

DIY



In today's bleak job market, many people who never considered self-employment before are venturing out on their own. These newly minted entrepreneurs have much to learn about the freelance life, including how to find their market, attract a regular stream of clients, do their taxes, and ensure that they have the best possible health insurance.

Self-employment can be anything from working as a freelancer (or a contractor) to starting your own business. While there are many differences between being a freelancer and owning a business, both of them involve making opportunities for yourself and being smart enough to handle your finances.

Tim Bouchard, a Web designer in Buffalo, New York, started his own business before the recession, but he's still discovering the ins and outs of self-employment. When Tim first graduated from college, he got a job with a Web design firm. But after learning "the tricks of the trade," he explains, "I decided to break off into my own business because I personally love having creative control and a close relationship with the clients from start to finish."

Tim is in the process of building his clientele. One disadvantage of self-employment is that you don't always know

"YOUR LIFE, YOUR MONEY" ON PBS

LIVING THE FREELANCE LIFE

By Melicia Trumball

Remember the old, pre-recession days when the career gurus asked, "Are you living for your passion or your paycheck?" Rocketing layoffs have changed the financial landscape and posed new questions: Are you living from unemployment check to unemployment check, or are you using your new free time to turn a hobby you love into the career of your dreams?

FAMOUS FREELANCERS



Oprah Winfrey
Media



Ben & Jerry's
Ice Cream

Pablo Picasso
Painter



Mary Kay Ash
Cosmetics
(Mary Kay)

P.T. Barnum
Entertainment
(Barnum &
Bailey Circus)



Warren Bechtel
Construction

Jeff Bezos
Internet (Amazon)



COURTESY: AMAZON

Alvin Ailey
Dance



COURTESY: HARPO, INC



PHOTO BY:
CARL VAN VECHTEN

where your next paycheck is coming from. “The workflow isn’t always consistent. I spend about 20 percent of my week searching out new jobs.”

Entrepreneurs also have to manage their own business finances. This means knowing your daily operating costs. For instance, Tim has to make sure his Web design company, Sharp Cut Media, has the most up-to-date technology and software. He also pays for copy paper, gas mileage, Web hosting, and many other necessities that his employer would cover if he still worked for a Web design firm.

Since self-employed people have to spend money to make money, the IRS allows them to deduct their business expenses from their gross income, but they also have to put aside part of their gross income for taxes. When you work for an employer, you pay some taxes automatically as you earn money: part of your income is withheld from each paycheck to cover your taxes, social security,

Medicare, and possibly your health insurance.

When you work for yourself, nothing is withheld. You have to keep meticulous records of your income and business expenses. If the IRS thinks you owe them more than you’ve paid, they may audit you. “It’s a pay-as-you-go tax system,” explains *Washington Post* personal finance columnist Michelle Singletary. “The government wants their money as you earn your money. If you have not paid enough into the tax system based on your income, you are penalized for that. The IRS does not play. They will come after you, and the penalties for not paying are stiff.”

Freelancers are generally advised to save a third of their gross income for taxes. Tim puts aside 30 to 35 percent for taxes and 15 to 20 percent for business

SET ASIDE

- 30% for taxes
- 15% for business expenses and health insurance
- 10% for retirement

expenses and health insurance. His father, a certified financial planner, advises him to save 10 percent for retirement as well. If you’re self-employed,

you also have to provide your own pension. You don’t have an employer who offers you a pension and 401(k) plan and directly deposits part of your wages into your retirement account.

Freelancers have to keep track of their own money, or hire someone to do it for them. Some freelancers are great at saving and investing, but many hire accountants and certified financial planners to help with filing taxes, investing, and saving for retirement.

Health insurance is among the thorniest challenges freelancers face. When you work for yourself, there are no pre-selected employer health plans you can sign up for, you have to scout out your own. You have the option of applying for an individual plan, or joining a union or organization that offers a group plan (like the Freelancers Union based in New York City).

Whether you are working for yourself or as part of a company, what matters most is that you are happy.

Everything is an opportunity for us to better ourselves. The important thing is what you do with the opportunities you have; if you continually “aspire up” you will prosper.

As Tim Bouchard says, “I live a life of not knowing what I will make in two months or what I will be working on. You could say that it is the ultimate motivational tool. I work more hours than I used to, but I do get the flexibility to work those hours into my day as I see fit. Everyone loves feeling accomplished in one way or another, I am no different.”

Visit Tim’s site at www.sharpcut.net

Sample Expenses

Office supplies:
\$150/year

Latest software:
\$200/year

Office equipment:
\$2,000

Mileage: \$50/month

Web hosting:
\$220/year



Melicia Trumball has been self-employed for more than 10 years.



ACTIVITY: ARE YOU LIVING FOR YOUR PASSION OR YOUR PAYCHECK?

Take out a sheet of paper. Quickly write down (without thinking) five things that you most want to do. Now, review them. Are they pointing you towards a career? For example, if you wrote down write a novel, create a TV pilot, own my own magazine, and travel the world, then you may want to consider becoming a travel writer. There are a million things that you can do. It’s up to you to fight for the life that you want.



Richard Branson
Virgin Group



Walt Disney
Entertainment



Debbi Fields
Cookies
(Mrs. Fields)

Bill Gates
Software
(Microsoft)



Donald and Doris Fisher
Clothing (Gap Inc.)

Michael Bloomberg
Financial Information



Andrew Carnegie
Steel (US Steel)

