Creating a Personal Budget with Variable Income

WEEK 03

What Is a Budget?

A **budget** is a financial plan that shows how much money you earn, spend, and save over a certain period—usually a month. It helps you:

- **Cover essential needs (like rent, food, and transportation)**
- **Plan for irregular expenses (like travel or equipment)**
- **Save for the future**
- **Avoid overspending or debt**

Budgeting puts you in control of your money instead of letting your money control you.

Why Variable Income Requires Extra Planning

With NIL, your income may depend on:

- Seasonal demand (e.g., sports season vs. off-season)
- Number of sponsorships or deals
- Payment schedules of different brands
- Bonus income like gift cards or merchandise.

This inconsistency makes budgeting more important—and a bit more challenging.

Steps to Create a Budget with Variable Income

Step 01
Calculate Your Baseline Monthly Expenses
List your minimum essential costs (rent, food, phone, transportation). These are your non-negotiables.

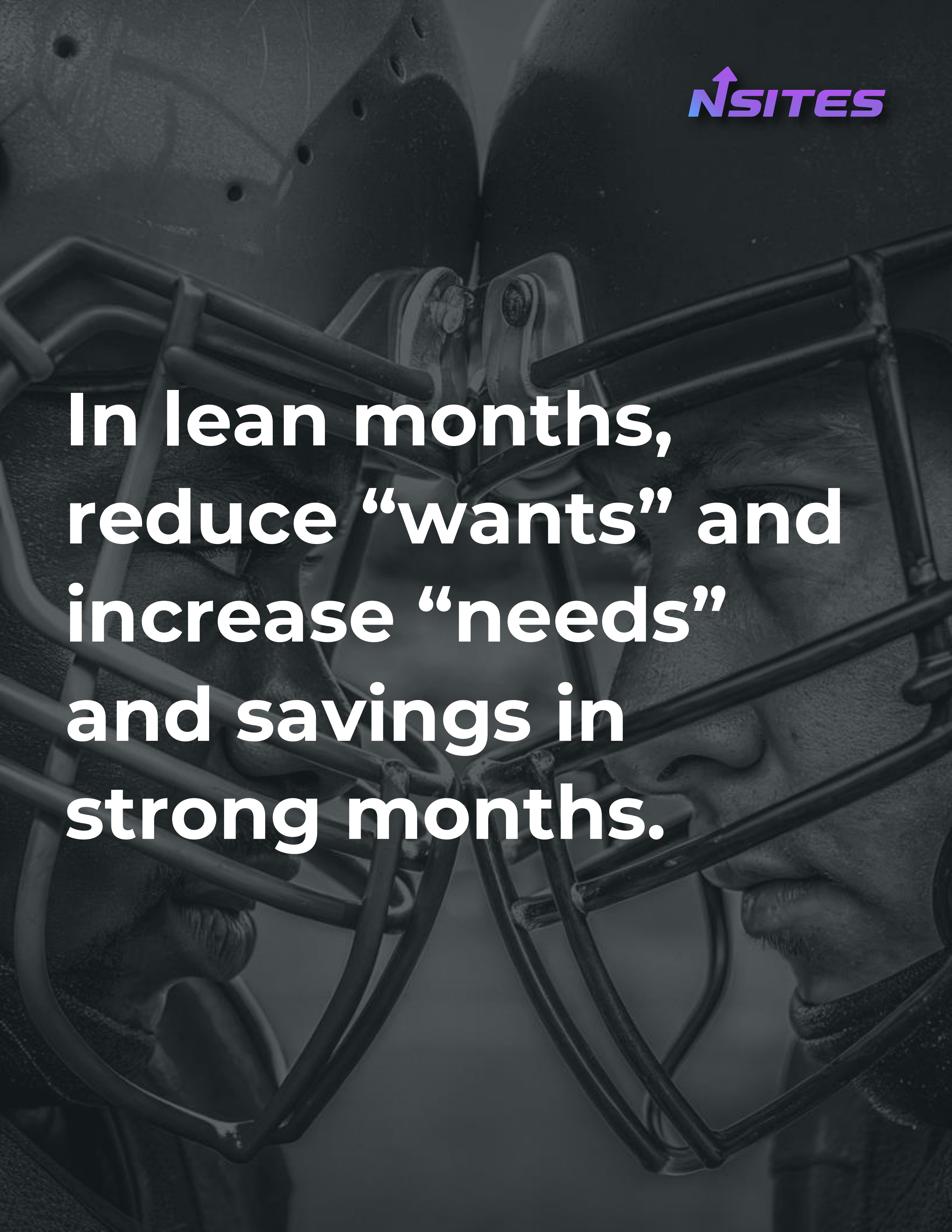
Step 02
Identify Fixed vs. Flexible Spending
Fixed: Rent, subscriptions, insurance
Flexible: Eating out, entertainment, clothing

Step 03
Estimate Your Monthly Average Income
Look at your past 3–6 months of NIL income and calculate an average.

Step 04
Set Aside Savings First
Build a buffer or “inconsistent income fund” by saving during high-income months to cover low-income months.

Step 05
Prioritize Needs and Adjust Based on Income
When income is high: Save more, invest, pay down debt.
When income is low: Focus on essentials only.

Step 06
Use the 50/30/20 Rule (with Flexibility)
50% Needs
30% Wants
20% Savings/Debt Payments



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In lean months, reduce “wants” and increase “needs” and savings in strong months.

Tools for Budgeting

Budgeting apps:

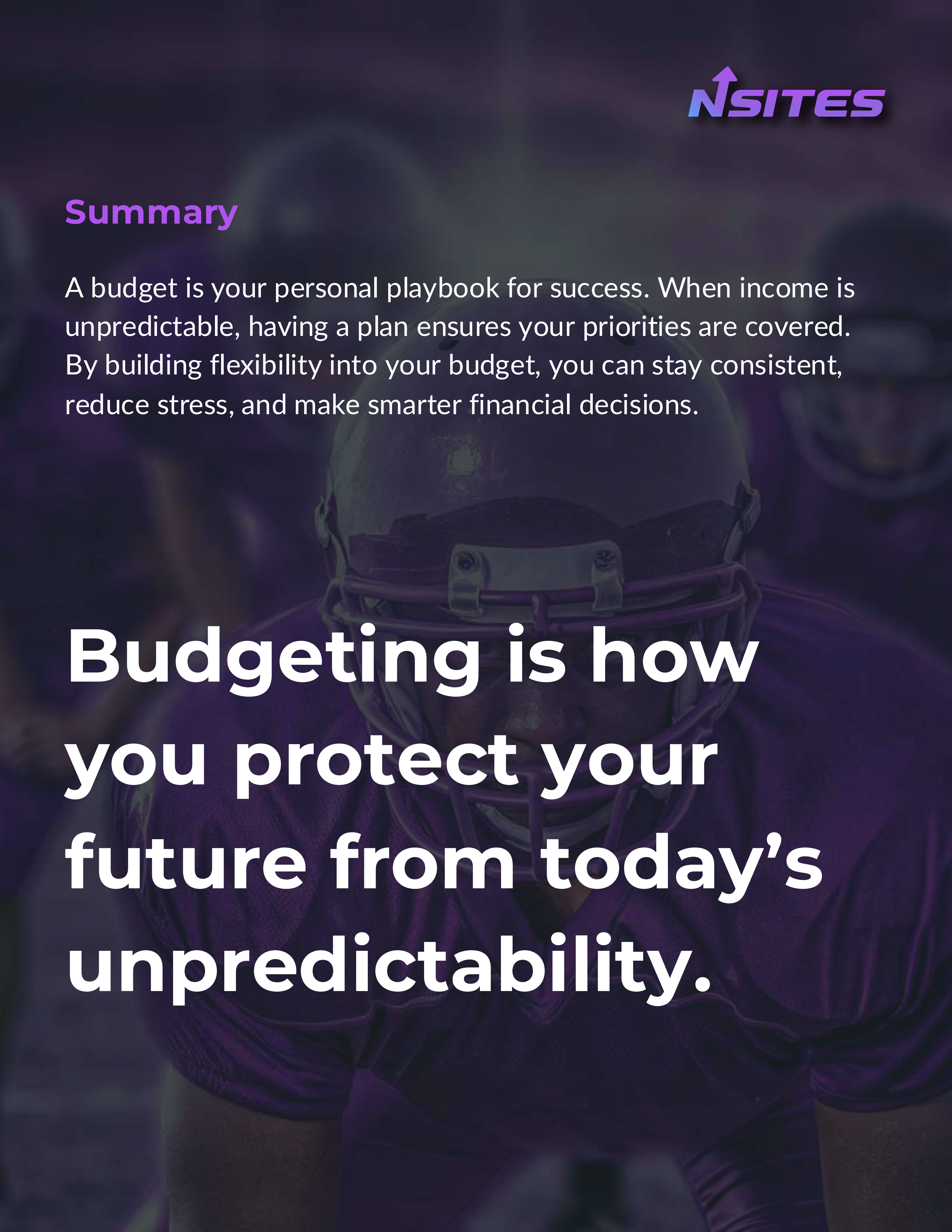
- Mint
- YNAB (You Need A Budget
- Rocket Money

Spreadsheets:

- Custom Excel
- Google Sheets templates

Banking tools:

- Some accounts let you categorize and track spending automatically



Summary

A budget is your personal playbook for success. When income is unpredictable, having a plan ensures your priorities are covered. By building flexibility into your budget, you can stay consistent, reduce stress, and make smarter financial decisions.

Budgeting is how you protect your future from today's unpredictability.

KNOWLEDGE CHECK

True or False

1. A budget is only useful if your income is the same every month.

2. NIL income may vary month to month.

3. You should list your essential monthly costs first when building a budget.

4. Flexible spending includes things like eating out and shopping.

5. Saving money during high-income months can help you cover shortfalls during low-income months.

Answer Key

True or False

1. **FALSE:**
   Budgeting is even more important when income is variable.

2. **True:**
   NIL income can fluctuate each month.

3. **True:**
   Start with non-negotiable essentials.

4. **True:**
   Flexible spending covers lifestyle and optional items.

5. **False:**
   Saving during good months creates stability.

Multiple Choice Questions

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1. What is the first step in creating a budget?

   A. Estimating your savings
   B. Calculating average income
   C. Listing your essential expenses
   D. Planning for entertainment

2. Which of the following is considered fixed spending?

   A. Streaming subscriptions
   B. Fast food
   C. Gas for your car
   D. New sneakers

3. What is the main challenge with budgeting NIL income?

   A. Too many endorsements
   B. It's illegal to budget it
   C. The income is often inconsistent
   D. Banks don't accept it

4. What is a helpful rule for budgeting income?

   A. 50/30/20 rule
   B. 90/10 split
   C. 100% wants
   D. Spend everything and save later

5. Why should you use budgeting tools?

   A. To make your phone look cooler
   B. To track and plan spending effectively
   C. To increase your credit score automatically
   D. To impress your followers

Multiple Choice Questions

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1. What is the first step in creating a budget?

   A. Estimating your savings
   B. Calculating average income
   C. Listing your essential expenses (Start by knowing your fixed needs.)
   D. Planning for entertainment

2. Which of the following is considered fixed spending?

   A. Streaming subscriptions (Streaming is a subscription with a fixed cost.)
   B. Fast food
   C. Gas for your car
   D. New sneakers

3. What is the main challenge with budgeting NIL income?

   A. Too many endorsements
   B. It’s illegal to budget it
   C. The income is often inconsistent (Variability makes budgeting harder but more essential.)
   D. Banks don’t accept it

4. What is a helpful rule for budgeting income?

   A. 50/30/20 rule (This rule divides spending into needs, wants, and savings.)
   B. 90/10 split
   C. 100% wants
   D. Spend everything and save later

5. Why should you use budgeting tools?

   A. To make your phone look cooler
   B. To track and plan spending effectively (Budgeting tools help automate and track your plan.)
   C. To increase your credit score automatically
   D. To impress your followers

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ILLUSTRATIVE EXERCISE

Objective:

Help students build a flexible monthly budget using projected NIL income.

Duration: 20 minutes

Scenario:

In one month, you expect to earn $800 from NIL deals. Your essential expenses are $400 (rent, food, phone), and your discretionary spending averages $250.$300 to promote a local gym on Instagram

Tasks:

1. Create a basic budget using the 50/30/20 rule.
2. Identify which expenses are essential and which are flexible.
3. Determine how much you should try to save this month.
4. Write a sentence explaining how budgeting with variable income is different from budgeting with a regular paycheck.

Exercise Answer and Explanation:

1. 50% = $400 (needs)
   30% = $240 (wants)
   20% = $160 (savings)

2. **Essentials:**
   Rent, food, phone
   Flexible:
   Entertainment, clothes.

3. “With variable income, I adjust my spending and savings based on what I earn each month.”


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You are doing great!
Let’s unlock your next key learning!