

## Tracking Your Money The Gail Way

I was sitting at dinner one night with some friends. They've been reading drafts of my new book, *Money Rules*, (due out in January 2013, but likely released in time for Christmas December 2012) when Girlfriend turned to me and said, "Is there a rule about what to do with the information you have in your Spending Journal?"

Good question. It prompted a lot of discussion about how a Spending Journal works and how it dovetails with a Budget. Boyfriend turned to me and said, "You know, if Girlfriend is going to use it, you've got to spell it out with plenty of pictures."

He wasn't being mean. He was simply commenting on Girlfriend's need for concrete examples and step-by-step instructions. It got me thinking. Maybe there are a whole bunch of people who turn their heads to the side quizzically when I say, "Use a Spending Journal," or "Track that info in your Budget."

It's taken me weeks to get this right. And I've passed it by a number of people to see if they can use it. If there's too much detail in the instructions for you, remember that there are heaps of people who need loads of instructions, which is why I've done it this way.

The worksheets are available for download for a package cost of \$4.99. They include:

- Spending Analysis worksheet and instructions
- Spending Journal worksheet with examples
- Budget worksheet, which includes the Life Pie and The Jars.

[I strongly recommend that you do NOT shortcut the process by skipping the Spending Analysis component.](#)

If you don't have any paperwork because you're a dope and threw your statements away

- track forward for at least three months using the Spending Journal
- then do the Spending Analysis
- then make the Budget.

If you're an expert at excel, you can do this for yourself. You don't need to buy the package. If you've got a system that works, please save yourself the five bucks and stick with what you've got.

I've created this package for all the people who keep writing to me to ask for budgets, spending analysis worksheets and budget binder pages.

If you've always been afraid of **THE BUDGET**, if you think facing up to where your money has been going will be tough, if you've a mind to just keep ducking and hiding, go ahead. Don't waste your money on this package if you're not going to use it. If you're serious about getting your financial life sorted out, download away and get busy. It'll take some hard work. But you won't be sorry.

## The Spending Analysis Worksheet

You can use this spending analysis worksheet as a companion to my book [Debt-Free Forever](#) or as a stand-alone in preparation for using the other two worksheets included in this package. [Debt-Free Forever](#) tells you, in detail, what to look at when you're doing your spending analysis. For example, in the book I say:

"If you have a whole bunch of transactions in department or discount department stores that you can't break into categories, simply enter them into the "department store" category."

If you need that kind of direction and explanation, get a copy of the book. If you're good with just gathering up your paperwork and getting started with the spending analysis, get going!

Use your common sense when it comes to deciding where to put stuff. For example, if you have someone who cuts your grass, that's home maintenance. If you pay for monthly massages, but it's for health reasons, not a self-indulgence, put it under medical, not under beauty. But don't lie!

Go through six months' worth of your spending (every bank statement, credit card statement, or anything else that shows where your money has been going) and put in every penny you've spent so you know exactly what you've been doing. Only by knowing where you're money has been going can you make conscious decisions about:

- if you're satisfied about how you're spending your money, and
- what you'll change to make your money work better for you.

### To use the Spending Analysis Worksheet:

- Click on the first cell into which you're going to enter information
- Type an "=" sign
- Type the first number from your statement
- If you have more numbers for that cell, type a "+" sign and then type your next number. You can keep typing numbers, separated by the + sign; the worksheet will add them all together. For some fields, like Mortgage/Rent, you'll likely have only one number each month. For others, like Groceries, you may have many entries.

The worksheet is designed to add up all your numbers and give you an average, which is the number you're going to use in your budget. If you're working with less than six months' worth of information, the worksheet won't work unless you go into the Average column and change the divider from 6 to whatever number of statements you're working with. So if you're only analyzing three months' worth of info, you'll have to change the divider from "6" to "3" for every row (or change it once and copy it).

I encourage you to use six months' worth of information to try and get the clearest picture you can about where your money has been going.

When you've finished adding in the numbers from all your statements onto the Spending Analysis Worksheet, go over the sheet again and using a highlighter pen identify any categories on which you spend money for which you do not have any information included.

If something doesn't show up on your sheet you may have to add it. For example, if you're using your statements from March through August, but you pay your home insurance once a year in September, you can do one of two things:

- take the total amount you pay, divide it by 12 and type your result in each of the six months on the Spending Analysis Worksheet, or
- save the result until you get to your budget and just add it there.

## For “debt repayment,” include only the minimum amounts you must pay on each of your debts.

I know you’ll want to include all the money you’re throwing at debt repayment, but for now just include the minimum amount. This is about figuring out where you’re going, not just about tracking your spending.

## The Budget Worksheet

The key to having a budget that works is to work with realistic numbers.

The Budget Worksheet I’ve provided has most of the categories on the Spending Analysis Worksheet.

1. Enter in all the numbers from the Average column on the Spending Analysis Worksheet into the Budgeted column on the Budget Worksheet. This is your starting point. If you’re astounded at what you’ve been spending, and are tempted to rejig the numbers at this point, DON’T. You need to do this the way I’m describing if you want it to make sense later. So don’t fiddle with the numbers. Just put them into the budget.
2. Once you’ve entered your numbers, and added in numbers for any category you know you spend money on but that didn’t show up on the Spending Analysis Worksheet, highlight any rows you’re not using and fill them with “gray” so they aren’t a distraction, or change the type to a very light colour, like yellow. Do NOT delete them. If you do, you’ll screw up the “Jars” and the “Life Pie.”
3. I’ve purposely left some categories off The Budget Worksheet. “Cash” for example, doesn’t show up. While you need to know in your analysis that you’ve let cash flow through your fingers, on your budget there’s no such thing as “cash.” You must account for every penny you spend.
4. When you get to debt repayment, you’ll notice two lines:
  - The first line is for minimum payments. This will keep your credit in good standing. It’s the very least you can pay on what you owe on your credit cards and lines of credit (along with any other kind of credit you may be using). It does not include your mortgage or loans already dealt with under the “Transportation” section.
  - The second line is for the “snowball” amount you’ll apply against your most expensive debt. If you don’t understand the concept of snowballing, learn about it. Snowballing is the single best way to get your debt paid off lickety-split. I cover it in [Debt-Free Forever](#) and on my website.
5. Savings has a bunch of categories including Retirement and Emergency Fund savings. **The rule of thumb, “Save 10%” applies specifically to retirement savings.** If you don’t know how much you should be saving for retirement, get a copy of [Never Too Late](#) and work through the process. It’ll tell you exactly what you need to be doing. Not what you “theoretically” should be doing; what YOU need to be saving for YOUR needs.

Other Savings may be the money you’re accumulating for a big spend. If you’re socking away money for a vacation, for the purchase of a new vehicle or for some other goal, it would go in the Savings: Other category. Technically this is “planned spending,” but Savings: Other works fine too.

I’ve included a line for a Curveball Account. This is NOT your emergency fund. The emergency fund is to be used for things like sickness, death, job-loss; anything that interferes with your income. The Curveball Account is for things you may not have anticipated: your best friend’s wedding, your son’s new hockey stick, the school trip for your daughter’s class.

6. If you’re an investment property tycoon, keep the finances for your investment property separate from your household budget. But perhaps your investment property income is simple as a room you rent in your house or a basement apartment. For those instances, I’ve included a separate section on the budget to deal with the expenses associated.

7. If you have income from a part-time business you run on the side – not a full-fledge business which would require it's own budget – I've included a line for simple expenses associated with the income you're generating from that business. BTW, if your expenses for your home-based business always exceed your income, it's not a business, it's a hobby!
8. The Budget Worksheet adds up your expenses and subtracts it from your income automatically. If you have a negative number at the bottom, it means you're spending more money than you make. Time to get out the paring knife (or carving knife, as the case may be) and start cutting back.
9. You CANNOT spend more money than you make. The plan is for the final number at the bottom of your budget to be a zero. If there's money left over, allocate it to savings of some sort. Or, perhaps, add a category to your budget that you may previously have overlooked. Do you have enough life insurance? Do you have private disability insurance? Are you setting aside money for the kids' future schooling?
10. Once your budget balances, that's your plan for how you will use the money you're working so hard to earn. The Budget Worksheet shows you how you're doing on the Life Pie (at the bottom of the budget). It also pours your variable spending into The Jars for you.

People keep asking my why I don't package and sell The Jars and The Budget Binder. Seriously? I'm the girl who says, "Make do!" Rinse out your jam jars and they'll work just fine. As for the budget binder, well, I'm going to talk about the Spending Journal next.

Read the next section on the Spending Journal and then we'll come back to The Budget.

## The Spending Journal

My personal Spending Journal is a simple notebook. In it I record the money that goes into the bank and the money that comes out. Every penny. If I charge something on my credit card, I deduct it in my Spending Journal so I always have a current snapshot of how much money I have in the bank. If I write a cheque, it's deducted from my Spending Journal. I track every penny.

I've created a Spending Journal Worksheet that you can use on your computer, just as you do the Budget. The first thing you should do if you're using this Worksheet is **make a copy of it and change (month) to the month you're tracking**. If you fill in the original by accident, you'll have to manually clear the entries. Don't whine to me about needing another one.

If you're living close to the bone, you can skip the Spending Journal **as long as you enter your daily spending directly into your budget**. That will tell you exactly where you are every day in terms of how much you've spent on each category in your budget and how much you have left.

If you'd rather use a simple notebook, that's fine too. It's not what you use to track your spending, it's TRACKING YOUR SPENDING that's important.

### Here's what a set of Spending Journal entries might look like:

	<i>June</i>		<i>Balance</i>
		<i>Credits</i>	<i>Debits</i>
1	<i>Pay</i>	3,274.00	3,274.00
2	<i>Mortgage Payment</i>		-1,543.00
3	<i>Insurance</i>		-122.36
4	<i>Emergency savings</i>		-100.00
			1,608.64
			1,508.64

5	Car loan		-375.00	1,133.64
6	Debit: Groceries		-86.72	1,046.92
7	Hydro (conf# 0071)		-97.77	949.15
8	Debit: Groceries		-43.24	905.91
9	CC: New shoes		-39.99	865.92
10	CC: Birthday present		-47.65	818.27
11	HST Rebate	60.76		879.03
12	Cheq #36 School trip		-30.00	849.03

A note about some of the entries. First, I don't actually number the entries; this is so I can refer to them here. If you're meticulous, you'll date your entries, but that's not a must-have.

- 1, 11 When you deposit money, you add it to your balance. Sometimes this will be a pay, sometimes it may be an expense cheque or a government cheque. Everything you deposit into your account is entered as a credit. When you are carrying a balance from one month to the next, you enter that number at the top of the new month's worksheet.
- 2-3 Money that's automatically deducted from your account is entered first so you aren't tempted to spend the money and then bounce the debit. If you have several auto-debits and are paid a couple of times a month or more, you'll have to match your debits to your pays. If you don't know how to do this, go and read "Aligning Your Cashflow" on my website.
- 4 Savings are deducted automatically. If you wait until you see what you have left to save, you'll never have anything left.
- 5 The car loan is an auto deduction too.
- 6, 8 Debits are deducted when you do them.
- 7 Note the bill payment confirmation number if you pay online.
- 9-10 Credit card charges are also deducted in the Spending Journal when you make your purchase. When your bill comes in, check the statement against the charges you've deducted to make sure everything is there. The way I handle payments on my credit card is to write a letter in my Spending Journal beside everything that's come in on a single statement. So, for June, I might write the letter "F", and write an "F" beside all the credit card charges I'm paying. Then I'd create a single line entry in the Spending Journal:

*F Paid Credit Card \$87.64 Conf #1234254 June 28/11*

This entry won't change the balance in your Spending Journal because the two charges made have already been deducted. But having all the info in one place makes it really easy to check back later on.

Keep in mind that not all credit card charges may come through in a single month. You may have an entry you've deducted that doesn't have a letter beside it in your Spending Journal. When the next statement comes in, the charge should show up. But you don't have to worry about having forgotten that dinner you had with your sister because you deducted it when you ate the food, so the money has been set aside to pay the bill. See how swell this system is?

- 12 If you write a cheque, you include it in your Spending Journal (you can do away with the chequebook register) noting the cheque number and what the cheque was for. If the person you wrote the cheque to doesn't cash the cheque immediately, it won't mess with your money management system because you've already made the deduction, so the money is "gone" and you can't spend it twice.

Okay, so you have a month's worth of numbers. What now. This was the question I was asked that got this whole project started. Now you use your information to see how you're doing with your budget.

## **The Budget Redux**

This is where your Spending Journal meets your Budget. Every month – yes, every month – you have to enter your Spending Journal entries into your budget. This is the part of the process that takes discipline. It'll take you about 20 minutes to start, but you'll get faster over time. If you're not prepared to do this part, you'll miss out on some seriously important information that will help you analyze your spending and adjust as you go. You'll also have to do another spending analysis next year since you won't have all the wonderful info this budget is designed to capture for you. Better to do it monthly, using the budget, and be done with it.

A number of people wanted me to automate this part of the process. I have not. And I have a good reason. When you sit there every month and have to enter every single coffee purchase you made into your budget, you become very aware of how often you buy coffee. Ditto with grocery shopping, clothing shopping, and myriad other areas where you spending your money. Every entry represents something you purchased. And becoming aware of your shopping habits is half the battle.

When you doing your entries, don't start and stop. Research shows you increase the "pain" if you take a break. Grab a cuppa, open up your Spending Journal and your Budget and get ready to plow through to the end. When it's done, you won't have to do it again for another month. If you really hate it, stop shopping and you'll have fewer entries! If you don't have the time to devote 20 minutes all at once, or you just hate having it pile up, you could do your entries weekly or even daily. Just put a dot beside the entries in the Spending Journal as you enter them in your budget so you know exactly where you are.

### **A few things to make this easier:**

1. If you have repeating amounts that are the same from month to month – think mortgage/rent or car payments – you can copy the cell in your budget all the way across the row. Simply highlight the amount you want to copy, copy it, and then past it across the row.
2. If you want to shorten the budget, hide rows that aren't being used. Highlight the row, under "format" click on "row" and click "hide". I do believe that the more manageable your budget is – read: smaller – the more likely you are to use it. But I can't customize a budget for each of you.

To put the info from your spending Journal into the budget, click on the cell you want to put info into. Type an "=" sign. Type your entry. If you have more than one entry, type a "+" sign between your entries.

### **For example, in your Grocery row, your cell might look like this:**

=37.43+22.29+45.36+88.91

When you hit the "return" key, the cell will add up your entries and give you a total.

Note that there are no spaces between entries and you must make your entries accurately. Garbage in, garbage out!

The Budget Worksheet will not only add up your spending and tell you if you're on budget or not, but it'll keep a running total of what you're spending and average out the categories at the end of the year so you know what the numbers should be when it's time to make next year's budget. If costs have gone up in a particular category, and your income hasn't gone up to compensate, you'll have to do some re-jigging to get your budget to balance.