

Family Financial Planning: Preparing and Using an Income and Expense Statement

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An income and expense statement shows your income and how it was spent. An income and expense statement helps you evaluate income and expenditures in light of your goals and what you think is important. Knowing income and expenses will help you adjust to financial changes.

Preparing an income and expense statement

One form for preparing an income and expense statement is on the back of this page. You can start and end the statement in any month, and you can cover periods other than a year. If you are preparing an income and expense statement for the first time, you might find it easier to do it for a 2- or 3-month period.

Change the categories on the form to fit your family situation. Cross off sources of income or expenses you don't have and add any you do have but that aren't listed on the form.

A couple who pool their incomes usually have one income and expense statement. A couple keeping separate accounts usually have two—one for each person. Some couples may have three—one for each person and one for their joint income and joint expenses.

Most people round off numbers in an income and expense statement. If your car payments for a year were \$5,043.60, you can round off to \$5,043 or \$5,000.

Income

List the past year's income from all sources in the "last year" column. Most of this information is on your latest tax

return. Or, use payroll stubs and checkbook deposit records. Estimate the total income for the present year.

Expenses

List your last year's expenses in the "last year" column. Use last year's figures to estimate expenses this year. Use any expense records you have—canceled checks, checkbook ledger, credit card statements, receipts.

The easiest expenses to recall are those that are both *regular* and *fixed*—they occur at the same time and in the same amount each month. Your rent or mortgage payment is probably a regular and fixed expense. *Irregular* expenses (those that do not occur at regular intervals) and *variable* expenses (those that are not the same each time) are the most difficult to recall. Do the best you can. You might decide to get additional information by keeping track of expenses for a while.

Savings and investments

All income is either spent, saved, or invested. At the bottom of the form, record money saved, invested, or contributed to retirement accounts during the statement period.

If your statement shows more income than you have spent and saved, you probably left out or underestimated some expenses. If you have more expenses and savings than you do income, you may have left out some income or overestimated some expenses. It is possible to spend more than your income, either by taking money from savings or by borrowing. If you buy a car, for example,

you might take money for the down payment from savings and borrow the rest. One of your future expenses will be a monthly payment on the car loan.

Using an income and expense statement

Review your income. If income has increased, how has the increase been used—for expenses or savings? If income is dropping, what expenditures are you most willing and able to reduce? Can you increase income?

Review your expenses. Are there expenses that you should increase or decrease? Will you pay off any debts in the near future? If so, how will you use the money that used to go toward the debt? Can you save part of it?

Use present income and spending information to plan for the future. As you make plans that will affect finances—the birth of a child, for example, or a return to college, or retirement—knowing your present income and expenses will help you plan. For example, how much will income fall if one or both parents reduce job hours in order to care for the child? How will expenses change when a child arrives? What present expenses can be cut to adjust to the lower income and higher expenses?

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OREGON STATE UNIVERSITY
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Income and Expense Statement

From _____ to _____

	Last year	This year (estimates)		Last year	This year (estimates)
Income			Expenses (cont'd.)		
Salaries (before deductions)	\$ _____	\$ _____	Clothing, clothing care	\$ _____	\$ _____
	_____	_____	Recreation, hobbies	_____	_____
	_____	_____	Personal care	_____	_____
Commissions, tips, bonuses	_____	_____	Health care		
Investment income	_____	_____	Services, medications	_____	_____
Interest and dividends	_____	_____	Health insurance	_____	_____
Profit from rental property	_____	_____	Other _____	_____	_____
Profit from sale of assets	_____	_____	Life and/or disability insurance	_____	_____
Other investment income	_____	_____	Child care	_____	_____
Spousal and/or child support	_____	_____	Family allowances	_____	_____
Cash gifts	_____	_____	Charitable contributions	_____	_____
Other _____	_____	_____	Gifts	_____	_____
.....			Spousal and/or child support	_____	_____
Total income	\$ _____	\$ _____	Business/professional expenses	_____	_____
<hr/>			Education	_____	_____
Expenses			Books and publications	_____	_____
Taxes			Other _____	_____	_____
Federal income	\$ _____	\$ _____		
Social Security (FICA)	_____	_____	Total expenses	\$ _____	\$ _____
State income	_____	_____	<hr/>		
Property	_____	_____	Savings and investments		
Other _____	_____	_____	Savings	\$ _____	\$ _____
Housing			Investments	_____	_____
Rent/mortgage payment	_____	_____	Pension contributions	_____	_____
Utilities	_____	_____		
Property/liability insurance	_____	_____	Total savings	\$ _____	\$ _____
Furniture, other durables	_____	_____	<hr/>		
Household maintenance	_____	_____		Last year	This year (estimates)
Other _____	_____	_____	Total Expenses	\$ _____	\$ _____
Transportation			Total Savings	+	_____
Car payment	_____	_____		=	\$ _____
Repairs, tires, gasoline	_____	_____		
Insurance, licenses	_____	_____	Total Income	\$ _____	\$ _____
Other _____	_____	_____	Total Expenses & Savings	-	_____
Food	_____	_____	(difference)	=	\$ _____
					\$ _____

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