

## 6 Simple Steps to Build a Stress-Free Budget

Use these tools to plan a successful budget so you can spend and save your money with confidence.

*by NEA Member Benefits*

Budgets have an undeserved reputation for creating stress. In reality, however, they can actually lessen financial anxiety. How? By taking control of your money, you'll gain a money roadmap to follow. And when your budget starts working for you ...

- The strain of living paycheck to paycheck fades into memory
- You'll chip away at student loans and credit card debt
- Impulse buys won't get in the way of your financial comfort
- You'll reach your financial goals at a faster pace.

Having a financial roadmap is especially helpful for educators who often live for 12 months on just 10 months of salary.

All it takes to get started is a calculator, pen and paper, and a little time. (Hint: You can also use our [household budgeting tool](#) to do the math for you!) In just 6 simple steps, you'll have a stress-free budget you can live with, to take control of your money and finance your dreams.

### **Step 1: Determine your goals**

Whether it's a down payment on a cute Cape Cod or a brand new car, your goals keep you going. For rookie teacher Juliet Morris, taking a vacation as soon as school lets out is high on the list, along with moving out of her parents' house and into an apartment. "I'm hoping to move out in about three months," she says, "and I'm budgeting to save up enough."

To create your budget, first figure out how much money you need to achieve your goals: Know the down payment you need to buy that car, or the price tag on a well-deserved summer vacation. With those dreams in focus, your budget begins to take shape to help you transform your goals from "someday, maybe" into "I can afford the perfect beach house this summer!"

### **Step 2: Identify all sources of income**

Educators deal with an extra twist when it comes to income: For many, paychecks only come during the school year, making budgets a crucial part of worry-free summers. To develop a full picture of how much money you bring in:

- List your annual take-home pay (the amount of your paychecks you get to keep after taxes and deductions)
- Add in the take-home income from second jobs or summer jobs
- Take stock of any other income sources, including interest and dividends.

Total all of the money coming in for the year, and divide that by 12 to figure out your average monthly income. That's the cash you have to work with, and the top line of your budget.

### **Step 3: Take stock of your debt**

Student loans and credit card debt make many educators feel trapped, and a budget is the perfect way to break free. To get a handle on your debt, figure out what you have to pay each month—fixed loan payments and minimum credit card payments—and what you'd like to pay (your whole credit card bill, for example), if they're different.

For your budget, focus on the "have to pay" portion to start. Subtract that monthly total from your monthly income to see what you have left to cover expenses.

### **Step 4: Cover your expenses**

Expenses come in three flavors: fixed, variable and irregular. Fixed expenses are the same every month—for example, rent, phone, an auto payment or Netflix. Variable expenses, such as utilities and groceries, come up every month, but never in exactly the same amount. Irregular expenses can be expected (like car insurance) or unpredictable (like a blown tire).

Start by listing fixed expenses you pay every month. For variable expenses, come up with an average of the monthly amount you spend: Looking back at credit card bills, check registers, or receipts can help you come up with realistic estimates. Add those to your fixed expenses to see what you typically spend each month.

Now list your annual irregular expenses, the ones you know are coming (like car insurance). You can build in a cushion for unpredictable expenses, so you'll have money available should they occur. This is the best place to add in some money toward your number one goal. Tally up these expenses, and divide the total by 12 for the monthly amount. Add that to your fixed and variable expenses — that's your monthly cash outflow.

### **Step 5: Calculate your bottom line**

To get to the bottom line, subtract your monthly cash outflow from the income-minus-debt amount from Step 3.

One of three things will happen: Your bottom line will be zero, positive or negative. If it's zero or positive, you can move on to Step 6. If your bottom line is negative, reevaluate your expenses to see what you can trim for now; then move on to Step 6.

### **Step 6: Automate record keeping**

Now that you know how much money is coming in and where it's going, set up an easy way to keep tabs on your budget. To track your budget in real time with minimal effort, online programs and apps that link to your bank and credit card accounts make keeping control of your money easy. Some popular options include:

- [You Need a Budget](#) (Web and mobile software for about \$5 a month) focuses on the money you have and spend today, so you know where every dollar goes

- [Mint](#) (a free mobile app) automatically tracks expenses and connects all your accounts for an eye-opening overall view
- [Mvelopes](#) uses virtual cash envelopes to make sure you spend only the amount you budgeted.

Remember: By developing a budget and setting up a way to track it, you're creating a money roadmap to financial freedom. But the key to sticking with your budget is to stay flexible and realistic. The numbers provide guidelines, and you can adjust them as you see how your budget works best for you.

Learn more about financial topics for educators and find helpful tips about budgeting, credit, managing debt and other financial topics at [neamb.com/personal-finance](https://neamb.com/personal-finance).