



Living on an Income Rollercoaster

Inconsistent or varying income can be a financial rollercoaster with exhilarating peaks and daunting valleys. Common income rollercoasters include seasonal work, commission sales, bartending, waiting tables, self-employment and overtime. The key to a rollercoaster income is to create a consistent monthly budget.

1. Calculate Your Income

- Track your income for 6-12 months
- Divide the dollar amount by the number of months to get your monthly average
- Lower your monthly average by 10% to allow for a safety net

2. Pay Yourself First

- Open two bank accounts: an income account and a working account
- Put all paycheques and other earnings into the income account
- Transfer the monthly average amount from step one into your working account
- Leave any extra money in your income account during the high earning times so you can always afford to pay yourself the monthly salary during the slower times.

3. Create Two Spending Plans

- Use the first spending plan to cover your basic monthly needs such as housing, utilities food, transportation, and debt payments.
- Build your second spending plan to pay for your annual, irregular and other monthly expenses like clothing, gifts, school fees and entertainment.
- Include your basic needs outlined in the first spending plan in your second spending plan to be certain all bills get paid.
- Always base your spending plans on your lean months' income as a precaution if work slows down unexpectedly.

4. Use Regular Income for Regular Expenses

- Split your expenses into two categories: regular (essential) expenses and irregular (occasional) expenses.
- If there is a fluctuating income and a consistent income in your household, use the consistent income to pay for the regular expenses. Use the fluctuating income to cover the irregular expenses.
- Keep in mind that you may need some of the fluctuating income to pay monthly expenses as well.





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5. Finding a Regular Source of Income

- Research your options for a consistent source of income – such as a second job with a guaranteed monthly income or switching to another company or field for the comfort of a consistent salary.
- Make sure the costs of another job – taxes, transportation, child care, meals – don't outweigh the added income.

6. Expect the Unexpected

- Taxes – you may be responsible for your own income tax deductions. Make sure you account for these in your spending plan as a quarterly expense. Consult the Canada Revenue Agency or a tax accountant for more information.
- Business Costs – include all business costs that you are responsible for
- Save for yearly expenses – have an emergency fund category in your spending plan to save for vehicle repairs, and other unexpected costs that may arise.
- You can put savings in a separate savings account, buy Canada Savings Bonds or in a secure mutual fund with access to the money within 24 hours.

Many people with fluctuating income earn a comfortable amount of money. It's important to understand how to manage the rollercoaster to get the most enjoyment out of the job.

