Discover the 50/30/20 Budgeting Rule



Managing expenses has become an important aspect of our daily lives. How much we spend or save are important decisions we take every day. Regardless of salary everyone should follow, certain rules to manage their budget.

In this article, we will share with you one of the most common practices on managing budget no matter what the amounts are using the 50/30/20 rule.

Under 50/30/20 rule you should divide your earning into three categories:

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

How much money do you earn? Let us say your monthly income is AED 10,000/-.

A need is simply something you cannot do without. It might be your house rent, food, electricity bill, child's education or your work transportation cost. It is something you have to pay to survive.

According to the 50/30/20 rule;

50% of your money should go toward needs. For you in this case, it is AED 5,000/-.

You may not need that much for your needs. That is OK! Consider putting extra money toward savings.

The next part of the rule applies to wants.

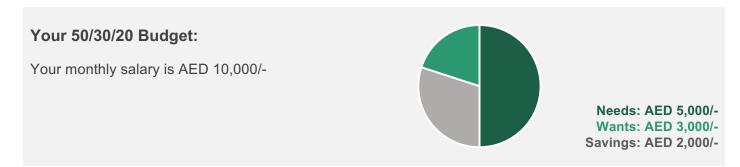
A want is something that is nice to have but not essential. This is money set aside for going to the movies, grabbing food with friends, or for a hobby or shopping.

30% of your money can go toward wants. For you, it is AED 3,000/-.

Finally, savings is money set aside for future purchases. When you save with a purpose like a nice watch, a new phone, or even your own car.

You should put at least 20% of your money in savings. For you, it is AED 2,000/- a month.

Saving even more each month, will only fast track achieving your goal. Creating your own budget is as simple as that!



The whole point of a rule is to develop good financial habits that will pay off in the future when you will likely to have more money to manage.