

# 10 simple steps to building a budget.

Here's a quick list of the steps you can follow to help you take control of your money and create a budget that works for you. Some steps can be done in any order, but you really should start with a cash flow analysis.

- 1. Determine your income.** You have a gross income – what you make before taxes and benefits come out. What you're left with is called net income – the money you take home. You can sometimes alter your benefit and tax withholdings to alter your net income, but for now, let's work with your current net income per month.
- 2. Do a cash flow analysis.** Knowing exactly what you're spending and where is important. It gives you a look at what your money is doing when you aren't in complete control of your finances.
- 3. Determine your non-negotiables.** Some things you have to spend money on, like rent and utilities. Some things you choose to spend money on, like entertainment. Decide what you have to have and what you can change or eliminate.
- 4. Define your "bad" debt.** This almost always means credit cards. You should pay this debt off as quickly as possible – starting with the cards with the highest interest rate first – because it's money that you owe that will cost you even more money in the long run.
- 5. Define your "good" debt.** Good debts generally provide a benefit beyond their cost, such as a mortgage or student loans. That doesn't mean you shouldn't have a plan to pay them off. As you proceed in the budgeting process, consider whether or not you can afford to pay these off early, but always pay off "bad" debt first.
- 6. Set your goals.** This is what makes your budget unique to you. Remember that you should be saving for emergencies and retirement – long-term goals. Add any short-term goals you may have as well, and save for them.
- 7. Add it all up.** You may find that your income doesn't cover all of the things you need or want to include in your budget. Don't worry, the steps below can help.
- 8. Find savings.** With your list of non-negotiables in hand, look through your expenses and think about ways you can reduce them. Can you trim discretionary spending? Raise the deductibles on your car insurance? Step down your cable or satellite package? Perhaps you can negotiate a lower interest rate with your credit card companies? Anything you save will make reaching your goals that much easier.
- 9. Track and control your spending.** Keep tabs on yourself and your spending. If you need some help controlling your impulses, find ways to limit yourself. Here are a few to get you started:
  - Only carry one credit card – with a low limit – and leave the rest at home or in a secure place.
  - Use rechargeable cards. For instance, if you budget \$30 a month for coffee, get a gift card for yourself at the beginning of the month. Once that card is empty, you've reached your monthly limit.
  - Negotiate your rates. We've said it before but it bears repeating. If you're struggling with credit card debt, call the credit card companies and ask for a lower rate to help you pay them off.
  - Keep a record of what you spend to see if you have any habits you need to break. You may even find opportunities to cut one expense to fund something you want more.
- 10. Review often.** Budgets are living things in a way. As life and needs change, so should your budget. Remember: a budget is a tool that you use to manage your money, and helps you get the most from it. So revisit it often and make sure it still suits the life you're living!

## TIAA-CREF IS HERE TO HELP.

Schedule an appointment with a TIAA-CREF Consultant today:  
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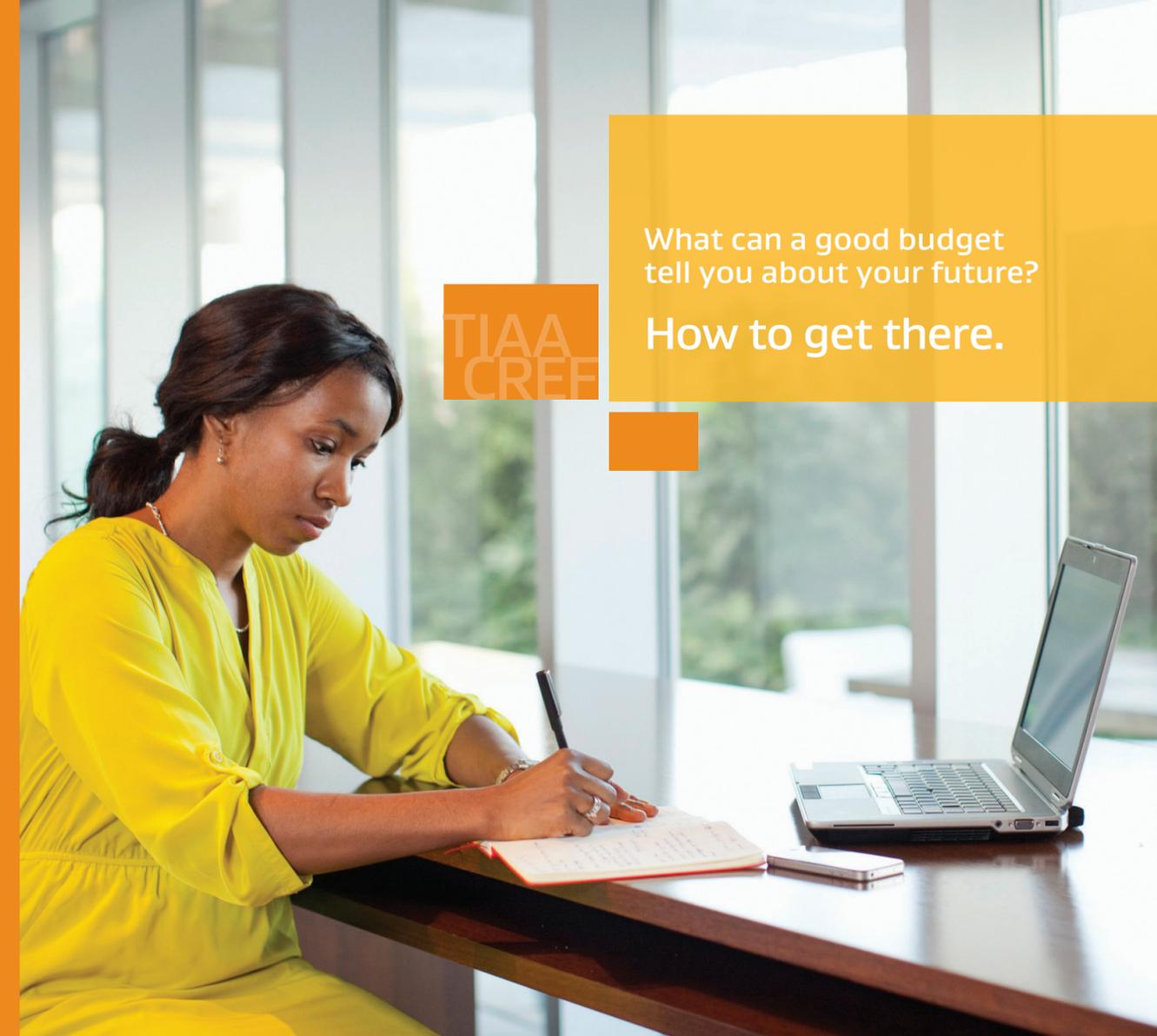


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What can a good budget tell you about your future?

How to get there.

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Financial Services

WORKSHOP GUIDE

## It's your budget – take control.

Everyone has a budget, right? Kind of. Most people think a budget just means “making things work at the end of the month.” A *real* budget is something you create that helps you do more than break even. A *real* budget helps you make your goals a reality.

### Income versus spending

In the most simple terms, a budget is a plan you make for your income in order to ensure you don't spend too much. That's complicated by the fact that most people have some sort of debt, which is why we combined them into one workshop. The skills you use to budget are the same ones that help you manage debt.

### The Cash Flow worksheet

The first step to creating a budget is knowing what exactly you have to work with – your income. The next step is to write down what you're spending – your expenses. Whatever's left over, positive or negative, will tell you what you need to address in your budget.

### The Budget worksheet

Contrary to what you may think, the Cash Flow worksheet is not a budget. It's a snapshot of your finances as they stand right now.

A budget is a plan – a look into the possible future. Where the Cash Flow worksheet is concerned only with what IS, the Budget worksheet is concerned with what WILL BE.

Check the chart for the ideal average amount of your budget to put toward certain expenses. Your needs may vary, so don't worry if your budget strays from the percentages. It should, however, give you an idea if you're spending too much in one area. If you are, plan to spend less and find a way to trim the expense. That gives you more money to spend elsewhere, pay down debt or save for a long-term goal!



### TIAA-CREF Target Value Calculator

Speaking of long-term goals, if you're budgeting for one, we can help. Check out the Target Value Calculator at [www.tiaa-cref.org/tools](http://www.tiaa-cref.org/tools). It's useful because it helps estimate how much you'll need to save over a given time in order to reach a given goal. It even gives you a monthly number to plug into your budget.

New car? Down payment on a house? Big vacation? Check out the Target Value Calculator to budget it in.

### A few facts to consider:

As of April 2012, the U.S. Personal Saving Rate was 3.40% according to the Bureau of Economic Analysis. In May of 2009, it was 8.20%.<sup>1</sup>

The average credit card debt per household with credit card debt is \$15,956.<sup>2</sup>

<sup>1</sup> Bureau of Economic Analysis, April 2012

<sup>2</sup> “The Survey of Consumer Payment Choice,” Federal Reserve Bank of Boston, January 2010

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## CASH FLOW WORKSHEET

Begin building your budget by determining your cash flow:

MONTHLY INCOME: What comes in.		MONTHLY EXPENSES: What goes out.	
Gross Salary(ies)	\$	Mortgage/Rent	\$
<b>Income from:</b>		Home/Renters Insurance	\$
Self-employment	\$	Property Taxes	\$
Part-time Employment	\$	Maintenance	\$
Alimony/Child Support	\$	Utilities (gas, oil, water, electric)	\$
Dividends/Interest	\$	Cable/Satellite TV	\$
Royalties	\$	Telephone (home, mobile)	\$
Real Estate	\$	Food (groceries, meals)	\$
Tax Refund	\$	Child Care	\$
<b>Extraordinary income:</b>		Car Payment(s)	\$
Grants/Prizes	\$	Auto Insurance	\$
Inheritance	\$	Entertainment (Netflix, nights out, etc.)	\$
<b>Social Security benefits:</b>		College Savings	\$
Disability Benefits	\$	Clothing	\$
Retirement Benefits	\$	Vacation	\$
Survivor Benefits	\$	Credit Card Payment(s)	\$
<b>Other:</b>		Other Debt (Student Loans, etc.)	\$
	\$	Medical/Dental	\$
	\$	Health Insurance	\$
	\$	Life Insurance	\$
	\$	Long-Term Care Insurance	\$
	\$	Disability Insurance	\$
	\$	Savings/Investments	\$
	\$	Your Contribution to Employer's Retirement Plan 403(b)/457(b)/401(k)	\$
	\$	Your Additional Contribution to Employer's Retirement Plan 403(b)/457(b)/401(k)	\$
	\$	Taxes (Federal, State, Local, Social Security)	\$
	\$	IRAs, After-Tax Annuities	\$
	\$	Pension Contribution	\$
	\$	Other	\$
<b>TOTAL MONTHLY INCOME</b>	<b>\$</b>	<b>TOTAL MONTHLY EXPENSES</b>	<b>\$</b>
<b>TOTAL MONTHLY INCOME – TOTAL MONTHLY EXPENSES = FUNDS AVAILABLE:</b>			<b>\$</b>

## BUDGET WORKSHEET

Craft your personal budget.

The Cash Flow worksheet will give you a lot of the numbers you need to plug into this exercise – including your take-home (net) income – to determine your monthly budget. The expenses may not be ideal. That's the first revelation of a budget.

Next, what personal goals do you want to budget for? Are you saving for a vacation or other short-term purchases? Are you putting away money for a child's college tuition or a house down payment?

Compare your expenses to the recommended percentages and decide whether you need to make changes – either to your budget or perhaps the expense itself!

Recommended budgeting by percentage of net income



- Housing 25-35%
- Debt 5-15%
- Utilities 5-10%
- Savings 5-10%
- Transportation 10-15%
- Healthcare 5-10%
- Food 10-20%
- Retirement 10-20%
- Entertainment 5-10%

MONTHLY TAKE-HOME INCOME = \$

	Current expense	Percentage	Budget goal	Percentage
Housing	\$	%	\$	%
Utilities	\$	%	\$	%
Transportation	\$	%	\$	%
Food	\$	%	\$	%
Entertainment	\$	%	\$	%
Debt	\$	%	\$	%
Savings	\$	%	\$	%
Retirement	\$	%	\$	%
Child Care	\$	%	\$	%
Healthcare	\$	%	\$	%
Student Loan	\$	%	\$	%
Emergency Fund	\$	%	\$	%
Gifts/Donations	\$	%	\$	%
Vacations	\$	%	\$	%
Household Products	\$	%	\$	%
Miscellaneous	\$	%	\$	%
	\$	%	\$	%
	\$	%	\$	%
	\$	%	\$	%
	\$	%	\$	%
<b>TOTAL</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>