MONTHLY BUDGET
Percentages & Averages

GIVING (Recommended) ....10% of your income

SAVING (Recommended)

Baby Steps 1 and 3................Save as much as you can!

Baby Step 4....................15% of your gross income

FOOD/GROCERIES (Averages)

Singles..$314–$371

Couples...$685

Families of four.................................$971

UTILITIES (Averages)

Natural gas..$37

Electricity...$129

Water..$58

HOUSING (Recommended).....25% of your take-home pay

TRANSPORTATION (Averages)

Gasoline, fuel, oil.....................................$179

Other forms of transportation.......................$38

Maintenance and repairs.............................$81

HEALTH (Average)

Medical services and supplies......................$130

INSURANCE ....Varies

CHILDCARE (Average) ....$892–$2,483

LIFESTYLE OR ENTERTAINMENT (Average) $297

PERSONAL SPENDING (Averages)

Personal care products and services...............$64

Apparel and services.................................$146

MISCELLANEOUS (Recommended) ....About 5%

DEBT (Recommended) ......Pay off as much as you can!

Sources:
USDA, 2022; U.S. Bureau of Labor Statistics, 2022;
Center for American Progress, 2021

DETAIL OF ALL CATEGORIES TO CONSIDER (SO FAR)

Here are Ramsey's ideal percentages across his 12 budget categories, using the example of a family of four with take-home pay of $6,000 per month who needs part-time childcare, has employer-paid health insurance, and has paid off their non-mortgage debt:

- Housing costs: 25%
- Saving: 15%
- Food: 12%
- Childcare: 12%
- Giving: 10%
- Miscellaneous: 5%
- Insurance: 4%
- Utilities: 4%
- Personal spending: 4%
- Lifestyle and entertainment: 4%
- Transportation: 3%
- Health: 2%

Dave Ramsey's Budget Categories Explained

Of course, your circumstances may vary from this example, which is why you shouldn't follow Ramsey's recommendations blindly. While he has more information on his site about determining your own ideal budgeting percentages, here's a breakdown of how to approach each category.

Categories

1. Tithing
2. Charitable giving
3. Emergency fund
4. Retirement savings
5. Large purchases

Food: Ramsey suggests using the following national averages from the U.S. Bureau of Labor Statistics to help determine your desired budgeting percentages for groceries. He suggests $267 – $315 for singles, $640 for couples, and $928 to $1,109 for a family of four (noting that these numbers can vary based on dietary restrictions and lifestyle choices).

6. Groceries
7. Eating out

Utilities: Ramsey suggests using the national average of $218 per month on natural gas, electricity and water to help determine your allocation here. Ramsey doesn't assign internet or phone bills to any budgeting category; utilities would be the most logical classification for these costs and would increase the average to roughly $400 per month.

8. Electricity
9. Water and sewer
10. Natural gas or propane
11. Trash services
12. Internet
13. Phone bill

Housing: Ramsey uses a strict percentage limit here, stating that your total housing payment shouldn't exceed 25% of your take-home pay. This figure is the same whether you're renting or paying on a mortgage. For homeowners, Ramsey suggests a 15-year fixed mortgage with 10% to 20% down.

14. Mortgage or rent
15. Property taxes and HOA fees
16. Home maintenance
17. Household items
18. Lawn care
19. Pest control

Transportation: When it comes to fuel, maintenance and public transportation, national figures show that the average household spends $151 per month. However, this figure is low because it does not include car payments. Since Ramsey views car payments as non-mortgage debt, those payments should be allocated into the savings category (with the goal of paying off the loan(s) using a debt snowball).

Health: Ramsey uses the national average of $86 per month on medical services and supplies to budget for this category, pointing out that these numbers can vary drastically depending on the household and its month-to-month health circumstances.

Insurance: For Ramsey, the four essential types of insurance you want to budget for are health, home, auto and term life. Ramsey also suggests considering identity theft protection, long-term disability insurance, umbrella/liability insurance (if you have a net worth of at least $500,000), and long-term care insurance (if you're over 60).

20. Gas or public transportation
21. Car maintenance
22. Health insurance
23. Auto insurance
24. Homeowners or renters insurance
25. Term life insurance
26. Identity theft protection
27. Gym memberships and fitness classes
28. Therapy appointments

29. Copays for doctor visits
30. Medication

Kids

Childcare: According to Ramsey, Childcare expenses — which can range from $10,700 to $15,900 per year per child — should be budgeted in an additional and dedicated category to cover the costs of parents being able to work. Babysitting expenses for one-off occasions like date nights should be budgeted within the entertainment category instead.

31. Childcare
32. School expenses
33. Sports and extracurriculars

Debt

34. Car payment
35. Student loans
36. Credit cards

Pets

37. Pet food and treats
38. Pet medication
39. Vet visits
40. Grooming and boarding

Lifestyle and Entertainment

Lifestyle and entertainment: The average American household spends $2,912 per year on entertainment, or about $243 a month. However, if you're living paycheck to paycheck, Ramsey advises cutting back in this category for the time being.

41. Streaming services or cable
42. Subscriptions (monthly and yearly)
43. Event tickets
44. Travel expenses

Personal

45. Clothing
46. Personal care

47. Fun money

Month Specific

48. Taxes

Miscellaneous: This category should be around 5% of your take-home pay and can be used for non-emergency expenses during the month, such as a gift for a family or friend. If you have any leftover funds in the miscellaneous category, you can put them toward your financial goals.

49. Holidays and special occasions
50. Gifts
51. Miscellaneous

Saving: The end goal is to save 15% of your gross income for retirement. But depending on where you're at in Ramsey's baby steps framework, your savings might be going towards building your emergency fund or your debt snowball (paying off non-mortgage debt). Once you've saved a three-month emergency fund, you can start saving for retirement and other bigger purchases..

How to Budget for Your Monthly Expenses

Okay, so you know what budget categories to include and what monthly expenses to expect. Now you need to know how to create your monthly budget!

Step 1: Write down all your income in a typical month. (If you have an irregular income, put in your lowest estimate. You can bump it up later if you make more!)

Step 2: Make a list of all your monthly expenses. (You can always pull up your bank account and take a look at last month's transactions to get a better idea of what you usually spend.)

Step 3: Subtract your expenses from your income—and that number should equal zero. This method is called zero-based budgeting.

Now, a zero-based budget doesn't mean you have zero dollars in your bank account. (Keep a little buffer of $100–300 in there.) It also doesn't mean you *spend* everything you make.

Nope. It simply means you're giving *all your money* a job to do. It means you plan how you give, save, spend and invest all of your income. This way you never get to the end of the month and wonder where all your money went—because you told it exactly where to go.

When you budget, *you* are in control of where every single dollar goes. This gives you confidence that you're spending and saving *well*.

How to Analyze Your Monthly Budget (and Create One That Works)

Once you have your spending data, you can use it to make better financial decisions.

Use these questions as a starting point:

- Which areas of your current budget are within the recommended guidelines?
- Which areas of your current budget are outside the guidelines?
- In which categories are your current spending habits fixed?
- In which categories are your current spending habits flexible or variable?
- Will any categories increase in the future, and why?
- Will any categories decrease, and how?
- Which categories do you want to increase?
- Which categories do you want to decrease?