



Budgeting 101: The 50/30/20 Rule

If you have a fixed income each month to cover housing, food, insurance, healthcare, debt repayment, and fun, how do you manage it all without running out of money? That's a lot to cover with a limited budget!

The solution is to create a budget. A budget helps you plan for every dollar you earn, reducing financial stress and putting you on the path to financial freedom.

One easy way to plan your spending is by using the 50/30/20 rule.

How to get started

Start by reviewing your paycheck. If taxes are withheld, subtract that amount from your total earnings. However, don't subtract other amounts that may be withheld or automatically deducted, such as health insurance or retirement contributions.

The 50/30/20 rule suggests allocating 50% of your money to needs, 30% to wants, and 20% to savings.

Needs: 50%

About half of your budget should go toward your needs. These are essential expenses that must be covered no matter what, such as:

- Housing
- Utilities
- Groceries
- Insurance
- Minimum debt payments

Wants: 30%

Wants are things you enjoy and choose to spend money on, such as:

- Dining out
- Entertainment (movies, concerts)
- Vacations
- Hobbies
- Subscriptions (streaming services, gym memberships)

Savings: 20%

The remaining 20% of your budget should be dedicated to your future. This can include building an emergency fund, contributing to a retirement account, or saving for a down payment on a home.