

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

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

WANTS

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

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*