

How to Budget as a Gig Economy Worker



Creating a budget or spending plan is hard enough with a consistent, regular paycheck, but to a temporary worker whose money may fluctuate dramatically, it can feel like a futile task.

While it may seem overwhelming, creating a budget for temporary, fluctuating income is not only possible; it's one of the keys to success. Having a budget in place can help prevent any stress during the slower months that inevitably hit all temporary and contract workers.

Follow these steps to put a workable spending plan in place:

1. Estimate your *average* monthly income.

Whether you're working in the temporary economy part- or full-time, your income can vary significantly each month, depending on the amount of work, how quickly clients pay and the quality of the assignments. To create a workable budget, you need to smooth out those fluctuations and estimate a reasonable amount of money to plan on each month.

Estimate the amount of money you make in a year (or use the last few years' tax returns if you've been freelancing for a while). Then, calculate how much of that money you'll need to set aside for taxes, and divide the remaining amount by 12.

2. Track your *actual* monthly income

Gig workers often get paid as often as three times in one week (and none the next). By tracking your actual income as it comes in, you'll be able to see whether your estimates were realistic and make adjustments as needed. Tracking your income over time can also give you insights into trends, such as which jobs pay the most or which times of the year are most profitable for you.

3. Track your spending

Your income is only one factor that goes into a smart budget. You also need to know how much you're spending for essential expenses like health insurance, rent or mortgage payment, food, and other recurring bills, including credit card charges and discretionary items like vacations and meals out. Use an app like [Hurdlr](#) or [Everlance](#) to track spending in real time, or see if your bank or credit card breaks down past spending for you.

4. Follow the 50/30/20 rule

Once you've got a sense of how much you're earning and spending, set to work allocating your income in a sustainable way. One common method is to follow the 50/30/20 rule. Under this method, 50 percent of your *after-tax* income goes to your essential expenses, 30 percent goes to discretionary expenses, and 20 percent goes to savings. If expenses total more than 80 percent of your after-tax income, start looking for ways to cut back.

5. Use multiple bank accounts

The easiest way to put the 50/30/20 rule into effect is by setting up a few designated bank accounts in order to give yourself a paycheck. Use one savings account to collect all of the income received from work. Then set up an automatic transfer from that account to a checking account for the monthly (or biweekly) income you calculated in step one. You can think of this money as your paycheck and divide it as needed between your essential and discretionary expenses.

You'll also need two other bank accounts: One for taxes, since as a freelancer you're responsible for withholding and paying these on your own, and a second for emergency savings. Shoot to cover at least six months' worth of expenses in this account. Once you've hit that threshold, start putting those deposits into a retirement savings account, another expense you're solely responsible for as a self-employed temp worker.

6. Automate everything

In addition to creating a regular "paycheck" for yourself, make your savings account deposits and as many bill payments as possible, automatic. That way, you'll never have to worry about missing a payment. Once you get used to that money routinely coming out of your account, you can adjust outgo to make the best use of the discretionary money left. As a temporary economy worker you not only manage how you spend your money, but also control how much money you make.

If you're unhappy with the amount of cash left in your account after paying for essentials, taxes, and savings, taking on some additional work can give you some breathing room. Thanks to apps like Steady, finding new jobs—and making more money—has never been easier.

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Beth Braverman is a self-employed writer who covers mostly personal finance, the freelance lifestyle, and parenting. She's always looking for the next great gig.

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