

# How to Manage a Variable Income

Budgeting your money can be difficult enough on a steady paycheck. But when your income varies from one month to the next, getting your finances in order can feel like a daunting task.

If you're a temporary or contract worker, you probably know that the perk of controlling your work schedule may require you to make some financial adjustments. That's why creating a budget is so important. It offers some predictability to your unpredictable earnings, helping take a little of the sting out of those low weeks and establishes a foundation for better money management.

## 1. Track your expenses.

Knowing what you're doing with your money is often the first step to gaining control over it. List out all your expenses. Start with the necessities, like food, housing, utilities, insurance, transportation, and retirement contributions. Then, move on to other expenses, such as clothing, memberships, subscriptions, entertainment, hobbies, etc. You want a clear picture of where your money is going — and we're talking down to the penny.

## 2. Prioritize your spending.

Account for basics and things you can't live without first, then build out from there. You want to determine your bare-bones budget. In lean months, these will be the expenses you pay first. Obviously, shelter, insurance, food and utilities top the list. The goal is to be as flexible as your income.

## 3. Build in a discretionary fund.

A discretionary fund is used to pay for those things not considered necessary, like cable, streaming services, dining out, etc. If you've prioritized your spending, you



know what's nonessential. But some things will be more expendable than others. Figure out which nonessentials you can't live without. After all, everyone deserves a little fun. Plus, you'll start to see expenses that can be entirely cut out.

## 4. Open up separate bank accounts.

To ensure you stick to your budget, you may want to open up separate bank accounts. Most banks will let you open a number of accounts free of charge as long as you maintain a minimum balance. Start with a personal checking account and a personal savings account. You may also want to open one specifically for emergencies, such as medical, dental, and home.

## 5. Set your personal salary.

Now that you know what you need to get by, including those discretionary expenses, you have an idea of the salary you'll pay yourself each month. Deposit these funds in your personal checking account, and use it to pay your monthly bills and expenses. In theory, this account will go down to zero each month after paying for your overall budget. All remaining funds will go into that savings account you've set up — that and your emergency fund, if you've opened one of these as well.

## 6. Store some money away.

Much like creating a budget, saving money can be a challenge, especially if you've got zero funds in the bank. For people living on a fluctuating income, a good rule of thumb is to save anywhere from three to six months' worth of expenses. To get started, consider taking out a certain percentage of your paycheck each week. Then, put any "found money," like a tax refund or side gig, into your savings account. The goal is to break the habit of spending money as soon as you get it. This may be a bit too meticulous for some, but logging your expenses in a spreadsheet can show you how much money is available from week to week.

## 7. Pay your bills and expenses.

Not all bills will be due at the same time. If they are, you may want to consider contacting a few of your creditors to get those bills better spaced out. Take the "twice-a-month" payment plan. At the beginning of the month, you'd pay your rent (or mortgage) and any bills due toward the middle of the month. In the middle of the month, you'd pay all bills due at the end of the month.

If you've never lived within a budget, it'll take some time to adjust and avoid those impulse purchases. It's also difficult to estimate exactly how much you'll need to live on at first. But given time, you'll start to iron out the kinks, save money, and enjoy the peace of mind you get when you have more control of your variable income.

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