

50/20/30

When creating a budget, there are many different strategies you can use. One example that is easy to use is the 50/20/30 rule.

Step One: Figure Out Your Monthly Income

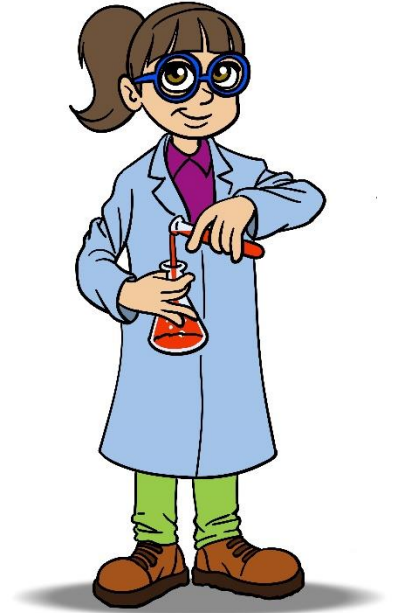
- This number should represent how much you take home *after* taxes.
- If you have a number of automatic deductions (insurance, retirement, etc.) add them back in. Why? It will give you a clearer picture of how your money is being divided up to accurately budget.
- If you have more than one job, make sure you combine the paychecks of each to get the grand total you have at your disposable each month.

Step Two: 50% of your income goes to NEEDS

- Housing
- Food
- Insurance (health, life, auto, rental, home, etc.)
- Child care, if applicable
- Basic utilities
- Transportation (train/bus tickets, car payments, etc.)
- Phone
- Loan payments, including the minimum payments on any credit cards
- *ALWAYS PAY YOUR NEEDS FIRST*

Step Three: 20% Goes to SAVINGS

- *Always pay your future self!*
- Retirement: This seems like a long way off (and it is!) However, make sure you plan for your future by setting aside a little each month.
- Emergency fund: It is good to have this in case something happens, and you need some extra money.
- Savings account
- Debt repayment. Any minimum payments are a “need,” but in order to get out of debt faster, you can put additional money in each month. An example of this is student loans.



Step Four: 30% of your income goes to WANTS

- These should always be paid LAST!
- Vacation
- Entertainment (going out to the movies, Netflix subscription, books, games, etc.)
- Gym membership
- Dining out
- A new outfit or gadget
- A cell phone with the largest data plan
- The list goes on and on!
- **Note: Be careful. It can be easy to confuse wants and needs. You need to carefully examine each aspect of your decision. Example: You NEED food. You WANT to go to restaurant rather than the grocery store.**
- If you ever need to cut your budget down, it should come from this category!

Step Five: Stay within your budget!

- Knowing how much you should spend in each category is easy but sticking to it is much harder. Make sure you track each month.