

FINANCIAL WELLNESS ONE STEP AT A TIME!

May is here and it's time for **Step #5!** In February you started tracking your expenses, now, you're ready to finalize your monthly budget and take another vital step towards financial wellness. This is a key exercise that will help you avoid overspending. The income figure you will want to use is the amount of income you receive after taxes have been deducted.

May – Step #5 *Finalize your Monthly Budget 50/30/20 Rule*

Activities:

- Begin by allocating 50% of your income for essential expenses. **Think "Needs."** Items like housing, utilities, groceries, clothing, loan payments, insurance payments, transportation, childcare, and healthcare would fall into this category. A good rule of thumb is that no more than 30% of that should be used for your housing payment.
- Next, allocate 30% of your income for personal expenses. **Think "Wants."** This would be entertainment, memberships, subscriptions, hobbies, dining out, vacations, etc. These are expenses that enhance your lifestyle but could be cut from your budget if necessary.
- Finally, allocate 20% of your income for savings. **Think "Future."** There are life events that you need to save for like retirement, emergencies, or a new home. These funds can also be used to pay down debt. It's a good idea to speak with your financial adviser for strategic ways to allocate this portion of your income.

Helpful Hint

Remember, budgets can be flexible and there may be times you need to adjust the allocation in one or more categories. The goal is to understand your cash flow and manage your expenses successfully.

2 Tree Farm Road, Suite B100, Pennington, NJ 08534 | www.knoxgrovefinancial.com