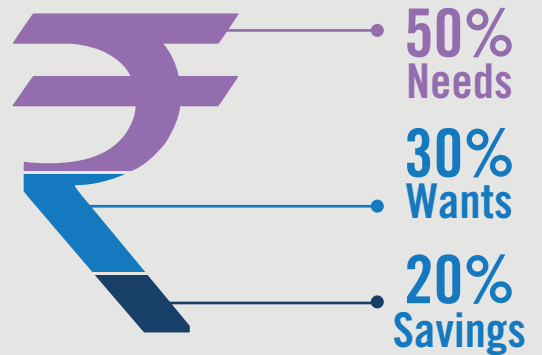


50-30-20

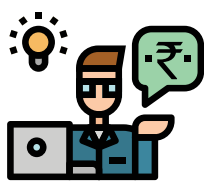
Rule in budgeting personal finance



The 50-30-20 budgeting rule encourages allocating 20% of income to savings, 50% to vital and necessary spending, and 30% to expenses for wants & leisure.



The rule is intended to help individuals manage their net income (after-tax income), primarily to have funds on hand for emergencies and savings for retirement.



The 50-30-20 budget rule is a modest budgeting strategy that can assist people in meeting their financial objectives. The rule states that 50% of your after-tax income should be spent on necessities and obligations, such as rent and utilities.

The remaining half should be divided as follows: 20% for savings and debt reduction, and 30% for wants and leisure.



50% Needs: Your needs are your daily expenses and the necessities of life, such as food, rent, utilities, healthcare, and transportation. Debt repayments, such as credit cards or loan installments, can also be included.

30% Wants: Your wants are activities that generally make your life more joyful, but are not necessities. For instance, dining out, that morning coffee and other entertainment such as gigs, after-work cocktails and brunches.

20% Savings: This includes all savings you have set away, such as an emergency fund, extra repayments, and goal savings.



The budgeting guidelines are straightforward and simple to grasp, so you won't get lost in the numbers while planning.



Knowing where your money is going each month helps you keep a tab of expenses and plan well.



This is a simple rule that helps in creating a savings mindset while ensuring that there is money for enjoying life too.



According to this rule, you can utilise half of your after-tax income to pay for things that are always on your to-do list. Budgeting income as per the 50-30-20 rule shall help one reduce difficulties or accrual of extra wiggle room obligations for the next month, which shall also include interest levied on the late payment.



Important and necessary expenses include those that cannot be avoided, such as your household budget, child's school and tuition fees, loan EMIs, and so on. These crucial expenses consumes 50% of one's earnings. Weekend hangouts, watching movies with family, dining out with family, and so on are important but not necessities.