

Title:

Budgeting When Your Paycheck Varies

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524

Summary:

How can you decide how much you have for bills and expenses when your paycheck varies from one payday to the next? That's a question a lot of people struggle with.

A few of the occupations that I can think of off hand that could fall into this category are waitresses or waiters working for salary and tips, truck drivers that are paid by the mile and never know how many miles they are going to get, the self-employed that their business income varies from season to season, a...

Keywords:

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Article Body:

How can you decide how much you have for bills and expenses when your paycheck varies from one payday to the next? That's a question a lot of people struggle with.

A few of the occupations that I can think of off hand that could fall into this category are waitresses or waiters working for salary and tips, truck drivers that are paid by the mile and never know how many miles they are going to get, the self-employed that their business income varies from season to season, and the list could go on.

Trying to manage your finances with a steady income is hard enough but when you never know what your paycheck will be seems almost impossible, but it's not. It is, however, going to be a little more tricky.

In my Budget and Bill Organizer I talk about averaging your expenses like your phone and electric bills that vary from month to month. The same principle can be used to average your income.

The first step you need to take is to find records of your pay for as far back as you can. It would be best if you had records going back for at least 6 months.

Take these records and total the amounts you were paid for the entire period. Then divide that by the number of months you have records for. This will give you your average monthly income.

If you don't have any record of your previous pay you may need to go to your employer to get the information. If there is no way to get this information you should start a log of how much you get paid and use this to develop your budget.

Once you have determined your average monthly income you will need to develop your budget just as if this was your regular pay.

Here's where it gets tricky. You aren't always going make the amount you have budgeted. The only way to handle this is to save when you make more than what you have budgeted.

Here's an example:

You have determined that your monthly budget is \$2000 per month;

In January you earn \$2500. You will need to put away \$500 of that money so that you can make up for any month that your income falls below \$2000.

This sounds like a simple solution to a complex problem but it may not be as easy as it sounds unless you accustomed to saving money. It will take some discipline to make sure that money is there when you need it.

There could be a bright side to this method. If you are able to put the extra money away and you have several months that you make more than your budget you could end up with a sizable savings account.

When setting up your budget make sure that you don't underestimate your bills and expenses. This is one of the major reasons many budgets fail.

By averaging your income it will prevent the "Feast to Famine" approach to your spending. It only makes sense to spread your income out so that you can cover all of your bills and expenses every month.