

# 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

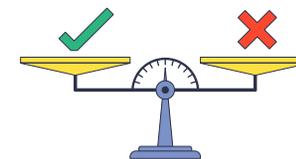
- Emergency fund
- Retirement accounts
- Investments
- Extra debt payments

## 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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