MODULE 3

Managing Debt on an Irregular Income

Purpose

When income is unpredictable, traditional debt repayment advice (like "always pay extra") can be dangerous. This module teaches you how to manage debt without risking your ability to pay for housing and food.

Step 1: The Debt Priority List

Not all debt is created equal. On an unpredictable income, you must prioritize based on the consequences of not paying.

Priority	Debt Type	Why?
High	Court-ordered (Child support, tickets)	Risk of jail or license suspension.
High	Secured Debt (Car loan)	Risk of losing your transportation to work.
Medium	Utility Debt (Phone/Power)	Risk of losing essential communication.
Low	Unsecured (Credit cards, old medical bills)	No immediate loss of housing or transport.

Step 2: The Safety-First Repayment Strategy

In a typical month, follow these three levels of payment based on your income that week:

1. **Low-Income Week:** Pay only the minimums on all debt. Keep your remaining cash for your Survival Number.
2. **Average-Income Week:** Pay all minimums + a small rounding up (e.g., if the bill is $22, pay $25).
3. **Surplus-Income Week:** Apply the 50/50 Surplus Rule from Module 1. Put half of your extra cash into your Income Shock Buffer and the other half toward your highest-priority debt.

Step 3: Communication is Key

If you cannot make a minimum payment during a lowest-income month:

- Call before you miss the payment.

> **The Hardship Script:** *"I am currently experiencing a temporary income transition. I can pay $X today; can we move my due date or waive the late fee for this month?"*

- Document everything: Note the name of the person you spoke to and the date.

Step 4: Avoiding the Payday Loan Trap

When your Survival Number is higher than your income, the temptation to use high-interest payday loans is high.

The Alternative: Re-visit Module 2 (The Buffer). The goal of the buffer is to act as your own loan so you never have to pay someone else 400% interest to keep your lights on.

Step 5: Core Habits for Success

- **Protect your four walls first:** Housing, food, transport, and phone.
- **Never pay debt** with money needed for next week's food.
- **Celebrate small wins:** Even paying off a $50 medical bill is a step toward Tier 2 (Flex) freedom.