

My First Million From Freelance

by [Ryan Waggoner](#), revised Aug 2018

When I started doing freelance web development in 2007, I thought that success was going to be easy. I had easily picked up my first freelance job from Craigslist for \$50 / hr, and I figured I could just crank out 40 hours a week, and presto: a cool hundred grand a year.

I did *eventually* make it to \$100k / year, and actually beyond: for the last few years, **I've consistently made at least \$250k / year in profit.**

However, it took me a few years of flailing around to figure out that **you can't really forecast your annual earnings as a freelancer by taking your hourly rate and multiplying by 2000 hours** (50 hours x 40 hours a week). What about the weeks when you have no work? Or clients who don't pay? Or weeks when you only bill 20 hours because you were slacking? Or when you're sick, or on vacation, or whatever?

At some point in the last few years, my total freelance earnings ticked over into seven figures, though I didn't actually notice at the time. So I thought I'd sit down and write down some of the things I've learned along the way that you might find helpful. I wrote down every little lesson I could think of, and then looked for themes and patterns that tied them together.

What I ended up with are 11 principles that I think have been most responsible for my success. I've still made many embarrassing mistakes, and I feel confident that my earnings since I started freelancing could have been twice as much if I had done a few things differently, including things that I'm still struggling with today. To that end, I've included things below that I *still* need to work on. These are meant as encouragement for those of you who feel you need to be perfect, or have it all figured out before you get started.

If I got here even with my poor execution, **you can do better.**

So here are some lessons to get you started:

Sales covers a multitude of sins

If I had to pick a single thing that's been responsible for my success at freelancing, it would be hustle. I know, I know, we're supposed to work smarter, not harder, and I've tried to do that as

well, but I spent the first six years or so of my freelance career in particular just grinding every day looking for work.

I sent thousands of emails to people looking for developers, from Craigslist and a thousand other job boards. I talked with hundreds of recruiters on the phone and via email about contract development jobs. I went to meetups. I talked to friends and family about my work and asked for intros and referrals. I followed up with prospects religiously. I basically tried to leave no stone unturned in my search for work.

It was really slow going at first, but over time, I built up a roster of repeat clients, people who would refer me, people that I had talked to long ago about work who looked me up, etc. I would have people email me *two years* after an email exchange about a new project they had coming up.

If you have a lot of leads coming in, you'll get work, and then you'll get too busy, and then you can start charging more, just picking the projects that sound interesting or have strategic value, etc. You have margin in your dealflow and it gives you a ton of freedom and confidence.

My mistakes:

1. At a couple different points in my career, I have relied too heavily on a single firm or individual for project referrals or subcontracting. In both situations, the money was awesome, the projects were good, and I got lazy about continuing to build out other sources of leads. In both of those cases, circumstances changed so they were no longer a good source of work and I had a few lean months while I scrambled to fire up my lead flows again.
2. This is related, and I still struggle with this: when things get really busy, it's incredibly tempting to stop doing this "business development" type of work. It feels pointless, because it always takes 2-6 months to pay dividends, and so it seems like I'm using time today that I don't have for something I may or may not need six months in the future. However, if you can maintain at least a small amount of daily or weekly activity in this area, it will really help smooth out the feast or famine cycle that so many freelancers struggle with.

Respect yourself

Something I learned from [Alan Weiss](#) is that the primary challenge keeping most freelancers and consultants from achieving what they're capable of isn't undercapitalization, or technical skills, or lack of connections. It's a lack of self-confidence.

Most of the freelancers I have watched struggle (including myself, my wife, family members, and lots of friends) have the same root cause: self-doubt. They don't believe in themselves enough to raise their rates, speak at that meetup, write that book, ask for that referral, fire that client, stick to those terms, ignore that weekend "emergency", or turn down that work.

For me, the point of freelancing is freedom, and the ability to say no to things that aren't a good fit for you. It's having control of your day-to-day life, and choosing what to work on, and where, when, and how to work on it. You can't do that if you're constantly bogged down and hampered by not being able to say no to things, or worrying about what people will think.

My mistake:

I generally don't have issues telling people to take a hike, but I struggle with perfectionism, and waiting until I "feel ready" to dive in. It stems from the same issue: self-doubt, worry about what others will think, etc.

Don't charge hourly

If you're charging hourly, I'd like to try and convince you to change to a different pricing structure. Whether it's daily, weekly, monthly, retainer, value, flat project, etc, almost anything is better than hourly. I don't care if you're making \$175 / hr. Fundamentally, hourly pricing positions you as a commodity on a factory line, and misaligns your interests and those of your client. It opens the door to all kinds of nitpicking about how long this and that took, and it disincentivizes you from getting better and faster and more efficient at your work. How stupid is that?

I'll talk about this more later, but I want you to invest in yourself through tools and training, with the goal of getting more and more efficient at your craft. But there's no point if you only see a small part of that gain. If most developers would take two days to build something that you know a shortcut for that takes 15 mins, you should be compensated for that knowledge.

Charging hourly robs you of that, and that means that you're probably not even going to be thinking about how you can meet the customer's needs more quickly and efficiently.

Charge more

One of the best pieces of advice I've received is to raise your rates after every project and don't stop until no one will hire you anymore.

Most freelancers are not charging nearly enough. I know, you feel like you're struggling to find work at \$75 / hr (or \$35, or \$175, etc), how would you charge 50% more and still find work? That's more a problem with looking in the wrong place for your clients (and charging hourly).

Also, have a project minimum. Even if it only seems like a few hours of work and they're willing to pay \$1000, it may not be worth it because every project has some amount of overhead, both time and cognitive. I couldn't handle having 50 x \$1000 projects. I'd much, much, much rather have 2 x \$25k. And just like your rates, raise your project minimum constantly until you can't find anyone to hire you anymore.

My mistake:

I waited way too long to try raising my rates. I was completely blown away the first time I sent out a few proposals where I literally just doubled the numbers and people didn't bat an eye. Take some risks, experiment, you might be surprised.

Get more done

Most freelancers I have observed, including (especially) myself, have a love / hate relationship with freedom. We quit our jobs to freelance and we love the flexibility, but after time in a structured school environment and a paternalistic work environment, we're almost totally unprepared for the realities of having no one to answer to, no one to tell you what to do or when to do it, and zero clear guidelines on how to make all this work.

When I started freelancing, a big part of why I struggled was my absolutely dreadful work habits. I spent unreal amounts of time doing stupid mindless stuff, I procrastinated, I took poor care of my health, I didn't sleep well, etc.

Here's a rapid fire list of things that have worked for me. Instead of arguing and making excuses for why they won't work for you, just try them for awhile.

- Keep a regular schedule. I'd suggest 6 hours a day, Mon - Fri.
- Take care of your body. Eat healthy, exercise, get 8 hrs of sleep.
- Install Rescuetime and start tracking how much time you're actually WASTING.
- Stop with social media, watching stupid videos, and mindless surfing during work hours.
- Check your email twice a day. Don't answer your phone.
- Work in a quiet place with the door closed.
- Work in short, focused bursts of 30 - 90 mins. Take a short break, repeat.
- Aim for four hours a day of focused work.
- Don't work on evenings, weekends, or holidays.

My mistake:

All of them? For the record, I still consider myself to be mediocre at some of these, but I'm much better than many freelancers I observe, and I attribute much of my forward progress to creating and constantly striving for better habits and structure around my work.

Clean up your personal finances

It took us years to get to this point, but having no debt and a six-month emergency fund is an absolute game-changer in terms of reducing a lot of the stress of freelancing. Anything you can do to clean up your personal balance sheet and monthly budget is probably worth it. If you need to make \$10k / month and you think you can only just barely make \$10k / month, you're going to be stressed out all the time. Worse, you're going to take every crappy job you can get,

which is just going to stress you out more and prevent you spending your time and energy landing the really great jobs. It's a vicious cycle.

On the other hand, if you can live on 40% of what you can make, you have an enormous amount of latitude to pick only the best jobs and clients, and to be patient when they're not yet right in front of you.

My mistake:

I racked up a lot of debt in my early days because I was sure I was going to be making plenty of money so it didn't matter. Paying that off took several years and was very painful.

Stay on top of your taxes

Get a good CPA, but you should also understand how taxes work, what you can and cannot deduct, etc. For example, did you know that as a self-employed freelancer, you can open a retirement account and deduct up to \$52k / year in contributions (assuming you make enough)?

You should also be sure that you're keeping track of everything you can deduct. And having a good understand of what you can and cannot deduct will let you make good long-term decisions about what the tax implications are of decisions like working from home, buying a house, getting health insurance, traveling to conferences, etc.

Finally, whatever you do, don't get behind on your taxes. You should be setting aside at least 30% of your earnings for taxes. If you make well into six figures and live in a high-tax state, that could be closer to 40-50%. If you get behind on income taxes, you'll pay for it in penalties, interest, and stress. And it's doubly hard to catch up, because you have to pay those back taxes with money that you make this year, which is also taxed (and you need to live on), and so the cycle continues.

My mistake:

Starting from the early days, we had so much trouble living on our freelance income that holding back 30% for taxes seemed impossible, so we generally didn't. Then we'd be scrambling next year to pay the prior year's taxes, plus the penalties and interest. That made it even harder to set money aside for the current year's taxes. This is a very vicious cycle to escape from,

unfortunately, and we're *still* working on getting everything caught up tax-wise. Probably the thing I regret most from this entire list.

Build relationships

Another thing Alan Weiss taught me is to think of the 4th sale first. It's very easy to get too focused on the immediate project on the table, but any seasoned freelancer will tell you that their best and highest margin projects tend to come from long-term clients where there's a relationship of mutual trust that has been built up over time. When those clients call you with a project, it's yours to lose. But you don't start there on day 1.

Now, the flip side of that is that you should never work on a discounted basis (or for free, ugh), unless you're getting something very substantial in return. Even then, I'd avoid it. It just sets you up for failure with that client later.

But I would be open to taking on a smaller or more boring projects than I would prefer in order to build a good relationship with a great client.

Similarly, some of my best projects have been referrals from those clients that I started out doing less than glamorous work for at in the early days. But we built up a relationship of trust and when they had bigger and more interesting projects, they knew they could trust me to handle it.

My mistake:

I know I've missed out on some great client relationships because the initial project just wasn't interesting enough to me for whatever reason. That's short-sighted and I'm sure it's cost me a lot over the years.

Invest in yourself

I'd like to encourage you to set at least 3-5% of your income aside to reinvest in the business in the form of education, training, building networks, etc. Let's say you make \$10k / month in gross revenue; that means you should set aside something like \$300 - 500 / month. Use it to

buy ebooks on improving your business, attending workshops and other online training courses, going to conferences, etc.

In my experience, it's incredibly easy to get a positive return on investment from educating yourself. Almost every dollar I've spent on improving myself and how I do business has been a good investment.

For example, imagine that you're charging \$75 / hr and billing around 100 hours per month. (I know we've talked about how you shouldn't charge hourly, but it makes this example easier, so bear with me.) You take a \$500 online course that enables you to raise your hourly rate by \$5, from \$75 / hr to \$80 / hr.

In your first year, you're going to make an extra \$6000. That's an 1100% return on investment. Not only that, but you'll continue to realize the benefits of that increase year after year, and any other things you do to increase your income will build upon that higher baseline. Also, you can probably deduct those education things as well, so they'll basically cost you around half of whatever the sticker price is. :)

Another related point is that most freelancers I talk to would benefit more from investing in the sales, marketing, business development side of things than in improving their technical skills. I'm not the best programmer in the world and that's ok. I enjoy programming, but I generally see better ROI from learning how to better solve actual client problems with the technology tools I have, and from learning how to reach and close those clients in the first place.

That said, don't be afraid to make investments around changing what you do as a freelancer entirely, because if you do it right, this can have dramatic results on your overall income.

I attribute a large part of my success over the last few years to the switch I made around 2010 from PHP web development to iOS mobile development. For my situation and interests and what I saw of the market demand, it just made sense, and I think I've made 50-100% more than I would have if I had stuck with web.

That's not me giving you advice to switch to mobile development, by the way. The point is that you probably have a lot of room to grow in whatever specialty you're in now, but eventually you will hit a ceiling and it'll be time to make some adjustments if you want to get to the next level. The consultants I know who make high six or low seven figures each year don't do it via tech-

nical implementation. They were once more implementation focused, but they've had to switch to being more strategy focused in order to continue to grow their revenue.

By the way, if you love what you're working on now and you're satisfied with the income you're making or think there's plenty of room to grow within your specialty, more power to you. This is just for those who want to double or triple where they're at and are seeing diminishing returns from the particular area they're working in.

My mistake:

Easily my biggest mistake is in educating myself but not putting that education into practice fast or heartily enough. The \$500 course is worthless if you don't do what it advises. :)

It's OK to stay solo

For years, I thought that the only way to get beyond low six figures as a freelancer was to build an agency. I just didn't think it was possible to make, say, \$500k / year as a solo consultant.

However, I've changed my mind on that. I've met solo consultants making seven figures (though they're generally not technical implementers, or at the very least, they don't present themselves as such). They're also not making most of the mistakes I've made and continue to make, but that's a good thing! It means there's room for me to grow by fixing those things. :)

Now, I have a junior developer that I subcontract basic project things to, and I occasionally subcontract parts of a job that I don't have the expertise or availability for. But that's a very small part of my business and I like it that way.

The point is, it's possible to make enough as a freelancer to have a very comfortable lifestyle, to pay your mortgage, to save large amounts of money, and to have the peace of mind that comes with making more than you need to scrape by.

I'm not saying that it can't work to build an agency, but you probably don't have to if you want to grow your income.

Be generous

Building a successful freelancing career is one of the most gratifying things I've ever done. For the first few years, when I was struggling to make it work, I viewed freelance as a stepping stone to better things. But now that I've come out the other side to where I'm making enough for it to be sustainable for the long run, I think I'll always want to do some consulting. Even if I move on to other things, I enjoy getting paid to help clients solve problems, and I think I'll always dedicate some portion of my time to it.

I've enjoyed it so much that I've been able to help a few other people get started with their own freelancing careers. Helping them go through the same struggles and figure it out while hopefully avoiding some of my pitfalls has been incredibly gratifying.

So as you build your own successful career, don't forget to look back and help some of the people who are behind you, wrestling with monsters you've already vanquished. They'll appreciate it, but you can't imagine how good it will make YOU feel.

On that final note, please feel free to reach out to me any time if you have questions about your own freelance career. I'd love to help. Email me anytime at hi@ryanwaggoner.com.

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