

THE ULTIMATE FREELANCER'S GUIDE TO SETTING YOUR PRICES *for* NEWBIES

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Look, setting your price as a freelancer is hard, and **so** many factors go into it. Rates vary from person-to-person and you shouldn't just rely on a Google search to decide what quote to pitch to your client or employer. Your freelance rate depends on a lot of factors, from your lifestyle and expenses to your experience level and current salary trends. And no matter what kind of freelance work you do, knowing **your** particular situation is the best way to get started.

First things first, you need to figure out your budget.

ESTABLISHING YOUR MONTHLY BUDGET

First and foremost, you should take a general stock of your monthly costs to get a better idea of your budget. I know, I know. It's counterintuitive. You need to know how much your time and expertise are worth, not how much you need to make. But starting backwards and working your way to a rate that works FOR YOU will stop you from selling yourself short. Your pricing shouldn't be based solely on your budget, but it will help shed some light on what you *actually* need to be making to live the life you want.

- **Rent or Mortgage**

- **Utilities**

Sure, water and electricity are important, but don't forget about industry-specific basics, like a reliable high-speed Internet connection.

- **Credit Cards**

Some of us might have more credit card debt than others. Maybe you put that new computer you needed on it, or had to pay out of pocket for a fender

bender. Having healthy credit is INCREDIBLY important, so make sure you're paying a bit more than the minimum each month to stay in their good graces and to avoid accruing hefty amounts of interest. Keep your debts in mind when you calculate your monthly budget.

- **Phone / Cell Phone**

- **Groceries**

- **Health Insurance** (Include your monthly payment and any prescriptions)

- **Transportation** (Train/Gas/Car Payment)

- **Additional Loans** (Student, etc.)

- **Gym**

Yoga, Kettlebell Classes, Pilates, etc. Staying healthy is important and you should be able to account for it. Depending on your situation, this may require you to find a more "budget-friendly" gym or health club. Instead of spending \$500 on the fanciest gym with the nicest sauna and juice bar, you may need to look into a something like [Blink Fitness](#) or donation-based community yoga, like [Yoga to the People](#). Also, a lot of insurance companies will cover your gym membership, so look into that as well (unfortunately, they won't cover anything that doesn't have a "cardio machine," such as a treadmill or elliptical, so they might not cover your yoga classes... yet).

- **Design/Business Tools**

[Adobe Creative Cloud](#), [inVision](#), [Credit Monitoring](#), etc. Any tool you may use that helps you to do the work for your clients or manage your life each month should be figured into your monthly expenses. Most of these can be written off as a business expense by your accountant at the end of the year, but you need to budget for them.

- **Daily Spending**

Daily spending include things like buying a coffee or lunch. Be realistic about how much you spend each day and account for it in your monthly expenses. If you buy a coffee every day of the week, your budget for coffee alone could be upwards of \$150! This will allow you really assess how much you spend each day and even help you to establish an allowance each week like me (let's just say I rarely buy a coffee and cook most of my meals at home.)

- **Taxes**

Income taxes are anywhere between 20% – 30% of your earnings—I know,

right?!? Args. If you freelance, you really need to pay attention to this, because come April, the government will expect to be paid in full. The smart thing to do is save this from each paycheck and have your accountant set up quarterly income tax payments with the government so you don't get hit all at once.

Note: If you're trying to determine or negotiate salary, take your ideal monthly budget, multiply it by 12 (to account for what you need yearly) and then add 30% of that total to it to figure out your **minimum** salary requirement. Most people don't realize that even though you may make \$50k each year, \$10k to \$15k of that goes into taxes so you're actually only *really* bringing in \$40k-ish in a year.

- **Savings**

You NEED to have a savings account! I know it's hard to justify sometimes (I just finally opened one up again), but it's really important to establish some funds for emergencies. This should be at least 6% of your earnings. Set up your bank account to squirrel this amount away each month and you'll never even notice that you're missing it. Obviously, this amount doesn't include what you should be setting aside for your Income Taxes, so make sure you've got both accounted for.

- **Other**

Children and their needs. Nights out with friends. Your best friend's wedding. Your dog's vet bill. Life!

Once you're aware of how much life costs you each month, you can better assess the bare minimum you need to be making to **survive**. This number might be a bit jarring (when I first did this I was shocked at how much I actually needed to just *get by* each month). **This is your budget.** Fleshing this all out will make you more aware of your spending habits and just how important that \$10 cold-pressed green juice is to your bottom line.

Obviously, no one wants to just **SURVIVE** in life—you want to be making **more than your costs** in order to actually enjoy life—we all want to buy nice things occasionally, get our hair done by a professional, save for our dream home, or go on an African safari. These are things that you should also think about when planning your budget.

OTHER PRICING FACTORS TO CONSIDER

So now that you have a better idea of your expenses and budget, you should consider some of these other factors when determining your pricing:

1. What skills or experience do you bring to the table?

Are you great at UI/UX, designing sites and illustrating icons? Do you know HTML & CSS or any other programming languages? Do you have experience with managing teams or clients? Do you find yourself taking on more than your responsibility as a designer—such as project management, drafting proposals or marketing the company? These are things that should be brought to the attention of your employer or client. You should explain your worth and all of the extra things you take on or are responsible for. At the end of the day, if you weren't taking on these extra responsibilities, your company would have to hire another person or company to do so, so make that apparent.

2. How long have you been with this agency or freelanced with this company?

The rule of thumb is that you should wait for at least one year with a company before bringing up a raise or rate increase. If you freelance, obviously, you can raise your rates when you feel it's necessary, but it's always a good idea to open up a dialog with your clients as to how much you're going to raise your rates, when you plan on doing it and maybe (very briefly) explaining why. Explain how your experience and skills have evolved—maybe you've taken some management or advanced design classes which have had a significant impact on your work. Maybe you need to raise your rates due to rent or health care increases, which flux year-to-year. Regardless, simply explain your worth to the company and that you enjoy working with them. Most clients are more than understanding about the need to raise rates and value you and your work enough to happily comply.

3. Where are you located? Are you working in a big city or a smaller town?

The cost of living obviously varies, so always take your location into consideration.

4. Is this a bootstrapped startup with limited funds? If so, do you love the company and the cause?

If this is a company trying to get itself on its feet, then you definitely won't be making as much as you would at a stable/established company or agency. Startups usually have limited funds to work with, so if you feel like you're not making what you're worth, you should speak up. It's always a good idea to discuss these things with someone in charge and get a conversation going. Explain what you contribute to the company to reflect your worth. They might flat-out tell you that they don't have it in their budget, and you'll have to make a decision about if it's worth it for you to stay or if you think it's time to move on.

ESTABLISHING PRICING STRUCTURE FOR PROJECTS

Every project and client will be different. There's no cookie-cutter way to establish one specific pricing structure, but it's important to understand the pros and cons of each:

- **Per Project vs. Hourly vs. Daily or Weekly**

This is always a point of contention and there are pros and cons to each.

PER PROJECT

If you're working on a **single project** for a client, charging a flat-rate works out well. You just need to keep in mind the time it'll take for the project as well as revisions (trust me, THIS is what takes the most time). It's always a good idea to track your time on projects, that way you can better gauge time and cost for future projects.

Even if you plan on a project taking a week to finish or a certain amount of hours, you have to realize that your time may be spread over a 1 or 6 month period depending on how good of a communicator or decision maker your client is. That's a long time to wait to be paid for a project, so you may want to have clients pay a certain percentage of the final cost upfront, so that you have some

money to live on in the meantime.

I cannot stress the importance of having a good contract to outline all of this. You might think that the client wants a simple splash page, but they may actually want something a lot bigger than that. Knowing exactly (and I mean literally listing everything out) what you're providing for them at what cost is so important. That way both of your expectations are completely clear and you won't have as many awkward conversations about money.

When pricing per project, it's a good idea to work backwards. Start with how long you think a project will take you, then what hourly rate you want to make, then multiply them together to reach your flat rate.

HOURLY

Pricing hourly can be good for schedule flexibility or if you're working with a couple of clients on a variety of small or continuous projects. The disadvantage of pricing hourly is that clients will question why you charge them for meetings or answering copious amounts of emails from them. Your time is valuable. Any time you need to spend on a project or trouble-shooting, they're being charged. This also means that you should be completely honest with your time, if you take an hour lunch or go run errands, you need to take note of that. This requires a lot of time tracking and sometimes doesn't establish a clear value of what you're providing for your client.

DAILY or WEEKLY

Pricing daily or weekly can be great for freelance, "permalance", or consulting projects where you're working on continuous projects or a single feature. This allows you to establish clear goals of deliverables, as well as maintain flexibility. If you do go this route, especially over an extended period, you will want to set boundaries as to what constitutes a full-day's or full-week's work. For example, you may see it as a 9am-5pm gig, give or take, but your client may see it being more of a 12-hour day.

Make sure you make expectations very clear and have it in writing. This shouldn't mean that clients aren't entitled to get a few extra minutes here and there, but if you're continuously putting in 14 hour days, you should have a stipulation that says that they'll be charged extra for your time. If you're charging a one-time weekly rate for a consulting project or feature, expect to have long days and

price accordingly. Daily or weekly pricing is the best of both the *hourly* and *per project* worlds.

No matter what pricing structure you choose, and you may choose different ones for different projects, and you should always keep good track of the time it takes you to complete things. This allows you to make informed decisions on your *next* project and you'll be able to plan and price accordingly.

Also, always have a contract that outlines your agreement or, at the very least, something in writing about what was agreed upon. No one wants to deal with fighting for payment or copyrights, but it's an ugly truth that you may have to face and having something to back you up is important.

- **Asking what the budget is.**

Another really great way to price a project is to ask the client what the budget is for that project. This will allow you to not necessarily say “no” to taking on the full project, but to tell them what you can provide for them *within* that budget. If they want a logo, branding and a full-ecommerce site, but only have the budget for some wireframes, you have the ability to tell them that. Everyone is going to want ALL the things at the best price, but you need to stand up for the quality of your work, the time it takes to produce great things and tell them what your expertise can provide them. If they want to find someone less experienced or cheaper to take on the project, that's their choice.

Why this works out great? Sometimes really large companies will ask you to do work for them, and although you may charge your favorite startup client one price, this mega corporation may have a budget larger than your yearly salary to complete something relatively simple for you. If you ask what the budget is from the get-go, you avoid being a workhorse for smaller companies as well as underselling yourself with bigger companies. This can really work to your advantage.

AT THE END OF THE DAY...

There really is no *right* way to know how to price yourself or skills, but you should be aware of how much value you bring to your clients or employers, as well as have a realistic idea of your budget.

If you feel like you're undervalued, you should bring it up to someone in charge. Agencies and startups can be a bit hectic, so it's possible that no one has thought twice about how much they're paying you. I will tell you that when I was starting out I was working for a small agency and I really felt taken for granted, so I decided to bring it up to the owners and try to explain my worth to them. Unfortunately, they didn't see things the same way that I did and told me that they didn't have the funds. What was incredibly frustrating is that I knew I was making the least out of every designer there, so I really had to make a decision. I realized I wasn't passionate about the projects I was on or the company I was working for and was wearing too many hats to *not* be making what I believed was fair. Once I came to that realization, I decided it was best for me to move on.

Not always the easiest decision, and always a bit overwhelming to think of finding a new job or opportunities, but at the end of the day if you feel undervalued and like you're struggling to make ends meet, the best decision is to find something new. Trust me, it might take time and a little bit of hustling, but there is ALWAYS something better out there for you, so don't sell yourself short!

The best advice I can give is to start the conversation and see where that goes. If it doesn't go as planned, really take a look at how you feel about your work and the company. If you absolutely love your projects and the people you're working for, sometimes the money isn't *as* important as loving what you do and who you do it for. If you're struggling to make ends meet, maybe you need to think about getting a side job, whatever that may be.

Something I look at on occasion is the [Coroflot Design Salary Guide](#). This allows you to see what the average salary is in your area, as well as by title or position. It allows you to see the amount of entries, the company size and the gender split on salaries. It even gives you an AVERAGE freelance rate for your position (take this with a grain of salt, because these become very specific and they don't take into account if you're a designer AND developer or a designer AND project manager, etc).

I hope that helps you to have a starting point for pricing. It just takes a bit of research and planning to get it on the right track and it's going to be a constant evolution!

