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FE Supplement #71 A Plan to Spend your Money

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A Plan To Spend Your Money

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This supplement is designed to be used with Extension Circular 64-1182, "It's Your Money --- Make the Most of It!" It includes worksheets to help you to manage your family income. Worksheets are provided for:

1. Outlining family goals
2. Estimating family income
3. Planning how your income will be spent
4. Determining your net worth
5. Making a household inventory

By using and studying these forms you will be well informed on your own financial status -- what you owe, what you own, and what you have to grow on. You may be surprised at the large amount you are really worth. Most people are.

WHAT DO YOU WANT?					
To Accomplish Soon	Approx. Date	Approx. Cost	To Accomplish in the Future	Approx. Date	Approx. Cost

HOW MUCH MONEY IS COMING IN?				
Where From	Weekly	Twice A Month	Monthly	Yearly
Totals	\$	\$	\$	\$

TOTAL FROM ALL SOURCES \$ _____

ANNUAL HOUSEHOLD INVENTORIES

It's a good bet the things inside your house are worth a lot more than you realize. The average person can't guess within several hundred dollars what his household furnishings are worth. The reason is, you accumulate your possessions a piece at a time -- a chair now, a washer then, and dishes now and then. The only way to get anything like an accurate idea of the worth of your household things is to list them one by one. This listing takes a little time but it need not be a dull chore. Having true facts about your financial standing can be as satisfying to assure future security as anything you can do. A good inventory serves a two-fold purpose -- (1) planning and (2) protection:

(1) Planning because:

- a. It is a very large factor when determining net worth at the beginning and end of the year;
- b. It can help the family plan for replacements;
- c. It is the best basis on which to determine the amount of household insurance is needed; (replacements have nearly doubled in many instances).
- d. It serves as a fair and true basis for depreciation for tax purposes.

(2) Protection because:

- a. You have a definite record of the number and value of the things in the house so that it is easier to prepare a claim for loss;
- b. It assures neither over-insuring nor under-insuring your personal property.

The record of household goods should be kept in a safe place - preferably outside the home so that it will not be destroyed if a loss occurs. Two copies, each kept in a different place, is another precaution.

DEPRECIATION -- VALUING HOUSEHOLD ARTICLES

Some household items depreciate rapidly, while other things last a lifetime. The cost, condition and usefulness of the articles all must be taken into consideration, but good judgment is the final basis for placing a value on any article.

Stationary, durable objects, like tables, chairs, and bookcases can last 20 to 50 years or more. Mechanical equipment usually has a life expectancy somewhat less than 20 years. Less durable articles like rugs and upholstered furniture probably last 25 years or less. Perishables like curtains, draperies and some household linens may wear only 3 to 5 years.

Most clothing depreciates more rapidly than household operating items. Any article of clothing depreciates from one-third to one-half as soon as it is worn. The average life of an outer garment is 3 years. The number of times the garment is worn, the style and the condition also influence decision as to present worth.

In valuing small articles like towels, washcloths, handkerchiefs, etc., it is not necessary to make an exact count. An approximate total multiplied by the average value will serve for most purposes, and it isn't necessary to change the annual figure each year.

The life of various types of furniture and furnishings varies greatly.

Stationary, durable objects, like tables, chairs, and bookcases can last 20 to 50 years or more. Mechanical equipment usually has a life expectancy somewhat less than 20 years. Less durable articles like rugs and upholstered furniture probably last 25 years or less. Perishables like curtains, draperies and some household linens may wear only 3 to 5 years.

ESTABLISHING VALUES TO INVENTORY CLOTHING

Clothing for the family is a sizable proportion of the household inventory and yet it is often difficult to establish a value for the family wardrobe. Most clothing depreciates more rapidly than household operating items. How long it is expected to perform satisfactorily, how much it has been used, and the depreciative effect of style changes all have a bearing on its monetary value. Textile articles have a certain "life expectancy" based on intended use and the rate of change in fashion or style which customarily takes place. Beyond its term of life expectancy an article retains a "residual value" for as long as it remains in useful condition. This is usually a minimum monetary value.

Replacement Cost. Value is based on the cost of acquiring a new article of comparable present condition and quality, and is referred to as a Replacement Cost. The original cost is not taken into account except for establishing quality. This is in accordance with insurance adjustment practices.

Use of Tables for Calculating Value. Table I gives life expectancy rates. Table II is based on the actual age of the article for use in calculating present value. This table shows a rate in months for items having a life expectancy up through five years, and in years for items with a ten year life expectancy. Inventory values are given in percent of the replacement cost.

TABLE I - LIFE EXPECTANCY RATES

<u>MEN'S & BOYS' WEAR</u>					
	<u>Years</u>		<u>Years</u>		<u>Years</u>
BATHING SUITS	2	ROBES:		SOCKS	1
COATS AND JACKETS:		Silk	3	SPORT COATS:	
Overcoats	4	Other fabric	2	Wool & wool blends	4
Topcoats	3	Beach robes	2	Cotton & synthetic	2
Leather	5	SHOES:		SPORTSWEAR - other	
FORMAL WEAR	5	Men's	3	than shirts	2
GLOVES	2	Boys'	1	SUITS - Summer weight:	
HATS:		SHIRTS:		Wool & wool blends	3
Straw	1	Dress	2	Synthetic & cotton	2
Felt	2	Sports:		SUITS - Winter	
Fur	5	Woven-cotton &		weights	4
NECKTIES	1	synthetic	2	SWEATERS	3
NIGHTWEAR	2	Knit-all types	2	UNDERWEAR	2
RAINCOATS:		Woven-woolen	3	VESTS - Fancy	2
Plastic film	2	SLACKS:		WORK CLOTHING	2
Fabric & Rubber	3	Wool & blends	4		
		Cotton & synthetic	2		
<u>WOMEN'S & GIRLS' WEAR</u>			<u>CHILDREN'S WEAR</u>		
	<u>Years</u>		<u>Years</u>		<u>Years</u>
APRONS:		NEGLIGEE	2	COATS	2
Regular	1	NIGHTWEAR	2	COAT SETS	2
Fancy	4	RAINCOATS:		DRESSES	2
BLOUSES:		Fabric	3	HATS, BONNETS	1
Sports	2	Plastic	2	PLAYCLOTHES	1
Dress	3	SCARVES:		SNOW SUITS	2
COATS:		Sheer	2	SUITS	2
Cloth	3	Heavy	3	UNDERGARMENTS	1
Leather	5	SHOES:			
Plastic	2	Walking	2		
Fur	10	Work	1		
DRESSES:		Dress	2		
House	1	Evening, formal	5		
Afternoon	3	Slippers	2		
Street	2	SLACKS:			
Evening or cocktail		Lounging	2		
High fashion	3	Sport	2		
Basic	5	Dress	3		
GLOVES:		SPORTSWEAR	2		
Leather	2	SUITS:			
Fabric	1	Basic	4		
HATS:		High Fashion	3		
Straw	1	SWEATERS	3		
Felt	2	SWIMWEAR	2		
Fur	5	UNDERWEAR:			
HOUSECOATS & ROBES:		Slips	2		
Lightweight	1	Foundation types	1		
Quilted	3	Panties	1		
Heavy	3	UNIFORMS	1		
		WORK CLOTHING	1		
			<u>HOUSEHOLD FURNISHINGS</u>		
					<u>Years</u>
			BLANKETS:		
			Heavy		10
			Lightweight		5
			BEDSPREADS		3
			CURTAINS (sheer)		3
			DRAPERIES:		
			Lined		5
			Unlined		4
			Sheer		3
			SHEETS & PILLOW		
			CASES		2
			SLIPCOVERS		3
			TABLE LINENS:		
			Fancy		5
			Service		2
			TOWELS		2
			UPHOLSTERY		5

TABLE II - CALCULATION OF INVENTORY VALUES

Life Expectancy rating of article (from Table I)						Inventory Values		
1	2	3	4	5	10			
Age of article in months					Age in Years	% of Replacement Cost		
0 to 4	0 to 4	0 to 4	0 to 4	0 to 4	Less than 1 year	Excellent 100%	Average 100%	Poor 100%
4 to 7	4 to 7	4 to 10	4 to 13	4 to 16	2 to 4 yrs.	75%	75%	60%
7 to 9	7 to 13	10 to 19	13 to 25	16 to 31	4 to 6 yrs.	70%	60%	45%
* 9 to 11	13 to 19	19 to 28	25 to 37	31 to 46	6 to 8 yrs.	50%	40%	30%
* 11 to 13	19 to 25	28 to 37	37 to 49	49 to 61	8 to 11 yrs.	30%	20%	15%
13 mos. & older	25 mos. & older	37 mos. & older	49 mos. & older	61 mos. & older	11 yrs. & older	20%	15%	10%

*Use only with "Average" column in figuring Inventory Value.

STEP BY STEP USE OF TABLES

1. Determine the cost of replacing the article. This is called Replacement Cost.
2. Determine the Actual Age of the article in months (in years for "ten year" items).
3. Determine the condition of the article as Excellent, Average, or Poor.
4. Select from Table I the Life Expectancy rating of the article.
5. Refer to the column in Table II at the top of which is shown the Life Expectancy rating selected in Step 4. Read down in this column to the box showing the Actual Age and across to the inventory value.
6. In Table II select the box at the right under "Inventory Value" which applies to condition of the article.
7. Multiply the percent figure given in Table II by the Replacement Cost figure determined in Step 1. This will be the Inventory Value.

Example 1 -- High fashion dress. Replacement cost - \$75.00. Life Expectancy - 3 years (Table I). Actual age - 30 months (Table II). Condition - Excellent. Inventory Value - \$22.50 (Table II).

Example 2 -- Man's leather coat. Replacement cost - \$40.00. Life Expectancy - 5 years. Actual age - 5 months. Condition - Excellent. Inventory Value - \$30.00.

Example 3 -- Man's wool slacks. Replacement Cost - \$18.00. Life Expectancy - 3 years. Actual age - 60 months. Condition - Poor. Inventory Value - \$1.80.

Example 4 -- Custom-made, lined draperies. Replacement Cost - \$250.00. Life Expectancy - 5 years. Actual age - 48 months. Condition - Average. Inventory Value - \$50.00.

Adapted from Claims Adjustment Guide developed by the National Institute of Dry Cleaning in consultation with a leading claims adjustment organization in the insurance field as well as with the Association of Better Business Bureaus, the National Retail Merchants Association, the National Association of Retail Clothiers and Furnishers, and the American Home Economics Association.

OUR HOME PLAN FOR THE COMING YEAR

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[illegible]

DAY TO DAY EXPENSES														
Food Purchased:														
Groceries														
Meals Out														
Clothing and Personal														
Appearance														
Father														
Mother														
Others:														
Shelter														
Repairs or														
Improvement														
Operating														
Fuel, Light,														
Water, Phone														
Supplies, Equipment,														
Services														
Automobile														
Development														
Education, School,														
Paper														
Church, Charity														
Recreation														
Drugs, Doctor,														
Dentist														
Gifts Outside Family														
TOTAL LIVING EXPENSE														
FOR YEAR														

* Total committed expenses subtracted from income

It is assumed that replacement is made as linens are discarded and the total amount on hand is always about the same. Value can be set at about one-half purchase price and left there from year to year -- unless some unusually expensive items are added or discarded. Average life-span estimates for furnishings and equipment are available but they should be interpreted in terms of (1) the quality of the item, (2) conditions of use in your household, and (3) your own buying patterns.

Some suggested replacement rates on which life expectancy can be based:*

Item	Service Life Expectancy in Years
Refrigerators:	15 yrs.
Ranges:	
Electric	16
Gas	16
Sewing Machines:	
Electric	24
Treadle	11
Television Sets	11
Television Antenna	8
Toasters:	
Automatic	15
Non automatic	7
Clocks, electric	10
Radios	15
Freezers	15
Bedroom furniture (wood)	20
Dining room furniture (wood)	20
Living room furniture (not upholstered)	18
Living room furniture (upholstered)	16
Mattresses	10
Automatic Washer	11
Non-automatic Washer	10
Clothes dryers, electric	14
Vacuum cleaners:	
Upright	18
Tank	15
Living room wool rugs	14

*Pennock, Jean L. - Planning for Replacement of Durable Goods, USDA. (Values are for new merchandise); and insurance, adjusters' scales.

ANNUAL HOUSEHOLD INVENTORY

K I T C H E N				
ARTICLES	No.	Year Bought	Cost	Present Value
Linoleum				
Range				
Table				
Chairs				
Cabinets				
Cookers				
Refrigerator				
Utensils				
Pots & Pans				
Food Grinder				
Brooms-Mops				
Percolators				
Dishes				
Silver				
Cutlery				
T O T A L	xx	xxxx	\$	\$

E L E C T R I C A P P L I A N C E S				
Toaster				
Vacuum Clnr.				
Washer				
Dryer				
Ironer				
Iron				
Food Mixer				
Heaters				
Radio				
Freezer				
Sewing Mach.				
Waffle Iron				
Roaster				
TV Set				
Fans				
Air Cond.				
T O T A L	xx	xxxx	\$	\$

L I N E N S				
ARTICLES	No.	Year Bought	Cost	Present Value
Sheets				
Pillow Cases				
Table Cloths				
Luncheon Sets				
Bed Spreads				
Pillows				
Blankets				
Comforters				
Bath Towels				
Hand Towels				
Wash Cloths				
T O T A L	xx	xxxx	\$	\$

M I S C E L L A N E O U S				
Bicycles				
Fish. Equip.				
Hunt. Equip.				
Tennis Equip.				
Golf Equip.				
Cameras				
Projectors				
Tubs, Boilers				
Ironing Board				
Lawn Mower				
Garden Tools				
Toys - Games				
Luggage				
Lawn Sprink.				
Garden Hose				
Card Tables				
Phonograph				
Records				
Outdoor Furn.				
T O T A L	xx	xxxx	\$	\$

ANNUAL HOUSEHOLD INVENTORY

BEDROOMS					No. 1				No. 2				No. 3			
ARTICLE	No.	Year Bought	Cost	Present Value	No.	Year Bought	Cost	Present Value	No.	Year Bought	Cost	Present Value	No.	Year Bought	Cost	Present Value
Rugs			\$	\$			\$	\$			\$	\$			\$	\$
Beds																
Mattresses																
Chairs																
Dressers																
Chests																
Tables																
Desks																
Pictures																
Mirrors																
Lamps																
Curtains																
TOTAL	xx	xxxx	xxx	\$	xx	xxxx	xxx	\$	xx	xxxx	xxx	\$	xx	xxxx	xxx	\$

LIVING ROOM				
ARTICLES	No.	Year Bought	Cost	Present Value
Rugs			\$	\$
Stands				
Chairs				
Davenport				
Lamps				
Desk				
Book Cases				
Books				
Clocks				
Mirrors				
Curtains				
Cushions				
Piano-Organ				
TOTALS	xx	xxxx	xxx	\$

DINING ROOM				
ARTICLES	No.	Year Bought	Cost	Present Value
Rugs			\$	\$
Tables				
Stands				
Chairs				
Lamps				
Desk				
Book Cases				
Books				
Clocks				
Pictures				
Mirrors				
Curtains				
Chinaware				
Silverware				
Glassware				
TOTALS	xx	xxxx	xxxx	\$

ANNUAL HOUSEHOLD INVENTORY

[illegible]

ANNUAL HOUSEHOLD INVENTORY SUMMARY

O R I G I N A L I N V E N T O R Y	ROOM OR GROUP	Original Cost	Present Value
	Bedroom No. 1	\$	\$
	Bedroom No. 2		
	Bedroom No. 3		
	Living Room		
	Dining Room		
	Kitchen		
	Electrical Appliance		
	Linens		
	Miscellaneous		
	Clothing		
	TOTALS as of _____ (date)	\$ _____	\$ _____ Transfer this total to Net Worth Statement

A M E N I T O R Y	DEPRECIATION for past year (Deduct 12 1/2% from Present Value) (Minus)	\$ _____	\$ _____
	*ADD new purchases made this year. Plus	\$ _____ (Plus)	\$ _____
	*SUBTRACT Original Cost and Present Value of articles disposed of this year. Minus	\$ _____ (Minus)	\$ _____
	TOTALS as of _____ (date)	\$ _____	\$ _____ Transfer this Total to Net Worth Statement

A M E N I T O R Y	DEPRECIATION for past year (Deduct 12 1/2% from Present Value) (Minus)	\$ _____	\$ _____
	*ADD new purchases made this year. Plus	\$ _____ (Plus)	\$ _____
	*SUBTRACT Original Cost and Present Value of Articles disposed of this year. Minus	\$ _____ (Minus)	\$ _____
	TOTALS as of _____ (date)	\$ _____	\$ _____ Transfer this Total to Net Worth Statement

*By marking added and discarded items in red pencil, entries can be made in proper section and be easily identified later. Dating these items would be helpful too.

NET WORTH STATEMENT (FARM AND HOME)

ASSETS	Beginning of Year		End of Year	
Land (include buildings)	\$		\$	
Livestock				
Machinery and equipment				
Feed, grain, and supplies				
Household inventories				
Other property				
Cash				
Accounts receivable				
Notes receivable				
Mortgages receivable				
Interest receivable (due and unpaid)				
Stocks and bonds				
Life insurance policies (cash value)				
Total Assets	xxx	\$	xxx	\$
LIABILITIES				
Accounts payable	\$		\$	
Notes payable				
Mortgages payable				
Taxes due and unpaid				
Interest due and unpaid				
Cash rent due and unpaid				
Borrowed on life insurance policies				
Unpaid installments				
Total Liabilities	xxx	\$	xxx	\$
NET WORTH	xxx	\$	xxx	\$