

Becoming a freelancer

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Created by Business Link 05 February 2008 18:20
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Introduction

Most creative people are unable to make a living from the sale of their work alone and therefore becoming self employed as a freelancer enables you to manage your finances more effectively by earning additional money from short term opportunities.

Graphic design, illustration, photography, the performing arts, journalism, web design and copywriting are some of the sectors that use freelancers on a regular basis.

This guide offers information on becoming a supplier.

Advantages of being a freelancer

Becoming a freelancer means that you register with the Inland Revenue as self employed and are hired by other people, or organisations, to work on projects for a set period of time under a fixed contract. You are usually paid by the hour for your specific skills, however, contracts with a fixed price to complete a fixed project are also an option.

Unlike being employed, you are responsible for paying your tax and National Insurance contributions. Very often you will work from your client's premises, although for some jobs you can work from home too.

Becoming a freelancer is higher risk than being employed but there are also many benefits.

- Creativity – allows you to use your creative skills to make a living –

rather than getting a job outside the creative sector

- Flexibility – being your own boss means that you can decide where and how much you work
- Variety – an opportunity to work on different projects, also helps broaden your skills and experience. Freelancing allows you to make contacts within many different companies which is useful for developing a customer base and generating further work, as well as getting to know which type of organisation you would like to work for in the future. Very often it is the only way to get a job offer for a creative graduate
- More money – freelancers often get paid more than staff working for the same organisation, as employers aren't responsible for paying them National Insurance, holiday and sick pay. Nightshifts are especially well paid
- Less tax – you can claim back your expenses against your income tax bill

Disadvantages of being a freelancer

If you are becoming a freelancer you need to be aware of some of the disadvantages:

- Less security – you are not guaranteed continuous work and employers are not responsible for paying your national insurance, holiday and sick pay. Therefore you do not have a reliable income that continues whether you want to take time off or are ill.
- More than just the job – being self-employed means that you wear

all 'the hats' of the business i.e. you are the finance manager, the administrator and the marketing manager which means that you are responsible for making new contacts and promoting yourself in order to generate enough work.

- Isolation – being self-employed can be lonely, especially if your work is home based and making decisions, without a support network can be hard. If you work at a client's premises you need to be able to adjust quickly.

Skills needed to become a freelancer

Have you got what it takes to be a successful freelancer? Read through the bullet points below and see if you have some of the skills required to become a freelancer.

- Do you have clear career goals, know what you want to achieve and how you are going to get there?
- Are you a self-starter, able to work on your own and motivate yourself to find new clients and opportunities on an ongoing basis?
- Do you enjoy taking risks, but undertake the necessary research beforehand and can accept the best and worst case scenarios?
- Do you have a strong self-belief that allows you to negotiate effectively with clients, get paid what you're worth and keep on going even when things are difficult?
- Are you a clear communicator able to discuss briefs and ensure that you are meeting your client's expectations, as well as being able to get on with a range of different

people.

- Do you possess the required skills levels? Recruitment agencies will often test you on these.
- Are you able to develop your contact book and keep them up-to-date with the latest developments?
- Are you aware of the financial and legal implications of being self-employed and able to keep abreast of the relevant paperwork?

Research and planning

Planning helps you decide on your general direction and develop a strategy, by looking at where you now, where you are going and how to get there. It also helps with better time management and minimises risk by anticipating problems and making informed decisions.

One of the biggest benefits is that planning puts you in control of your future so that you choose what you want to do and how much you want to earn, rather than waiting for the phone to ring and taking the first clients that find you – even if they don't fulfill any of your criteria.

Research is one of the most important parts of the planning process and should be undertaken to assess whether to become a freelancer, if you decide to proceed the information can they be used as a basis for your business plan.

Consider whether your skills can be used on a freelance basis. Most industries have a professional body where you can find out more information about freelance opportunities and they can also provide guidance on what rates you can charge and the current level of demand. Another way is

to speak to other people that are currently freelancing to gain an insight into both the positives and the negatives and how they have managed to generate work.

Understand what your clients require in terms of price, quality, delivery and customer service and how you will be able to meet their needs. This also helps identify how you compare to your competitors.

Finding work

Find out if there are any recruitment agencies that you can join who specialise in using freelancers with your skills - they will act as the middle person, putting you in direct contact with companies, but will take a percentage of your rate as a fee. Recruitment agencies often have a set hourly rate paid for different skill levels. These are hard to negotiate, unless you possess specialised skills.

Calculate whether this is likely to be a profitable route for you, or whether you will need to supplement it with other sources of income.

Where can I find work?

For creative people to gain job satisfaction, new projects and clients need to offer them creativity, money or profile. Earning money without creativity and profile can quickly lead to boredom and frustration. However, you won't be able to survive financially and creativity and profile alone. Ideally you should find a balance between projects and clients that can provide you with all three criteria.

New projects and clients can be acquired through:

- Directly targeting clients who have a need for your services.
- Finding out if there are any recruitment agencies that you can join who specialise in using freelancers.
- Using specialist websites where clients advertise jobs and you can promote your services.
- Teaming up with other creatives i.e. photographers and copywriters working with a graphic designer. This enables each of you to collate all of your individual contacts, creating a bigger pool to target.

Costing your services

Some freelancers will be asked to pitch for new projects and it is advisable to provide a project brief.

Every new project for every client should be costed separately. Develop a clear project brief that explains what you are going to do, include a separate quote, which explains what exactly is expected, the delivery schedule and related costs. This ensures clear communication, which improves the working relationship with your clients and is part of managing expectations on both sides.

Plan carefully how you will execute the project. Predict your time spent on meetings, producing the work or dealing with subcontractors. If you have kept time records you should have a realistic overview of how long a comparative project cost you in time. Add 10-15% on just in case and give a total figure rather than an hourly rate.

Extra work or amendments should be discussed with the client to determine their

requirements, how long they will take to complete and then an additional fee agreed. It is advisable to keep a contact report detailing what amendments were made, how long they took, the agreed price and who requested them so that you keep the client up-to-date with developments, which helps avoid disputes when the final invoice is submitted.

Pricing your services

Price setting can be done in the following three ways:

By cost

Based on your costs plus profit margin, this relates to your objectives relating to how much you want to earn in a year. If you really want to work with a client you might choose to reduce your price, or if you expect it to be a difficult project you might choose to increase it.

On average you will only be able to bill for 60% of your week as the rest of your time will be spent on admin, your finances, marketing and other functions required to develop your business.

By competition

What is the going rate? Research what your competitors are asking; check their website, visit retail outlets or trade fairs and undertake mystery shopping. Freelancer's profit margin can range from 15-40%, with 20% being considered fair in most markets. Some trade organisations give an indication of fee levels on their website.

By demand

Price discrimination for different customers and working criteria i.e. night shifts, weekends and length of contract or for rush jobs. Clients may give you the budget they have to work with and ask you quote what you can provide for that fee.

It is very difficult to compete on price alone in the creative sector, as sales of services are less influenced by the price than by the quality of your work and how you do business. Lower prices will NOT automatically mean that you will sell more, it will show that you don't know the going rate or people might think your services aren't very good.

Drawing up contracts

It is important to have a contract for each project that you undertake, based on the terms agreed with the client beforehand. It should encompass the objectives of the project and detail the services that you will provide, as well as timescales and payment terms.

It is also advisable to include an option to renegotiate the agreed fee to allow for unforeseen developments during the course of the project, this should also cover cancellations by both the client and yourself.

Who owns the copyright?

Ownership of the copyright of the work undertaken should also be included in the contract. It is usual for this to remain the property of the client but it needs to be agreed, before any work commences.

How do I draw up a contract?

The PCG, Professional Contracts Group, have freelance contracts available for members, or a legal expert can prepare one for you, which can be adapted for each new project.

IR35

New legislation, introduced by the Inland Revenue in April 2000, affects anyone who is working via an intermediary, such as a Limited Company or partnership. It requires freelancers to undertake the 'IR35 test' to determine whether they would be an employee if they were contracting directly with the 'client' rather than using this intermediary. If their terms and conditions or working practices are of employment then they will be caught by the IR35 legislation.

Can I be employed and self-employed at the same time?

You can be employed and register as self-employed at the same time, when filling in your tax return you will just need to state income streams and any outstanding tax will be calculated. Many creative people rely on a small, regular income from a job that uses their skills such as workshop residencies, community arts, teaching or arts administration that enables them to build up alternative sources of freelance income.

You can offset taxes paid as an employee against taxes to be paid as self-employed if the latter income is low. For more information contact an Inland Revenue adviser or a good accountant.

Helplines

Business Link London

0845 6000 787

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