



Homebuyer University

50/30/20 Budget

Use this worksheet to create a budget for your income that allows for needs, wants and savings. Refer to your My Starting Numbers and Savings and Debt Reduction Worksheets to help you complete this worksheet.

0. My Approximate Targets

Start by identifying your target breakdown of expenses for your budget. Use the amount from your Net Monthly Income (box [E]) in your My Starting Numbers Worksheet to complete. These targets follow the 50/30/20 budget breakdown and right now, we are just getting an idea of how yours could be distributed. Your actual budget distribution may look different.

Needs - 50%

Essential for day-to-day life

Net Monthly Income	X	.5	=	Target Needs Spending
[E] \$	X	.5	=	\$

Wants - 30%

Can live without but add to quality of life

Net Monthly Income	X	.3	=	Target Wants Spending
[E] \$	X	.3	=	\$

Savings - 20%

Future expenses and/or debt reduction

Net Monthly Income	X	.2	=	Target Savings
[E] \$	X	.2	=	\$

1. Tracking Current Spending

Next, let's take a look at your current spending to see how close we are to your target numbers. This is a multi-step process.

First: Create a Spending Diary

The goal here is to look at at least one month of your recent spending and categorize them in our three budget buckets of Needs, Wants, and Savings. Remember to include any paycheck deductions other than taxes (e.g. retirement, insurance, etc.).

You can do this in a number of ways:

- 1) You can use your most recent bank statements. This method works best if you typically spend with plastic (ATM or credit); it does not work very well if you do a lot of spending with cash. How: Print/export your statements and highlight each line in three different colors for Needs, Wants and Savings. Sum each category together at the end.
- 2) Or you can use a paper tracker. This method works for cash and/or plastic and it's best used looking forward. It means you will need to actively log your spending for the next four weeks. How: Use Appendix A: My Spending Diary. Sum all four weeks together for each category at the end.
- 3) Or you can use a spreadsheet. Like the paper tracker, this is a forward-looking exercise. How: Create a spreadsheet that is similar to Appendix A and track your spending for one month. Sum your categories together at the end.

Second: Determine Your Current Spending Distribution

Now, take your summarized Needs, Wants, and Savings totals from your spending diary and plug them in to the three fields below. Follow the calculations to determine what your current distribution of spending looks like.

Needs

Spending Diary Total Monthly Needs	÷	Net Monthly Income	x	100	=	Current Needs Portion
\$	÷	[E] \$	x	100	=	%

Wants

Spending Diary Total Monthly Wants	÷	Net Monthly Income	x	100	=	Current Wants Portion
\$	÷	[E] \$	x	100	=	%

Savings

Spending Diary Total Monthly Savings	÷	Net Monthly Income	x	100	=	Current Savings Portion
\$	÷	[E] \$	x	100	=	%

2. Assess and Adjust

Now it's time to assess your current spending in comparison to the 50/30/20 targets and your personal savings goals. Work through each question.

Needs

Wants

1. Do your Current Needs and Wants Portions (from section 2) align with your Target Needs and Wants (from section 0)? Are you actually spending more or less than the ideal targets of 50% and 30%?

2. If you are spending more than the targets, are there ways to reduce your spending?

What Can Be Cut?

Late fees?
Check cashing fees?
Memberships?
Subscriptions?
Habits?

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What Can Be Adjusted?

Switch service providers (cell, cable)?
Negotiate rates with service providers?
Loan terms?

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What Can Be Conserved?

Meal prep instead of take out?
Purchase in bulk?
Using transit instead of ride shares?
Fewer unplanned purchases?

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Savings

1. Does your Current Savings Portion (from section 2) align with your Target Savings (from section 0)? Are you actually saving more or less than the ideal target of 20%?
2. Do either your Target Savings amount (from section 0) or your Current Savings amount (from section 2) adequately cover your total savings needs?
3. What percentage of your income would you need to devote to savings to meet your total savings needs?
4. Does this seem reasonable based on your current amount of savings?
5. If not, in what ways can you adjust your savings targets and goals to be doable?
Some ideas:
 - *Can you prioritize your savings goals so you are not working on all of them at once? You'll make quicker progress to those few goals and then you can bring back your other goals when you have space.*
 - *Can you lengthen your timelines on your savings goals to reduce the monthly amounts?*
 - *Can you find ways to reduce your Needs and Wants portions a little bit (within reason!) so you can devote more to savings?*

3. Setting Spending and Savings Goals

You'll now set budget targets that work for you. Keep in mind that you can set targets now and adjust them later if needed. We recommend a gradual approach to big changes rather than trying to implement them on day one. You'll be more likely to stick to your budget if you feel that it is manageable. It's okay if your distribution looks different than the ideal for a while. For example, if your current breakdown is Needs: 57%, Wants: 38%, Savings: 5%, it would be a huge change to get to 50/30/20, right? You might evaluate your numbers and then set an intermediary goal of something like Needs: 55%, Wants: 33%, Savings: 12%.

Based on your adjustment decisions and your personal confidence, identify the percentage you actually think you can spend each month on Needs, Wants and Savings. Add the percentage amount in decimal form to the % column and complete the calculation.

Needs

Net Monthly Income	X	Realistic Target %	=	Budget Needs Spending
[E] \$	X		=	\$

Wants

Net Monthly Income	X	Realistic Target %	=	Budget Wants Spending
[E] \$	X		=	\$

Savings

Net Monthly Income	X	Realistic Target %	=	Budget Savings
[E] \$	X		=	\$

This budget savings amount includes the following goals:

Identify which savings goals you have decided to include in your monthly budget and for how much. They should total to equal the amount in your Budget Savings box above.

Saving Goal #1:	\$
Saving Goal #2:	\$
Saving Goal #3:	\$
Saving Goal #4:	\$
Saving Goal #5:	\$

4. Adding Your Goals to a Tool That Works for You

What good are goals if you don't keep track of them? It's now time to get your goals from section 3 into a tracking tool so you will know if you are on track.

The most important thing to remember about this step is that you need a tool in which you can label each line item with one of your three main categories (Needs, Wants, Savings). Commercial tools often have hundreds of categories built into them, and you may find some of them helpful, but they can also be incredibly overwhelming. To stay on track, your best bet is to keep it simple and focus in on your three categories.

There are several tools to consider:

1. Your **bank** may have online budgeting tools that you can use free of charge. These are good if your accounts are all in one place and you do most of your spending via plastic (ATM or credit). They can also be good partial solutions, helping to summarize some items that you can then transfer to a spreadsheet or other app.
2. **Spreadsheets** offer a lot of flexibility but, of course, must be created first. You can download free excel or google sheets budget templates online or you can build a simple one for yourself. How detailed you make it is up to you.
3. **Budget Apps** are everywhere and designed to be user friendly. These apps come with a lot of features and are trusted by hundreds of thousands of people. These apps all require that you link your bank accounts to work, which may be a privacy consideration for some. See the **Using Mobile Apps for Financial Planning Worksheet** for further instructions.

5. Tracking, Following, Assessing and Adjusting

Congratulations! You've finished the set-up work. And, now begins the monitoring work. This is the important work that keeps you advancing towards your goals!

We'll leave you with a few tips for this stage:

1. Check in with your tool/s frequently and categorize all expenses!
2. Use your check-ins to complete obligations like paying bills and transferring funds to your savings account. Or set up automatic payments/transfers to help you be honest with yourself in following your budget.
3. Assess your bottom-line categories first. If you are on track overall with your Needs, Wants and Savings, that's great! If not, then go in and look for adjustment opportunities.
4. If you are under budget, put the extra money towards one or more of your savings goals.
5. Be aware of changes to your financial picture (e.g. an unplanned car repair) and adjust monthly as needed. These things happen to everyone – the important thing is to get back on track as soon as you can.
6. Celebrate your wins! If you hit your distribution targets in one month, give yourself some words of praise. If you are under budget one month and can add more to your savings, dance in the kitchen in your socks. If you hit a savings goal, tell your friends and demand some high fives!

