

GUIDE TO BUDGET MONTHLY EXPENSES

(THE BUDGET RULE OF 50, 30, AND 20)

You may maintain your lifestyle in line with your income by following the rule of:

50 % - NEEDS
30 % - WANTS
20 % - SAVINGS

This guideline helps you avoid overspending and avoid purchasing things you don't need.



50% NEEDS

Needs can be described as expenses that are essential for survival. It can be included as:

- House rent
- Car loan payments
- Health
- Life insurance
- Household

If you discover that the total of your demands exceed 50% of your take-home pay, you should make some adjustments to reduce those costs.

30% WANTS

Suppose you have spent half of your income on Needs. You can spend the balance of 30% of your income on Wants.

Wants are not essential. It includes buying a handbag you always wanted, going to an expensive restaurant you always wanted to try, purchasing the latest electronic gadget, or maybe spending money travelling outside the country.

20% SAVINGS

As you have successfully allocated your monthly income to 50% on needs and 30% on wants, you can put your 20% left for savings and investments.

Set up a savings account and make sure not to touch the money and not spend it on needs and wants. You should save and invest in creating a healthy financial life for the future.

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