

# Budgeting: Mapping Out Your *Financial Priorities*

## Using Fidelity's 50/15/5 Rule

The true path to *financial freedom* starts with budgeting. No matter the financial goal you are looking to accomplish – be it buying a home, investing, or saving for college – a good budget provides a roadmap to help you get there.

Not sure where to begin? Use Fidelity's 50/15/5 Rule:



### 50% for Essential Spending

When mapping out your spending plan, there are certain things you can't go without. This is your essential spending. Essential spending includes things like housing, utilities, groceries, clothing, dependant care, and other "essentials". Fidelity suggests allocating 50% of your budget to these expense types.

### 15% for Essential Savings

A critical component of any spending plan, this is the portion of your budget that should be allocated to long-term financial goals, such as retirement. Fidelity recommends saving upwards of 15% towards this goal as a general rule. Necessary savings rates may vary depending on your situation and goals.

### 5% for Emergencies

Preparing for unexpected expenses is just as important as saving for the future. Setting aside 5% of your monthly pay can help build up an emergency fund of 3-6 months and ensure it stays a priority. Funds should be easily accessible (saved in checking or savings accounts), and only used for emergencies.

### Other Wants and Goals

What about the other 30%? It's up to you! Be it charitable giving, entertainment, extra debt payments, or saving for a major purchase, this is the part of the budget you have flexibility with. No matter the goal, just make sure to allocate specific dollar amounts to each priority to stay within budget.