**It all adds up: Saving on an irregular income**

It’s easier to budget for savings when you have a regular income, but what about for those whose income, by choice or circumstance, is unpredictable?

Around 17% of the South African workforce is self-employed, with over 50% of that number, own-account holders, meaning they have no staff. If you’re working freelance, starting up your own one-man business or working from short-term contract to contract, you’re probably going to have to save up for provisional tax, as a starting point. Saving additional for emergencies, holidays or income shortfalls can feel overwhelming.

**What’s essential?**

The great thing about a salary is the regularity of it – same amount, same day, every month, with a notification of increases, bonuses and thirteenth cheques usually around December time. It’s fixed, it’s regular, and it’s consistent. Irregular income? Some months are better than others, and late payments can cripple your cashflow, meaning you have both a variable income and a staggered income flow.

But most self-employed people have at one time or another been employed, meaning that there’s an automatic default to approach savings as if you were a salaried employee.

In that set up, you’d work out how much you could put away for savings by establishing a baseline figure, i.e. all of your regular monthly payments – the essentials such as rent/bond, levies, rates, water & electricity, insurances, cellphone, groceries, etc—which cover your basic living costs. Then from what’s left over, you’d allocate an amount to savings.

Only for irregular income earners, your baseline figure also needs to include savings.

The reality is some months, you’ll need savings from an emergency account to cover the shortfall in meeting your baseline figure. But if you’re not saving, there’s no emergency account to fall back on. And, if you’re a provisional taxpayer, you’ll have nothing to offer when the tax man comes knocking.

**Making it work**

Ideally, savings should be around 10-20% of your income, divided into emergency savings, tax savings, and/or save-to-spend.

For the irregular earner, planning is no longer a linear exercise. And therein lies the opportunity.

Some earners dedicate a percentage of each income cheque to savings—anything from 1% upwards, contributing to a specific savings goal. Others choose a specific Rand amount from each deposit. Another solution is to deduct a percentage from each income and transfer it to a separate savings account before it has a chance to be included in the baseline amount.

There are also options based on patterns of income—maybe every three months, there’s a set payment, and a portion is dedicated to savings. Your income is not necessarily going to be month-to-month, so set up your savings schedule to match.

Have a look at some of the banks automated saving options which round up spending to a percentage of your choice and deposit it into a savings account. The beauty of this is that you start saving every time you spend, and it’s automatic.

Whatever your decision, the best time to start saving is now.

Building your savings buffer will give you the same peace of mind of the salaried employee, knowing that your savings net will catch you.