The Balanced Money Formula

The Balanced Money Formula is a budget framework outlined by Elizabeth Warren and Amelia Warren Tyagi in the book *All Your Worth: The Ultimate Lifetime Money Plan*. It divides expenses into three categories: Must-Haves (or Needs), Savings, and Wants. Getting these three categories right is the key to reaching financial balance.

The Balanced Money Formula is based on your net (after-tax) income. It says that with your take-home pay, you should spend less than 50% on Needs, at least 20% on Savings, and the rest (about 30%) on Wants. *These are targets to aim for.*

- **Needs** are housing, utilities, health care, transportation, insurance, and basic groceries and basic clothing.
- **Savings** includes retirement accounts, emergency savings, and debt repayment.
- **Wants** are everything else: cable TV, cell phones, haircuts, swimming lessons, dog food, tithing/charity, books and magazines, vacations, and food and clothing beyond the basics.

### Monthly Income $__________________

<table>
<thead>
<tr>
<th>Target Budget</th>
<th>Current Budget</th>
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</thead>
<tbody>
<tr>
<td>50% Needs (.5 x Income) $__________</td>
<td>Needs $__________ (____ %)</td>
</tr>
<tr>
<td>20% Savings (.2 x Income) $__________</td>
<td>Savings $__________ (____ %)</td>
</tr>
<tr>
<td>30% Wants (.3 x Income) $__________</td>
<td>Wants $__________ (____ %)</td>
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</tbody>
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#### 50% Needs $______________
- Housing (Target: 33% x Income) $__________
- Utilities $__________
- Health Care $__________
- Transportation $__________
- Insurance $__________
- Basic Groceries $__________

#### 20% Savings $__________
- Emergency Fund (Target: 6 x Needs) $__________
- Credit-Card Debt $__________
- Retirement $__________
- Other $__________

#### 30% Wants $__________
- Extra Groceries and Dining Out $__________
- Extra Clothing $__________
- Vacation $__________
- Books, Magazines, and Newspapers $__________
- Cable TV and Internet $__________
- Tithing/Charity $__________
- Other $__________

*by J.D. Roth of Get Rich Slowly (getrichslowly.org)*