



## Should You Bother Budgeting If Your Income Fluctuates Like the Rockies?

Have you ever flown over the Rockies? The views of white mountain tops from the sky is so peaceful and serene. What is amazing is the fact that from up there, these mountains look flat! When you are getting paid on commissions, you probably think that your income sometime feels like the Rockies with its ups and downs. Commission income can be very lucrative, but it makes budgeting and planning even more important.

Successful budgeting tends to depend on two things: careful planning and a steady income. The first, anyone can do. The second isn't so simple. If you're self-employed, you might be asking yourself: "But I don't have a regular paycheck coming in. Can I even set up a budget? Should I bother?" You can. And, yes, you should. No matter your situation, budgeting is a critical part of making sure your finances are sustainable.

### 3 Steps to Successful Budgeting When You Are on Commission

1. As you are seeing a flatter terrain from 35,000 feet, my first recommendation is that you also look at your income from further out to see consistency. Instead on planning on a steady monthly income, you might have to plan on a quarterly or maybe even semi-annually income.
2. The second step is to have a cash fund that matches the length of time you need to see consistency in your income. The longer the time table you need to create to see steadiness in your cash inflow, the bigger your cash fund should be.

For example, someone that has a steady income over a period of 3 months, should have a minimum of 3 months-worth of expenses in their cash fund. This way, during the next quarter, the entrepreneur will be spending down the cash fund, while as the income is coming in, he should be able to replenish the fund for the next quarter. This would help the entrepreneur reduce the stress that comes with dry periods.

3. My third suggestion is that you should split your expenses into 2 different categories: fixed expenses and variable expenses. Fixed expenses should be limited to no more than 60% of net income. Over time, you should work on reducing that amount compared to your net income. If you have fluctuating income, you would benefit from having a lower amount of fixed expenses as these are harder to delay. Furthermore, if you are facing tough times, you would be able to manage or delay variable expenses until things get better.

### Use the Airplane Analogy to Help You Reduce Money Stress

Commission income can be very rewarding. Being able to control your destiny is very attractive to some people however the idea of fluctuating income can increase stress in someone's life. Entrepreneurs should plan as far as needed to smooth out income flow. With the right approach, they can really take advantage of possible higher income to be able to reach financial freedom ever faster.

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