



Extension News Column

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Re: Pinching Pennies column for Jan. 31, 2011

Household incomes went down between 2000 and 2007 by about 1 percent. At the same time, our spending went up by 16 percent. Where did that additional money come from? For many, the extra was covered by credit or reduced savings. Are you spending more than you are earning? Where is that money going each month? If you don't know the answer to these two questions, now is the time to get a better idea of where your money is going.

Most of us do not have a good handle on what we spend. I'm sure you've had the same experience I've had of getting cash money from the bank, only to find two days later that the money was gone and I had no idea what I had done with it. Now is the time to track your money and find where it goes.

For two weeks, write down every cent you spend. That includes money spent on coffee, soft drinks and other impulse purchases. These small amounts of money add up quickly. Attach a sticky note to that cash and note when you spend any of it.

Next, check the big money you are spending. Go to your checkbook and bank account to see what you are spending and for what items.

Organizing these numbers is the next step. What do you spend on food? Be sure to include groceries, eating out and even that pizza you picked up on the way home last night. Divide all the expenses into categories, such as housing, utilities, clothing and entertainment.

If you like to use your computer to organize, there are several free sites online to help with this organizing process. Log on to mint.com or wesabe.com. These sites will take your numbers and turn them into graphs and charts that will show you where your money is going.

When all the numbers are on your paper or on your computer, take a look at where you are actually spending your money. One lady I was working with found that her husband was spending more than \$1,500 over the course of a year to pick up a coffee and a muffin each morning. Though he thought of it as only \$6 a day, over the course of the year, it adds up to a considerable chunk of change.

If your spending in any category seems high, that is a good place to look at cutting back. Some cannot be changed, such as mortgage payments or rent. But many others are variable. If your food bill is high, consider ways to cut back — try eating out less or using less expensive foods when preparing meals. Reduce your utility bills by lowering the thermostat and turning off the lights.

This exercise is designed to help you find out where your money is going, then purposefully plan for how you want to spend it. Many of us are on automatic pilot when it comes to spending. We don't plan. If you don't know where your money is going now, it is difficult to plan where you want to go with it.

By the time you finish this project, you'll know where your money has been going and, of more importance, how you'll be spending it in the future.

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