

Review the **Accounting Basics** before continuing to the next video:

The following concepts may seem like common sense, but they're often overlooked in the excitement of pushing your freelance business off the ground. And we all know what will happen if you don't keep an eye on the finances—don't we?

1- Cash flow

The ideal incarnation of cash flow is an amount of cash coming in that's greater than the cash going out; to put it bluntly, this is what will allow you to keep freelancing. It's obvious that when the cash coming in is less than the cash you are spending, something has to change. However, there's actually more to it than money in, money out—timing can also play a crucial role.

2- Salary

In terms of paying yourself a realistic salary, you should not only pay yourself what you would be likely to earn if you were employed, but also factor in those hidden extras, such as pension or superannuation plans, dental and health benefits, and the like—and to allocate and deposit funds accordingly. This isn't the time to give yourself a grand raise, though—it is still vitally important that there is money in that business account.

3- Profit

You may think as long as you're earning a decent salary, then that's all you need. Not true—having even a small layer of profit on top of all of your expenses, including your own salary, is a very important tool to weather months where the finances dry up or some other disaster occurs.

4- Insurance

You cannot afford to go without insurance, even if you think you can avoid it. You should consider such insurance as professional indemnity, business liability, and income protection. Should something unexpected occur, these plans could really save you a whole world of trouble.