

The Freelance Future & You Resource Guide

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What is freelancing?

While we've titled this session "The Freelance Future & You," we're using the term freelancing broadly to describe several different kinds of working relationships:

Freelancing: Your work will more than likely be working remotely and you will charge an hourly or project based fee to perform a specific task. Freelancers definitely bring expertise to their work but aren't necessarily regarded as experts, which makes it a good fit for those starting out or at mid-level in a field.

Consulting: Clients will hire you to provide expert advice in a specific area in exchange for a fee. Your work will tend to fall more in the advisory capacity. The organization's staff will be responsible for the implementation of your recommendations.

Contracting: Clients will hire you to provide a specific service for a set period of time. Unlike a consultant, you will be responsible for actually doing the work. Unlike a freelancer, your work will probably be performed onsite for the client and may extend to more than one project.

Contractors sometimes have relationships with employers that can look similar to full-time employment; however, there are some very specific legal differences. For more information, visit <http://www.sba.gov/content/hire-contractor-or-employee>. (By the way, these legal distinctions apply to freelancers and consultants as well.)

These definitions are not black and white and there is definitely overlap. Decide what type of work you want to do and which definition seems to fit your work the best, but remember that how you define your work will impact how potential clients view the service you will be providing.

**A note on this guide. The terms freelancing, consulting, freelancers, and consultants will be used interchangeable throughout this guide. We understand these terms are different, but to be inclusive we've decided to assume similar definitions for the purpose of the guide.*

What makes a good freelancer?

Self-motivated: As a freelancer, you'll be developing proposals for your work and/or your business, rather than having your work assigned to you. You'll also be working alone quite often and be responsible for setting your own schedule and deadlines.

Can handle uncertainty: Some months you'll be overbooked with business; other months will be a little slow. There may be times when you don't know when or what your next project will be, and your income will vary accordingly. Uncertainty will be a big part of your professional life.

Enjoys networking: Much of your business will come from your network and from past clients. Building a network and maintaining relationships with your clients will be key to success.

Confident in your abilities: Freelancing is not for shrinking violets. As a freelancer, you're selling yourself and your abilities and it's important that you can make a confident case for yourself.

Patient and flexible: You'll be dealing with a lot of different personality types and management styles. Sometimes internal client circumstances that you have no control over will affect your work. Patience and flexibility are critical to managing stress and coping with the vagaries of freelancing.

Able to set boundaries: At the same time, you need to be able to set and enforce boundaries. While you work for your client and want to serve them to the best of your abilities, you still have personal and professional needs that should be respected. It is generally in the best interests of both the client and the consultant to establish and stick to clear boundaries.

What if I want to explore freelancing on the side before committing to starting my own business?

Moonlighting is a fantastic way to see if freelancing is right for you before giving up the stability of a full-time job. Many freelancers and consultants we know started that way (and Jamie has gone back and forth between freelancing and full-time work at several different points in her career).

Those who want to moonlight have to answer many of the same questions as those looking to freelance full-time, but there are a few special things to consider if you're thinking about exploring freelancing on the side:

1. Decide what services you'd like to offer and what your availability is.

This is step number 1 in any freelancing endeavor, but those who are moonlighting also need to determine when they can serve freelance clients. Unlike full time freelancers and consultants, moonlighters will have less availability. Will you only be available to meet with clients on evenings and weekends? Can you take calls and answer emails during the day? How much work can you take on in a month? Do you have any other obligations outside of your job that limit your availability?

These questions are important to answer so that you don't overschedule yourself and can balance your personal, freelance, and full-time work needs. Clients will also want to know when you'll be available and when they can expect to contact and hear from you.

2. Decide if you need to talk to your current boss to let them know about your side gigs and/or ask for permission.

Some organizations don't care what you do on your own time or are flexible in allowing you to take personal (i.e. client) calls while at work. Other organizations have non-compete agreements and policies that might prevent you from taking on work outside of your job responsibilities without sign off from a manager or human resources. Figure out if your company has any policies regarding moonlighting.

Even if they don't, you may want to talk to your manager before they hear through the grapevine that you're freelancing. Your current employer may feel that your freelancing makes you a flight risk, which could affect your relationship and your full-time work. Supplementing your income, exploring new areas of work, and sharpening your skills are reasons you might give your employer for freelancing if they are worried that this means you're considering leaving.

There are some employers that may not care that you're moonlighting. Only you can know if your manager and organization will want or require a heads up before you get started.

3. Develop a portfolio of work (and ideally a web presence and business cards to go with it).

A portfolio of work is critical to demonstrating to potential clients that you can do the job. If you've never freelanced before, it's absolutely ok to use examples from your full-time work (but you might also want to run that by your boss).

If you don't have work samples, you'll need to develop some. This may mean working for a lower rate than you might usually ask for or working for free on a few projects so you have assets you can use in getting paying clients.

Developing a web presence and purchasing business cards also lend credibility to your operation. Just because you're doing this part-time doesn't mean you're not serious about it, and investing a relatively small amount of time and money in these tools demonstrates that this isn't just a lark for you. These tools are also invaluable for showcasing your work and helping you stay in touch with your network and potential clients.

4. Reach out to your network and/or potential clients.

Once you have the basics in place, let your network know that you're freelancing in addition to your full-time work. Share with them the type of work that you'll be doing and your availability and ask them to pass along your information to anyone who might need your services. You can also reach out to potential clients and people you think your skills might be a good fit for.

People might be confused as to why you're freelancing on top of your regular job. You might consider telling them that you feel you have valuable expertise to share with those working in your field (particularly appropriate for the nonprofit sector) or that you're looking for stretch opportunities, or that you enjoy your full-time job but you'd like to do more of a certain kind of work.

5. See how it goes.

After the first few projects, take a moment to evaluate. Did you enjoy the work? What would you have changed about the projects or what could have gone better? Do you feel like your skills and personality are a good fit for freelancing? Do you enjoy working with clients? How easy was it to find clients? Do you like getting to work with a variety of organizations on different projects, or do you prefer the long-term relationships and projects your full-time work provides?

Also keep in mind that as someone who is also working a full-time job, you're not able to enjoy one of the key benefits of freelancing to its fullest, which is flexibility. You may also feel overwhelmed by the amount of work, which can definitely happen to full-time freelancers, but often is a little easier to manage when you're not also working full-time.

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Basically, take a look at the things you enjoyed and the things you didn't. Are they things that would get easier with experience, or are they things that you can't change? Would having full-time availability relieve some of the problems or would having more flexibility make for an acceptable tradeoff? Now that you have some experience, you're in a better position to evaluate what works and what doesn't for you before you take the leap.

How do I create a portfolio of work?

One of your most important business tools as a freelancer is your portfolio of work. Hopefully someday you'll be so successful that your reputation will precede you. Until that day, you need a portfolio.

Your portfolio demonstrates not only that you can do the work, but that you can do it at the level and in the style that the client is seeking. It can also lend you credibility by demonstrating the number of successful projects you've completed previously.

How do you create a portfolio? Here's a few tips:

- 1. Draw on work you've done in your full-time job.**

With the permission of your organization, it is totally acceptable to share samples of work you've done as part of an organization. Just be sure to note if there were aspects of the work that you collaborated with others on—not only to give credit where credit is due, but also to avoid misleading clients about your capabilities.

- 2. Do a few pro bono projects.**

If you're having a hard time getting work without a portfolio, then offer to do some pro bono projects. You'll hear many people say that you should never work for free. Well, sort of. All three of us have found that pro bono projects are a great way to get our foot in the door. And you should absolutely use the work product in your portfolio. Nobody else has to know that you did the work for free.

- 3. Once you have paying gigs, make sure your clients are ok with you using the work.**

It's often written into the contract that the freelancer has the right to use any final work product in a portfolio. Make it clear to your clients upfront that you intend to do this. If there are sensitive aspects of the work, come to the client with a plan that allows you to show your work without disclosing any confidential information (it's almost always possible to do this).

These days portfolios are almost exclusively online. If you feel like you might have the need for hard copy examples of your work, you can also develop PDF versions that you can email to clients or print and bring to meetings.

It's easy to set up a portfolio site. Many free platforms like Wordpress and Squarespace have templates explicitly for this purpose.

How do I do pro bono projects?

As mentioned above in the portfolio of work section, pro bono projects can be very beneficial to people starting out. You'll often hear that you should never work for free and in general that's true.

However, when you're new to the business you need to have samples of your work. Leveraging those work samples will be critical to getting paying gigs, but it's hard to get gigs when you don't have samples.

Enter pro bono projects. People are often willing to take more of a chance on an unknown freelancer if they don't have to pay for it. If you're pursuing pro bono projects, however, there's a few things you should keep in mind:

1. **Make sure that what you're volunteering to do for free actually adds value to your business.**

Many organizations don't know what to do when a volunteer falls out of the sky and offers to do work that would normally require staff capacity. Some organizations will try to channel you into the more typical roles they have for volunteers, which won't add a lot of value to your business. It's not that you're too good to schlep boxes in the warehouse or lick envelopes—it's just that those tasks don't offer the kind of mutual benefit you're seeking. If an organization isn't really understanding what you're proposing, politely decline their suggestions for what they think you should do and move on.

2. **Work as if you're being paid twice your normal rate.**

Sign a contract. Meet all your deadlines. Go above and beyond in your service. The goal of a pro bono project is to gain some experience and produce good work, but pro bono clients can also be a fantastic source of referrals to other clients who will pay. Impressing your client with your dedication will pay off, especially if you're new to the business and just establishing a reputation.

3. **Be clear with your client about what they can do for you in lieu of payment.**

Pro bono clients are often grateful, but gratitude only gets you so far. Ask your clients for a testimonial quote or LinkedIn recommendation so that others can see some social proof of your awesomeness. Make sure to leave a few extra business cards with them and ask them to tell their colleagues about your services. If you have a very good relationship, you can even ask in a low-pressure way if there's anyone that they think you should reach out to who might be in need of your services. What's even better is if they'll introduce you.

Once you finish that pro bono project, add it to your portfolio right away!

Do I need a business plan?

Creating a business plan can be very useful tool when you are first starting out. It can help you to make the case for your business and in some instances you might need a formal business plan. If you'll need to take a loan to get start your banking institution may require a formal business plan. If you don't think you'll need a formal business plan, having a 1-pager you can refer to as you are soliciting clients or building your marketing materials can be very handy. Whether you decide to create or formal or informal business plan develop answers to the following questions:

1. What services will I provide and what services will I not provided?

Answering this question will not only help you to define who your potential clients could be, but it will also help you to determine who your competition is and is not.

This question will also help you to determine the scope of your business. Will you be doing project based work or are you looking to develop products for clients?

2. What's my niche? What sector do I want to work in? Who are my ideal clients?

3. Why would someone hire me?

4. What are your unique qualifications that will set you apart from the other people providing similar services? Are there skills that you are lacking and what will you do out it?

5. Is there demand for my services?

One way to determine this is to find other people who are doing similar work. Invite them out for a cup of coffee and pick their brain. Ask them how business is going for them, what types of clients they tend to work with, what struggles they've encountered, etc.

6. Who's my competition and how competitive is the market?

7. What will I charge and how will I charge?

Will you have an initial fee that you'll use as you build your client base with the hope to increase your rate in the future? If so, how will you position your fee now so repeat clients won't complain about rate changes.

Will you charge an hourly rate or will all your work be based on a project fee?

8. How will I get paid?

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The answer to this question has a lot to do with the type of business you establish. You should seek advice from an accountant or financial advisor to determine the answer to this question. If you establish an LLC you should be able to make draws on your business account to pay yourself. If you decide to form an LLC with an S-Corp tax classification you'll have to pay yourself a salary using a payroll provider.

How do I determine my rate?

This could be one of the trickiest parts of starting your own business. You want to make sure that you don't charge too much because people won't hire you, but if you charge too little they'll think you don't provide quality services. You also need to make sure that you can make enough money to cover your cost of living.

Start out by determine what you need to make to survive. Remember that you will now be responsible for paying business taxes in addition to individual income taxes. When you worked for an employer they paid your FICA taxes, but now you'll be responsible for paying it and it could work out to 15% of your gross income. Consider some of these expenses as you think about your expenses:

- **Insurance**

Will you be losing employer provided insurance? How much will it cost for you to get health and life insurance?

- **Workspace**

Will you be able to work from home or will you need to rent office space or purchase a membership at a coworking space?

- **Business expenses**

What start-up expenses will you have (office furniture, electronics, etc)? What on-going expenses will you have (web hosting, email hosting, internet, phone, etc)?

There are two ways you could determine your rate:

- **Cost of living:** Cost of living + plus yearly profit + 30% for taxes = amount you'll need to make each year. Divide that by the number of hours you plan to bill for that year.
- **Market Rate:** What are other people charging who do similar work and what are companies paying? Will this rate cover you costs and provide a profit?

Use an online rate calculator or a rate calculator app to help you determine how much you should be charging and to think through some important questions related to what you charge. You can find a decent calculator by going to <http://www.consultingsuccess.com/consulting-fees-calculator>.

One more important thing to remember, there is a difference between running your business and doing business. You are your own tech person, bookkeeper, personal assistant, and marketing manager. Clients won't be paying you for the time you spend fixing your printer or

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creating invoices. Don't underestimate the amount of time you'll have to spend actually running your business. You might be working 60 hours a week, but you won't be billing 60 hours a week. Remember this point when you set your rate.

What type of business do I want?

Once you decide to start consulting one of your next decision will be to determine how you would like to incorporate. Do you want to be a sole proprietor, an LLC, or a partnership? Talk to other consultants to figure out what route they decided to go, do your research, and you may want to consult an attorney for input.

Popular Incorporation Options:

- **Limited Liability Corporation:** A limited liability company is a hybrid type of legal structure that provides the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership.
- **Sole Proprietor:** A sole proprietorship is the simplest and most common structure chosen to start a business. It is an unincorporated business owned and run by one individual with no distinction between the business and you, the owner. You are entitled to all profits and are responsible for all your business's debts, losses and liabilities.
- **Partnership:** A partnership is a single business where two or more people share ownership. Each partner contributes to all aspects of the business, including money, property, labor or skill. In return, each partner shares in the profits and losses of the business.
- **S Corporation:** An S corporation (sometimes referred to as an S Corp) is a special type of corporation created through an IRS tax election. An eligible domestic corporation can avoid double taxation (once to the corporation and again to the shareholders) by electing to be treated as an S corporation.

All the definitions above come from the Small Business Administration website. This website has a wealth of information about starting and running a business. Make sure to visit to check out their resources as you explore setting up your own business. www.sba.gov/

What paperwork do I need to file?

Once you determine how you would like to incorporate, you'll need to register your business with the Secretary of State's office. You can file most, if not all, of your paperwork online. The type of paperwork you file will depend on the type of business you decide to form. Visit their website for specifics. www.sos.state.mn.us

One of the first thing you'll want to do it lookup your business name to ensure it hasn't been taken. Once you confirm your business name is clear begin the paperwork. The SOS website is pretty good about walking you through the process. Visit the back of the resource guide for a schedule of fees.

You may also want to file a certificate of assumed name. This will allow you to operate your business under multiple names. If you file as an LLC it will also allow you to drop the LLC from the behind your name when completing legal and other documents. For example, if you register your business and Jane Does Great Work LLC, you'll need to use this name in all documents and legal filings. If you prefer to list your company name as Jane Does Great Work, you'll need to file a certificate of assumed name. Filing the certificate isn't difficult and all can be done on the SOS website, but you will have to post your certificate in a local newspaper for a set period of time to announce this change. It's very archaic process, but one you'll need to complete to make the filing official.

You may also need to obtain an Employer Identification Number. The IRS website has a simple form you can complete to determine if you need an EIN and you can apply for a number online. <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Do-You-Need-an-EIN>

What's this bookkeeping thing I hear people talking about?

Keeping your books in order and paying your taxes are key to ensuring the longevity of your business. There are a number of great free online apps and tools you can use, but if you feel like you might need something more sophisticated you can also consider purchasing software. You may want to consider working with a bookkeeper or accountant to ensure you keep your books in order, file your taxes on time, and hopefully avoid overpaying in taxes.

Consult with other freelancers to see what software they use and if they've decided to hire an accountant or bookkeeper. Make sure to keep the following things in mind:

1. Your books are the key to a successful business.

If your books are in order you'll be able to easily tell if you are making or losing money and if all your invoices have been paid. Keeping your books organized throughout the year will make tax time a breeze and will also help you maximize your tax deductions. So many things are tax deductible for the self-employed, but you need to keep accurate records so that you can deduct them properly and avoid audits down the line.

2. Do you need a bookkeeper?

A bookkeeper is a person that literally keeps your books. They'll process, expenses, create and send invoices, and pay your bills. They won't necessarily be able to provide strategic financial advice. Bookkeeping can be a big time suck and it can very easy to fall behind. If you can afford a bookkeeper you might want to consider hiring someone. If you can't afford to hire someone make sure to stay on top of things. Carve out time on a weekly and monthly basis to handle your bookkeeping. Make sure you bill your clients, track your mileage, and track expenses. You'll thank yourself at tax time!

3. Do you need an accountant?

A good accountant could become a key member of your team. They can help build your financial strategy, plan for tax liabilities, provide guidance to minimize your tax liability, and prepare your taxes. Unless you are a trained accountant this is probably one area where you'll want to spend money. Do your research and interview of a few different accountants to make sure you are able to find someone you can and want to work with.

Resources

Minnesota-specific business guides

Guide to Starting a Business in Minnesota:

<http://mn.gov/deed/images/GuideToStartingABusinessInMinnesota2014.pdf>

Small Business Administration: www.sba.gov

Minnesota Department of Employment and Economic Development:

<https://mn.gov/deed/business/starting-business/>

Office of the Minnesota Secretary of State: <http://www.sos.state.mn.us/index.aspx?page=92>

Books

“The Nonprofit Consulting Playbook” by Susan Schaefer and Linda Lysakowski

“Nonprofit Consulting Essentials” by Penelope Cagney

“Consulting for Nonprofits: A Practitioners Guide” by Carol Ann Lukas

“My So-Called Freelance Life” and “The Anti 9 to 5 Guide” by Michelle Goodman

“Turning Pro” by Steven Pressfield

“The \$100 Startup: Reinvent the Way You Make a Living, Do What You Love, and Create a New Future” by Chris Guillebeau

Tools

Wave: Online accounting and bookkeeping app that allows you to easily create customizable invoices, scan receipts with your phone and upload them directly so you don’t have to worry about keeping paper copies. You can also create customizable reports. www.waveapps.com

Freshbooks: A low-frills, cloud-based bookkeeping software with a free plan that allows you to have up to three client profiles at a time (and you can create invoices for more clients than that, but three is all the free plan allows you to save). A good system for moonlighters and others who are just getting started. www.freshbooks.com

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Toggl: A free online time keeping app. Very simple to use and has upgrade options for more sophistication. www.toggl.com

TripLog: Use your phone's GPS to track mileage for your business trips (which is tax deductible!). www.triplogmileage.com

Moo.com: A great source for affordable, high-quality business cards and stationary with lots of contemporary templates if you're not a design whiz. www.moo.com