Take control of your financial life

5 steps to managing money and debt

Lay the foundation for long-term financial health

Saving enough for retirement may seem daunting at first. But when you establish good financial habits now, like monitoring your spending, prioritizing saving and managing debt, you can position yourself for greater peace of mind today and greater security tomorrow.

5 steps to managing money and debt

So where do you start? We've identified five key steps to help you take control of your financial life and strengthen your foundation for the future.

1 – Learn how to prioritize your spending

2 – Create a spending plan

3 – Know how to use debt wisely

4 – Get your debt under control

5 – Build your credit score

Talk to us for help

If you have any questions or need more assistance, give us a call. A TIAA financial consultant is available to help at no extra cost for TIAA account holders.

Learn more from our webinars

Financial health is a long game. So keep learning. Explore retirement planning at different stages of your career, investing for success, saving for lifetime income and more. Visit **TIAA.org/webinars** for live and on-demand webinars.

Schedule a call with a TIAA financial consultant.

Visit **TIAA.org/schedulenow**

Or call **800-732-8353**, weekdays, 8 a.m. to 8 p.m. (ET)

Step 1 – Learn how to prioritize your spending

When you're juggling day-to-day expenses, it's easy to put off saving for retirement until "later," especially when you're just starting out. But the truth is, most people can't afford to wait.

Take advantage of time and make saving a priority now

- Social Security covers an average of only 40% of retirement expenses.[1]
- Outside of any pension income or employer contributions, you're likely responsible for covering the rest of what you'll need in retirement. Investing your savings to take advantage of compounding is a key part of the formula.
- Compounding helps build your savings more and more over time through earnings on your earnings. But it takes time to work. And the longer you invest, the greater the potential benefit.

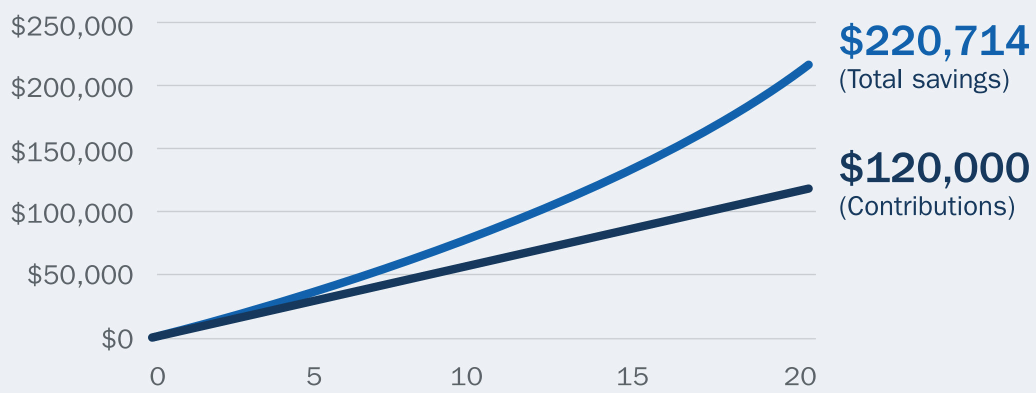
Rethink your spending to make room

When you look at where your money goes, food, housing, utilities, loans and entertainment are usually top of mind. But to have enough for the future, saving should also be on the list. A spending plan can help and offers many benefits.

- 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

Compounding helps you save more, but it takes time

Saving $500/month for 20 years at 6% average annual return



Waiting one year

Miss out on **$18,154** in savings, including **$12,154** in earnings on only **$6,000** more in contributions.

For illustration only. Source: "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.

Step 2 – Create a spending plan

A spending plan can help you become more proactive about where your money is going and help you cover your needs and wants *while* saving. You may even find money you didn't know you had. Once you have a plan in place, be sure to review it every few months and make any necessary adjustments if your circumstances change. Here's how to create a spending plan of your own.

Document what you're spending now

- Download and use the **spending plan worksheet** to guide you.
- Fill in the current spending column using your last 6 to 12 months of expenses on average. Use bank and credit card statements to make it easier.
- Divide spending between essential and discretionary expenses if you can. This can help you find areas to cut or shift spending.

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

Check your cash flow and review spending

- Fill in the current income section at the end of the worksheet.
- Compare your total monthly spending with your total monthly income to see if you're overspending and by how much.
- The worksheet automatically calculates the percentage of income you're spending in key categories for reference.
- Review where your money is going and rethink your priorities as needed.

Set your spending targets going forward

After reviewing your current spending and income and figuring out where you can make changes, set new targets to help meet your goals. While your spending plan will be personal to you, here are a few guidelines that may help.

Aim to save 10% to 15% for retirement, including employer contributions, if any

Try not to take on more than 28% to 35% of your gross income in mortgage debt[2]

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

Step 3 – Know how to use debt wisely

When used well, debt can help you pay for things you need in the short term without undermining long-term finances. It can also help you build a good credit score so you can borrow at much lower interest rates for purchases like a car or home. But debt can also sabotage your financial health if not managed wisely.

Recognize the signs of problematic debt

If debt payments—including credit cards, car loans, a mortgage, student loans and anything else—are more than 36% of your gross income,[3] you may have a debt problem that could impact your long-term financial well-being. While each person's circumstances will vary, consider whether it's time to take action.

- Are you scrambling each month to pay your bills?
- Are you paying only the minimum on your credit cards while watching your balance get higher and higher?
- Have you been denied for a loan or new line of credit?

Know the difference between revolving and nonrevolving debt

When you understand how debt works, you can make better decisions about how much to take on and what the impacts may be.

Revolving debt

- Continuous loan
- No set repayment period
- Typically high interest rate
- Low minimum payment

Nonrevolving debt

- One-time loan
- Set repayment period
- Typically lower interest rate
- Fixed payment
- Interest may be deductible[4]

Revolving debt can get you into trouble

- Credit cards are the common type, with interest rates between 15% to 20% or higher.
- Interest compounds daily when you don't pay off your balance, adding more and more to your total beyond what you originally charged.
- Interest rates are usually variable, so they can rise with inflation.
- Minimum balance is not enough to pay off the debt in a reasonable amount of time.

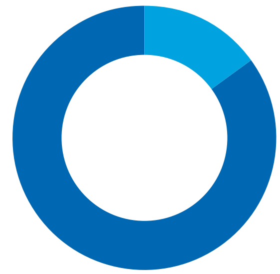
Nonrevolving debt may be less problematic

Unless you take on more than you can afford, nonrevolving debt—such as a car loan, student loan or mortgage—can be a perfectly healthy part of your financial life when managed responsibly. But beware of interest rates that become variable and can increase in a few years like an adjustable rate mortgage (ARM). Unless you're planning to sell or refinance before the rate changes, consider a fixed rate for the life of the loan. You can always refinance later if rates drop.

Why you should pay down high-interest debt

The 31-year loan

Credit card with 19.8% APR and 2% minimum payment



Original charge—$2,500
Interest—$8,201

TOTAL COST—$10,701

Takes 31 years paying only the minimum with no other charges

Step 4 – Get your debt under control

Use the **Debt Illustrator** to see how much you owe, how much interest you will pay and when you could be debt free.

Your long-term financial health depends on keeping debt under control. If you're struggling with debt, don't hesitate to ask for help. Schedule a meeting with a TIAA financial consultant or contact a trained, certified nonprofit debt counselor to discuss your options. In the meantime, consider these steps to begin tackling your debt.

1. Identify all your outstanding debt
2. Try to get lower interest rates and/or consolidate
3. Pay down debt with highest interest rate first
4. Build payments into your spending plan

Explore your options for student loan debt

Student loan debt is a big problem for many people. You may want to find out if you're eligible for any loan forgiveness programs, especially for federal loans.

- If you work for a government or not-for-profit organization, you may be able to take advantage of the Public Service Loan Forgiveness program.
- Find out if your retirement plan offers TIAA's online solution with Savi, which helps nonprofit employees take advantage of the program. As of June 2022, employees at more than 100 nonprofit, healthcare and university systems were on track to have a projected $286 million of their student debt forgiven as part of this solution.[5]
- Beyond this program, if you have multiple student loans, consider consolidating them into one with a single payment at a lower interest rate. Just be sure the loan is still classified as a student loan, and choose the shortest repayment period you can afford.

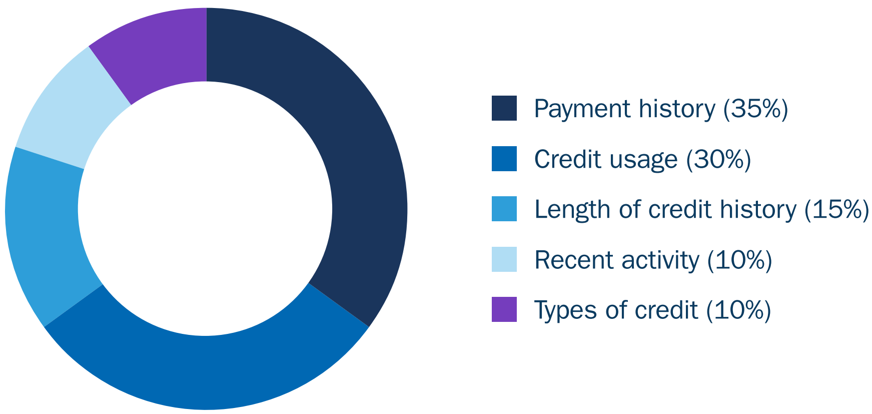
Should you save now or wait until you're debt free? That depends on your situation.

- **It's important to save early to get the advantage of compounding. So if you can, consider contributing to your retirement plan as you pay down debt.**
- **However, there may be cases where paying off a debt in lieu of saving may be a financially sound decision.**
- **Everyone's situation is different. Talk to your TIAA financial consultant or debt counselor for personalized help.**

Step 5 – Build your credit score

We've covered how to pay off debt. But the goal is not necessarily to have zero debt. Having some debt and managing it wisely is actually important to building a good credit score. Your credit score may determine whether you can open new lines of credit, get a car loan, and rent or buy a home. Some employers even look at your credit score as part of the hiring process. Credit scores usually fall between 350 and 850 with 700+ considered "good" credit.

What credit information is used to calculate your credit score?[6]



Check your score regularly

Your credit report lists your bill payment history, loans, current debt and other financial information. It shows where you work and live and whether you've been sued, arrested or filed for bankruptcy. Check your credit score regularly to see how you're doing and make sure it's accurate. If anything is amiss, be sure to address it.

You can get your credit report free once a year from each of the three main credit agencies: Equifax, Experian and TransUnion. You may want to start with **AnnualCreditReport.com**, which includes all three together.

Manage debt responsibly and protect your finances

Good money habits can help put you on the path to financial health now and in the future. Here are some best practices to help you stay on track with your finances and help keep you from having problems with debt.

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

Schedule a call at **TIAA.org/schedulenow** for help with your retirement strategy.

Or call **800-732-8353**, weekdays, 8 a.m. to 8 p.m. (ET).

Additional resources

- **Spending plan worksheet**
- **Debt Illustrator**
- **Retirement Advisor tool**
- **TIAA webinars**

[1] Social Security Administration, ssa.gov.
[2] 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.
[3] Julia Kagan, "28/36 Rule: What It Is, How to Use It, Example," Investopedia, November 29, 2021, https://www.investopedia.com/terms/t/twenty-eight-thirty-six-rule.asp.
[4] The TIAA group of companies does not provide legal or tax advice. Please consult with your legal or tax advisor.
[5] TIAA, "TIAA Puts Nonprofit Employees on Track for More Than $280 Million in Student Debt Forgiveness," TIAA press release, June 8, 2022, https://www.tiaa.org/public/about-tiaa/news-press/press-releases/2022/06-08.
[6] "What's in my FICO® Scores?" myFICO.com, accessed January 9, 2023, https://www.myfico.com/credit-education/whats-in-your-credit-score.

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