

I WAS BROKE.
NOW I'M NOT.

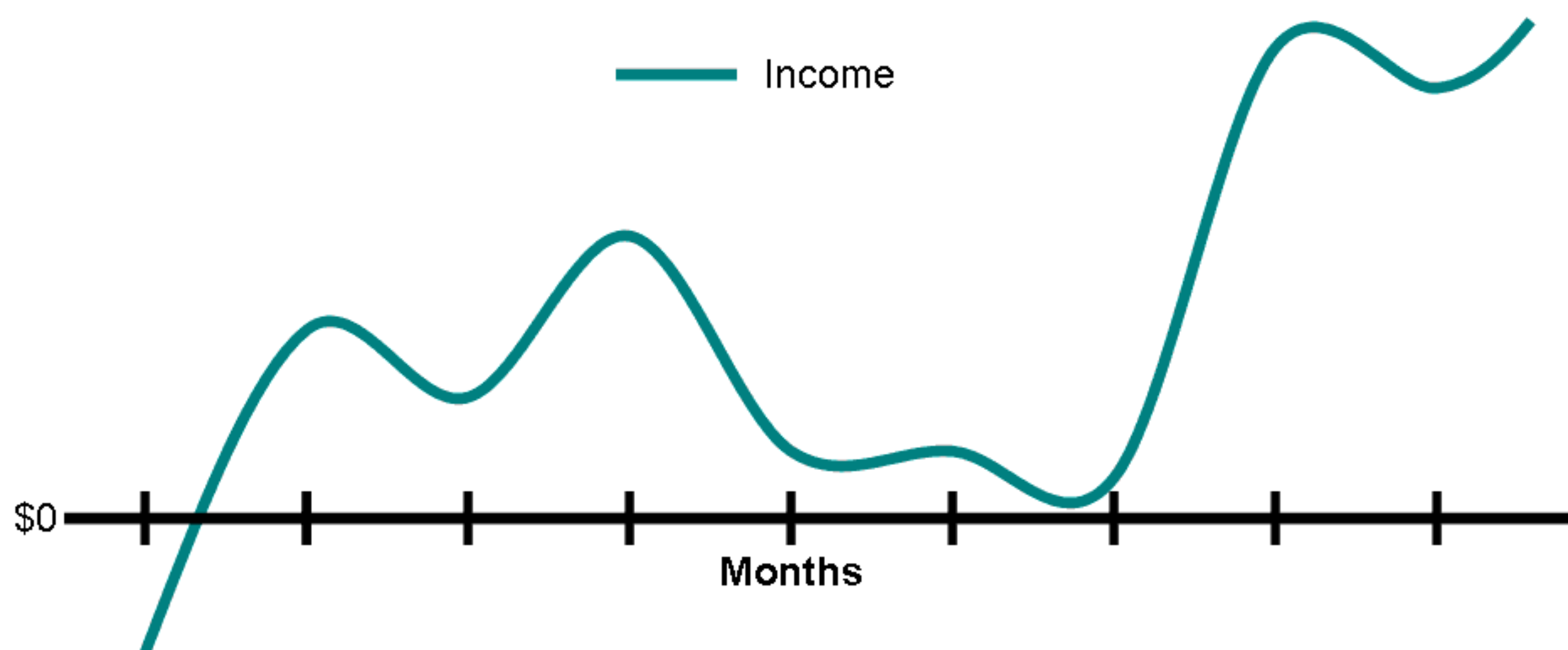
BUDGETING WITH IRREGULAR INCOME



By Joseph Sangl

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BUDGETING WITH IRREGULAR INCOME



You may be surprised to know that many families' economies are powered by irregular income.

Real estate agents, hair stylists, commissioned salesmen, and business owners all experience cyclical income.

Those who live with this type of income often tell me they can't budget. Because their monthly income is unpredictable, they believe budgeting is impossible.

Not only is budgeting possible, but those with irregular income need a budget more than anyone to anticipate the fluctuations with a plan.

I will explain how to budget with irregular income. Here's a hint—it's EZ!

STEP 1 Recognize it!

You must recognize that you have irregular income. If you have ever starved to death during the "off" season, you know what I am talking about. In order to stop having your life severely impacted by "off" seasons, you must prepare.

Question: If your family economy is powered by irregular income, what do you do to prepare for "off" seasons?

The next step is to determine how much money is necessary to make the household operate efficiently for each month.

STEP 2

Determine monthly expenses.

To determine your monthly expenses, you should pull up a monthly budgeting form and enter all of the following:

- **Fixed Expenses**
- Enter all of your fixed expenses—house payment, utilities, gasoline, car payments, credit card payments, groceries, cell phone, childcare, etc. This also includes saving for retirement.
- **Variable Expenses**
- Enter the average of all of your variable expenses—clothing, spending money, entertainment, dining out, etc.
- **Known, Upcoming, Non-monthly Expenses**
- This is a KEY STEP. If you do not add in all of those known, upcoming, non-monthly expenses, you will continue to live the feast/famine lifestyle (more likely the famine lifestyle). These type of expenses are budget-busters. Here is what I do. I list all of the known, upcoming, non-monthly expenses and place their annual cost next to them. Then I divide that number by twelve to determine how much I need to save per month.

Example of Known, Upcoming Non-monthly Expenses

	Annual Expense	Monthly Expense
Christmas	1,000	83
Health Club	780	65
Life Insurance	780	65
Auto Insurance	1,080	90
Vacation	2,160	180
Total	5,800	483

From this example, I would include a line item of \$483 in my monthly budget for Known, Upcoming, Non-monthly Expenses. This allows me to bring a stop to the feast/famine lifestyle!



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You have successfully completed Step 2. Next you need to determine your monthly expenses. The trick is to have enough cash on-hand every month to make this monthly budget work. We will discuss this in Step 3.

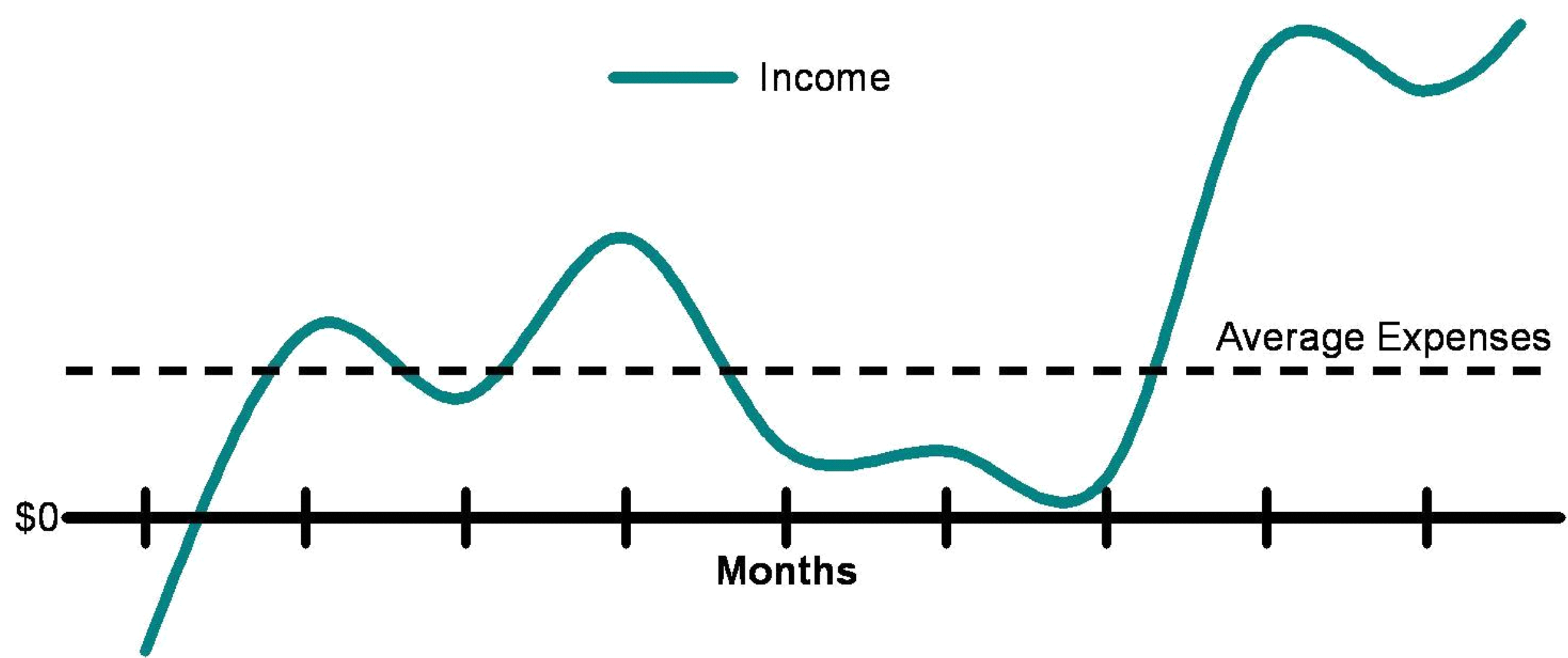
Question: What have been the biggest budget-busting expense you have experienced?

STEP 3

Save up at least three months worth of expenses.

WHAT?! I am sure that is what many of you are saying right now. Yes, I did say that you need to save up at least three months of expenses. Remember in step two I asked you to calculate your monthly expenses? Multiply that number by three, and you have your savings target. I call this savings the "**Known Slumps Fund.**" You know that slumps are coming, so be prepared. This is huge in eliminating that horrible feast/famine lifestyle.

You might be asking, "why?" Why on earth should I save up at least three months worth of expenses? I am glad you asked.



Say you have monthly expenses of \$3,000. This means that you need to have at least \$9,000 in your Known Slumps Fund.

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Month	Income
January	0
February	3,250
March	2,750
April	4,000
May	1,000
June	1,000
July	250
August	7,500
September	7,000
October	7,500
November	1,000
December	1,250
Total	36,500

Let's look at a year's worth of expenses. It is easy to see that this person has earned enough to make it this year. They have taken in \$36,500 for the year, BUT look at how irregular the income is! Have you seen something like that before in your business? This makes life crazy. In January, you are eating ramen noodles like they are going out of style. February through April are decent, but then it dies again May through July, bringing famine of the worst degree! All of the sudden, August through October are awesome. Feasts abound! Then November and December come in with back to back terrible incomes. It's back to the ramen noodles!

What should you do? Get a Known Slumps Fund that equals three times your monthly expenses.

Let's see what difference that makes.

When you look at this chart you realize the power of having three months expenses in the bank. Whether you have a \$500 month or a \$6,500 month, you live on \$3,000 that month. That means you get to eat. That means that you can save money (remember the monthly expenses includes retirement savings). That means you can have some fun each month!

Month	Income	Outgo	Known Slumps Fund
January	0	3,000	6,000
February	3,250	3,000	6,250
March	2,750	3,000	6,000
April	4,000	3,000	7,000
May	1,000	3,000	5,000
June	1,000	3,000	3,000
July	250	3,000	250
August	7,500	3,000	4,750
September	7,000	3,000	8,750
October	7,500	3,000	13,250
November	1,000	3,000	11,250
December	1,250	3,000	9,500
Total	36,500	36,000	

The **Known Slumps Fund** absorbs the irregularities of your income. Fill up your Known Slumps Fund. It will take so much stress out of your life.

Question: Which is more important to you—debt reduction or funding your Known Slumps Fund?



STEP 4

Become personally debt-free and operate your business debt-free.

By now, I am certain that you believe I have completely fallen off of my rocker. You might be saying, "Joe, you are crazy! There is no way I can do this!" Well, I have seen many people operate their business debt free. Let's take a small company like, say, Walgreens. They do only **\$47 BILLION** in business each year, and they operate debt-free!

What are the advantages of operating a business debt-free? Let me count the ways:

- There are no interest payments to make!
- Your business can absorb downturns much more effectively.
- Breathing room. It is amazing how much stress a pile of debt creates.
- When you spend your own real money, you will manage it better. I do not know why this is, but if I am spending someone else's money (i.e. the banks) I am much more susceptible to make a riskier decision. When I am spending my money, I am much more likely to do thorough due diligence before doing a deal.

Question: What are some other advantages of operating a business debt-free?

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ABOUT I WAS BROKE. NOW I'M NOT.

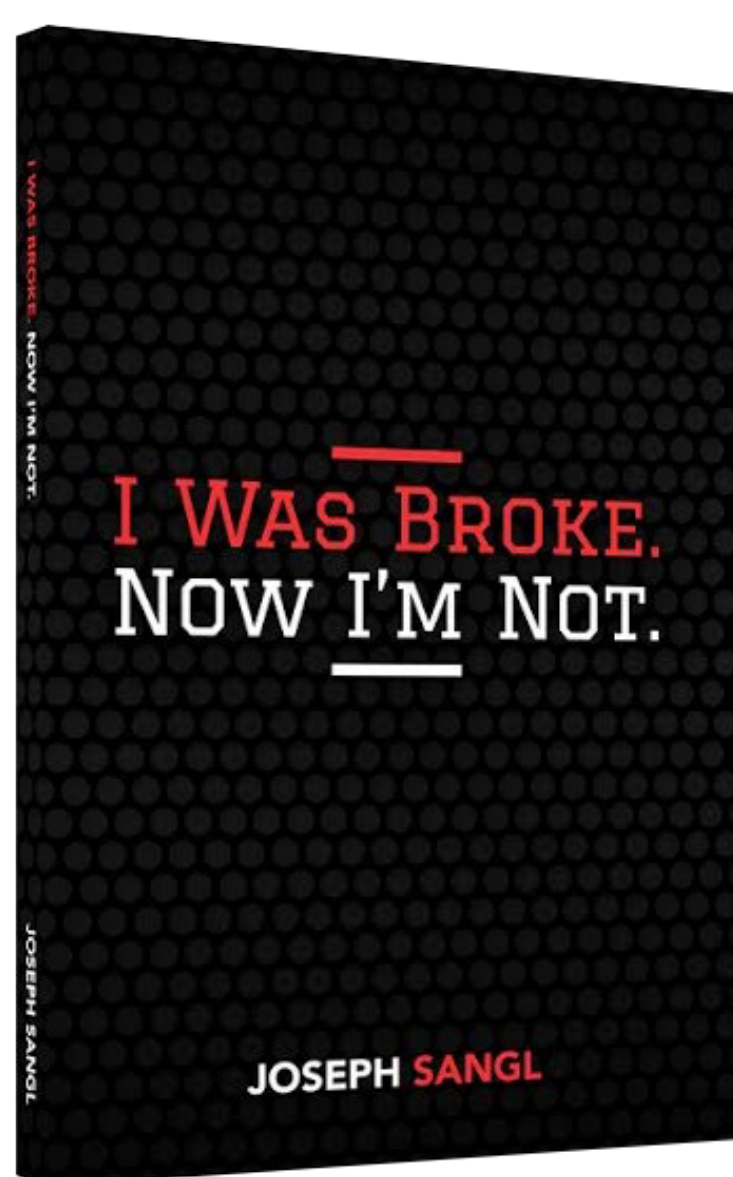
I Was Broke. Now I'm Not. was founded by Joseph Sangl who had a dream to teach people practical ways to win with their money. The IWBNIIN Team is passionate about equipping people to accomplish far more than they ever thought possible with their personal finances.

The IWBNIIN Team accomplishes its Passion Statement through the following means:

- Providing FREE personal finance tools via its website
- Writing books, studies, articles, and blog posts that teach practical and relevant personal finance tools
- Teaching live online experiences that build knowledge on financial topics
- LIVE speaking and teaching at churches, business and non-profit organizations throughout the world

Contact the IWBNIIN Team via email at info@iwbnin.com or call [864] 332-4151

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Money doesn't have to be a frustrating or confusing topic. When you apply the practical tools shared by Joseph Sangl in I Was Broke. Now I'm Not., you will gain control over your finances. As your financial education increases, you will begin to see your plans, hopes, and dreams become a reality as you start living a fully funded life! In this book, you will learn the fundamental rules of money. Even more importantly, you will walk away with HOPE that you can live a fully funded life!

U.S. \$20.00

This book and additional resources at www.iwbnin.com

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ABOUT JOSEPH SANGL

Joseph Sangl is a leading teacher of personal finances. It is his passion and mission “to help people accomplish far more than they ever thought possible with their personal finances.” He firmly believes that when people are financially free, they are much more likely to go do EXACTLY what they have been put on Earth to do – regardless of the cost or income potential.

He is the founder of I Was Broke. Now I'm Not., an organization that provides financial teaching through live events, print and web resources.

Joe has taught hundreds of thousands of people through Financial Learning Experience, Financial Freedom Experiences, one-on-one financial coaching sessions and personal finance messages. He is the author of the books, I Was Broke. Now I'm Not., What Everyone Should Know About Money Before They Enter The Real World, Funded and Free, and OXEN: The Key to an Abundant Harvest. His story has been featured in Money Magazine, the world's largest personal finance magazine.

He obtained a BS Degree in Mechanical Engineering from Purdue University in 1996 and an MBA from Clemson University in 2001.

Joe resides in Anderson, South Carolina, with his bride, Jenn, and their three children.



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