



# Extension News Column

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We are going back to the basics of money management this week. Let's talk about where we spend our money and next week we'll talk about developing a spending plan.

Where does your money go? For many of us, we can't say with any degree of accuracy.

This is the first step in financial management--to find out where your money is going. This may take a little work to find out the details. Go through your bank statement for the last couple of months. List the bills that occur every month that can't be changed, the house payment, car payment, any student loans or other payments that are arranged.

Don't forget to list the cable and cell phone bills. These are fixed payments, those that can't be changed. Remember that there may be periodic payments that are fixed such as a twice-yearly insurance payment. Figure out how much you need to set aside each month to cover these non-monthly payments.

Next, list the payments that must be paid each month, but vary in amount: the electric bill, utilities, grocery bills, and other expenses such as clothing and entertainment. These are flexible expenses. List both the highest amount spent and the lowest amount spent per month on each of these expenses.

Now, if you are like me, there's still a lot of money unaccounted for. Most of us spend money and simply lose track of where it has gone. Now it's time to keep an accurate accounting of your spending for the next week or two. If you have cash, write it down when you spend it. A sticky note on the cash to jot down what you spend it on will help you keep up with it. Or take a sheet of paper and fold it lengthwise, then accordion fold it twice more. Unfold the paper and you have eight little boxes—one of the seven days of the week and an eighth box to use for totals. Put the folded paper in your wallet or billfold with your cash money and make a note every time you spend money. This is an excellent way to keep up with where you are spending that long green.

At the end of a couple of weeks, add the totals from your cash money to your budget figures. If you are spending money for lunch, that needs to go in the grocery or food budget. If it has been spent on entertainment, be sure to add those amounts to your totals.

During the upcoming month, check your spending lists for accuracy. It's particularly important to get a handle on the flexible expenses. How much are you spending on groceries? Unless you have a good idea, you won't be able to look for economies. We need to have a range from the highest amount spent to the least amount spent for planning purposes. Once we have all the numbers we'll be able to plan for spending.

The key to changing your bottom line is to know where your money is going. Next week we'll be talking about budgets or spending plans.