

# Variable Income Worksheet

Planning your monthly finances can be especially challenging when your income is not predictable or regular each month. Often I hear people say they cannot create a budget because their income is based on commissions, self-employment, or other irregular income and therefore they feel they have no way to plan ahead. Actually, having a spending plan that gives you a clear outline of your basic monthly fixed expenses and a plan for covering them is even *more* important when your income is not regular.

I have met with many clients who have been in variable income situations, which is the reason I added this new worksheet. For many of those clients, utilizing all three of the main worksheets together—**Yearly Budget Worksheet**, **Monthly Budget Worksheet**, and **Monthly Expense Record** (found in this section of the workbook)—worked most effectively. They were able to get a handle on the best approach for dealing with those three-month stretches of no income and then successfully plan the best way to distribute the bonus check or commission or other business income when it did come in.

This worksheet is designed to give you a guideline for planning a system that helps you know and cover your basic fixed monthly expenses every month, whether you receive income or not. Without a clear long-range plan, it is very tempting to react to a large sum of money as a mini windfall. This worksheet will help you keep a big-picture perspective. You will learn to plan proactively and stay prepared for upcoming financial obligations by saving the appropriate amount of money.

The key is starting with a conservative approach and stashing as much of the income as possible into savings to act as your future monthly income. This is especially true if you do not really know when the next amount of money will be coming in or how much. You

may only know that it is very likely that the case will be settled, or the sale will close, or the partnership may have enough to pay salaries again, or the company will be giving some bonus distribution at some point. And yes, there is always the possibility that something can happen and the money may *not* come through.

That's why you want contingency plans: money in the bank; ability to cut back dramatically with the spending; good credit rating to help with access to loans; back-up help from family or friends; other job possibilities; good relationships with all your creditors to work out short-term arrangements; attention to your investments to be sure they are performing well; and a reality check on the real cost of your cars and other personal property that you may want to sell or replace with less expensive versions.

As you work out the history or the current record of your irregular income, you may see that there actually is a pattern. With this pattern you can begin to coordinate some of your big-ticket payments, such as annual or semiannual insurances, tuition, or taxes, with the timing of the income. Clients have often been amazed to realize how much power they had over their finances once they were armed with information. Many times you can make arrangements for totally different payment dates and even payments if you have a clear outlined plan and you discuss it with a receptive customer service representative or supervisor for that company.

There may be many months when no money is coming in and you are living solely on the savings you have set aside specifically for those months. Continue to stay conscious of your spending and money patterns during this time. Even though living that way can be unsettling, remember to pat yourself on the back for having the foresight and prudence to put sufficient funds aside.

## HOW TO USE THIS WORKSHEET

The purpose of the **Variable Income Worksheet** is twofold. First, it serves as a planner for projecting upcoming income to the best of your ability. Second, once the actual income comes in and you record this information, you will have a record to refer to next year when projecting the new year. I usually suggest you use pencil or have a way to easily change your numbers because this whole book is a *workbook* and your work is always in progress.

### WINDFALL PLANNER

Before starting on this Variable Income Worksheet it may help to review the **Windfall Planner** worksheet on page 66. The Windfall Planner is helpful for those one-time lump sums of money, such as an insurance settlement, inheritance, or company bonus. Using that planner helps you to see the many options to consider and to then prioritize the distribution of those funds.

### MULTIPLE SALES MONTHLY PLANNER

If you are in sales, before you begin this Variable Income Worksheet I want you to know about the **Multiple Sales Monthly Planner** on pages 68–70. As you know, variable commission income could be from multiple closings on products and projects as well as from one big commission check. To help itemize all those different possible closing amounts, I have added an accessory planner. With this planner, you will have a way to record those sales that are projected, listed, pending, or sold for each month. Once you have completed the total amount of actual closings, you can transfer that monthly total to the Variable Income Worksheet under “Income Source.”

**Income Source** A variety of income sources are listed. If your source does not fit any of these categories, cross them out and insert your own. When you know the amount or approximate amount of the bonus, commission, or other income source and the month, enter that amount in the column under the appropriate month.

If you know the month but have no clue what the figure will be, like dividends or royalties, only that some amount will be coming in, place an “X” in the box under the month to remind you when some money will be arriving. This also acts as a reminder in the

event some expected money has not arrived and you can then follow up on the delay.

Once that large check does arrive, the critical step is to evaluate how best to distribute those funds. What do you pay off first? How much do you save? How much do you need to live on for this month and possibly many more months? The following sections will help you determine the best ways to use the money, including how much money you will need, how much to put aside in savings, and how much debt you can pay off.

**Estimated Taxes/Savings** After you finish relishing the nice bonus package or commission check that just came in, remember that the very next step is addressing the taxes. If taxes have not been withdrawn from this particular source of income, then this is the place to start and make sure you calculate how much to put aside for taxes.

There are enough resources to advise you where the best place is for “parking” your money while saving it. You may already work with a tax accountant or financial planner who can advise you on where and how much to save. As a general guideline, I recommend putting aside approximately 25 to 30 percent as a minimum starting place for your basic commissions and other job income. The most important point is to do it. Move that money over to savings, a money market account, CD, or whatever seems most appropriate right away so you are dealing with realistic numbers as you plan your budget. Some people find it easier to dedicate a separate savings account for taxes only so they are not tempted to use that money for other household expenses or emergencies.

The goal throughout this workbook is to help you to manage your finances proactively instead of reactively. Ignoring the tax issue or saying you will take more money out of the next check for taxes because this time you really need all the money, starts to set you up for that reactive crisis management cycle once again. This time you can change that cycle. Be patient and know you *can* turn things around. Outline this plan and follow it as closely as you can.

**Note about Stock Options** In this world of stock options and other huge money packages, it is more important than ever to pay attention to the tax consequences. It is not unusual to see more than 50 percent in the end going to taxes depending on your income bracket and other factors. I have witnessed a lot of financial havoc for clients who had not withdrawn enough for taxes. Large sums of money can easily draw you in emotionally and skew your good

sense. Be sure to talk with a tax accountant for an accurate projection before buying that new car with cash.

**Fixed and Variable Expenses** The next step is addressing the "Basic Monthly Household and Personal Expenses" part of the worksheet. I recommend completing the **Monthly Budget Worksheet** starting on page 48 and the **Monthly Expense Record** starting on page 88 to help you use this section more efficiently. The design does allow planning from this form exclusively, however, the other worksheets are more comprehensive so there is less chance of overlooking any critical expenses.

If you have been using the Monthly Expense Record for *tracking* your daily spending, and have good records of all your fixed bills and general expenses, then those totals can easily be transferred to this worksheet. The Monthly Budget Worksheet allows more room for *projecting* your monthly plan of any upcoming bills and other unique expenses for the month.

Just a reminder, the Monthly Budget Worksheet is the beginning step if you don't have a history of expenses yet. This worksheet offers you a guideline to think about and project the many areas beyond the bills where money may be spent during each month.

**Credit Cards** Once the basic living expenses are handled, it is time to calculate how much to pay toward the credit card balances. In the ideal world, the only credit card balances would be those that are paid off each month. Until that time arrives, use this worksheet to pay off your credit card balances as quickly as possible and not waste another dime on finance charges, late fees, and over the limit fees. The **Debt Payoff Record** (starting on page 76) can help you ultimately get on top of the debt situation.

If planning to make payments on the credit card debt is particularly difficult one month because of the low income and high fixed expenses, still try to find some way to pay the minimum due plus an extra ten dollars on each of the credit cards. This small additional amount will save you substantially over the long run.

During those months when a large sum of money is received, take this opportunity to pay down or off some or all of your credit card debt. Of course, a lot depends on the overall plan, your future income, and your future needs. Find a balance in this plan so you pay off enough of the credit card bill to save you significant finance charges and yet have enough funds to be prepared for future months of no income.

**Major Periodic Expenses** The missing link in most budgets is the lack of planning for periodic ex-

penses that show up throughout the year as quarterly, annual, or periodic expenses but are not part of the monthly picture.

The **Yearly Budget Worksheet** on page 39 will help you determine what periodic expenses exist and which ones are imperative to pay. If you have not yet completed this section, go ahead and review pages 36 and 37 for a suggested list of expenses that may apply to your situation right now. Add these totals to the worksheet under the appropriate monthly column.

**Deposit to or Withdraw from Savings** Add your total income and total expenses under each month on this form. The idea here is to see how much money is left over or is short after taking care of all the basic needs outlined above. Once you can see that total amount in black and white, you can again take some constructive action. Depositing money into savings can be extremely satisfying after having a long stretch of debt and very little income.

For those surplus months, be sure to stash that excess money right away. If you have completed all the information for all months, it will be very apparent which months you will be needing to withdraw from savings to cover the expenses. The **Windfall Planner** on page 66 is another tool available for you in the event you unexpectedly receive a large sum of money.

There may still be situations where you can't predict when the next month will be a surplus or even an income month for you. In those cases, maximum savings is critical along with clear contingency plans as mentioned earlier. At some point, if this unpredictable income continues too long and erodes your savings, lifestyle, and personal well-being, you may want to re-evaluate your work options or even where you now live.

Remember, when you have knowledge, you have more power to make decisions. Use this section as your road map to a more powerful financial future.

*It took us about seven months, but now we finally have a handle on our erratic income. There were times when we would go three months without any kind of income. In the beginning, it seemed like all we were doing was dodging phone calls and juggling promises. But then, by carefully tracking and planning our expenses over time and working closely with the creditors, we were able to work out how much we needed every month to run the household. When we finally did get paid we knew exactly what bills to pay, how much had to be covered, and what amount we needed to carry over into savings each time. What a difference this has made. We feel like we can breathe again!*