EVERFI®

Money and Mental Wellness

# 50/30/20 Rule Budgeting Activity

NAME ______________________________________________ DATE ________________

**50/30/20 Rule Budgeting Activity**
The 50/30/20 rule is a budgeting technique that helps you to figure out how much of your take-home pay should be allocated to cover your needs, wants, and debt or savings.

According to this rule, 50% of your money should go toward your needs. This would include rent, groceries, transportation, healthcare, and other things that you must have to live.

30% of your money should cover your wants. Those would be entertainment, going out with friends, presents, memberships, and other things that are nice to have, but not absolutely necessary.

Finally, the last 20% should cover your debts like student loans, credit cards, and any personal loans, as well as money you put into savings for emergencies, large purchases, or vacations.
Those percentages can be changed slightly, depending on your circumstances. For example, some people may need to use 60% of their take-home pay to cover necessities. Others may need to use 30% of their income to pay down large debts more quickly. However, once you've established the percentages that work for your budget, it's easier to stick to.

The following section is a sample of one month's spending of a licensed practical nurse who take-home pay (after taxes and health insurance) is $3,700 dollars per month. He's trying to track his spending so he can create a budget an stick to it instead of falling further into debt each month. Help him identify each item as a Want (W), Need (N), or Debt/Savings (D/S). By doing this, you'll be able to see where he can reduce spending on wants and build a budget using the 50/30/20 rule.

First, calculate his percentages.

50% of $3,700 = $
30% of $3,700 = $
20% of $3,700 = $

Next, identify the total he's spending on needs, wants, and debt or savings.

Needs (50%) = $
Wants (30%) = $
Debts/Savings (20%) = $

What can he reduce spending on so that he's within the rule?

Which items would you suggest reducing or removing?

**Sample Monthly Spending**

| **Date** | **Description** | **Amount** | **W, N, or D/S** |
|---|---|---|---|
| July 1 | Rent | $675.00 | |
| July 1 | Movie tickets and snacks | $69.87 | |
| July 2 | Groceries | $96.38 | |
| July 3 | Lunch out with friends | $32.16 | |
| July 3 | Coffee | $5.12 | |
| July 5 | Gas and electric | $84.77 | |
| July 6 | Student loans | $261.23 | |
| July 6 | New clothes | $197.23 | |
| July 6 | Yoga class | $100.00 | |
| July 6 | Tank of gas | $27.15 | |
| July 7 | Internet | $78.32 | |
| July 7 | Renter's insurance | **$30.00** | |
| July 8 | Digital newspaper subscription | **$7.00** | |
| July 10 | Dinner delivery | **$55.00** | |

| | | | |
|---|---|---|---|
| July 10 | Game app | **$4.50** | |
| July 10 | Streaming channels | **$35.00** | |
| July 10 | Credit card payment | **$125.00** | |
| July 10 | Coffee | **$5.12** | |
| July 11 | Doctor's office co-pay | **$15.00** | |
| July 11 | Lunch out with friends | **$37.12** | |
| July 12 | Groceries | **$138.74** | |
| July 13 | Car loan | **$293.52** | |
| July 13 | Car insurance | **$162.00** | |
| July 13 | Books | **$107.98** | |
| July 16 | Movie ticket and dinner | **$70.00** | |
| July 17 | Dinner out | **$53.00** | |
| July 18 | Present for friend | **$64.29** | |
| July 19 | Online shopping | **$196.17** | |
| July 20 | Groceries | **$36.26** | |
| July 23 | Cell phone | **$92.66** | |
| July 24 | Water bill | **$87.00** | |
| July 26 | Parking fee | **$5.00** | |
| July 26 | Convenience store | **$3.75** | |
| July 28 | Gym membership | **$63.00** | |
| July 29 | Present for mom (split with sister) | **$100.00** | |
| July 29 | Coffee | **$5.12** | |
| July 30 | Dinner delivery | **$40.00** | |
| July 31 | Emergency savings | **$200.00** | |
| July 31 | Vacation savings | **$150.00** | |
| | | **Total: $3,809.36** | |