Take control of your financial life

5 steps to managing money and debt

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NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM

Agenda

Lay the foundation for financial well-being today and tomorrow.

Step 1: Learn how to prioritize your spending

Step 2: Create a spending plan

Step 3: Know how to use debt wisely

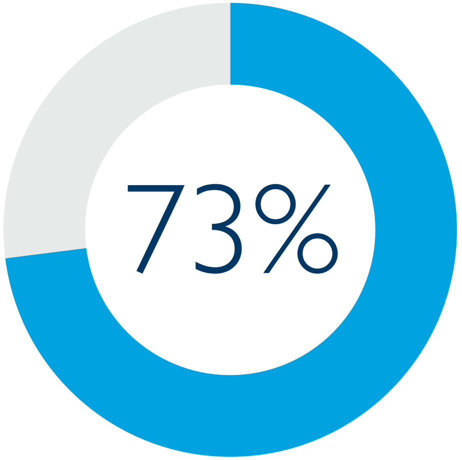
Step 4: Get your debt under control

Step 5: Build your credit score

Where do Americans find themselves today?

Times are challenging financially.

Retirement confidence[1]

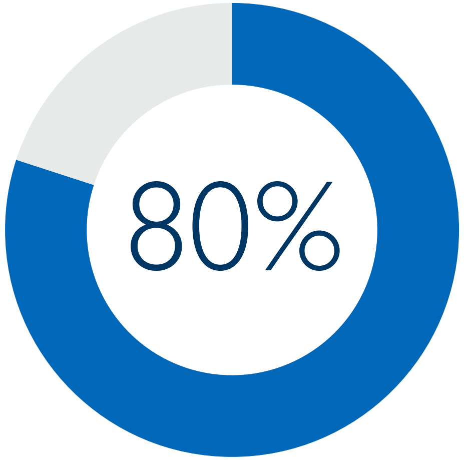


are at least somewhat confident

Personal savings rate[2]

a near record low

Debt[3]



say their level of debt is a problem

[1] Employee Benefit Research Institute and Greenwald Research, “2022 Retirement Confidence Survey,” Fact Sheet #1, https://www.ebri.org/docs/default-source/rcs/2022-rcs/rcs_22-fs-1_confid.pdf.
[2] Bureau of Economic Analysis, “Personal Income and Outlays, October 2022,” news release, December 1, 2022, https://www.bea.gov/news/2022/personal-income-and-outlays-october-2022.
[3] Employee Benefit Research Institute and Greenwald Research, “2022 Workplace Wellness Survey,” 2022, https://www.ebri.org/health/Workplace-Wellness-Survey.

What are your primary financial concerns?

Others may share your challenges.

a. Not enough money for bills

b. Struggling with debt

c. Not able to save for retirement

d. Don’t know how to budget my money

e. All the above

f. Something else

Step 1: Learn how to prioritize your spending

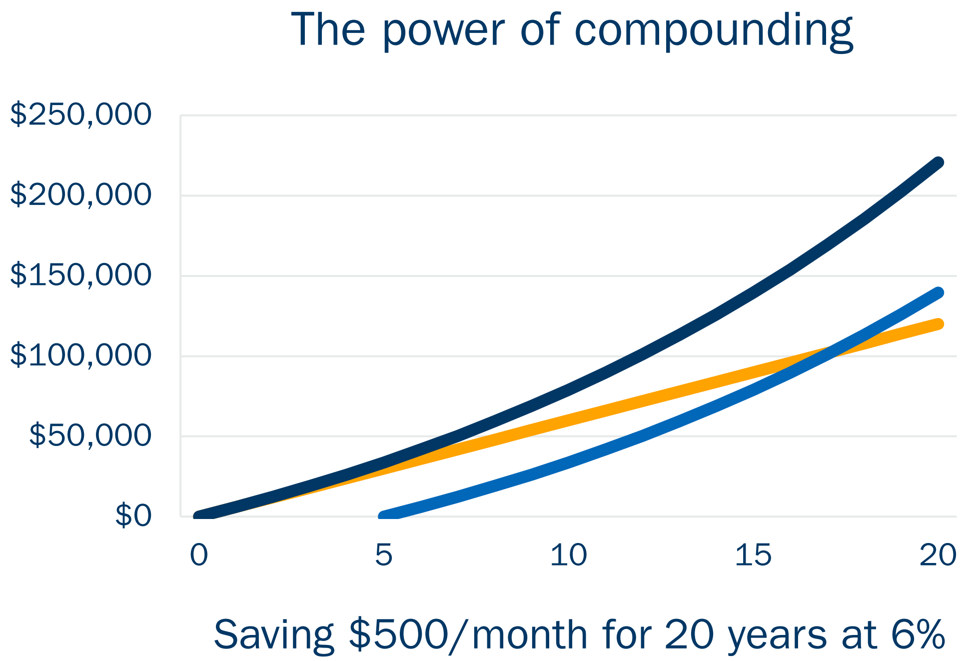
How do you balance all your expenses?

- Housing
- Utilities
- Food
- Clothing
- Transportation
- Healthcare
- Entertainment
- Loans/credit cards
- Misc. expenses
- Saving for retirement

This chart is for illustration only and is not a recommendation. It is not meant to suggest an equal division of expenses across these areas. Each individual's expenses will be unique to them.

Saving for retirement is an essential priority

Compounding helps you save enough.



$220,714
(Total savings)
$139,656
(Total savings)
$120,000
(Contributions)

Waiting 1 year

Lose $12,154 in earnings on only $6,000 more in contributions ($18,154 total)

"Compound Interest Calculator," U.S. Securities and Exchange Commission, https://investor.gov/financial-tools-calculators/calculators/compound-interest-calculator. This hypothetical illustration assumes a 6% annual return on investment, and a 3% increase every year to account for inflation. It does not represent the actual performance of any TIAA account nor does it reflect expenses or taxes, which would reduce performance. Total returns and the principal value of the accounts will fluctuate, and yields may vary. This chart cannot predict or project investment performance.

A spending plan helps you set and keep to your priorities

It's the basis for financial well-being now and in retirement.

- Ensures you're setting aside money for later
- Reveals ways to cut or shift spending to make ends meet
- Helps you feel more confident about your spending now
- Helps you find your willpower in weak moments

Step 2: Create a spending plan

It can help you find money you didn't know you had.

Document your spending now

- Use the spending plan worksheet
- Review the last 6 to 12 months
- Divide between essential and discretionary expenses

Fill in the income section

- Review where your money is going
- Think about what's most important to you

PLANNING TOOLS

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Create your spending plan

Map your monthly expenses and set your targets

Start by listing your current monthly expenses based on an average over six months to one year. Use bank and credit card statements (get automated spending reports if you can) to make it easier. Then review and determine how to shift spending to meet your savings and other goals. To help see where you can most easily modify spending, list "essential" and "discretionary" (extra) expenses separately. For expenses that are less often than monthly, add up or estimate spending over one year and divide by 12 months to get a monthly estimate. *Enter amounts to the nearest dollar. The total is automatically calculated for you on page 3.*

	CURRENT SPENDING		TARGET SPENDING	
Home	Essential	Discretionary	Essential	Discretionary
Mortgage/rent	$	$	$	$
Homeowners/renters insurance	$	$	$	$
Utilities (electric/oil/gas/water)	$	$	$	$
Services/fees (garbage pickup/other)	$	$	$	$
Maintenance	$	$	$	$
Home improvement	$	$	$	$
Internet	$	$	$	$
Phone (home/mobile)	$	$	$	$
TV (cable/satellite/streaming)	$	$	$	$
Other ____________	$	$	$	$
Healthcare and wellness				
Health insurance premiums (if paid yourself)	$	$	$	$
Other insurance (e.g., dental)	$	$	$	$
Co-pays/deductibles/out-of-pocket	$	$	$	$
Prescription and over-the-counter drugs	$	$	$	$
Dental/vision/hearing costs	$	$	$	$
Medical equipment/supplies	$	$	$	$
Health club (exercise classes/subscriptions)	$	$	$	$
Wellness services (massage/chiropractic/other)	$	$	$	$
Other ____________	$	$	$	$

TIAA – Create your spending plan 1

Set your targets

Build them around your priorities.

Save 10% to 15% for retirement, including any employer contributions

Try not to take on more than 28% to 35% of your gross income in mortgage debt*

Factor in recreation to make sure you're enjoying life now

* Consumer Financial Protection Bureau, "Dealing with Debt: Debt-to-Income Calculator," in Your Money, Your Goals: A Financial Empowerment Toolkit, June 2020, 129, https://files.consumerfinance.gov/f/documents/cfpb_your-money-your-goals_financial-empowerment_toolkit.pdf.

Try out your plan and see how you do

It can take some practice.

Stay strong

- Save receipts
- Be flexible
- Don't give up

Consider using 360 Financial View

- Free online tool that's part of your account
- Track all financial accounts in one place
- Track spending and create a budget

Step 3: Know how to use debt wisely

Debt comes in different forms.

Debt is a problem when...

- Scrambling to make payments
- Paying the minimum on credit cards
- Spending more than 36% of income on all debt

Revolving debt

- Continuous loan
- No set payment period
- High interest rate
- Low minimum payment

Nonrevolving debt

- One-time loan
- Set payment period
- Lower interest rate
- Fixed payment
- Interest may be deductible

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Revolving debt can get you into trouble

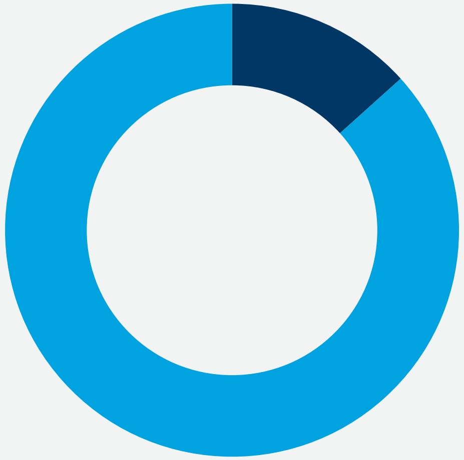
It's compounding working against you.

- Credit cards are the common type
- Your balance compounds daily when you don't pay it off
- Interest rate could be 15% to 20% or even higher
- Rate is variable, so it can rise with inflation
- Minimum balance is not enough to pay it off

The 31-year loan

Total repayment

$10,701



Principal — $2,500

Interest — $8,201

Nonrevolving debt is generally less harmful

But watch out for pitfalls.

- Don't take on more debt than you can afford
- Beware of variable interest rates, like an adjustable rate mortgage (ARM) when buying a home
- Try to stick with fixed rates that won't change on you
- Can be helpful when used responsibly

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Step 4: Get your debt under control

Ask for help from a TIAA financial consultant or a debt counselor.

- Identify all your outstanding debts
- Try to get lower interest rates and/or consolidate
- Pay off the debt, starting with highest interest rate
- Build payments into your spending plan

Explore your options for student loan debt

You may be eligible for some loan forgiveness.

Consider consolidating at lower rate

- Be sure the loan is still classified as a student loan
- Choose the shortest repayment period you can afford

Savi source: https://www.tiaa.org/public/about-tiaa/news-press/press-releases/2022/06-08
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Step 5: Build your credit score

The better your score, the better your financial options.

Manage debt wisely for a good score

- Used by financial institutions, insurance companies, landlords and employers to gauge risk
- Scores range from 300 to 850, with 700+ considered good

Credit score breakdown

- Payment history (35%)
- Credit usage (30%)
- Length of credit history (15%)
- Recent activity (10%)
- Types of credit (10%)

Manage debt responsibly going forward

Consider these best practices.

- Create an emergency fund with at least 6 months of expenses
- Follow your spending plan and adjust it as needed
- Charge only what you can pay off each month
- Consider alternatives to credit cards for larger purchases
- Pay off any high-interest balances as soon as possible

You can change your future

Take it one step at a time.

Make the commitment to these 5 steps

1 – Learn how to prioritize spending

2 – Create a spending plan

3 – Know how to use debt wisely

4 – Get your debt under control

5 – Build your credit score

We're here to help

No matter your background, income or financial circumstances, don't hesitate to talk to us.

Schedule a call with a TIAA financial consultant

800-732-8353
Weekdays, 7 a.m. to 7 p.m. (CT)

TIAA.org/schedulenow

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