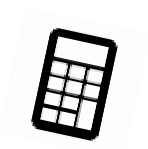
Preparing for a drop in income

Our income fluctuates throughout our adult lives. While an increase in income is often welcome, unfortunately there are times in life where our income drops. Sometimes this can be unexpected, such as losing a job or a relationship breakdown which are both emotionally and financially challenging. Other times, we have the opportunity to prepare for a drop in income. The following events are predictable and offer some time to plan and prepare:

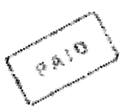
- When you're on Parenting Payment Partnered and your youngest child turns 6
- When you're on Parenting Payment Single and your youngest child turns 14
- When you're receiving Family Tax Benefit and one of your children finishes high school
- When fixed term or temporary employment comes to an end
- When your work is casual and you know you will be having time off
- When you take time out of work for unpaid parental leave
- When you've been single and report to Centrelink that you have a new partner

Here are some things you can do to minimize financial stress at these times:

- Find out which Centrelink payments you will be eligible for. The amount will vary depending on your circumstances but you should be able to find out what you're eligible for on the Services Australia (Centrelink) website



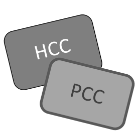
- Prepare a budget to consider how you can manage all of your expenses on the lower income. A budget planner is available from https://moneysmart.gov.au/budgeting/budget-planner. If the income will not be enough to cover your regular expenses, you will need to prioritise and think about what can be changed to bring the budget into balance.
- Within your household, talk about how the reduction in income may impact on your lifestyle so that everyone is on the same page before the changes happen.



- Ensure you are on top of all expenses before your income drops– rent, electricity and phone bills, and loan repayments should be up to date. **Better yet**, get ahead on these payments if you can to give yourself a buffer in case something unexpected happens in the future.

- Start bill smoothing – make a contribution towards your regular bills fortnightly via Centrepay or Bpay to keep on top of expenses and avoid bill shock when quarterly or annual bills come in.
- If possible, pay off debts even if they are not due to be finalized until after this time. That way you don't have to worry about where to find the next repayment from your reduced income.

- Put money aside for upcoming bills – car rego, annual insurance premiums and back to school costs can sneak up on us. Either put money aside in a separate account, contact the biller to prepay before the bill is due or buy supermarket vouchers to have on hand for these extra costs. Some vouchers can be used for food, fuel or at variety stores to buy clothing, toys and homewares.



- Make sure you're getting all concessions that you're eligible for. If you have a concession card from Centrelink or the Department of Veterans' Affairs you might be eligible for a concession on electricity, medical expenses, course fees and car registration (Pensioners only).

- Good communication goes a long way to avoiding problems when you're late paying a bill. If you're not able to pay rent or a bill on time, contact the service provider to arrange an extension or payment plan.

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- Adjust your spending before your income is cut. This gives you time to get used to living on the lower payment before the bank balance runs out.

This resource has been developed with support from Ecstra Foundation. Ecstra is a not for profit organization committed to building financial wellbeing of all Australians within a fair financial system.

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