

## Transcript

# Ways To Manage Part-Time Job Or Freelance Income

When you work part time or freelance jobs, managing your money can pose some challenges.

You might need to plan around an irregular income, and you'll probably need to set aside enough money to pay your taxes and manage your own retirement accounts.

Let's look at a few strategies you can use to manage your money while keeping your budget and your savings goals on track.

## Create a Buffer

Having some extra savings is important for everyone, but it's even more important if you have a part-time income that can change from time to time.

Creating a buffer account can help you cover expenses when you don't have as much money coming in.

A good way to build a buffer is to save as much as possible when times are good and you're earning more. You might want to start with the goal of saving three months' worth of expenses. But, if your income is often irregular, you might set a goal of saving six months' worth of expenses-

though it might take a while to get there, rest assured that any little bit helps.

Because whatever savings you have can be a buffer when you have less work.

Take note that your income buffer isn't exactly the same thing as your emergency fund. This could be an additional 3 months worth of expenses dedicated to covering unexpected emergencies like a car or home repair or large medical expense.

### Track your spending

Tracking your spending is especially important if your income changes a lot from month to month. First, make sure you know how much you need to cover your basic needs each month. You can think of this as your baseline.

Then, keep track of your spending. You can monitor it by checking the activity in your bank and credit card accounts, or by using personal finance software or apps. A lot of these tools might also offer alerts that will let you know if you've reached certain spending limits, or if your bank account is getting low.

### Plan for your taxes

If your employers or clients don't withhold taxes on your paycheck or if they don't withhold enough you'll be responsible for paying some or all of your own taxes.

Most self-employed people are required to pay quarterly estimated taxes throughout the year. Waiting to pay at the end of the year can result in penalties in addition to a big tax payment.

The IRS offers an estimated tax worksheet that can help you figure out what you'll need to pay each quarter.

If you find the IRS forms frustrating, some tax preparation software can also help you determine what you owe, though you might have to pay for this service. You could also consider working with a tax professional.

In addition to what you pay in estimated taxes, it's a good idea to have a bit extra saved in your buffer fund to help you cover any shortfalls if you end up owing extra at the end of the year.

It's better to set aside too much for taxes than too little. You can contribute any extra left over in your tax savings to a retirement or other savings account.

## Fund your retirement

One of the most important parts of managing a part-time income is planning for your retirement. As a part-time or freelance worker, setting up your own retirement account and contributing to it regularly is up to you.

There are many different types of retirement accounts to choose from and a lot of them offer tax advantages. Some are more complicated to set up than others, but some of the simplest and most common retirement accounts are individual retirement accounts, or IRAs.

Setting up a retirement account sooner rather than later is worth the effort--it could give your retirement accounts the opportunity to potentially grow over time.

When it comes to managing your income as a part-time or freelance worker, it can help to think of yourself as your own company: managing your cash flow to create a steady income, making retirement contributions, and having a plan to cover your taxes. With a little organization, you can make the most of your income while building a sound financial future.