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Household Account Book

Liz Gorham

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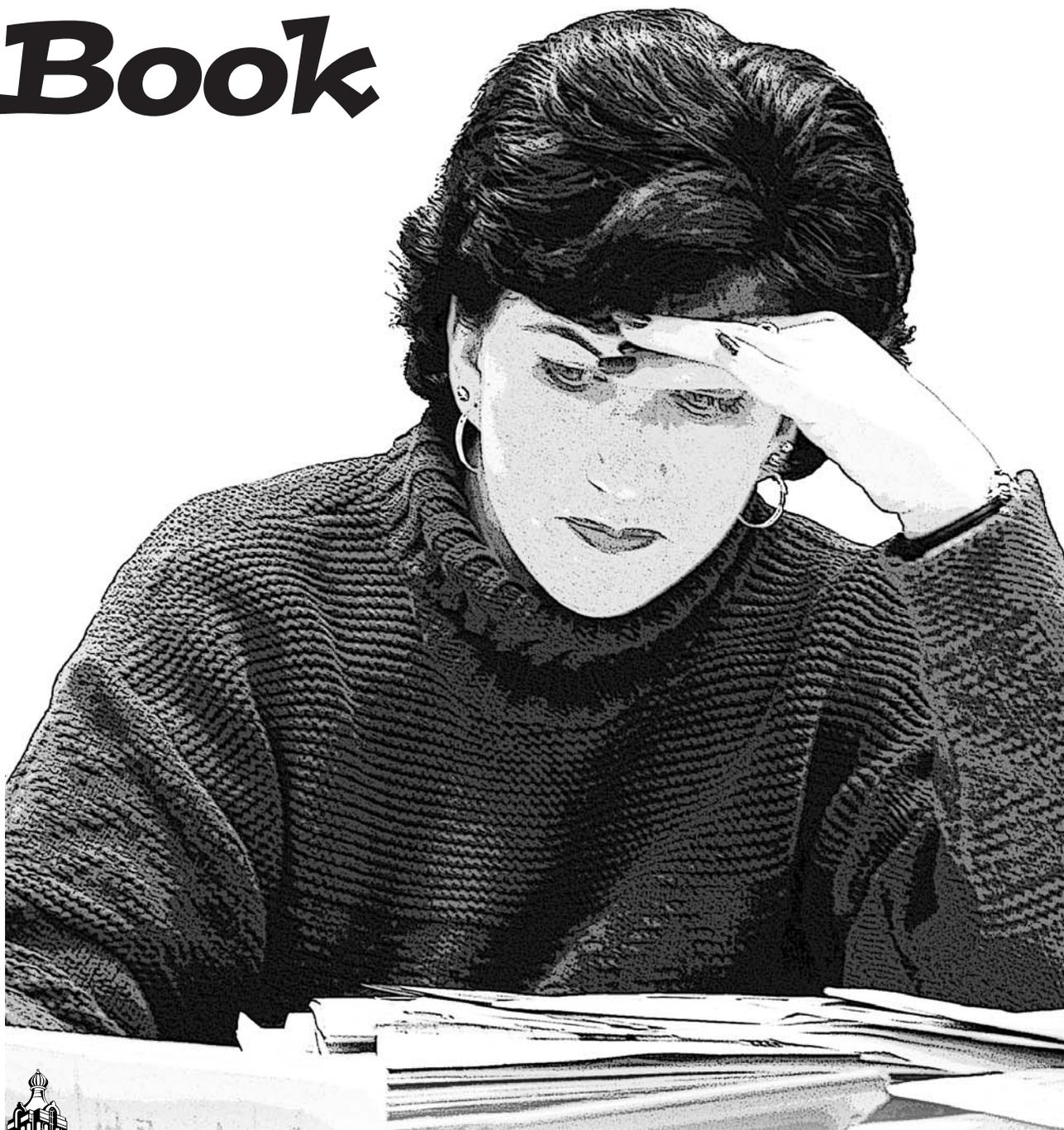
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Household Account Book



SOUTH DAKOTA STATE UNIVERSITY
College of Agriculture & Biological Sciences
Cooperative Extension Service

Classification of Income, Savings, and Household Expenses

Income

- Salaries/Commissions
- Dividends, interest earned
- Pension, annuity, Social Security
- All money coming in

Savings

- Emergency fund
- Savings account to cover specified expenses
- Passbook savings accounts
- 401(k), IRA/Keogg accounts
- Stocks and bonds
- Certificates of deposit
- Pension plan, annuities, Social Security

Expenses

Fixed Commitments

- Insurance premiums
- Installment payments, i.e., car payments
- Charge payments, i.e., credit card or charge accounts
- Housing payment, rent or mortgage

Flexible Expenses

- Housing – Operation
 - Laundry supplies
 - Locker rental
 - Paper goods, stationery
 - Postage
 - Hired help
 - Cleaning supplies
 - Pest control
 - Repairs for house
 - Safe deposit box rent
 - Household property insurance
 - Property taxes
 - Yard improvement and supplies
 - Home preservation supplies

- Housing - Utilities
 - Gas and electricity
 - Waste disposal
 - Water
 - Telephone

- Equipment and Furnishings
 - Furniture
 - Rugs and curtains
 - Pictures, vases, mirrors
 - Appliances
 - Kitchens utensils
 - Bedding
 - Linens
 - China, silver, glassware
 - Equipment repair

Food

- Food at home
- Food away from home
- Snacks, coffee breaks
- School lunches
- Home food production
- Food for entertaining

Clothing

- Purchased clothing
- Foot wear
- Cleaning and repair
- Sewing supplies
- Accessories
- Alterations

Personal

- Haircuts, beauty/barber shop
- Allowances
- Cosmetics
- Toiletries
- Shaving supplies

Transportation

- Car expenses – gas, oil, repairs, tires, licenses, insurance, maintenance, taxes
- Parking fees
- Bus, plane, train, taxi
- Car rental

Medical

- Doctor, dentist, oculist
- Medicine
- Eyeglasses
- First aid supplies
- Treatment
- Hearing aid, cane, wheel chair

Gifts and Contributions

- Gifts for people outside family
- Marriage and birth gifts
- Cards, wrapping paper
- Flowers
- Charitable donations & contributions
- Church, church organizations

Education

- School fees and tuitions
- Books and supplies
- Magazines, newspapers
- Music and dancing lessons

Recreation

- Social club dues
- Sports admission and equipment
- Movies, paid admissions
- Vacations
- Tapes, CDs, film
- Babysitting during recreation events
- Tobacco, liquor
- Hobby supplies
- Cable television
- Pets and supplies
- Sports, licenses
- Veterinarian fees for pets

Miscellaneous

- Union and professional organization dues
- Babysitting while working
- Legal fees
- Income tax, sales tax
- Child support, alimony

Household Account Book

Liz Gorham, Ph.D., AFC
Family Resource Management Specialist

There are multiple benefits to individuals and families who plan and keep an account of their income and expenses. Households benefit by being able to:

- Chart their financial progress
- Know where their money goes and what it is used for
- Show how living costs change due to prices or changes in family size and/or age
- Plan future spending
- Teach children about the use of money
- Improve consumer skills and save dollars
- Decide if changes are necessary to reach household goals
- Provide proof for filing income tax returns
- Provide protection from fraud
- Lesson errors in financial management

Since most households have limited money resources to cover all needs and wants, choices have to be made. Using this booklet regularly will help you make decisions—about how you use your money, keep track of your spending, and plan future spending. Having a written spending plan will enhance your financial management.

Your spending plan must be flexible because circumstances and situations change. So use a pencil to keep and adjust your records.

Getting Started

The following four steps will help you make this book your personal household plan:

Step 1: SET GOALS.

On page 3 you will find a chart to list your individual/family goals. Financial goals are what you hope to accomplish with your money.

Those who set goals are more apt to accomplish them. A national Retirement Confidence Survey (1999), for example, showed that those who had made retirement calculations saved considerably more than those who had not estimated the amount they would need in their retirement.

Determine what you want to accomplish with your money, write it down, estimate the total dollar cost, determine your target date, calculate the dollar amount you will need to put aside on a regular basis to accomplish your goal, and put your plan in action!

Step 2: PREPARE A BALANCE STATEMENT.

A balance statement indicates your wealth or net worth on any one particular day. It is the difference in the sum of all assets held minus all liabilities. Comparing this amount with totals on other balance statements done at yearly intervals will enable you to visualize the changes in your household financial situation. It will give you a sense of the financial progress the household is making.

Complete the balance form found on page 4 using today's current market values and actual amounts for assets. For liabilities, include the amount of principal and interest (if any).

Step 3: ESTIMATE INCOME AND EXPENSES.

Using the “Occasional Expenses” chart on page 5, indicate what expenses you will have bi-monthly, quarterly, and maybe only once during the year.

These expenses are the hardest ones to plan for in the budget. But you can cut down on “surprises” of unexpected bills by listing all occasional expenses on a calendar and placing a dollar amount on each one. Total the dollar amount of all occasional expenses listed and divide by 10 or 11. (Don’t use 12 because there may be one or more months when you fail to save due to higher expenses during holidays or vacations). This monthly dollar amount is what you can set aside in savings to cover these expenses.

If most of the occasional expenses lie in the first few months when starting your savings plan, you may need to take money from a job bonus, an inheritance, or a tax return to get this fund started and then save the monthly amount needed to cover additional occasional expenses.

On page 32 of the book is a place to record your “Fixed Commitments,” payments you make during the year. Make sure these payments are included at the bottom of pages 6 and 7 and on subsequent pages for monthly listings in the “Estimates” row. Use this row to estimate how much of your estimated monthly income will be used to cover the monthly expenses in each expenditure and savings category.

After recording the actual expenditures, income, and savings, note the difference (positive or negative dollars) between estimates and actual expenditures made and use to estimate next month’s expenditures.

Step 4: RECORD ACTUAL INCOME AND EXPENSE FIGURES.

Twelve two-page forms are provided for recording income, spending, and savings and investments.

On the inside of the front cover is a “Classification of Income, Savings, and Household Expenses.” If the column headings do not fit your expenditures, change them—but use these changes consistently.

The person in the household assigned to record expenditures should do so consistently and regularly. Other household members need to be diligent in providing detailed receipts for money spent to the record keeper. Store receipts needed as proof of payment in a secure location. Circle tax-deductible items in red to make tax preparation easier. Use additional pages to record expenses as needed. Be as specific as possible when describing the item purchased.

Total the columns monthly and transfer to the “Summary of Household Income and Expenses For the Year” found on pages 30 and 31.

SUMMARY

The benefits of complete records:

- You will be ready to plan for next year.
- You’ll have a record of when and for what purposes purchases were made.
- You’ll know the total amount of money needed for fixed expenses.
- You’ll be able to see the trend of household spending during different times of the year.
- You’ll have information for filling out tax forms.
- You will have a better idea of how you can cut back on expenses if you need to get out of debt or live more frugally.

Experience has proven that, when managed skillfully, money provides more of the necessities, pleasures, and satisfactions of life than when there is no purposeful plan for its use. For more information, contact your local county Extension educator.

It is not what you earn but what you do with what you earn that determines the quality of life you and your family will enjoy.

SET YOUR GOALS

What do you hope to accomplish with your income? Write down your goals. Research the estimated cost. Decide on the date for the accomplishment of the goal. Then determine how much money you have committed to fixed expense categories and estimate the amounts you will spend in flexible expense categories (see pages 5 & 6). Subtract the total

estimated expenditures from the estimated income to determine the difference. If this dollar amount is insufficient for your goals, determine where you might cut back on expenses or how you might increase your income. Adjust your goals over time – add, delete, or change them as circumstances and situations change.

Goal	Estimated cost	Target date needed	What needs to be saved	
			yearly	every month
Total			\$	

BEGINNING BALANCE STATEMENT WHAT IS THE HOUSEHOLD WORTH?

(Month) _____ (Year) _____

ASSETS— WHAT WE OWN	Amount
Current Assets—could be turned into cash within 1 year	
Cash (actual amount)	\$ _____
Checking Account (actual amount)	_____
Savings Account (actual amount)	_____
C.D's, Bonds, Stocks (present value of those that mature this year)	_____
Money Owed you (actual amount)	_____
Life Insurance (present value)	_____

Total Current Assets	\$ _____
Non-current Assets—will last 2-10 years	
Stocks, Bonds, C.D's (present value of those that mature this time period)	\$ _____
Mutual Funds (present value)	_____
Household Goods (present value)	_____
Car (present "Bluebook" value)	_____

Total Non-current Assets	\$ _____
Fixed Assets	
Home (present market value)	\$ _____
Other Real Estate (present market value)	_____

Total Fixed Assets	\$ _____
Total Assets	\$ _____

LIABILITIES— WHAT WE OWE	Amount
Current Liabilities—due within 1 year	
Charge Accounts (principal & interest)	\$ _____
Installment Loans (principal & interest)	_____
Mortgage Loans (principal & interest)	_____
Accounts Payable (actual amount)	_____

Total Current Liabilities	\$ _____
Intermediate Liabilities—due within 2-10 years	
Installment Loans (principal & interest)	\$ _____

Mortgage Loans (principal & interest)	_____

Total Non-current Liabilities	\$ _____
Long-term Liabilities—due after 10 years	
Mortgage Loans (principal & interest)	\$ _____

Total Long-term Liabilities	\$ _____
Total Liabilities	\$ _____

Other Factors Important To Net Worth:

Do you carry insurance for:

- 1. Property loss?
- 2. Libability?
- 3. Disability?
- 4. Medical Costs?
- 5. Hospitalization?
- 6. Life Loss?
- 7. Long-term Care?

Present Net Worth

Total Assets \$ _____
Minus Total Liabilities \$ _____

Gives Present Net Worth \$

CALENDAR OF OCCASIONAL EXPENSES

List all expenses made irregularly (other than monthly) such as insurance premiums, taxes, licenses, charitable pledges, newspaper and magazine subscriptions, organizational dues, birthdays, weddings, anniversaries, holidays, vacations, replacement of tires and major appliances, etc. Estimate the dollar amount to be spent on each item.

January	July
February	August
March	September
April	October
May	November
June	December

TOTAL OCCASIONAL EXPENSES = \$ _____
DIVIDE BY 10 OR 11 MONTHS = \$ _____
(Savings needed per month)

(When just starting this plan, adjust savings amount to be sure there is savings available for purchasing more expensive items and for items purchased at the beginning of the year.)

SUMMARY OF HOUSEHOLD INCOME AND EXPENSES FOR THE YEAR

MONTH	INCOME	FIXED COMMITMENTS					HOUSING			
		Insurance Premiums	Installment Payments	Charge Payments					Equip. Furnish.	Food
						Payment	Operation	Utilities		
January										
February										
March										
April										
May										
June										
July										
August										
September										
October										
November										
December										
Totals for this year	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Monthly Estimates for this year	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Difference (+ or -)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Monthly Estimates for next year	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

Total Fixed Commitments:

\$ _____

Add this year's total of 5 columns under heading "Fixed Commitments"

Total Flexible Expenses:

\$ _____

Add this year's total of 13 columns under heading "Flexible Expenses"

Total Savings & Investments:

\$ _____

Add this year's total of 3 columns under heading "Savings & Investments"

FIXED COMMITMENTS-Regular Payments to be Made During Year

Payment for:	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Installment loans												
Insurance premiums												
Life												
Health												
Disability												
Automotive												
Home/Renter's												
Long-term care												
Interest to be paid												
Notes due												
Mortgage payments												
Pledges												
Church												
Other												
Retirement Plans												
Taxes												
Personal property												
Organization dues												
Magazine subscriptions												
Newspaper subscriptions												
TOTALS	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$



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