



ESTABLISHING YOUR FREELANCE BUSINESS 101

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LESSON #5

Pricing Strategies

One of the most common questions a new freelancer asks is “How much should I charge?” The answer isn’t as simple as you might think.

I. WHAT TO CHARGE

Freelancers determine their fees based on a number of factors, such as the following:

- industry-standard guidelines
- the fees colleagues charge
- personal expertise and skills
- the market
- project details
- added benefits
- turnaround time
- expenses
- their own financial requirements

A. Industry-Standard Guidelines

[Editorial Freelancers Association](#) website offers a list of average rates for freelancers. I (Kathy) found a couple of other websites with average rates (which are now members only). Based on these three websites, I put together a chart of average rates and put it on the [Christian Editor Connection](#) site.

Writer’s Digest has a free download, [Writer’s Market Companion](#).

I encourage you to check out all of those sites (and let me know if you find other good ones).

Note: When page rates (or pages/hour estimates) are mentioned, a manuscript page is considered

to be 8.5 × 11 inches, double-spaced, 12-point Times New Roman font, with one-inch margins, which works out to an average of 250 words per page.

The PEN Institute course [Freelance Editing 101](#) goes into detail about the various types of editing. There are some variations in definitions for the different types of editing, but here's my general delineation:

Proofreading

For a traditional proofread, you mark typos, inconsistencies, inaccuracies, misspelled words, grammatical problems, punctuation mistakes, inappropriate end-of-line word breaks, etc. In a "page proof," you carefully compare the latest version of a project to earlier stages to make sure all the changes have been made correctly. You also double-check formatting and accuracy.

Critiquing

A manuscript critique is a broad overall assessment/review of an author's manuscript, pinpointing its strengths and weaknesses. Specific problem areas are flagged, and general suggestions for improvement are made. But a critique does not provide detailed advice on manuscript revision.

Content Editing (aka Substantive Editing)

As a content editor, your main focus is on clarifying ambiguities, correcting conceptual problems, and maintaining the tone of the manuscript, ensuring that it's appropriate for the particular audience the author envisions it for. You identify problems with clarity or accuracy, gaps in content, inconsistencies, poor examples, and analogies, etc. For a fiction manuscript, a content edit may also include identifying problems with such things as pacing, plot, dialogue, point of view, character development, setting, lack of conflict/tension, too much (or too little) description, etc.

Copyediting (aka Line-by-Line Editing)

A copyedit is a line-by-line review of a manuscript. Depending on how in-depth the author requests, this may include checking for:

- Logical and understandable presentation/wording
- Continuity
- Proper citation of sources
- Inaccuracies
- Redundancies
- Sentence clarity
- Word choice
- Maintenance of tone/voice
- Consistency of style
- Quotations that may require permission from the copyright holder

For fiction manuscripts, also mark inconsistencies in point of view, tense, and other details.

Developmental Editing (aka Book Doctoring)

A developmental editor works closely with the author/client on a specific project from the initial concept, outline, or draft (or some combination of the three) through any number of subsequent drafts. You make suggestions about the content, organization, and presentation based on an analysis of competing works, comments of expert reviewers, the client's market analysis, and other appropriate references.

Ghostwriting/Coauthoring/Collaborating

A ghostwriter uses text, notes, outlines, and/or transcriptions provided by the author/client, then writes the manuscript, working closely with the author. New material is researched and developed or obtained from the author as needed. Author retains all rights and receives all royalties. Traditionally, a ghostwriter's name is not included in the byline. The author pays the ghostwriter, usually by the hour. The author may or may not grant the ghostwriter permission to tell people that she worked on the project. The ghostwriter should be well compensated financially for the work since her contribution is not being officially acknowledged in the byline, and even more, if she is not allowed to mention this project in the promotion of her business.

A coauthor does about half of the work required to put the manuscript together and is equally qualified to write on the topic. The byline reads "Author's Name *and* Coauthor's Name." Both names are usually printed in the same size font on the book cover. The author may pay the coauthor by the hour for her work on the project, but often there is an agreement to split rights and royalties instead (or in addition to a lower hourly rate).

A collaborator does less than half of the work/is not equally qualified to write on the topic. For example, the author is a professional and is writing on his area of expertise while the collaborator is using his writing skills to make the author look good and the book read well. Or the book is the author's memoir or autobiography. The byline reads "Author's Name *with* Collaborator's Name." The author's name is predominant on the book cover, with the collaborator's name in smaller, more subtle print. The author pays the collaborator, usually by the hour, but a royalty split (with or without a lower hourly rate) is also a possibility. In general, collaborating pays less than ghostwriting since the collaborator is sharing the byline and benefiting from the promotion of the book.

Mentoring

A mentor works with a new/aspiring author and teaches writing and self-editing techniques. You assist with the preparation of a proposal and the search for an agent/publisher. As a mentor, you perform many of the same services as a developmental editor/book doctor, but you work with the author through numerous projects over a long period of time rather than on a single manuscript. As you work on multiple projects with the author, you help your client develop the skill and craft of writing and assist him in establishing a career as an author.

B. The Fees Colleagues Charge

You may wish to take your own personal survey and ask other editorial freelancers what they charge. Be sure to compare yourself with others who do the same type of editing you do. And take the other factors listed here into consideration as well.

You may also wish to check the online loop's archives (if you are a member of [The Christian PEN](#)) for discussions on this topic.

C. Personal Expertise and Skills

People with strong skills, who may have a work or educational background in a relevant field, will likely charge more than freelancers with little or no formal background or training in the field. If you have experience and established skills in a particular specialty, you may be able to charge more for that ability.

D. The Market

Large corporations can afford to pay a much higher rate than individuals. Established authors are usually willing to pay more for high-quality editing than those who just want to put together a family genealogy for relatives. Book publishers tend to have fairly small budgets for freelance proofreading and editing. Christian publishers often pay less than secular ones.

If you decide to work with a publishing house (or another established company or corporation), they will likely set your rate of pay (or a flat amount). It's up to you to determine whether or not to accept what they offer. Unless you have a stellar reputation as an editorial freelancer, you probably won't be able to negotiate the amount (and even if you do, it's unlikely you'll talk them into paying much more than their standard rate).

E. Project Details

The amount of time and effort involved in any given project will vary based on a number of details, including

- Line spacing: single, double, 1.5, or other;
- Project size: a children's picture book will take a lot less time than a three-book series of suspense novels;
- Type of work requested: basic proofreading, in-depth copyediting, substantive/content editing, overall critique, etc.; and
- Client's skill level: an experienced author should need less work than someone who's just starting out.

Also consider the difficulty level of the project. A theological treatise that requires fact-checking, research, and verification of footnotes will be more complex than, for example, a cookbook. Challenging projects can drain your energy more than easy ones, leaving you with less brainpower for other jobs, for yourself, and for your family. Therefore, they may be worth more money to you.

A job requiring special skills or extensive research can justify a higher fee. If, for instance, a project requires technical expertise or knowledge of a foreign language, a higher-than-average fee is appropriate for bringing those skills to the work.

F. Added Benefits

You may want to consider charging less money for clients who can benefit you and your career in some specific way. For example, a publishing house may offer you significantly less money

per hour than you could make from an individual author. But that could give you a “foot in the door” to submit your own writing for publication by that house. And having books published by a reputable company can look really good on your editing résumé.

In addition, if you do a good job for that publisher, they could be a source of repeat business. You may want to charge a lower rate to clients who can provide you with ongoing work, as this will save on some of the time and cost of marketing your services to new clients. (On the other hand, this will mean doing a lot of work at a lower rate, which could prevent you from being able to take on higher-paying jobs. But that won't be a concern until your schedule gets pretty full.)

G. Turnaround Time

Will you charge extra for a rush job? Determine what your standard turnaround time is for a particular project based on how much work is required and what your schedule is. If a client wants the job done quicker, you can specify a flat extra amount or a 10 to 30 percent “expedite fee” to your regular rate to cover the inconvenience. If you charge an hourly rate, you could request “time and a half” for rush work that will need to be done on evenings, weekends, or holidays.

H. Expenses

As an independent consultant, you must pay for all business costs yourself. This includes purchasing and maintaining office equipment such as computers, peripherals, and software. The cost of supplies like paper, pens, sticky notes, paper clips, and things of that nature can add up fast. Not to mention advertising/marketing/promotion of your services. Be sure you charge enough to cover your time and expenses; otherwise, your profit (net income after expenses) won't be worth your staying in business.

You may want to charge more for jobs that require you to pay a referral fee. Let's say, for example, you determine that you want to make \$300 for a particular job. A 15 percent finder's fee would be \$45, so your actual income would be \$255. However, if you quote \$350 to your client, your net income (after paying a referral fee of \$52.50) would be \$297.50. If you quote \$360 to your client, you will make \$306.

To maximize your net profit, look for ways you can cut back on your expenses.

I. Your Financial Requirements

Everyone has unique circumstances and needs. Take into consideration your immediate requirements: for instance, paying the mortgage and putting food on the table, paying income tax and social security tax (we'll be going into more detail on that in Lesson 9), tithing on your business income and planning for your future retirement.

Consider also the time you'll spend in nonbillable activities, such as marketing your services, taking care of paperwork, attending conferences, emailing clients, etc. These activities will take approximately half of your work hours. Therefore, to determine the amount you want to earn, you may have to charge approximately twice what you want to actually take in.

Discounts

You might want to offer discounts to

- clients you really desire to work with;
- people you know personally;
- projects you feel particularly passionate about; or
- jobs that are so much fun, you'd almost be willing to do them for free.

One word of caution: If you charge different amounts to different clients, remember that authors don't live in seclusion. If your client tells his writer friends or other colleagues how much he pays for your services, who then contacts you for editing, and you quote that person a different rate, you may end up having to explain why.

Raising Your Rates

Plan for the long term. When you first start your business, you'll need to begin at the lower end of the range. As you gain more experience and knowledge, you can start raising your rates. When that happens, you'll need to decide whether to quote your higher rates only to new clients or to inform continuing or returning clients that you're now charging more.

I have raised my rates a few times over the years. If a client I haven't heard from in quite a while comes back and asks for more work, I usually tell that client that my rates are now a little higher than when we worked together previously, but I may still offer a discount from my standard rate.

I used to not raise my rates at all for continuing clients. But after a few years, I found that I had a much lower rate for continuing clients than for new clients, which made working with new people more attractive. So toward the end of each calendar year, I started telling some of my ongoing clients that my rates were going up as of January 1, so I had to raise my rates for them too (but I still offered them a lower rate than I used for new clients). Most were fine with this, although a few said I should be happy to charge them a lower rate since I got so much work from them. What they didn't realize was that if I was spending a lot of my time working at the discounted rate, my overall income was actually less. When I had enough business that I could work as many hours as I wanted to put in, without spending much time marketing for more new clients, charging less for continuing clients no longer made sense.

II. HOW TO CHARGE

By the hour, by the page, by the word, or by the project? There's no set standard; all three methods are used by professional editors.

Some editors will figure out how much time they anticipate a job will take, determine how much per hour they wish to make, and then quote a per-page rate based on that estimate.

A flat project fee is most appropriate for a job with few, if any, unknowns. This is best when you and your client have worked together on similar projects and have developed mutual trust. Many publishers work on a per-project basis only.

Projects with clearly defined requirements are good candidates for flat project fees. For example, a freelance indexer might charge a project fee based on the number of entries in the index, so the amount of time required to compile the index can be estimated fairly accurately. Freelance copyeditors, on the other hand, are often better off charging an hourly fee, because so many aspects of the work cannot be analyzed in advance.

A project fee can be a blessing or a disaster, depending on how well you estimated the job and how many surprises occur along the way. Try to make the fee high enough to cover any unforeseen elements that take more time than originally estimated. If those unforeseen things happen, your time will be covered. If they don't, you'll make a tidy profit.

Following is a simple method of calculating a project fee:

1. Set an hourly rate for yourself.
2. Estimate the amount of time that will be needed to complete the job.
3. Multiply your hourly rate by the time estimate for the project.
4. Pad that amount by 10 to 20 percent to cover surprises. (Or you could specify with the client that the fee is open to renegotiation if complications occur.)

III. PAYMENT PLANS

Payment plans may vary from one project to another. Some plans are better suited to one type of project than another.

A. Installments

With flat-fee projects, freelancers usually receive payment in installments. For example: (a) half up front and half upon completion or (b) one third in advance, second third in the middle, and final payment at the end.

B. Scheduled Payments

Weekly or biweekly payments are particularly good for long-term jobs.

C. Retainer

Ongoing relationships (such as mentoring) may work best using a monthly retainer, or on a pay-as-you-go basis, in which you work the number of hours the client pays for and let him know whenever you're close to running out. In this case, you will want to keep a schedule of payments received and hours worked, which you would send to the client on a monthly basis/whenever the number of hours worked nears the number of hours paid.

D. Piecemeal Payments

I usually recommend to new clients that they start by sending me just the first few chapters of a book-length manuscript. This initial edit allows me to determine more accurately what the complete job would require, and the client can assess my work as well. This initial edit gives us both a good understanding of the ultimate scope of the full project. If the client is unhappy with the edit for some reason, he can end the relationship there with no obligation to continue. However, if the client is pleased, he may pick up on recurring corrections and suggestions and

apply them to future chapters before sending them to me. If later sections are more polished, they should require less time to edit. Therefore, later edits would cost the client less per page.

I used to estimate initial payments from new clients based on a sample of their work. I no longer do free sample edits. Now I base the initial payment on how many pages per hour the typical new project requires, then tell the client that if the job takes less time than anticipated, the balance can be used for additional editing, or a refund may be sent upon request.

E. Royalty Split

Are you willing to work on contingency, receiving a percentage of the advance and/or royalties if the client sells the manuscript to a commercial publisher? Many inexperienced writers will request this type of deal, especially if they don't have the up-front money to pay for editing. Unless you are absolutely confident that this book will sell well, you could be putting in a lot of hours that you'll never be paid for. And with the publishing industry as competitive as it is, no matter how good a book is, there are no guarantees it will be published. Or sell a lot of copies.

However, if an experienced author wishes to work with you on a contingency basis, and you're willing to take the risk, this could be highly beneficial if the book does get picked up and sells well (especially if the client agrees to include your name in the byline).

One way to cover both bases is to negotiate an hourly fee (usually one that is lower than your regular rate) plus a split of the royalties.

If you decide to work for a royalty split, make sure you have a collaboration agreement, signed by both parties, that clearly states what both parties expect.

IV. WHEN TO GET PAID

Some editors insist on payment up front. Others are willing to be paid after the work is done.

My advice: *Never* send a client the work you've done if you haven't been paid for it. Don't even start on a job until after you've been paid something—at least a substantial deposit. You may be surprised at how often you get “stiffed” if you don't insist on payment up front, even from Christians, even from people who sound sincere and desperate, even from people you thought you knew well. With PayPal, if a client is in a big rush, there's no reason he can't find a way to pay you up front.

Now, even though I said “never” (in italics, no less), that advice has its exceptions. I do work for established, respectable companies (like publishing houses) with the agreement that I will invoice after the job is done. In this case, we agree ahead of time how much the job pays, and I decide if this amount is workable for me. But for individuals, it's *always* payment up front. No matter what.

If you do agree to send an invoice after a job is done, include the following on the invoice:

- Your name (as you want the check to be made out)
- Address you want the check sent to (or email address for PayPal)
- Your phone number and email address (for communications)
- Date of the invoice (some companies also insist on an invoice number)
- Description of the job
- Rate (if hourly or by the word or page) and number of hours/words/pages
- Total amount due

You may also want to include a sentence that specifies how soon payment is due (within 30 days is standard) and what you will do if payment is not received by that date.

Technically, invoices are payable within fifteen days. After thirty days, interest may be assessed, usually at a rate of 1.5 percent per month or partial month. Let's say you billed a client for \$1,000. If you receive no payment after two weeks, you could send a reminder, informing the client that interest will be added if the bill is not paid by a specified date (thirty days from the invoice date). After thirty days the bill would be \$1,015 (the original \$1,000 plus 1.5 percent). If payment is not received at the end of another thirty days, you would send an invoice for \$1,030.22, and so on, until payment is made.

Personally, if I don't receive payment within thirty days, I send a friendly reminder email, with no mention of interest or penalties. If it's a company, I politely ask my contact person to check with the accounts-payable people to see if the check has been sent; and if it has, I ask when it was sent (perhaps it got lost in the mail) and if not, when they expect to send it. If I haven't received the payment within a week or so after the client claims to have mailed it, or if the bill is still outstanding after sixty days, I would then consider telling the client that I will need to start tacking on interest if the bill isn't paid soon.

Of course, this could be seen as a rather hard-nosed tactic, so you may not want to enforce this with any client you wish to have a long-term relationship with. However, if this client consistently delays payments, you may not want to work with that person anyway. You should at least switch them to a payment-in-advance method.

V. WHEN NOT TO CHARGE

Are you willing to do some work for free? For example, for a close friend who needs your help? Or a missionary, someone in ministry, or a nonprofit organization?

Will you do free sample edits?

Would you consider doing certain jobs for free as part of your tithe to the Lord?

If a client (or potential client) wants to talk to you on the phone, will you charge for the consultation or do it for free? If a potential client sends you numerous emails with questions,

how much time are you willing to spend answering those questions before you insist on being paid?

Once you've completed a job, can your clients contact you, by phone/email, with questions? If you wish to charge for that time, how will that be handled?

Of course, if you are part of a writing critique group, you wouldn't charge them for your services. Their time and expertise critiquing your chapters is their "payment" for your work, just as yours is for them. However, if someone in your group needs more than what they can get from the critique group setting, will you do additional work outside the group, and if so, will you charge for that?

VI. ESTIMATING PAYMENTS

It can be difficult (if not impossible) to tell for sure how much a job is going to cost until you've finished it. However, if you do edit a portion of the manuscript (maybe some from the beginning, some from the middle, and some from the end so you get a good representation of the writer's skill level), you can give the client a good idea of how long you think it should take.

You may want to include wording in your contract, agreement, or cover letter/email that states that this is an estimate and that the actual total cost may be more or less, and let the client know what to expect if either instance occurs.

VII. HOW TO GET PAID

Will you accept personal checks? If the job is going to take more than the time required for the post office to deliver the check (two to three business days if it's domestic) and for the bank to credit your account (another three business days or so), a personal check shouldn't be a problem. Cashier's checks or money orders don't require the wait for a personal check to clear but still take time to be delivered. Rush clients (or those who wish to pay by credit card or from a savings account) can use PayPal.

PayPal is a firewall-protected website that anyone with an email address can create an account using a checking, savings, or credit card account. There's no fee for sending payments. There's no charge for receiving money, either, unless you reach a certain level (I'm not sure what that is). If you do enough transactions through PayPal to get to that level, they'll take a small fee (I believe it's 30 cents per transaction plus 3 percent) whenever someone sends you a payment. (Check the [website](#) if you want details on their percentages.) PayPal works well with most international clients.



LESSON #5 ASSIGNMENTS

To receive a Certificate of Completion, you need to complete at least two assignments from each lesson.

Assignment #1. Survey

Conduct a personal survey of people who do what you do for the types of clients you serve (or want to serve). Compile the responses and come up with a set of rate ranges.

Assignment #2. Income and Expenses

Consider all of your costs of doing business, from your computer down to pens and paper clips. Try to estimate how much your expenses are for a given year. (If you like, place each expense in a category and come up with a chart.) Then consider how much you want to make from your business. Figure out how much you need to earn to end up with the net profit you want.

Assignment #3. Determine Your Rate(s)

After considering all the factors in Section I, decide on a rate (per hour/word/page) that you plan to charge clients, or pick a few rates you'll offer to different types of clients. Or create a rate sheet that lists the different services you offer, with a brief description of each, showing the rates you charge for each service.

Assignment #4. Collaborations

If you anticipate working with some clients as a ghostwriter, coauthor, or collaborator, come up with a contract for royalty split, hourly/hourly plus royalty. Include a paragraph that addresses whether or not your name will be included in the byline.

Assignment #5. Invoice

Create an invoice form, including a space for all the information in the "When to Get Paid" section, plus any others you can think of that you believe could be beneficial.

Assignment #6. Fine-Tune Your Form Letter

Add some paragraphs to the form letter you created in the previous lesson for potential clients. These paragraphs could include references to how much you charge, what methods of payment you accept (personal check, cashier's check/money order, PayPal, etc.), what your standard turnaround time is (and your rush fee, if you choose to charge one).

You may want to create several different paragraphs to choose from, one for each circumstance you anticipate arising. For example, you could have one paragraph for new writers, another for established authors, another for publishing houses, one for technical writing, etc.

You could also come up with a paragraph explaining your payment schedule: full estimated payment in advance, half up front/half upon completion, etc.

Write a paragraph that explains that your estimate is an estimate and that the total cost may be more or less. Let the client know what to expect if either instance occurs.