

# 50/30/20 and 70/20/10 rule

**SAFA Financial Literacy Lesson**

# What is the 50/30/20 rule?

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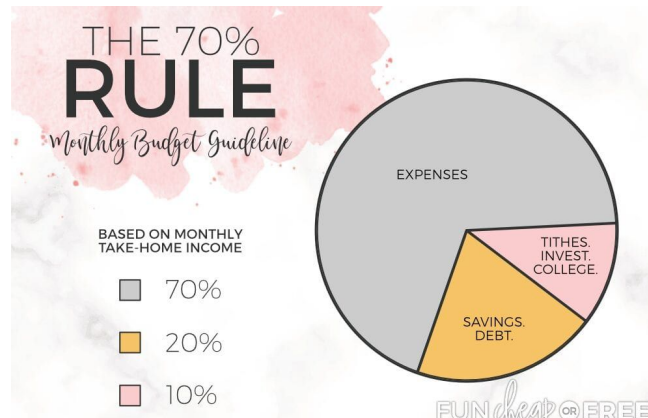
The 50/30/20 rule states that out of your gross income (after deductions like taxes), 50% should be used for necessary expenses, 30% should be used for unnecessary expenses (basically things you desire), and 20% should be saved.



# What is the 70/20/10 rule?

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Out of your gross income (taxes and other deductions are already accounted for), 70% should be allocated for living expenses, 20% should be used for savings or debt (if debt is high interest, prioritize it), and 10% should be used for major long-term goals/investments. Of course, there are variations on this rule.



# Why are these rules important?

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They can help you structure the usage of your income so you maximize the money that you earn. By ensuring that you are saving some of your income, you can establish an emergency fund, buy a house, and save for retirement, which are all crucial to your financial wellbeing(will be discussed later). In addition, by making sure that you are prioritizing and optimizing your utilization of your money, your financial situation will be bettered and you will become more financially secure.

# Videotime

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