



Feast or Famine

Dear Dr. Per Cap:

My boyfriend and I work summers on a fire crew. We make good money for a few months but not much the rest of the year. What's the best way to manage seasonal income?

Signed,

Fire Couple

Dear Fire Couple

Firefighting, fishing, firework stands, arts and crafts – Indian Country is home to many gig workers and side hustles. Throw in those of us who receive per cap and other lump sum payments and we have lots of people earning a good chunk of income in a short period of time.

I call it BMF - Big Money Fast. And while it might sound exciting and glamorous it often poses challenges for folks needing to make it last all year.

For starters budgeting is harder. When you earn a big payday it's easy to think you have more money than you actually do. For example earning \$25,000 in a summer fighting fire might feel like winning a jackpot. But break that down over 12 months and we're talking less than \$500 a week, a nice sum but certainly not enough to go crazy.

Taxes are another concern. Depending on the source of income and where you reside side hustle income can be subject to both federal and state income tax. If so, that means you'll probably need to make quarterly estimated tax payments because unlike a regular job, paying taxes is usually a responsibility that falls squarely on the shoulders of a self-employed person.

Estimated tax payments are easy to disregard but can sting you later if IRS or your state taxation and revenue office comes calling. As a full time freelancer I'm in a similar boat with regard to paying estimated tax. I always have to remind myself that I can only keep about 80% of what earn – the rest goes to tax.

To better manage seasonal income I recommend dividing your money evenly into monthly or weekly allotments using a budgeting app or a hand written note pad. This gives a better picture of how much

money you really have. Then make a list of all your monthly bills and make sure you have enough in each allotment to cover all the necessities like rent, utilities, insurance, and groceries. For those really big obligations like rent, mortgage, and car payments you might even think about paying those forward six months at a time. That way you know you're covered during lean months when little or no income is coming in.

Good luck and stay safe on the fire line!

Ask Dr. Per Cap is a program funded by First Nations Development Institute with assistance from the FINRA Investor Education Foundation. For more information, visit www.firstnations.org. To send a question to Dr. Per Cap, email askdrpercap@firstnations.org.