The 50/30/20 Rule: A Simple Way to Manage Your Money

Money can be tricky but learning how to manage it makes a huge difference. Have you ever gotten an allowance, birthday money or earnings from a side hustle and spent it all too fast? If so, you're not alone! That's why the 50/30/20 Rule is a great way to help preteens and teens divide their money wisely.

What is the 50/30/20 rule?

This rule is a simple way to manage money by splitting it into three categories:

- **50% for needs:** Things you must spend money on.
- **30% for wants:** Fun stuff you want to buy.
- **20% for savings:** Money you save for the future.

Let's break it down with an example. If you earn $20 a week from chores or an allowance, here's how you would divide it:

- **$10 for needs**. This could be school supplies, helping with a family expense or personal care items.
- **$6 for wants**. This is your fun money! Spend it on snacks, new video games or anything you enjoy.
- **$4 for savings**. Set this aside for a big purchase, like a new phone, or to keep growing your savings for the future!

Why does this rule work?

Following this rule teaches you smart spending habits. Here's why it works:

- You won't waste all your money. By dividing your money this way, you'll always have enough for things you truly need.
- You still get to have fun!
- You build a savings habit. Even small savings add up over time.

How to start using the 50/30/20 rule

Getting started with the 50/30/20 rule is easy. First, track your money by writing down how much you earn and where it goes. You can use jars or envelopes for each category to divide your money easily. Or you can name your Valley First savings accounts so you know what each account is for.

Be sure to stick to the plan! Remember; it might be tempting to spend all your money on fun stuff but saving a little now will help you later.

The 50/30/20 Rule is a simple but powerful way to take control of your money and make smart choices. Try it and watch your savings grow!