

# Creating a Spending Plan

Once you have a general idea of how much you need to save each month to reach your retirement goal, you need to determine where you will find the money. There's one simple trick for saving for any goal: spend less than you earn. The first step is to get organized by creating a spending plan or budget.

## Add Up Your Monthly Income

Wages, average tips or bonuses, alimony payments, investment income, unemployment benefits and so on. Don't include anything that you cannot count on.

## Add Up Your Monthly Expenses

Mortgage or rent, car payments, average food bills, medical expenses, entertainment and so on. Determine an average for expenses that vary each month, such as clothing, or that don't occur every month, such as car insurance or self-employment taxes. Review your checkbook, credit card records and receipts to estimate expenses; you probably will need to track how you spend cash for a month or two. You may be surprised to find out where and how much cash "disappears" each month. Include the amount you want to save each month as an expense.

## Subtract Your Income From Your Expenses

You may have more expenses than income. This is not uncommon. You have three choices: cut expenses, increase income or both. There are hundreds of ways to reduce expenses, from clipping coupons to bargain hunting to comparison shopping. Increasing income could mean taking a second job, improving your job skills or education to get a raise or a better paying job, making money from a hobby or jointly deciding that another family member will work.

## Budgeting Tips

Pay yourself first. Put away first the money you want to set aside for goals. Have money automatically withdrawn from your checking account and put into savings or an investment. Join a retirement plan at work that deducts money from your paycheck. What you don't see, you won't miss.

- Put bonuses and raises toward savings.
- Make saving a habit. It's not difficult once you start.
- Revisit your budget every few months to be sure you are on track.

*Article adapted from the U.S. Department of Labor publication of the same title. [www.dol.gov/ebsa/pdf/savingsfitness.pdf](http://www.dol.gov/ebsa/pdf/savingsfitness.pdf)*

This article is not intended to be exhaustive nor should any discussion be construed as legal or financial advice.