ESTABLISHING YOUR FREELANCE BUSINESS 101

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LESSON #8

Organizing Your Business

As your business picks up, you'll have a lot of balls in the air and a lot of things to juggle. A little planning can help keep you from pulling out too many gray hairs along the way!

Here are some of the things I do. Feel free to adapt them to suit your needs.

I. POTENTIAL CLIENTS

I have a folder in my Word documents called "Potential Clients." Whenever I email a quote to someone who has asked about my editing services, I start a new document and then copy and paste all the email correspondence between that potential client and myself into it.

I name the file using the person's name, followed by an underscore, followed by an abbreviated code for how I found that client ("WS" for "website"; "REF" for "referral"; "MH" for the "Mount Hermon" writers' conference; "UNK" for "unknown").

On the top line of that file, I have the client's name and email address, then the mailing address and phone number (if I have them), followed by the rate I quoted and whether or not a referral fee is involved.

I add the date to the top of the latest outgoing email.

If the client sends me a sample of his or her work, I create a *folder* with the client's name, then I keep the file of email correspondence as well as the file with the sample edit in that folder.

Follow-Up

You might also want to keep some kind of chronological file you can use to follow up on potential clients.

II. CURRENT CLIENTS

A. Client Folder

As soon as a potential client sends me work and money, I move his or her file/folder from the "Potential Clients" folder to my "Clients" folder. Any jobs I do electronically for that client are kept in that folder. Any cover letters that accompany hard-copy edits also get put in there. If the client filled out an editorial agreement or client communication form, those go in there too.

If a client has a referral fee that's applicable for a specified period of time, I add at the end of the file/folder name another underscore and then the date I received the first payment. That way, if the client comes back later for more editing, I can tell at a glance whether I'm going to need to pay a referral fee on it.

Here's an example of the file name I would use for a client obtained through the Christian Editor Connection, whose first payment was made on October 3, 2015:

Amy Smith_CEC_10-3-15

B. Billable Hours Log

I keep a running log of my current open jobs. It's a form I print out and keep on my desk, and I write in the names of new clients as they come in. I cross out those names when the jobs are done. Once a week or so, I type in the handwritten new jobs and delete the completed jobs then print a new form.

I have columns for the following (they're abbreviated on the actual form):
Date job received	$ per hour
Date money received	Number of hours paid for
Client's name	Deadline (if applicable)

This form gives me an at-a-glance look at what's on my plate, when the jobs came in, when they're due, and how many hours I'm currently committed to.

On this form, I keep track of how many days I expect to be able to work each month (and how many hours to schedule per day), which gives me a total number of hours I can realistically work that month. By putting each job in a particular month's time slot, I can tell at a glance how many weeks' or months' worth of work I have on my plate at any given time, which tells me how long a lead time to quote to new clients.

C. Client Time Log

Whenever a new client sends me money/work, I fill out a Time Log for that client. At the top of this form I have boxes for the following information:

Client's name
Working title of the manuscript
Deadline
Type of editing requested
Source (where the client came from)

Rate
Scripture version(s) used
Whether pronouns for deity are capitalized or lowercased

Under those boxes, I have these columns:
Date payment received
Date manuscript received
Hours paid for
Notes
Date worked
Start time
End time
Hours
Total hours (running total)

I also have a line where I jot down the total number of pages I'm supposed to edit and the number of hours paid for. I figure out how many pages per hour I need to average to get the job done in the time paid for.

When a project is finished, I file the Time Log alphabetically by the client's last name.

When I get a return client, I pull out his or her Time Log and add to it, or attach a new one to the old one.

Anything the client sends me by hard copy (a signed editorial agreement, for example) or copies of emails with important instructions, I clip to the Client Time Log. If the client filled out a Client Communication Checklist, I usually print that and attach it to the back of the log as well. All this goes into a file folder, and I have a stack of folders on my desk in front of my computer monitor.

D. Time Usage Log
I also fill out a Time Usage Log form every day. It has these headings:

Date	Hours Spent	Total $
Client	Day Total (hours)	Day Total ($)
$ per hour	Running Total (hours)	Running Total ($)

I start out every working day by filling in the date on this form. Whenever I start work for a client, I write in that client's name and the hourly rate. As I finish the day's work for each client, I fill in the hours worked for that person (from his or her Time Log) and multiply by the hourly rate. At the end of the day, I add up the hours I worked that day. I multiply the $/hour by the Hours Spent to get the Total $ and then add up the day's total dollars earned. After leaving a blank line, I do the same thing for the next working day of the week. At the end of the week, I add up the total hours I worked (for pay) that week and the total income I earned.

At the bottom of the form, I have places to fill out Week # (for the year), Hours Year to Date, and $ Year to Date. Then I determine my year-to-date average hours per week and average dollars per week.

This form was actually my husband's idea, and I balked at it at first, complaining that it would add to the amount of nonbillable time in my day. And it does take a few minutes. But I've found it quite valuable. I like knowing how many billable hours I put in each week. I used to like seeing my average weekly income going up consistently; now I like knowing when I'm maintaining a good weekly average (and when I'm not). I like seeing what my average hourly rate is. I can celebrate when the numbers reach incremental milestones. And it's a good way to gauge whether I need to change some things about how I do business.

Hard Copy or Electronic
If you prefer doing things electronically, Google offers several handy tools that can be used in lieu of forms like these. For example, you could set up a Google Calendar for each client (if you have a Gmail account), designating a different color for each one. When you begin working for a client, write down your starting and ending times on his or her color-coded calendar. When you're done working on a job, type in the total number of hours you worked for that client. At the end of the week or month or year, you can tally the number of hours you worked and multiply that number by your hourly rate to figure out how much money you earned for that period.

I realize that hard-copy paperwork seems a bit old-fashioned. But having printed pages and actual file folders appeals to me. I like being able to see at a glance what jobs I have. And a nice stack of file folders on my desk provides visual assurance that I have plenty of work!

If you'd like to see what my forms look like, download them from the Course Page on the website.

E. Client Email Folder
I used to keep a "Distribution List" in my email address book that I called "Clients." Whenever I got a new client, I added that person's email address to the list. That way, if I wanted to communicate something to all my clients (for example, a discount on editing services when I needed more work or a special deal on my published books), or if I wanted to send out Feedback Forms or "Merry Christmas" messages to everyone I'd worked with, I could send out one email to everyone.

I also had a Contact in my email address book called "My Clients" that just had my own email address in it. When I sent out a mass email, I put "My Clients" in the "to" box and the "Clients" (the list of all my clients' email addresses) in the "bcc" box. That way my clients didn't see all my other clients' email addresses in the "to" or "cc" box.

A few years ago, when my hard drive crashed, I lost all the data in my email address book. (Remember last week's lesson on backing up? It applies to your Outlook folders too!) It would've taken forever to reinput everything I needed and recreate the new Client Emails folder.

But I'd gotten so busy I no longer sent out discount notices or feedback forms or even Christmas messages to all my clients. So I didn't bother setting it up again.

I would have had to give that up eventually anyway, since I now have way more clients than would fit in a Distribution List, and email programs have issues when one message is sent to too many addresses at once, figuring it's probably spam.

However, until you get a lot of clients, you may want to keep track of email addresses, either in your email program or in a Word file (with the addresses separated by semicolons), so you can send things to all your clients from time to time.

F. Follow-Up
You may want to have a file for keeping track of completed jobs so you can follow up on them later.

III. INCOME AND EXPENSES
I keep an ongoing "Income" file and "Expenses" file using Word's Table feature. (For those of you who like Excel, you could use that instead.)

A. Income
Every time a payment comes in, I type it into my "Income" file. This file has just three columns: Date, Client, and Amount. In the Client section, I first type my abbreviated code for how I got the client, then the client's name. If the payment is for something besides editing (book sales, referral fees, online course, etc.), I put that designation before the name.

The reason I include the abbreviated code first is so that, at the end of the year (or any time, really), I can have Word sort the table alphabetically by the second column. This shows me at a glance how many jobs I got from each source and how much money I made from those jobs, as well as how much money I made from book sales and other things. This helps me determine which sources to put most of my effort into in the future.

I have separate tables for each month of the year so I can see my monthly total. At the bottom of the file, I have tables for each year I've been in business. These tables have just two columns: Month and Amount. At the end of each month, I copy the total to the current annual table. This tells me at a glance how much I've made so far that year, and I can compare it with how much I made in previous years.

Between the March and April tables, the May and June tables, August and September, and after December, I have a reminder, in bold and italics, to pay my quarterly estimated taxes. (More about that in Lesson 9.)

B. Expenses
A few years ago, a freelancer friend of mine told me she didn't keep track of her expenses; she just estimated how much she thought she probably spent during the year and put a rough estimate on her Schedule C. I was aghast! I warned her that she was really risking an audit from the IRS,

and she'd have no way to prove what she spent. That could result in serious fines and penalties. She ignored my warning. And sure enough, she got audited. And she's been audited twice since then.

My father is a retired CFO, and he taught me early on to document *everything* for my income taxes. Especially for my freelance business. At first, I just tossed all my receipts into a folder then went through them all at the end of the year. That took an inordinate amount of time in February/March. So I started keeping track of my expenses as they happened. It makes tax time a whole lot easier.

My Expenses file has seven columns:

Date	Notes
Paid To	Category
Cost	Miles
How Paid	

Any time I spend money on something that's a business expense, I type it in the "Expenses" file before putting the receipt (if any) into a file folder. If I drive somewhere for business purposes, even if I don't spend any money, I put it on the form and jot down the number of miles (round trip).

I include "How Paid" (cash, debit card, check, credit card) to make it easier to double-check each expense against credit card statements, bank account registers, etc.

The "Notes" column is for explaining what it is I bought from the "Paid To" person or place.

The "Category" column uses abbreviations for the divisions on the Schedule C form: A for Advertising, OE for Office Expenses, S for Supplies, C&F for Commissions & Fees (such as referral fees), etc.

The "Miles" column is added up at the end of the year, then multiplied by the IRS's mileage allowance and added to the transportation category on my Schedule C.

This makes doing my business taxes at the end of the year a whole lot easier and much more accurate.

Even if you don't think your editing work qualifies as a business for tax purposes yet, you may want to keep track of income and expenses for your own edification (and to justify your business to your spouse and others). It's also good practice for when the time comes. And if you compare your income and expenses, you'll be able to see if your "hobby" has a net profit or loss.
You don't have to have separate bank accounts and credit cards for your business. However, it can be beneficial in keeping track of your income and expenses for tax purposes.

IV. REMINDER FORM

Early in my editing career, I created a Client Payment Checklist that included every step I needed to take when I received a payment from a client. I did that so I wouldn't forget anything. (My life motto: "If it isn't written down somewhere, it probably won't get done!")

This form included the following instructions to myself:

1. Determine the source (This is where that extension on the file name comes in handy.)
   a. If it's from a place/person that requires a referral fee, pay the fee.
   b. When referral fee is paid, add it to my "Expenses" file.

2. Open the client's electronic file. If there's no address/phone number, but there is one on the payment, add it to the client file.

3. Inform client of receipt of payment.

4. If a new client, move from "Potential Clients" to "Clients" folder.

5. If not already done, send Client Communication Checklist or Editorial Agreement.

6. Add payment to "Income" file.

7. If payment was made by PayPal, write the deposit in the check register. (I understand some people younger than I am don't use check registers; they do all their banking online … so if you're not old-fashioned like me, you can skip this part.) Add the PayPal transfer fee to the "Expenses" file.

8. Add the client's email to my "Clients" email address book.

9. Write the job on my To-Do List.

10. If a new client, fill out a new Time Log. If a returning client, pull out the old Time Log and fill it in (or clip a new one to it and fill that out).

11. Transfer 40 percent of payment to separate accounts (20 percent for quarterly federal and state tax payments, 10 percent for tithe, 10 percent for savings).

12. THANK THE LORD and PRAY FOR WISDOM! (Yep, that's on my reminder list. I don't want to forget to thank my Boss for sending me the client, and I don't want to tackle any job without praying for the Lord to work through me on it.)

I've been doing this long enough now that I no longer use this reminder list. But I still have "THANK THE LORD and PRAY FOR WISDOM!" at the top of my Client form.

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LESSON #8 ASSIGNMENTS

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

Assignment #1. Computer Files and Folders
Create a "Clients" folder and a "Potential Clients" folder, and put all your client files into one or the other. Decide on a file naming system that will work for you.

Assignment #2. Follow-Up
Come up with a system for following up on potential clients and completed projects.

Assignment #3. To-Do List
Create a form for keeping track of your current open jobs.

Assignment #4. Client Time Log
Create a form for keeping track of the time you spend on each client.

Assignment #5. Time Usage Log
Create a form that will help you keep track of the number of billable hours you spent and the amount of money you earned each day/week/year.

Assignment #6. Client Email Folder
Create a "Clients" file in your email address book and put all your clients' email addresses in it. Create a second file (with a different name) that has only your email address so you can include the clients' emails in a "bcc."

Assignment #7. Income and Expenses
Create "Income" and "Expenses" forms that will work for you.

Assignment #8. Reminder Form
What steps do you want to make sure you do each time a new job or payment comes in? Create a list of those steps so you won't forget any of them.