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Popular Budgeting Strategies

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You might be wondering how much you should spend within each of your budget categories. Unfortunately, there is no *right* amount to spend in any category for every individual. It's up to you to decide what works for you. There are a variety of philosophies about the best way to budget.

Below are only a few possible strategies. These are some popular ones, but that does not mean they will work best for you. We encourage you to try them out if you like them, but remember that budgeting is an individualized process, so you should be prepared to identify when a change needs to be made.

The 50/20/30 Budget



In the 50/20/30 budget, 50% of your net income should go to your needs, 20% should go to savings, and 30% should go to your wants.

If you've read the [Essentials of Budgeting](#), you're already familiar with the idea of wants and needs. This budget recommends a specific balance for your spending on wants and needs. It also emphasizes the importance of setting money aside for later.

Pay Yourself First

In the "Pay Yourself First" method, the first "bill" you pay every month is to your savings account. Transfer a pre-determined amount into savings at the beginning of the month. After you pay yourself, you should pay your bills, then use the rest however you please.

This method could easily be used in combination with some others listed on this page. However, this method can also be used to keep track of a very simple budget, where you pay for the things you have to, and don't worry about the rest.

Zero-Based Budget

In a zero-based budget, every single dollar of your income is assigned to a specific expense, leaving you with a balance of \$0. This method requires you to anticipate all of your upcoming expenses so that you can allot your income to the appropriate expenses.

Be sure to include saving into your plan as well; if you don't plan to "spend" all of your income, you can assign what's left to a "savings expense." This method ensures that you have a plan for each dollar and won't make impulse purchases.



Envelope Budget

In the envelope budget, you put specific amounts of your money into envelopes (physically with cash, or electronically with an app or spreadsheet) representing different budget categories. Once you have exhausted the funds in an envelope, you can no longer spend within that budget category until the next month. If you have remaining funds at the end of the month, you have a few options:

- Roll over the remaining funds into the same envelope the next month
- Transfer the remaining funds for a different envelope
- Put the remaining funds into savings for a later date

Additional Financial Wellness Resources

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