

# 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

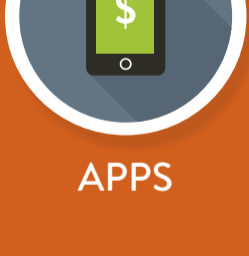


Savings are any expenses related to debt repayment and savings plans; examples include:

- 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:



APPS



ONLINE BANKING



SPREADSHEETS



### 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

BROUGHT TO YOU BY

Sources: *All Your Worth*, *TheSimpleDollar.com*

