

How to Categorize Expenses [Understanding Your Personal Spending]

Reading Time: 7 minutes

Expenses. We've all got them, but organizing them? That's a whole other story.

A straightforward way to handle this is to categorize your expenses. There are various types of spending and we'll learn about all of them here.

You'll also find an easy method that will help you to keep control of your finances. So, here's everything you should understand about how to categorize expenses.

What are the 4 expense types?

Before you can figure out your budget and how to effectively spend in specific categories, you need to know more about what they are.

There are 4 different types of expenses that you'll encounter in your budget. They are fixed, variable, intermittent, and discretionary. Let's go over each type in detail.

1. Fixed Expenses

Your fixed expenses are the simplest to figure out. These are the expenses that never change.

Month to month, they're the same amount. Things like rent or mortgage, internet bills, and insurance payments usually fall into this category.

If you're wondering if an expense is fixed, look back at your bank statement over a few months. If the cost remains the same each time, it's likely a fixed expense.

2. Variable Expenses

After fixed expenses, there are variable ones. You know these will be due each month, but the amount changes.

Costs like gas for your car, groceries, and utility bills are typically variable expenses.

3. Intermittent Expenses

Intermittent expenses are easy to forget about and can be confusing. These are the expenses that come up throughout the year, but you don't pay for them every month.

For example, insurance that is due every 6 months, clothing you buy once a season, or Christmas gifts. You usually know these expenses are coming up, but it's tougher to plan for them because they are infrequent.

If you're trying to decide if an expense is intermittent, check your budget and see if you paid the cost last month and the month before. Then check your annual spending.

If it comes up between 1-6 times, it's intermittent.

