

How to Budget When You Have Seasonal Income

Rewarding careers don't always come with a steady paycheck. For people who work in agriculture, construction, tax preparation, entertainment, landscaping or other types of freelance and seasonal businesses, income may vary wildly depending on the time of year. This uneven cash flow makes [budgeting](#) especially challenging, but it's by no means impossible.

[Here's](#) how to budget for long-term financial stability when your income changes with the seasons.

Determine your average monthly income

With most traditional budget plans, you start by determining your monthly income. But how can you complete this first step if your income keeps changing? The most effective strategy is to use your average monthly income. To calculate this, add up your post-tax income for the past three or more years and divide that sum by the total number of months. If economic conditions have — or are projected to — hit your industry or business hard, you may want to deduct 15% to 20% from this number to create a safety cushion.

Calculate your average monthly expenses

When work is seasonal, expenses often fluctuate, too. During busy times, you may have to spend more on gasoline, utilities, equipment maintenance and office supplies. If you spend more during your busy season, determine your average monthly costs by adding up your personal and work-related expenses for at least one year and dividing that figure by the total number of months.

Fine-tune your budget

Subtract your average monthly expenses from your average monthly income to get your baseline budget figure. If you find you're cutting things close or dipping into the red, you'll need to make some adjustments. Consider cutting unnecessary expenses or picking up extra income by expanding your existing business's volume, taking temp work during slow times or offering complementary services that peak during your off-season.

Become a saver

Having a [savings plan](#) is an especially important safety net when income is irregular. When planning your budget, be sure to [include](#) a line for saving each month. It's best if you can put away 10% or more of your income, but even small amounts deposited

consistently add up significantly over time with compound interest. Aim to save at least three to six months' worth of expenses to ensure you can live comfortably during lean times or emergencies.

Additional survival tips

To help even out cash flow and make the most of seasonal income:

- Make it easier for customers to pay you quickly by improving your invoicing procedure, offering options such as PayPal or Square to accept credit card payments, or setting up direct deposits to your account with customers.
- Negotiate with vendors and suppliers for discounts or extended payment terms.
- Take advantage of financial and budgeting software such as QuickBooks.
- Consider offering discounts and promotions during slow times to boost business.
- Track your cash flow regularly and adjust your budget as necessary.
- Even with your budget plan in place, keep spending to a minimum during slow seasons.
- Stick to your budget during your busy season to avoid spending the cash you'll need during the down times.

Seasonal income doesn't have to mean financial feast or famine. With proper budgeting, you'll be able to live well no matter what the season.

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