



Ten simple steps to building a budget

Here's a quick list of the steps you can follow to help you set your goals, 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 are deducted. 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 absolutely need 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 because it's money that you owe that will cost you even more money in the long run.
- 5. Define your "good" debt.** These are generally considered to be good debts because they 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 your coffee habit, 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 help you get the most from it. So revisit it often and make sure it still suits the life you're living!

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	\$
Income from:		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	\$
Extraordinary Income:		Car Payment(s)	\$
Grants/Prizes	\$	Auto Insurance	\$
Inheritance	\$	Entertainment (Netflix, nights out, etc.)	\$
Social Security Benefits:		College Savings	\$
Disability Benefits	\$	Clothing	\$
Retirement Benefits	\$	Vacation	\$
Survivor Benefits	\$	Credit Card Payment(s)	\$
Other:		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	\$
TOTAL MONTHLY INCOME	\$	TOTAL MONTHLY EXPENSES	\$
TOTAL MONTHLY INCOME - TOTAL MONTHLY EXPENSES = FUNDS AVAILABLE			\$



Things to remember

Check your credit regularly!

You don't want a reporting error (or worse) unraveling all of the work you're doing to manage your finances. Knowing your credit score also gives you some leverage if you want to renegotiate the interest rate on your debt.

Budget for yourself—and together.

If you're in a situation with someone else, it's still important that you manage and budget your own expenses. When another person is involved, compare your budgets and make sure that you're both able to cover your agreed-upon obligations.

Set new goals as you reach them.

When you reach a short-term goal, like saving for a car, replace that goal with a new one. A good trick is to pay yourself whatever you were paying into that goal. Since you're already budgeting that money, shift it to your savings, retirement, or the next goal.

Don't stress.

Most people don't like thinking about money. Just remember that you control your relationship with it. If things seem tight, focus on being creative with how you use what you have. That skill will serve you well throughout your financial life.

Get help if you need it.

Some people simply need an outside perspective. That's not bad or wrong in any way—sometimes two heads are better than one. You can often find the help you need among family and friends, but if that's not something you want to do, contact a TIAA-CREF Financial Consultant.



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