll be in a much better position to do something about it.

Next Month: Creating a Budget