Building A BUDGET

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Getting started with 50/30/20

50/30/20 is a proportional budgeting system, meaning you divide your monthly income into different categories based on percentage. It's simple and flexible, which makes it a great option for beginners.



CALCULATE YOUR INCOME



Your monthly net income—that's your take-home pay after taxes and payroll deductions—is used to determine your spending limits

FOR EXAMPLE

If your monthly net income is:

$3,000

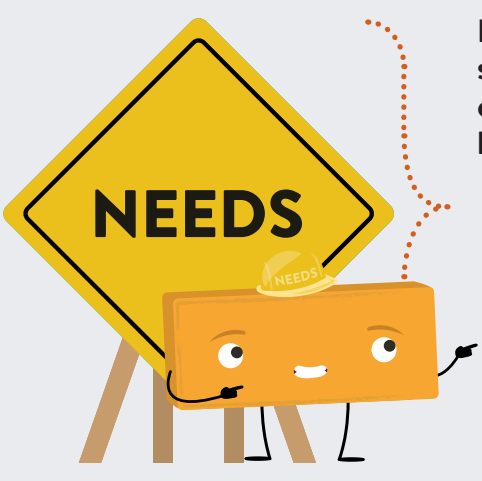
You should be spending:

- **50%** → **$1,500** *on Needs*
- **30%** → **$900** *on Wants*
- **20%** → **$600** *on Savings*

DID YOU KNOW...
The **50/30/20 budget** comes from *All Your Worth*, a book by Elizabeth Warren and Amelia Warren Tyagi

DEFINE YOUR CATEGORIES

The 50/30/20 budget divides your monthly spending into three categories: **Needs**, **Wants** and **Savings**



Needs are your essential expenses—skipping them would lead to serious consequences like illness, job loss or legal trouble; examples include:

- Housing/rent
- Basic utilities
- Food
- Clothing
- Health care
- Transportation
- Taxes
- Minimum payments

BUDGETING TIP
Many expenses are a mix of needs and wants—if a bill falls under multiple categories, split its total between them



You'll find that wants account for a lot of your spending—these are all the non-essential products and services you buy; examples include:

- Cable/Internet/phone
- Restaurants/takeout
- Entertainment
- Travel
- Fashion
- Electronics
- Subscription services



Savings are any expenses related to debt repayment and savings plans; examples include:

- Emergency fund savings
- Student loans
- Credit card debt
- Retirement savings
- Down payments
- Personal savings goals

TRACK YOUR SPENDING

Track your spending for at least two months using the method you're most comfortable with:

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BUDGETING TIP
Don't forget to factor annual payments into your budget—divide the annual payment amount by 12 to get the monthly cost

Compare your monthly spending to your 50/30/20 totals:

	My spending:
Needs goal: $1,500	$1,300
Wants goal: $900	$1,500
Savings goal: $600	$200

Don't worry if they don't match up at first—start shifting your spending habits to better align your totals with the 50/30/20 guidelines

MAKE IT WORK

If your spending isn't matching up with the 50/30/20 guidelines, you have a few options:

REDUCE YOUR SPENDING
In order to hit the 50/30/20 guideline, you may need to sacrifice some of your wants or find cheaper alternatives for your regular monthly expenses

INCREASE YOUR INCOME
If you're consistently overspending and unwilling to compromise, the only solution is to make more money—look for side gigs to increase your income

MODIFY YOUR PERCENTAGES
Make sure your budget matches your financial goals—for example, if paying off debt is your top priority, a 30/10/60 budget will get you there faster

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Sources: *All Your Worth*, TheSimpleDollar.com

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