

Building **A BUDGET**

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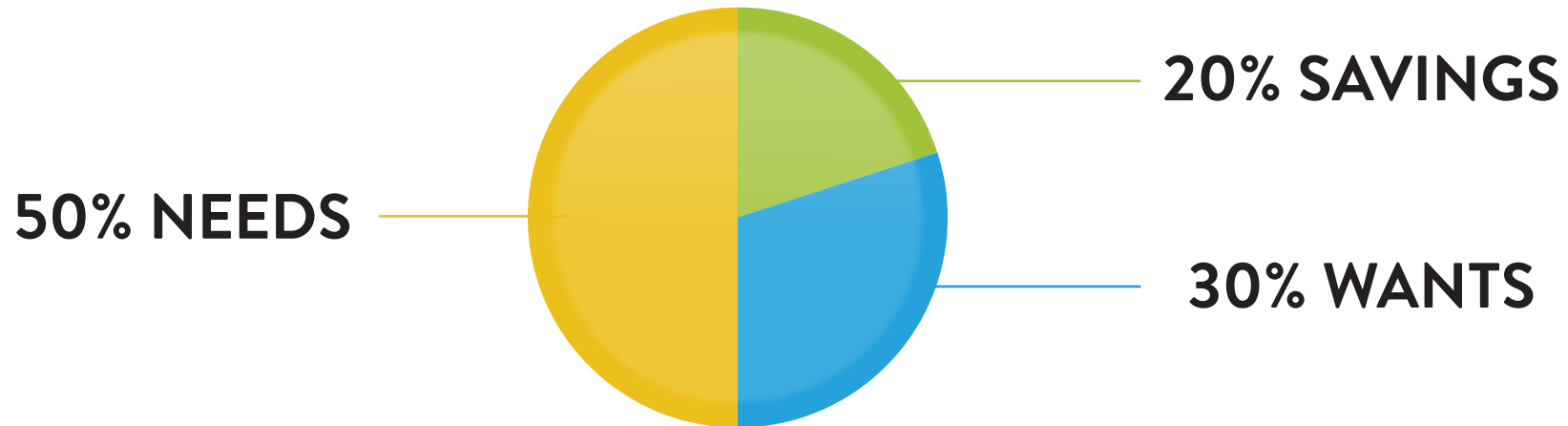


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Getting started with **50/30/20**



50/30/20 is a proportional budgeting system, meaning you divide your monthly income into different categories based on percentage



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

Define your
CATEGORIES

The 50/30/20 budget divides your monthly spending into three categories:



NEEDS



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

NEEDS

Examples include:

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



WANTS

Wants account for a lot of your spending—these are all the **non-essential** products and services you buy



WANTS



Examples include:

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

SAVINGS

Savings are any expenses related to **debt repayment** and **savings plans**



SAVINGS

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—spreadsheet, app or online banking



My spending:

Needs goal: \$1,500 *\$1,300*

Wants goal: \$900 *\$1,500*

Savings goal: \$600 *\$200*

Then, compare your monthly spending to your 50/30/20 totals

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 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 monthly income





MODIFY YOUR PERCENTAGES

Match your budget to 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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