

A SIX LESSON SERIES

# **YOUR MANAGE MONEY**

## **Lesson 2: *Where Does Your Money Go?***



THE OHIO STATE UNIVERSITY



# MANAGE YOUR MONEY

## Lesson 2

This lesson uses Worksheets: E – H and Activity 2-1

### Where Does Your Money Go?

If you are like most people, you can probably list where your money comes from every month and how much comes in, but do you know where your money goes? In the previous lesson, you were encouraged to track your day-to-day spending. If you started tracking your spending and now commit to keeping it up, you will be better prepared for this and future lessons.

You also spent time and thought to write goals in Lesson 1. Now it's time to learn where your money is being spent so you can determine if your current spending is working for you or against you in achieving those goals.

In Lesson 5, you will design a personal plan built on your goals and your spending patterns, so continue tracking your spending over the next

### Paperwork

There are several pages of worksheets in this lesson. (Yes, it is a lot of paperwork!) To personalize your financial plan, you will need your own data. Invest the time now for a better payoff later.

several weeks so you will have a more accurate record of where your money goes.

Here in Lesson 2, you will examine your current spending as well as your debts so you will be ready to make that plan. The more accurate and complete the information, the easier and more effective your financial planning will be.

### What Is Cash Flow?

Your cash flow is simply the money going into your pocket or your checking account and then back out again. Cash flow includes both monthly income and monthly expenses. Here in Lesson 2, we will focus primarily on expenses – money going out. For now, identify your sources of income



and the amounts you regularly receive, then write them in the box below. You will need this in Lesson 5.

### Activity 2-1: Your Monthly Income

Because most bills are monthly, it is easiest to look at both income and expenses on a monthly basis. Even if you get paid more often than once a month, you can easily calculate your income per month if you have regular set work hours.

If you have an irregular income, you will need to plan ahead and set aside funds during peak earning months to pay expenses during the low-income months. If your income is uncertain or inconsistent, it is best to estimate on the low side.

Complete the following activity to estimate your net (“after taxes” take-home pay) monthly income:

Net income earned each month:

- Wages: \_\_\_\_\_
- Tips: \_\_\_\_\_
- Other earned: \_\_\_\_\_

Total Net Monthly Earned  
Income (a) \_\_\_\_\_

Other Monthly Income:

- Child Support: \_\_\_\_\_
- Social Security Benefits: \_\_\_\_\_
- Unemployment Benefits: \_\_\_\_\_
- SNAP (food assistance): \_\_\_\_\_
- Cash Assistance: \_\_\_\_\_
- Regular Gifts: \_\_\_\_\_
- Alimony: \_\_\_\_\_
- Interest: \_\_\_\_\_
- Other: \_\_\_\_\_

Total Other Monthly Income (b): \_\_\_\_\_

**TOTAL Net Monthly Income**  
**(a+b):** \_\_\_\_\_

*Adapted from Eight Easy Exercises (2016)*

### Worksheet E: Capture the Big Picture of Your Monthly Expenses

– What bills you pay and the approximate day of the month they are due each month?

This worksheet is a place for you and your co-spender to jot down all the current monthly bills you pay and the approximate day of the month they are due each month. Don’t record the amount you pay on this worksheet – we’ll do that later. Once complete, you will see where and when your money is spent on typical living expenses.

### How Much Debt are You Carrying?

No one can conquer the unknown. If you don’t know how much debt you are carrying, you will not be able to make a plan to pay it off. What you owe may include secured debt and unsecured debt. It will be helpful in coming lessons if these are listed separately.

- Secured debt is “backed” by collateral. Collateral is the property a creditor has the right to seize if you do not pay the debt. When a creditor has collateral for your loan, he or she has a “lien” on the property you “bought” with their money. If you don’t make payments as agreed, the lender can repossess the collateral and sell it to get back some of their money. The most common examples of secured debt are mortgages for a house and car loans.
- Unsecured debt refers to loans without collateral. It would be more difficult for a creditor to collect unsecured debt, so such loans may be more difficult to arrange and normally carry a higher interest cost than secured loans. A credit card balance is an example.

Listing and examining your debts may be very difficult because it could bring up emotions like fear, shame, and guilt, especially if you or family members have been hiding the truth about spending choices. It’s not unusual for people to regret many spending decisions, especially if they find themselves deeply in debt because of their choices.

Completing **Worksheet F: Know What You Owe** at the end of this lesson will provide you a clear



summary of your debt obligations. It is important to gather current debt information before you can begin developing a money management plan.

Estimating Monthly Expenses

Expenses are the flow of cash going out when bills are paid and cash spent. You can find the amounts you’ve spent in the recent past by looking at:

- Your checkbook/debit card records
- Your first week’s **Worksheet A: Day-to-Day Dollar Tracker** from Lesson 1. This record of one week of spending will be especially helpful in seeing where and how you spend cash. You need to continue tracking your spending for another three weeks to get a true picture of where your money goes.
- Receipts for the things purchased
- Records of bills regularly paid

In order to comprehend where your money really goes, it may be helpful to plug the information you have tracked regarding your day-to-day spending into an Excel spreadsheet, or download your financial data into an online budgeting app that categorizes various spending areas. Using a paper, computer-based, or online money management app will assign each purchase into a category, such as phone, rent, health care, recreation, charity, clothing, etc.

Your expenses will be both “fixed” and “variable.” Fixed expenses are items such as rent/mortgage, car payment, and other regular payments that basically stay the same every month and for which



Worksheet G: My Current Monthly Expenses

- The amounts you spent last month should be recorded on this worksheet. Record the actual dollar amount in the “What I Spent Last Month.” column. You will need to use your receipts, records, and your Day-to-day tracker to help you determine the amounts you’ve spent.

As you continue to keep spending records, you will have a more accurate picture of where money is going. You will use this information in Lesson 5 to develop a budget.

you are committed for a period of time. When you rent an apartment, enter into child support payments, or a loan to buy a car, you are committing to a fixed expense.

Variable expenses change from month to month. These include things like food, clothing, and utilities. The amount you spend on most variable expenses is under your control. For examples, you decide how much to spend on eating out or other entertainment. But some variable expenses are a bit more difficult to control, such as utility bills during a bitter cold winter or a trip to the doctor’s office. Regardless, you have a bit more control over how much you will spend on these items from one month to the next than you do your fixed expenses. Previous months and future months will have different totals, but you can still estimate how much you will spend in an average month.

Occasional Expenses

Occasional expenses are regular and predictable, but do not happen every month – they only come periodically. Quarterly trash removal, semiannual auto insurance, and annual license plate renewals are examples. Birthdays, holidays, hunting/fishing licenses, dog licenses, and vacations are other occasional categories to include in your planning. Although predictable, occasional expenses can often be difficult for people to set aside money for, so planning is needed before these events take place. When you mindfully plan to save money every month throughout the year to cover occasional

expenses, you will be more likely to have the money when needed. That will make these annual events less stressful and a lot more fun.

### Worksheet H: Occasional/Annual Expenses

**Worksheet H** takes the form of a blank one-page calendar so you can record anticipated occasional expenses for an entire year in one place. Jot down what events occur throughout the year that cost money, but do not happen monthly. List your best estimate for what each of these costs.

Your cash flow will also be impacted by day-to-day choices, habits, interests, and opportunities: a bottle of iced tea at the gas station, a sudden invite to join a friend at a restaurant, or an impulsive purchase of another sweater at a clearance sale. These disappearing dollars are difficult to plan for so they are not addressed in this lesson. We will cover spending leaks in detail in Lesson 3. For now, keep in mind that this type of spending can sneak up and “bust your budget.”

### Tips for paying bills.

If you don't pay online or electronically, write down the date you must mail your payment on your household calendar to ensure it arrives by the due date.

- If you have payments automatically withdrawn from your checking account for regular fixed expenses, be certain to record them even though you need no reminder to get them paid. Be certain to note on your calendar that the payment will be withdrawn.
- If you pay bills online, sit down and pay several at the computer at one time
- If you use online banking, you can schedule regular payments or can select “pay now.” However, if the company you owe money to does not accept electronic transfers, your bank has to send a check, and that may take five business days to get to its destination. Plan accordingly.
- Late payment of bills will result in additional fees and reduce your ability to borrow in the future.



Now that you know where your money goes, you can think about whether the spending matches your goals.

### Action Steps for Lesson 2

Check each step after you have completed it.

Action Steps to take now:

- Continue tracking your day-to-day spending
- Summarize expected income in **Activity 2-1: Your Monthly Income**
- Complete **Worksheet E: Capture the Big Picture of Your Monthly Expenses** – What bills do you pay and when are they due? Take time to discuss the outward cash flow and its monthly timing with the family
- Complete **Worksheet F: Know What You Owe**. Be certain to note what debts are secured and which are unsecured
- Gather your receipts and bill payment records from last month and Complete **Worksheet G: My Current Monthly Expenses**
- Reflect on events that typically cost money over a year's time and complete **Worksheet H: Occasional/Annual Expenses**





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## More Information and Sources

Eight Easy Exercises (2016)

The blog from Money Management International, Member of the National Foundation for Credit Counseling:

**[moneymanagement.org/Community/Blogs/Blogging-for-Change.aspx](https://moneymanagement.org/Community/Blogs/Blogging-for-Change.aspx)**

Consumer Information from the Federal Trade Commission (600 Pennsylvania Ave, Washington D.C. 20580: **[consumer.ftc.gov](https://consumer.ftc.gov)**; (search by title)

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Roger Rennekamp, Associate Dean and Director, Ohio State University Extension



**Worksheet E: Capture the Big Picture of Your Monthly Expenses**

This worksheet “calendar” is a place for you and your co-spender to jot down all the current bills you regularly pay (rent, car payment, credit card bill, etc.). Write each bill on the day of a typical month it is normally due. Don’t record the amount you actually pay/spend on this worksheet – we’ll do that in a later lesson.

Use this worksheet only for regular, predictable monthly expenses. Examples: Write “Phone” on the day of a typical month the phone bill is due, write “mortgage” on the usual day mortgage is due, etc.	1	2	3	4	5	6	7
	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	30	31				
	Now, simply list additional monthly living expenses in the box on the right. Examples: gasoline, food shopping, school lunches, etc.:						

## Worksheet F: Know What You Owe

List of Creditors	Minimum Monthly Payment	Due Date	Annual Percentage Rate of Interest (APR)	Total Past Due	Total Debt	Is this Secured (S) or Unsecured (U) debt?
Company						
Account #						
Company						
Account #						
Company						
Account #						
Company						
Account #						
Company						
Account #						
Company						
Account #						
<b>TOTALS:</b>						



## Worksheet G: My Current Monthly Expenses

Gather your records and receipts, and then record what you actually spent on living expenses last month. If a listed category does not apply to you, write a zero in that blank. If you find a regular monthly expense that is not listed, add a category under "Other" and record your expense.

**What I Spent Last Month**    Month: \_\_\_\_\_ Year: \_\_\_\_\_

Categories		Amount	Does this Amount Change month to month? Is it "Fixed" or "Variable"?	Can I control the amount I am spending on this?	Does this Expense occur every month? If not, how often?
<b>Housing</b>	<b>Rent/Mortgage</b>				
	<b>Homeowners/Renter's Insurance</b>				
	<b>Utilities</b> (list each separately below – include phones)				
	<b>Property Taxes / Community Fees</b>				
<b>Transportation</b>	<b>Car Payment(s)</b>				
	<b>Gasoline</b>				
	<b>Parking/Public Transportation</b>				
	<b>Car Insurance</b>				
<b>Food</b>	<b>Groceries</b>				
	<b>Eating Out</b>				
	<b>School Lunches</b>				
<b>Clothing</b>					
<b>Medical</b>	<b>Prescriptions</b>				
	<b>Health/Dental</b>				
	<b>Insurance</b>				
	<b>Doctor(s)</b>				
	<b>Dentist</b>				
	<b>Other monthly medical</b>				

**Continued: Worksheet G: My Current Monthly Expenses**

Categories		Amount	Does this Amount Change month to month? Is it "Fixed" or "Variable"?	Can I control the amount I am spending on this?	Does this Expense occur every month? If not, how often?
Education / Child Care	Tuition/Supplies				
	Child Care				
	Student Loan(s)				
Entertainment	Pets				
	Hobbies / Games / Movies / Vacation. etc.				
Giving/Charity (includes loans to family and friends)					
Other Debt Payments (credit cards, RTO, re-paying family member, etc.)					
Savings	Written Financial Goals				
	Occasional/Annual Expense Fund (Maintenance – car, home, etc., birthdays, holidays, license fees, etc.)				
	Emergency Fund (Home Repair, Emergency Room Visit, etc.)				
	Retirement Account(s)				
Other savings					
Misc. – Include things that you spent money on that is not listed above (Tobacco, alcohol, caffeine beverages, haircuts, dry cleaning, etc.)					
Other					
Other					
TOTAL Dollars Spent Last Month:					

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## Worksheet H: Occasional /Annual Expenses

Record events and other expenses that typically occur throughout the year in the month they happen. Write down how much you expect each will cost. Examples: Mom's Birthday: \$60, Fishing License: \$20, Oil change: \$50, Vacation: \$1,500, Thanksgiving: \$70, etc.

<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>
<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>
<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>

Now add up all the amounts in the 12 months and enter the amount on the line below:

Total annual estimate for occasional and/or once a year expenses: \_\_\_\_\_





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## Manage Your Money

Lesson:

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