

# Financial Wellness Newsletter

## MINDING THE INCOME GAP BY BUILDING A SAVINGS BRIDGE

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In the 20th century, many people could count on a stable job—one that came with a steady paycheck, health benefits, a pension, and maybe even a yearly bonus.

The 21st-century employment landscape looks a lot different.

There’s the growing “gig economy,” where workers are paid for doing certain projects or tasks (known as “gigs”). Since they aren’t employees, these workers lose out on benefits and a stable paycheck.

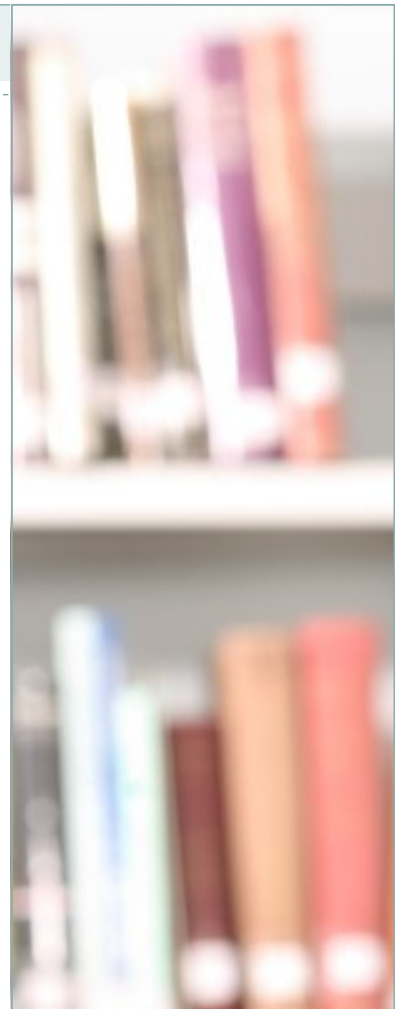
Cost of living has also risen in many areas, oftentimes higher than inflation. And even though unemployment has been low, over 7% of the population is under-employed. Both of these factors have forced many workers to take on extra odd jobs to pay their bills.

As a result, that 20th-century stability is becoming harder to achieve. Just look at the numbers:

- 50 percent of Americans do not receive a steady paycheck.
- 30 percent of working adults have an income that varies each month.
- 40 percent of adults would not be able to cover an unexpected expense of \$400 without borrowing money.

There’s a name for this lack of income stability. It’s called having a volatile income-- income that can change rapidly and unpredictably.

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**The Problem with Income Volatility**—For some, income volatility is a choice. They manage the ups-and-downs because the ups can be really good. This is especially true if they are earning extra income on top of a base salary that's enough to cover their bills. But for others, the unpredictability is a burden.

Many people who have a volatile income experience constant stress and anxiety. Those months in which there's not enough income to cover the bills (known as "gap months") may be particularly stressful. Also of concern is planning for long-term financial goals like buying a home or saving for retirement. Building a savings is difficult enough when someone has a stable income. But people with a stable income have support. There's an abundance of financial resources and tools available to help them budget and save. That's not the case with volatile income earners. When it comes to managing finances, people who earn a volatile income often find themselves guessing what to do.

## Strategies for managing a volatile income

The good news is that managing a volatile income is not impossible. It just takes a bit more effort and creativity.

**Create a Budget**—Creating and sticking to a budget is the number one strategy for anyone who wants to achieve financial stability (or success). For people with large changes in their monthly income, budgeting is not just good practice, it's a must. But how do you create a budget — something to stick to month-to-month — if every month is different? Here's how:

- ☑ **Create a system.** Find a way to record and analyze your income and spending over a few months. You can use a spreadsheet, a budgeting app, online worksheets, or even just paper and pen.
- ☑ **Do the work.** Save your bills and receipts so that you can accurately record your spending (bills and miscellaneous expenses) for at least three months. The longer you record your financial information, the more accurate you'll be.
- ☑ **Calculate your average income.** Figure out what you make on average each month by calculating your earnings from as many months as possible. Remember, the more data you can add to the calculation the better. If your income changes considerably from year to year, it may be a good idea to use the income data from multiple years. A note for the self-employed: Be sure to use your net profit in your income calculations.
- ☑ **Calculate your average expenses.** Next, you'll need to analyze your average monthly expenses. Once you've found this figure, add an additional 10-15% to give yourself a cushion.
- ☑ **Reduce your expenses.** Do what you can to reduce your monthly expenses, so they do not exceed your average monthly income.

**Build a savings for gap months**—Once you've figured out a budget, create a savings account specifically for your gap months. Build this savings by depositing your extra earnings into a savings account. Your extra earnings may come from bonuses, commissions, or income earned above your monthly average.

When you experience a gap month, you can draw money from this account to cover your expenses. You should aim to save enough in this account to cover one month's worth of expenses.

**Build an emergency savings**—You should also build an emergency savings that is separate from your gap savings. An emergency savings should cover more than just gap months, it's built to cover major emergencies, such as job loss, injury, or major repairs. The recommendation for most people is to have emergency savings that could cover three to six months of expenses. However, people with volatile income should have at least six months of savings, and maybe even as much as an entire year in savings.

**A note for the self-employed**—The self-employed must pay their estimated taxes (about 20% of their profits) each quarter. Some people find it helpful to create a separate savings account for taxes, retirement, and business expenses that they draw from when they need to pay business expenses, like their taxes.

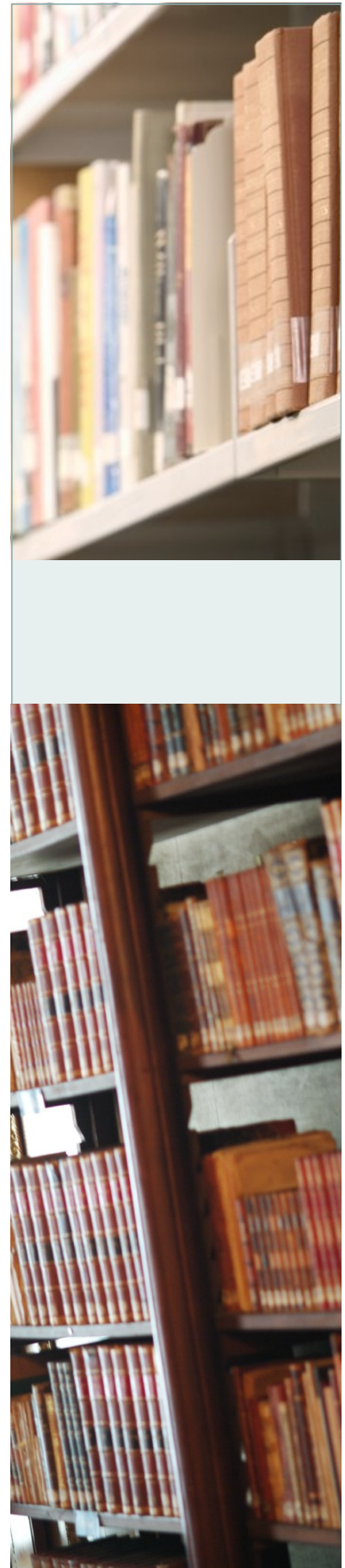
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## 2024 TREASURER'S REPORT

Connexus Association received membership dues totaling 431,652\* during 2024. Connexus Association donated \$192,780\* during 2024. A list of all individuals or organizations that benefited from Connexus Association during 2024 are listed below:

NTC Foundation	Northland Lutheran High School
Wausau School District	Newman Catholic Schools
Aspirus Health Foundation	Assumption High School
Junior Achievement Central WI (Wausau and Merrill)	Pacelli Schools
DC Everest Public Schools	Wisconsin Institute for Public Policy &Service (WIPPS)
Lincoln High School	United Way of South Wood & Adams Counties
Horace Mann Eagle Market	Marathon County Literacy Council
Junior Achievement of Wood and Portage Counties	Mosaic of NorthCentral Wis fka YWCA
WATEA	Wausau Early Bird Rotary
Breakfast Optimists	United Way of Marathon County
Boys & Girls Club	Wood County 4H
Stevens Point Area Schools	Maine Lions
Women's Community	Charles & JoAnn Lester Library
Yao Yang/Wausau Everest School Lunch Debt	Camp Hope
Marathon County 4H	The Greater Wausau FFA Alumni
MS Walk	Humane Society of Marathon County
Paige Bootz Memorial Scholarship	WINGS
Junior Achievement of the Upper Mid- west	Kiwanis
Big Brothers/Big Sisters	Marathon High School FBLA

\*Connexus Association year-end financial information has not yet been reviewed by our outside auditor and final numbers may change.



CONNEXUS  
ASSOCIATION

The primary purpose of Connexus Association is to provide scholarships for education, to assist educational institutions and to provide financial literacy education to help borrowers and savers reach their financial goals. Members of the Connexus Association consist of organizations or individuals who pay dues. Dues will be \$5.00 and will allow membership for two years. Members may renew their membership every two years with dues of \$5.00.

Please contact us with questions.

**Other tips**—Cutting expenses can be difficult, especially if you’re cutting something that brings you pleasure. If you’re struggling with the budget cuts, try mixing it up every month. If you cut your clothing budget one month, cut your dining out expenses the next.

Avoid using credit cards to cover your expenses during gap months. Credit cards just create debt that will have to be paid back later, with interest.

Be careful about using automatic payments or transfers. It’s important for people with volatile incomes to actively manage their accounts. If you have an automatic payment or transfer set up and you experience a gap month, you may not have enough in your checking account to cover the scheduled transaction. This could cause you to be charged overdraft fees.

We all want to be able to splurge a little when we’re doing well. But this is a dangerous habit when you have a volatile income. So is making huge lifestyle changes if you have a few successive months of higher-than-average income. There’s nothing wrong with rewarding yourself, just make sure you’ve built up your gap and emergency savings first, just in case you hit a rough patch.

Depending on a volatile income may be challenging, but it doesn’t need to be a constant source of anxiety and stress. With a solid budget, a savings plan, and some persistence, you too can build a bridge to cross your income gaps into financial security.

*Log in to the member only section of our website at [www.connexusassociation.org](http://www.connexusassociation.org) to browse the topics in more detail or find a complete list of topics. Find out how to become a member of Connexus Association at <https://connexusassociation.org/Content/Our-Story.cfm>. Membership dues are \$5.00 for two years.*

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PLACE  
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Mailing Address Line 1  
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