



How This Budget Breaks Down

50%: Needs

Needs are those bills that you absolutely must pay and are the things necessary for survival. These include rent or mortgage payments, car payments, groceries, insurance, health care, minimum debt payment, and utilities. These are your "must-haves." The "needs" category does not include items that are extras, such as HBO, Netflix, Starbucks, and dining out.

Half of your after-tax income should be all that you need to cover your needs and obligations. If you are spending more than that on your needs, you will have to either cut down on wants or try to downsize your lifestyle, perhaps to a smaller home or more modest car. Maybe carpooling or taking public transportation to work is a solution, or cooking at home more often.

