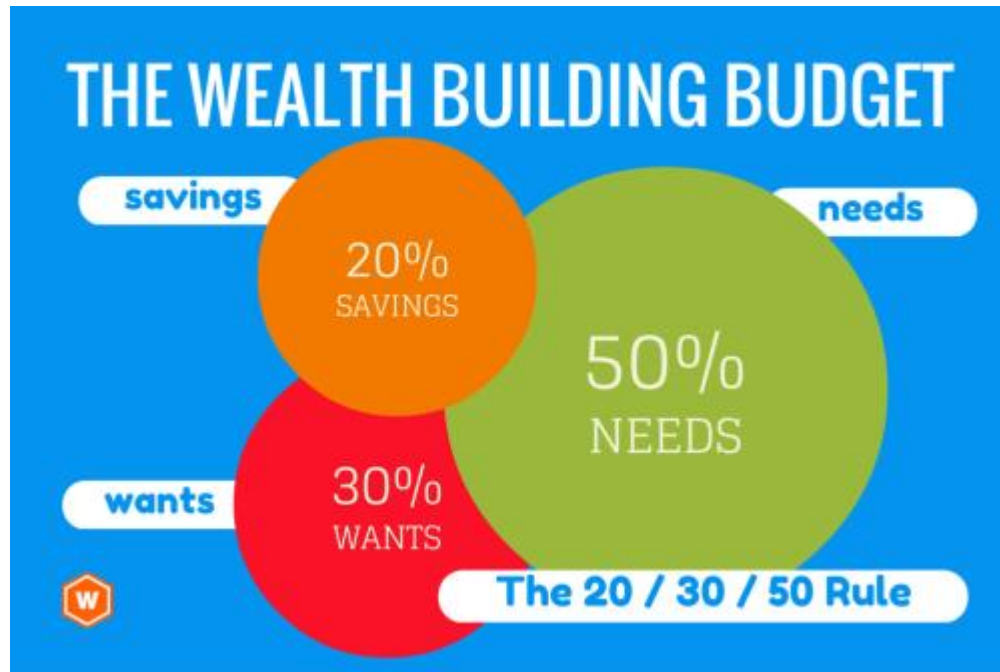


## 50 20 30 Rule

The 50/20/30 guideline can be easy to follow because instead of telling you how to break down your budget across 20 or more different categories (who could possibly keep track of that?), it splits everything into three main categories:



### 1. Essential Expenses (50%)

No more than 50 percent of your take-home pay should go toward Essential Expenses. These essential expenses consist of shelter, food, heat, etc. Only four expenses should go in this category: housing, transportation, utilities and groceries.

### 2. Financial Priorities (20%)

At least 20 percent of your take-home pay should go to Financial Priorities which are the goals essential for a strong financial foundation. These include retirement contributions, savings contributions and debt payments. You should make these contributions and payments after you pay your Essential Expenses.

### 3. Lifestyle Choices (30%)

No more than 30 percent of your take home pay should go to Lifestyle Choices, which are personal, voluntary and often fun ways to spend your money. These include cable, internet, gym fees, pets, bars, or shopping.