

THE 50/30/20 BUDGETING METHOD

Overview: The 50/30/20 budgeting method divides your after-tax income into three categories:

- **50% for Needs:** Essential expenses that you must pay to live and work.
- **30% for Wants:** Non-essential expenses that enhance your lifestyle.
- **20% for Savings and Debt Repayment:** For future financial security and paying off debt.

The Method



50% Needs

- Rent or mortgage
- Utilities
- Groceries
- Transportation
- Insurance
- Loan payments

30% Wants

- Dining out
- Entertainment
- Hobbies
- Vacations
- Shopping

20% Savings and Debt

- Emergency fund
- Retirement accounts
- Investments
- Extra debt payments

How it Works



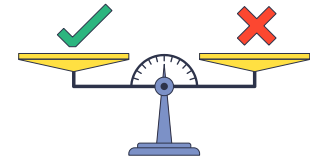
1. Track Your Spending: Use budgeting apps or spreadsheets to monitor your expenses and ensure they align with the 50/30/20 categories.

2. Adjust as Needed: Regularly review and adjust your budget to reflect changes in income, expenses, and financial goals.

3. Prioritize Savings: Automate your savings to ensure you consistently allocate 20% of your income towards financial security.

4. Be Realistic: Set realistic limits for your "Wants" category to avoid overspending.

Pros and Cons



Pros:

- Easy to use
- Does not track every penny
- Can be adjusted to fit different income levels and financial goals.
- Ensures a healthy balance between essential expenses, lifestyle choices, and financial security.

Cons:

- Does not get rid of debt quickly
- May not be suitable for those with irregular incomes
- Does not get rid of high debt levels
- The "wants" category can lead to overspending if not monitored closely.



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