

Using a Check Register to Track Your Expenses

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Explains how to transform your own check register into a handy budgeting tool.



MontGuide

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DISCOVERING WHERE YOUR DOLLARS GO IS THE

first step in becoming a more effective financial manager. After you've tracked your expenses for several weeks you may be amazed at the amounts actually spent for basic living expenses such as food, housing, transportation, clothing and medical care. Once you are aware of amounts spent, you can begin to take control of your finances.

This MontGuide describes a management technique that shows exactly how much you have spent or have left to spend for each living expense category. At any point of time during the month you can see whether you can afford further expenditures based upon your spending plan. The system is designed for those who want a simple way to track expenses without having to spend a lot of time doing it. While the illustrations were developed primarily for individuals who have a checking account, the method can be easily adapted for Montanans who use cash, debit and credit cards.

Determining Expense Categories

First, make a list of your family living expense categories. Food, housing, transportation, clothing, personal care, medical and recreation are typical examples. Don't get carried away with listing too many categories, as you're limited by space in the check register. Start with five to seven.

Second, determine how much you anticipate spending monthly for each category. If you don't have any idea, separate last year's checks by your expense categories. Total amounts under each one and divide by 12 to arrive at an average monthly amount spent. The results of this process may be shocking. You may be spending much more for each family living category than you thought. If you typically write checks for more than the amount of purchase, your totals will be unrealistic, but don't let this stop you. If you spent cash for most purchases, total the cash withdrawals from your checking and savings accounts. Don't forget to include cash withdrawals from the automatic teller machine, if you use one. Divide your cash withdrawals by 12. This process will give you an idea of average monthly cash expenses, even though a year later you may not be able to recall where all the dollars went.

If you primarily used credit cards for purchases, itemize the

monthly bills to learn what the charges actually were for—clothing, gasoline, eating out, etc.

If you don't have records for determining amounts to allow for each category, "guess-timate" or use percentages from "Developing a Spending Plan," MontGuide 199703 HR that is available from the MSU Extension Service. An insert provides percentages and income amounts from \$5000 to over \$70,000.

After you've used the check register to track expenses for a couple of months, you'll have a more realistic idea of your spending habits.

Check Register

Now you're ready to request a blank check register (if you don't already have one) from your bank, savings and loan association or credit union. If you don't have access to a check register, make one using plain paper. Or you may wish to order check registers developed specifically for this tracking system in which space is provided for seven expense categories, with vertical lines drawn to separate expense categories on each page. The cost is \$1.00 per register for Montana residents; \$2.00 for out-of-state residents (one will last most people from two to three months, depending upon the number of checks written). To receive a Check Register, contact your Extension agent or send payment to: Check Register, Extension Publications, PO Box 172040, Montana State University, Bozeman, Montana 59717.

If you're using a check register from a financial institution, place adhesive labels across the top of the page. Then list each expense category and amount you plan to spend. Next, draw as many vertical lines on your register as you have expense categories. Don't draw lines in the balance section of your check register or the extreme left column where the check number and date are located. See Example 1.

Check Writing and Recording of Expenses

When you write a check, record the amount in the balance column. In Example 2, check #511 was written for \$9.06 to a discount store for shampoo, hair rinse and other personal care items. The \$9.06 is also subtracted from the \$30 personal care budget, leaving \$20.94 for the rest of the month.

Example 1: Before applying adhesive labels

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT										
NUMBER	DATE	DESCRIPTION OF TRANSACTION			PAYMENT/DEBIT (-)	✓ T	FEE (IF ANY) (-)	DEPOSIT/CREDIT (+)	BALANCE	
					\$		\$	\$	\$	

Example 1: After applying adhesive labels

MAY RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT										
NUMBER	DATE	FOOD	HOUSING	TRANS.	CLOTHES	PERS. CARE	MED.	REC.	BALANCE	
									\$	300 00
TOTAL	1530	300.00	590.00	360.00	120.00	30.00	50.00	80.00		

Example 2: Recording expenses

MAY RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT										
NUMBER	DATE	FOOD	HOUSING	TRANS.	CLOTHES	PERS. CARE	MED.	REC.	BALANCE	
									\$	300 00
TOTAL	1530	300.00	590.00	360.00	120.00	30.00	50.00	80.00		
511	5/1					-9.06				9.06
K-MART						20.94				290.94
	5/11									1022.98
DEPOSIT										1313.92
CASH	5/15									50.00
WITHDRAWAL										1263.92

You make only two entries with each check—one in the appropriate expense category and one in the balance column. The figure in the *balance* column shows the amount left in your checking account. The figure in the *expense* column shows the amount you have left to spend in each category.

Record the check number and date in the usual location (far left column). Underneath, record the business to which the check was written. Repeat this procedure each time you write a check. See Example 2.

You may simplify entries in the expense categories by rounding your figures up or down. For example, write \$9.00 instead of \$9.06 in the personal care expense category. This makes the subtraction process less time-consuming. However, you may prefer to record exact figures in the balance column. This way you will know the exact balance in your checking account.

On the check register from the MSU Extension Service, each page provides space for writing in the categories. You will not need to apply additional adhesive labels, nor will you need to draw the vertical lines again. If you are using a register

from a financial institution you can place adhesive labels across the top of each succeeding page. Another option when it is time to move to a new page is to cut off the top to expose the labeled categories on the first page.

Remember to record the amount remaining in each category from the previous page under appropriate columns. Draw as many vertical lines on your new pages as you did previously.

At the end of the month, review your expenses. You may discover you were right on target with some but off on others. For example, one Montana family had \$34 left in their housing category because it was summer and they did not use much electricity. This family knows that they will need the “leftover” dollars during the winter months.

Simply because there are dollars left in the balance column does not mean those are “extra” dollars to be spent now. Those dollars need to be set aside so they will be available to meet your planned budget expenses later on. This family will transfer the balance to an interest-bearing account for use during winter.

Recording Deposits and Withdrawals

Deposits, such as Social Security checks, interest from savings and automatic paychecks can be easily recorded in your check register. Write deposits in the balance column and add to the balance. Record the date in the far left column. Be sure to indicate the transaction was a deposit.

For cash withdrawals, subtract the amount from the balance column. Record the date in the far left column. See deposit on 5/11 and withdrawal on 5/15 in Example 2. Be sure to indicate the transaction was a cash withdrawal or deposit.

Starting a New Month

When beginning a new month, once again relabel the expense categories and, if necessary, draw vertical lines. If you found the categories in the prior month unworkable, change them. For example, one Montanan started with categories for personal care and clothing. After two months she combined them into one.

If you found your planned expenses were unrealistic, change allocated spending amounts.

Questions About the System

What if I write one check for purchases that fall under several categories?

If you purchase items from a discount or grocery store that fall under several categories, ask the sales clerk to subtotal each group for you. If there's not a long line of people waiting, most sales clerks will gladly accommodate you. Record each subtotal in the appropriate category of your check register as

the amount appears on the cash register. If you are rushed or people are waiting in line, ask the sales clerk to subtotal on the tape, then wait until you're in the car or at home to record the expenses under the appropriate category. Note check #503 in Example 3 was written for \$60.50. The amount was divided among three categories: \$25.68 for food; \$16.40 for housing; \$18.42 for clothes and personal care.

Can my check register be used to record cash and debit expenses?

In Example 3, note the circled numbers. On May 5 this Montanan spent \$3.75 in cash for lunch. The \$3.75 was subtracted from the food budget, leaving \$70.25 for the rest of the month. The \$3.75 is circled to remind her it was a cash expense. Other cash expenses included \$24.00 for clothing and \$15.00 for medical care. The amounts are not subtracted from the balance column because the \$50 cash withdrawal had been recorded in a prior month.

How can a check and debit register be used to record credit card expenses?

When you make a charge, list the amount under each appropriate expense category. You may also want to list a credit card balance column so you can *add* or *subtract* the credit card balance as well. Then you'll know how much you've charged during the month and the arrival of the bill won't be a shock. In Example 3 this Montanan charged a car repair bill for \$130. She prefers to draw a box around credit charges so she can quickly see how often she has used her charge card. If the charge had been for a variety of items that fall under different categories, the totals would have been listed under

Example 3: Circled number denotes cash expense

MAY										RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT	
NUMBER	DATE	FOOD	HOUSING	TRANS.	CLOTHES PERS. CARE	MEDICAL	REC.	CREDIT CARD	BALANCE		
									\$		
		125. ⁰⁰	680. ⁰⁰	150. ⁰⁰	45. ⁰⁰	50. ⁰⁰	50. ⁰⁰	1500. ⁰⁰	300	00	
DEPOSIT	5/11								1600. ⁰⁰		
501	5/1		-550. ⁰⁰						1900. ⁰⁰		
HOUSE PAYMENT			130. ⁰⁰						550. ⁰⁰		
502	5/2	-51. ⁰⁰							1350. ⁰⁰		
GROCERIES		74. ⁰⁰							51. ⁰⁰		
	5/4								1299. ⁰⁰		
PENNEYS					-24. ⁰⁰				21. ⁰⁰		
	5/5								1299. ⁰⁰		
CLINIC						-15. ⁰⁰			35. ⁰⁰		
	5/5								1299. ⁰⁰		
AUTO REPAIR				-130. ⁰⁰				-130. ⁰⁰	20. ⁰⁰		
									1370. ⁰⁰		
		-3.75									
TACO JOHNS		70. ²⁵								1299. ⁰⁰	
503	5/8	-25. ⁶⁸	-16. ⁴⁰		-18. ⁴²					60. ⁵⁰	
OSCO		44. ⁵⁷	113. ⁶⁰		2. ⁵⁸					1238. ⁵⁰	

Example 4

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT									
NUMBER	DATE	FOOD	HOUSING	TRANS.	CLOTHES	PERS. CARE	MED.	REC.	BALANCE
									\$ 1070 50
BUDGET	300. ⁰⁰	590. ⁰⁰	360. ⁰⁰	120. ⁰⁰	30. ⁰⁰	50. ⁰⁰	80. ⁰⁰		
1530. ⁰⁰									
809	10/11			10. ⁵⁰					10 50
GAS									1060 00
810	10/11		-434. ⁰⁰						434 00
MORTGAGE									626 00
811	10/12			+12. ⁷⁵					12 75
GAS				23. ²⁵					613 25
812	10/13		+12. ⁹⁵						12 95
CABLE			446. ⁹⁵						600 30
813	10/13		+95. ⁰⁰						95 00
MPC			541. ⁹⁵						505 30

the appropriate headings. Some families prefer to subtract the credit charge from the checking balance even though a check is not written, to assure that there will be the funds available to pay the bill in full upon its arrival.

What if I'd prefer to see how much I've spent instead of how much I have left?

This system can be easily adapted to show how much you've spent in each category any time during the month. When you write a check, simply add to the balance in the expense category instead of subtracting. In Example 4, check #810 was written for \$434. Check #812 for \$12.95 was added to the \$434 for a total of \$446.95 spent for housing as of October 13. Be sure to set a limit on spending so you'll be able to achieve your financial goals.

Summary

The check register system has many advantages. It's simple. It allows you to have information at your fingertips about your spending situation. It provides you with immediate decision-making opportunity: yes, we can afford to eat out or no, we can't. It's compact—you can carry it with you at all times.

This tracking method also helps you evaluate your spending habits so you can better plan for a more secure financial future. Remember: this tool can easily be adapted to provide the kind of information you need to make decisions about your finances.

How to Order Your Check Register

The MSU Extension Service has check registers developed specifically for this tracking system. The cost is \$1.00 per register for Montana residents; \$2.00 for out-of-state residents. Contact your Extension agent or write:

Check Register
 Extension Publications
 PO Box 172040, MSU
 Bozeman, MT 59717-2040.



<http://www.montana.edu/wwwpb/pubs/mt8703.html>

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