

Your guide to the must-have categories every budget should include

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If your paycheck disappears nearly as quickly as it arrives, a [budget](#) may help.

You can think of a budget as a plan for your money: It tells you where to put each hard-earned dollar when it comes to your bills, savings goals, and discretionary spending.

To create a budget that works for you, consider your spending habits, savings goals, and financial obligations. Budgets aren't one-size-fits-all, and the line items you include depend heavily on these factors. But you don't need to start from scratch either — consulting a list of common budgeting categories can provide a helpful starting point.

Read on to find out what categories your budget should include, plus common subcategories and line items you may want to add.

For your budget to work, you need to make sure you include the three main types of expense categories: needs, wants, and savings. The proportion of your budget dedicated to each of these three areas can vary based on your situation, but the [50/30/20 rule](#) is a good place to start. This rule states that 50% of your income goes toward needs, 30% goes toward wants, and 20% goes toward savings, investments, and extra debt payoff.

- **Needs:** This includes both [fixed and variable expenses](#) that are essential for daily life, such as housing, transportation, groceries, clothing, medications, and minimum debt payments.
- **Wants:** These are discretionary purchases — things you enjoy but wouldn't necessarily pay for in a financial emergency. These could include your gym membership, concert tickets, dining out, and subscriptions.
- **Savings:** Savings include short- and long-term savings goals, investments, and debt payments beyond your minimum monthly payment.

While these three categories and the 50/30/20 rule provide a framework for organizing your budget, you'll likely want to get more granular with subcategories and specific expenses.

The following is a list of common budget categories, subcategories, and line item expenses. While these items may apply to most people, they won't apply to everyone. Feel free to ignore those line items or

subcategories that aren't relevant. For example, if you don't have kids, you don't need to include childcare costs in your budget.

On the flip side, this list may not include everything you spend on. When creating your budget, review your bank and [credit card statements](#) to catch any expenses this list doesn't include.

Needs should take up roughly 50% of your total budget, though this can vary depending on your situation. For instance, if you have young kids in day care, you may temporarily have to spend more than 50% of your income on needs to accommodate those high costs.

Include the following subcategories and line items (those that apply to you) when building the needs portion of your budget:

- Rent or mortgage
- Renters or homeowners insurance
- Property taxes
- Home repairs and maintenance
- Lawn care/landscaping
- HOA fees
- Internet
- Phone
- Electricity
- Gas
- Water
- Sewer
- Trash
- Car payment
- Gas
- Parking fees
- Car repairs and maintenance
- Registration fees
- Auto insurance
- Public transportation fees
- Groceries

- Meal delivery services
- Clothes
- Shoes
- Health insurance premiums
- Out-of-pocket medical costs
- Dental care
- Eye care
- Prescriptions
- Specialty care
- Day care, babysitter, nanny, etc.
- Cleaning supplies
- Laundry supplies
- Tools and outdoor/gardening supplies
- Pet food and supplies
- Vet bills
- Haircuts
- Toiletries
- Miscellaneous
- Credit cards
- Personal loan
- Auto loan
- Other loans

With the 50/30/20 rule, about a third of your budget goes toward wants, or [discretionary spending](#). To some, this category may seem frivolous, but having built-in “fun” spending helps you stick to your budget long term.

Keep in mind that if your essential expenses are temporarily high or you’re aggressively saving toward a large goal, you may need to cut back a little on discretionary spending.

The wants category has the most room for flexibility. Start with the following subcategories and line items, but add whatever expenses you enjoy spending money on.

- Dining out

- Shows and concerts
- Sporting events
- Subscriptions
- Hobby supplies
- Birthday, wedding, and anniversary gifts
- Holiday gifts
- Donations
- Gym
- Nonessential personal care (hair color, nail salon, etc.)
- Shopping

Finally, savings make up the last 20% of your budget. This category includes saving for major purchases, short-term savings goals, and long-term goals, like retirement. It also includes any investments, such as contributions to your 401(k) or IRA, and any additional money you want to throw toward your debt (beyond minimum payments).

You may add some of the following expenses to your savings category:

- Student loans
- Personal loans
- Credit card debt
- [Emergency fund](#)
- Down payment
- [Wedding](#)
- College
- Retirement
- IRA contributions
- Brokerage account contributions
- Other investments
- Furniture
- Electronics
- Vacations

While this list gives you an idea of how you could arrange your budget, you can organize it in whichever way makes most sense for you. For example, if you eat out regularly and consider it a necessary convenience, you may shift that line item from wants (entertainment) to needs (food).

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Now that you have an idea of what expense categories a budget should include, you can start building your own. While there are countless ways to set up your individual budget, the following steps outline the general process:

1. **Track your spending.** As mentioned above, you need to know where your money goes each month before you can set up your budget. Comb through your monthly spending and don't ignore occasional expenses — like insurance premiums and car repairs — that aren't part of every month's spending.
2. **Categorize your purchases using the 50/30/20 rule.** Once you have a comprehensive list of purchases, you can categorize them by needs, wants, and savings. This framework will help you make sure you're not overspending on wants while under-saving for long-term goals.
3. **Estimate monthly costs for each category, subcategory, and line item.** Figure out how much you spend, on average, for each line item. If you have to guess, aim high — it's better to overestimate your spending than to underestimate it.
4. **Allocate all of your after-tax income across categories, subcategories, and line items.** For example, if you make \$5,000 after taxes, you have about \$2,500 to spread across your needs category.
5. **Make adjustments as necessary.** If your expenses are higher than your income, you'll need to make some adjustments. You can eliminate categories you don't need or want, or cut your spending where possible. Remember, you can always adjust the 50/30/20 rule to better fit your needs. For example, if your housing costs are especially high, you can use a 60/20/20 or 60/30/10 model instead.
6. **Track your spending.** A budget is only helpful if you use it. That means tracking your spending and reconciling it with your budget. This allows you to keep tabs on your spending and savings goals and make adjustments when needed. You do this by hand or by using a [budgeting app](#).

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If your initial budget isn't working, don't be afraid to change things up. Some people thrive on detailed budgets with hyper-specific categories and line items, while others prefer more flexibility. There's no right or wrong way to budget, so choose the method — and categories — that work for you.



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