

FAQs

What are the 5 principles of money management?

The five principles of money management are consistency, timeliness, justification, documentation, and certification. Consistency means that you apply uniform rules and procedures to your personal finances. This could mean always using the same budget app or using one checking account for bills and another one for discretionary spending money. Timeliness means ensuring that all money management tasks, such as balancing your monthly budget or saving money out of each check, are performed in a timely manner. Justification refers to any financial transactions being reasonably justified. This can help you rein in your spending habits or tackle financial goals like paying off credit card debt. Documentation means having the paperwork – or digital receipts – for all transactions. Certification means having all the required parties, such as a spouse or wealth advisor, onboard for each decision.

What is the 50/30/20 budget rule?

The 50/30/20 budget rule is an easy way to manage your money. It has you put 50% of your income toward your actual needs, such as housing and food, and 20% into savings accounts. The remaining 30% is for whatever you want. This money can be used for nonessentials such as vacations or be put toward an emergency fund or retirement account.

What is the 70/20/10 rule for money?

The 70/20/10 rule for money is a way to divide your income into different categories. With this rule, 70% of your money goes to spending. This includes all types of spending, from necessities like utility bills and debt obligations to clothing and eating out. Another 20% of income is put into a savings account or invested in your financial future, and the last 10% is for tithing or donation.

What are the 3 basic steps to better money management?

The three basic principles of personal finance are living below your means, which means ensuring that your spending is less than your income, having a dedicated savings plan that you are regularly contributing to, and leveraging compound interest and investments to help your money grow. Using these three principles can help ensure you have a healthy financial future.