



Regions Next Step Podcast

Better Budgeting: Budgeting with Variable Income

In this podcast, Alicia Somers, a Financial Wellness Relationship Manager for Regions Bank in Jacksonville, Fla., teaches us how to better budget when you are living on a variable income.

Check out the podcast to hear from Alicia on the following:

- Establishing fixed and variable expenses
- Zero-based budgeting
- Including a savings line item within your budget
- Prepaid Cards

Episode Transcript

Narrator:

You're listening to the Next Step Podcast, "Budgeting with Variable Income" – part of our Better Budgeting series presented by Regions Next Step – advice, tools and resources to help you get closer to reaching your unique financial goals.

Alicia Somers:

My name is Alicia Somers, Financial Wellness Relationship Manager for Regions Bank in Jacksonville, Florida.

Today, we're going to discuss budgeting while having a variable income. Living on a variable income can be difficult – especially when you don't know when or how much your next paycheck is going to be. However, you can take the stress out of living on a variable income starting with 5 simple steps.

But, before we jump into the 5 steps, I first want to share some background on the topic. According to a U.S. Financial Diaries joint study with NYU Wagner's Financial Access Initiative and the Center for Financial Services Innovation, financial data from 235 low- and moderate-income households over the course of a year found that predicting income was "not easy," "difficult," or "very difficult" for 34 percent of Americans. Hopefully, some of these tips will help those in situations where budgeting needs to be variable.



Step #1 is to establish your expenses. While your income may fluctuate, many of your bills like your rent or mortgage, car and phone payments, etc., remain the same each month. Determine your fixed expenses and build an initial budget around that number. Know how much monthly income you will need to cover those essentials before setting money aside for other purchases.

There are also variable expenses – ones that vary month to month – that are less predictable, including food, gas and utilities. It is important to track these over time to get a sense of the average cost per month. Looking at your income and categorizing these expenses will help in understanding where your money is going and determine the best way to use your wages.

Step #2 is to try zero-based budgeting. Zero-based budgeting means that your total income minus total expenses would equal zero. To do this, you have to account and plan for every dollar you earn. For example – let's say you take home \$4,000 one month, but only have \$2,500 in expenses. You must budget for what you are going to do with that remaining \$1,500. You could put half toward paying off credit card debt and half toward a vacation fund, for example. Since you start fresh each month, building a zero-based budget off of that month's income and goals is ideal for folks with a variable income.

Step #3 is to make sure you don't forget about saving. Whatever budgeting strategy you decide to use, make sure you include a savings line item along with the rest of your monthly bills. If your income fluctuates, simply commit yourself to saving a percentage of your monthly income instead of a dollar amount. The percentage should be based on your average income and expenses. Set a number that you feel comfortable committing to each month knowing that your income can and will change.

Saving each month will help you to build a floating fund that you can dip into when income falls. Just remember to replenish that fund when taking out.

Step #4 is ensuring that you stash budget surpluses. Your floating fund can also grow from budget surpluses like a tax refund, gift or even selling an item you no longer need. When this happens, it is vital to resist the urge to splurge. Instead, put that extra cash into your floating fund. Over the course of a year, even small amounts of unplanned money can add up to large sums that can fill the gaps when your income is low.

Step #5 is to try out prepaid cards. This is another strategy that can help you stick to a budget. Once you've established how much money you need to cover monthly expenses, you can load your prepaid card with that amount and deposit the rest in savings. Make sure you consider the fees associated when deciding on which prepaid card you want and whether the monthly fee may be waived with some transactions, such as an automatic deposit or number of purchases each month.

Always remember that at the end of the day you can't control your income, but you can control how you allocate and use. Doing it thoughtfully can create a steady path through financial highs and lows.



Narrator:

You can find additional information about budgeting and saving online at www.regions.com/nextstep. No matter your goals – Regions will help you with each step you want to take. Thank you for listening!

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