

*THE 50/30/20  
RULE OF MONEY:  
A WORKSHOP*

Financial Smarts Program  
Peer Mentoring Workshop





# *WHAT YOU WILL LEARN*

- What is the 50/30/20 Rule?
- What are the Benefits of the Rule?
- How you can use it.
- Practice with hands on Case Studies.





# *WHAT IS THE 50/30/20 RULE?*

The 50/30/20 Rule is a budgeting framework that makes it easy to track your finances and save money. It prioritizes saving money to help you reach your financial goals.



# *HOW IT WORKS*

## 50% - NEEDS

- What you can't live without and can not avoid.
- A few examples are: Rent or Mortgage, Car Payments, Groceries, utilities etc.

## 30% - WANTS

- Personal, Discretionary, or Nonessential Spending.
- A few examples are: Eating Out, Netflix, New Handbags or Shoes, Newest Devices etc.

## 20% - SAVING

- Money you put towards your future financial goals.
- A few examples are: An Emergency Fund, Saving for A Down-payment, IRA Contributions, Extra Loan payments to pay it off sooner etc.





## *WHAT ARE THE BENEFITS?*

- Will help you know your financial situation
- Will help you determine what to cut back on
- Will help reduce financial stress!
- It's a simpler budgeting process.
- Will help achieve your financial goals.

# *WHY USE A BUDGETING FRAMEWORK?*

- Budgeting is just about balancing your income with your expenses.
- It is meant to give you financial security!
- It works best when you have a goal you are working towards.





# *HOW TO GET STARTED?*

1. Gather all important financial documents (income, bills etc.)
2. Determine your Monthly Income
3. Calculate your Monthly Expenses
4. Set your Savings goal – Why are you saving?
5. Build a Budget



# *GENERAL TERMINOLOGY*

---

**Variable expenses**

Expenses that vary from one period to another and often can be controlled

---

**Fixed expenses**

Expenses that are consistent from one period to another

---

**Deficit**

When expenses exceed income during a time period

---

**Surplus**

When income exceeds expenses during a time period

---

**Assets**

Monetary value of property owned

---

**Liabilities**

Monetary value of what you owe. It is considered a type of debt.

---



# *WHAT IS CONSIDERED INCOME?*

Wages/Salaries

Capital Gains

Interest

Pensions

Dividends

Business  
Income

# *JOE*

- Works at Pizza Hut for 20 hours per week with an hourly wage of \$12.50.
- Sells Collectables on Ebay, gets about \$200 per month.
- Invests in stock and earns about \$300 per month.

**What is Joe's Monthly Income?**

**\$1500**







# *TRACKING MONTHLY EXPENSES*

- If you do not already, spend the next month keeping track of what you spend your money on.
- Keep note of how much you spend on the following:

Bills

Groceries

Entertainment

Loans

Everyday  
Purchases

Living  
Expenses

# *JOE*

- Spends \$200 on groceries per month.
- Has a Netflix subscription (\$12.99/month)
- Pays monthly phone bill of \$50.
- Spends \$100 per month on taking care of his cat.

What are Joe's Monthly Needs?

**\$350**







# *CASH FLOW STATEMENT*

- Also known as the Income Vs. Expenses Statement, is used to show whether someone is living within their income.
- It reflects the cash flow during a certain period of time and so, it provides the timing of cash flow.
- Timing is very important when it comes to cash flow!

# *HOW TO CREATE A CASH FLOW STATEMENT*

Step 1

- List and total all income (active and passive income)

Step 2

- List and total all expenses (fixed and variable expenses)

Step 3

- Calculate the difference to find the surplus or deficit

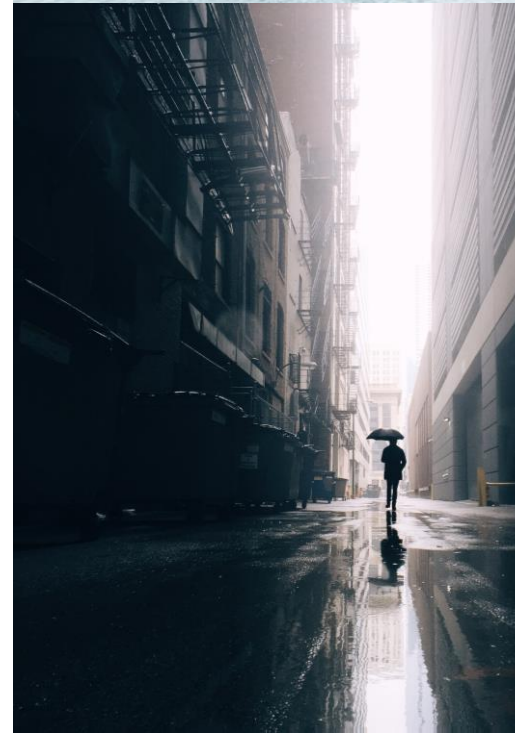


# JOE

January Income	January Expenses
Salary - \$1000	Groceries - \$200
Stocks - \$300	Phone Bill - \$50
Ebay Sales - \$200	Netflix – \$12.99
	Pet Care - \$100
	Shopping - \$150

Is Joe living within his monthly Income?

YES





# WAYS TO SAVE

## Simple saving account

This account is a smart way to save funds until they're needed. It bears interests, and it's a good place to keep an emergency fund.

## Certificate of Deposit

CD is an interest-earning savings account valid for a fixed period – between 3 months and five years- and offers a higher fixed interest rate. Not as flexible as other accounts and you lose interest of the whole period if you withdraw money prior to maturity date.

## Money Market account

Type of savings account, but a slightly higher interest rate, usually a higher required minimum balance. A smart option for an emergency fund or a revolving savings account.

## Money Market mutual Fund

A money market account in a mutual fund investment company rather than a bank Interest is calculated daily, and an investor can withdraw funds at any time.<sup>1</sup> Money market mutual funds typically have a higher rate of return.





# *EMERGENCY FUND*

- An account used to set aside funds needed in the event of a personal financial dilemma.
- Experts advise keeping 3-6 months' expenses in an emergency fund.
- The fund must be **liquid!** You need to be able to access it quickly and easily in case of an emergency.
- Basic savings accounts, certificates of deposit (CDs), or money market mutual funds are great for an emergency fund.





*QUESTIONS?*

<https://forms.gle/bw7xAuxyccEFEi8L9>

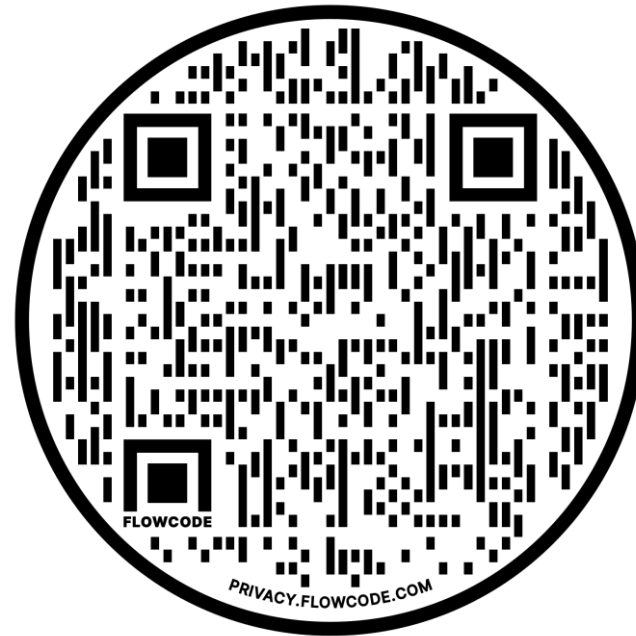


# *GETTING A PEER MENTOR*

<https://forms.gle/6z98jshxaeaqutq87>



*JOIN OUR DISCORD!*



**Scan Me!**

<https://discord.com/channels/823930328220565554/823930328224759809>