

# Six steps to balancing your budget

The best kind of budget is all about finding a balance—one that allows you to pay for your necessities, save some money, pay down debt and then have some left over for fun. The **50/30/20** budget lets you do exactly that. Not only does it help you live within your means, but it also helps you identify what those means really are.

## How does the 50/30/20 budget work?

- Step 1** Calculate your after-tax income. That’s the amount you collect after taxes are taken out of your paycheck, such as federal and state. If you don’t have a steady paycheck, take the last three months and average them to get your after-tax income.
- Step 2** Next, determine what’s a “need” and what’s a “want.”
- Step 3** Limit your “needs” to **50%**. These are expenses you can’t avoid like housing, utilities, groceries, health care, child care, transportation and insurance. Any minimum debt payments are also considered a “need.” Enter this information within the debt manager.
- Step 4** Limit your “wants” to **30%**. Any payment you can eliminate with only minor inconvenience, like your cable bill, is a “want.”
- Step 5** Allocate **20%** to your savings. This is probably the single most important part of your budget and includes money for your emergency fund, retirement, college savings or extra payments toward debt.
- Step 6** Check for balance and update calculations:  
  
After listing all of your income, “needs,” “wants” and savings, make sure to select “update totals,” take a look at the bottom right-hand corner to see what’s left over. If this amount is negative, determine if there are any “wants” or “needs” that you could potentially cut back.

If you’re positive, great job. You can use this extra cash to pay down debt faster or increase your savings.

## BUDGET CALCULATOR

What’s your monthly income?			
Enter your household’s monthly take-home income (i.e., after taxes and deductions).		Include your workplace savings contribution below (401(k), HSA, etc.); it will be added back into your total income.	
<b>Take-Home Income</b>		<b>Income + Paycheck Contribution</b>	
<b>Income</b>		<b>Total income</b>	
<b>Description</b>	<b>Amount</b>	<b>Description</b>	<b>Amount</b>

