General Budgeting Guidelines

A common budgeting method is the **50/30/20 rule**, which suggests dividing your after-tax income (take-home pay) into three main categories (with recent inflation, this guideline is moving towards **60/20/20 rule)**:

1. **50% for Needs:**
   - These are essential expenses that you must pay to live, such as housing (rent or mortgage), utilities, groceries, transportation, insurance, and healthcare. Keep in mind, you should always make sure you are getting the best value with these items, as it should be with all expenses.
2. **30% for Wants:**
   - These are non-essential expenses that enhance your quality of life, such as dining out, entertainment, hobbies, travel, and subscriptions.
3. **20% for Savings and Debt Repayment:**
   - This portion should go towards savings (emergency fund, retirement, investments) and paying down any existing debt (beyond minimum payments).

Detailed Breakdown

1. **Needs (50%):**
   - Housing (rent/mortgage): 5% down, if 30 yr try to prepay principal, 25-30%
   - Utilities: 5-10%
   - Groceries: 5-10%
   - Transportation: 5-10%
   - Insurance and healthcare: 5-10%
   - Vehicle Loan: 20% down, 3 yr, < 8%
2. **Wants (30%):**
   - Dining out: 5-10%
   - Entertainment: 5-10%
   - Travel: 5-10%
   - Hobbies: 5-10%
   - Subscriptions and memberships: 5-10%
3. **Savings and Debt Repayment (20%):**
   - Emergency fund: Aim to build and maintain 3-6 months' worth of living expenses.
   - Retirement savings: Contribute to retirement accounts like 401(k)s, IRAs, or other pension plans. Aim for 10-15% of your gross income.
   - Other savings: This can include savings for big purchases (e.g., a home, car), education, or investment accounts.
   - Debt repayment: Focus on paying off high-interest debt first, such as credit cards or personal loans (avalanche method). OR The smallest loan balances first, when paid off apply that payment additionally to the next, and so on (snowball method).

Savings Guidelines

1. **Emergency Fund:**
    - Build an emergency fund that covers 3-6 months of essential living expenses. This is crucial for financial security in case of unexpected events like job loss or medical emergencies.
2. **Retirement Savings:**
    - Financial experts generally recommend saving 10-15% of your gross income for retirement. Start as soon as possible. This can be through employer-sponsored retirement plans (like a 401(k)), individual retirement accounts (IRAs), or other retirement savings vehicles.
3. **Short-Term Savings:**
    - Save for short-term goals, such as vacations, home improvements, or large purchases, by setting aside a portion of your income each month.
4. **Investment Savings:**
    - Consider investing in stocks, bonds, or mutual funds to grow your wealth over time. This can be part of your 20% savings category.
5. **Customization**
    - These guidelines can be adjusted based on individual circumstances, financial goals, and priorities. For example, if you have minimal debt, you might allocate more towards savings and investments. Conversely, if you have high debt, you might need to allocate more towards debt repayment initially.
    - By following these budgeting and savings guidelines, you can ensure a balanced financial plan that supports both your current needs and future goals.

Additional Expense Guidelines (for "typical" person(s))

Per Net Income	Others
Housing	25.0%
Food	8.0%
Utilities	5.0%
Transportation	5.0%
Insurance	8.0%
Debt *	30.0%
Personal & Entertainment	10.0%
Savings	7.0%
Other	2.0%

* Debt does not include Home Mortgage