The Freelancer's Handbook

2022 Edition

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Freelancing in America in 2021

In 2020, 59 million Americans freelanced (in case you're wondering that's about one third of the US workforce), earning a total of $1.2 trillion over the course of the year.

In an economy that has been moving away from industrial manufacturing toward services for the past few decades, this is not entirely surprising. And the health crisis that dramatically altered all of our lives in 2020 has only accelerated the evolution the global economy was already on. Twelve percent of the American workforce began freelancing because of the COVID pandemic and almost 48% of them say they're now considering it as a long-term career opportunity.

But beyond the statistics and current economic environment, freelancing is becoming slowly but surely the preferred career choice for many workers, especially among younger populations. Of course, there are many factors that are triggering this new lifestyle choice – unaffordable cities, the search for more balance between work and life, and technology that allows you to pretty much do anything from anywhere. But there is also something truly American about freelancing: the self-determination, the entrepreneurship, having control over finances and schedules.

Which is why it can be a bit paradoxical sometimes that American institutions, public and private, don't really support this business and lifestyle choice. For a long time, freelancers have been disregarded by institutions: lenders, landlords and fathers-in-laws alike, which never made a whole lot of sense. A full-time employee can get fired at any time, so this is in no way a more secure situation. But no matter what, an underwriter will always be happier with one paystub than 7 invoices!

There's still a lot to do, but businesses and politicians are starting to pay attention. More systems and technology to support this major economic transition are being developed, and a cultural change in the way freelancers are perceived is on the way!

Banking services like Lili have developed tools to serve freelancers in their banking and tax endeavors. Platforms like Upwork or Fiverr are now helping freelancers and businesses find each other. Fintech companies and investment banks are now actively helping individuals save for their retirement and invest in the stock market. Politicians have now started to include self-employed workers in government programs (contractors were included in the unemployment assistance package during the Covid Pandemic for the first time!) Some states are now even allowing freelancers to opt into state funded family leave programs. Affordable healthcare being one of the top concerns of freelancers in America, organizations like the Freelancers Union are taking matters into their own hands and negotiating better rates with insurance companies for their 490,000+ members, while politicians continue to debate the future of the Affordable Care Act.

There's still a lot to do, but the demand from the people is clear: 60% of new freelancers say no amount of money would make them go back to a traditional job. And 86% of freelancers think the best days of freelancing are ahead. So let's end the year on this hopeful note.

Wherever you fit into the freelancing landscape, we hope this booklet will give you answers to the questions we know you're asking yourself and help you find your space and your financial freedom in this new era of the world economy.

Let's do this 💪

CHAPTER 01

Taxes

Not the most exciting of topics, but one that is usually the #1 source of headaches for the freelance workforce. So much so that a recent study found that almost 75% of freelancers overpay their taxes. So put down the aspirin bottle and get ready for a refund – in just a few minutes, it will all makes sense and you'll know how to do it right!

The Self-Employment Tax

Whether you file your taxes yourself or use a professional accountant, it is important for freelancers to understand how your taxes are calculated, so you can better prepare and optimize your tax liability.

15.3%
of
92.35% OF NET EARNINGS

The Self Employment Tax

It covers your Social Security (12.4%) & Medicare (2.9%) contribution. You owe this no matter what, on 92.35% of your net earnings. Note that you only pay the Social Security tax on the first $137,000 of your Net Earnings.

For full-time employees, taxes are automatically taken out of their paycheck and sent directly to the IRS (and state treasury for states with an income tax). As a freelancer, dealing with taxes is part of your job all year long, because calculating what you owe and physically mailing those checks falls on you.

Just like everyone else, you will owe Income Tax on your earnings. But freelancers also need to pay the Self-Employment tax to contribute, just like any employee, to government funded benefits.

Why 92.35%? That's an odd number.

The answer is simple: you're not going to pay taxes on money you're allowed to deduct! Half of your self-employment taxes (15.3% / 2 = 7.65%) are deductible. So by removing 7.65% from your net earnings, you make sure you don't pay taxes you don't owe. (100% - 7.65% = 92.35%).

The Income Tax

Various %
of
TAXABLE INCOME

The percentages here will depend on your taxable income and filing status.

First things first: you don't pay Income Tax on every cent you make. You first need to calculate your Taxable Income. And as a freelancer, it takes a couple extra steps to calculate that right!

STEP 01

Net Earnings

Net Earnings = Gross Income - Business Expenses

Your Net Earnings are basically your profit as an individual from your freelance work. All your tax calculations start with this number, which is why it's very important to keep good track of all your business expenses (see page 13).
Let's say this year, you made **$85,000 from your freelancing business** and all your **business expenses add up to $15,000**.

NE = $85,000 - $15,000 = **$70,000**

Now, that you've determined your earnings from your work, we can start calculating your TAXABLE INCOME. In order to do that, you need to go through a couple of rounds of deductions.

Lili can save you actual $$
Using Lili's expense management tool will help you keep track of your business expenses and make sure you don't forget any throughout the year! Watch our video to find out more

STEP 02

Adjusted Gross Income (AGI)

AGI = Net Earnings - Above the Line Deductions

First you need to substract a series of specific deductions called ABOVE THE LINE DEDUCTIONS: contributions to retirement accounts, student loan interests, health insurance premiums for individual plans, 50% of your self-employment tax…

So let's say this year, you contributed $2,000 to an IRA, spent $3,000 on a healthcare plan, and paid $1,500 in interest on your student loans. And add to that, 50% of your self-employment taxes [15.3% of 92.35% of 70,000)] = $9,891

AGI = $70,000 - ($2,000 + $3,000 + $1,500 + $9,891)
AGI = $70,000 - $11,446

AGI = $58,554

STEP 03

Taxable Income

Taxable Income = AGI - Below the Line Deductions

Every other expense that qualifies gets deducted at this step as BELOW THE LINE DEDUCTIONS (charity donations, state and local taxes up to $10K, mortgage interest, unreimbursed medical expenses...)
The IRS also offers a simple option, which is to deduct a flat amount called the Standard Deduction based on your filing status.

Filling Status	Standard Deduction 2021
Single	$12,550
Married, filling separately	$12,550
Married, filling jointly	$25,100
Head of Household	$18,800

If the total of your Below the Line deductions is higher than the Standard Deduction, you can choose to itemize your deductions, meaning you provide the IRS with your own numbers. For our example, we're going to take the Standard Deduction as a single filer.

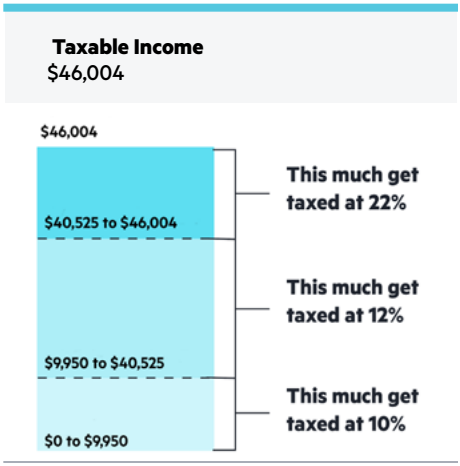
$58,554 - $12,550 = $46,004

STEP 04

The Income Tax

Now it's all about the brackets! With $46,154 of taxable income as a single filer, you land in the 22% bracket.

2021 Tax Rate	Single and Married filing separately	Married, filing jointly	Head of household
10%	$0 to $9,950	$0 to $19,900	$0 to $14,200
12%	$9,951 to $40,525	$19,901 to $81,050	$14,201 to $54,200
22%	$40,526 to $86,375	$81,051 to $172,750	$54,201 to $86,350
24%	$86,376 to $164,925	$172,751 to $329,850	$86,351 to $164,900
32%	$164,926 to $209,425	$329,851 to $418,850	$164,901 to $209,400
35%	$209,426 to $523,600	$418,851 to $628,300	$209,401 to $523,600
37%	Over $523,601	Over $628,301	Over $523,601



Now keep in mind **the US tax system is progressive,** meaning you don't pay 22% on ALL of your taxable income, only the top dollars. You always pay the tax percentage that corresponds to each portion of your income, as shown below.

FINAL STEP

Back to Algebra Class!

Everyone always said math was important and now is when you realize they were right! Here's the equation that will give you your federal income tax liability.

$$
\begin{aligned}
&10\% \times 9{,}950 \\
&+\ 12\% \times (40{,}525 - 9{,}950) \\
&+\ 22\% \times (46{,}004 - 40{,}525) \\
&= 995 + 3{,}669 + 1{,}205 \\
&= \$\mathbf{5{,}869}
\end{aligned}
$$

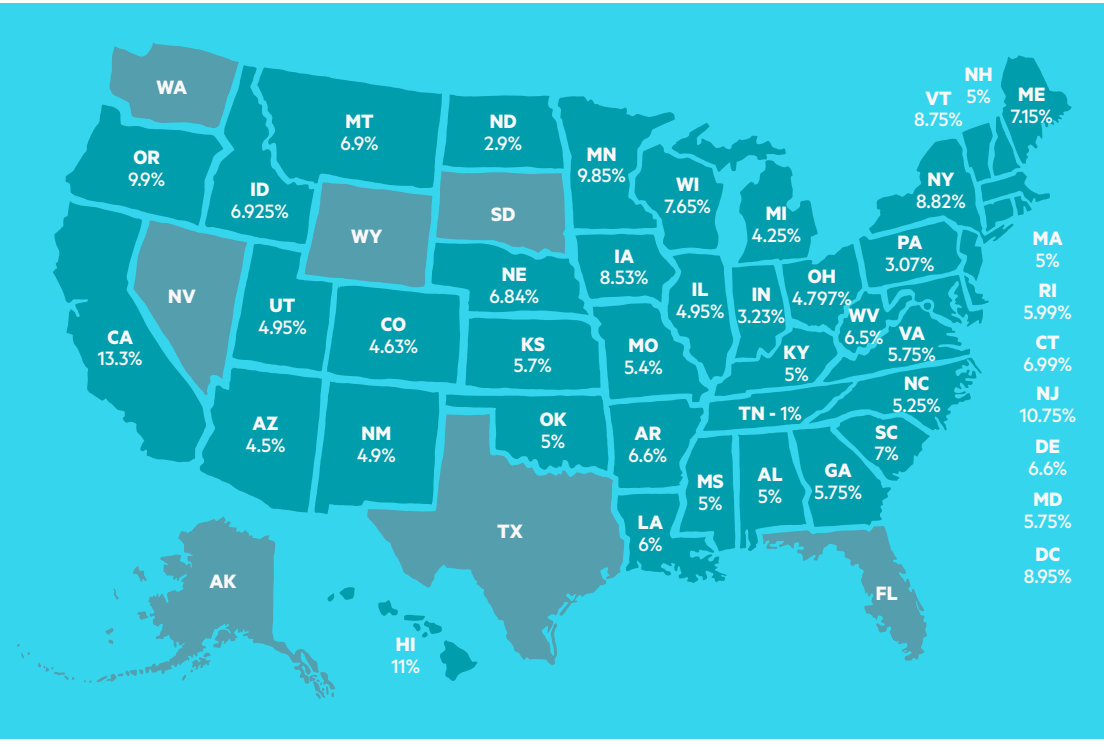
Congratulations!

You just calculated your **Federal Income Tax!**

What about State Taxes?

Now, America is a big country, and many states and localities have different rules. But if you live in a state or city that charges an income tax, here's what you need to know.

- Most states conform to federal rules for determining income, deductions, schedules... So everything you've read in the previous chapter usually applies to your state's taxes.
- If you chose the itemized deduction method, you can include all your state's taxes up to $10,000 in your Below the Lines deductions.
- State taxes are also progressive and you can check your state's brackets here.



Contact your
State's Department of Revenue and Tax Division
to find out where to send the payment.

Estimated Quarterly Payments

As a freelancer, you're required to send some money to the IRS four times a year, just like a regular employee contributes to their taxes with every paycheck. Note that while the government calls them quarterly payments, they're actually not due every three months.

Payment	Income received between	Due Date
1st Payment	January 1st to March 31st	**April 15**
2nd Payment	April 1st to May 31st	**June 15**
3rd Payment	June 1st to August 31st	**September 15**
4th Payment	September 1st to December 31st	**January 15**

The quarterly payments you're sending the IRS and State are based on what you estimate to earn during the year. For a seasoned freelancer, this shouldn't be too tough, but for someone just dipping their toes in the self-employment pool, determining this number accurately can seem like an overwhelming task, especially since you're risking an underpayment penalty if you don't calculate accurately.

That being said, there are some guidelines you can follow to ensure you're not penalized. These are referred to as Safe Harbor rules, and are pretty straightforward. You'll be in Safe Harbor if the total of your four Estimated Tax Payments equals the lesser of:

90% of what you will eventually owe for the current year, or
100% of the taxes you paid the previous year
(110% if your prior year Adjusted Gross Income was greater than $137,000)

Bottom line is that as long as your tax payments during the current year are equal to what you paid the previous year, you'll be in Safe Harbor. But if your business took off, you will end up owing more. **For more info on how to pay and calculate your quarterly payment, you can click here!**

What Can You Expense?

The IRS says a business expense must be "necessary and ordinary."

Software and Hardware

Computer, laptop, tablet, smartphone, printer, mouse, keyboard, subscription to softwares and services (ie: Microsoft, Adobe, Google Workspace), cell phone bill... Everything and anything you use when your computer screen is on.

Office Expense

Pens and pencils, paper, envelopes, notepads, staplers…
If you're more old school, all your office supplies are still tax deductible.

Subscription and dues

A magazine subscription or a membership to a video streaming service, whatever you spend to stay up to date with design, entertainment or trends important to your line of work, are part of your work expenses.

Marketing Materials

Domain registration, website hosting, themes, stock photos, flyers, posters, business cards, advertising fees... You are what you show, so all your marketing materials are tax deductible.

Work from Home Expenses

If a part of your home is your main place of work and is used exclusively for that purpose (the dining room table doesn't count), you can deduct the percentage of that space on your rent and/or mortgage. The IRS also offers a simplified option for this: $5 per square ft, capped at 300sq/ft. Desk, furniture and decor, portion of your utility bills and insurance… You run an office at home, so some of your home expenses count as work expenses.

Client Meetings

If you meet clients face-to-face at a restaurant or coffee shop, the costs of the food and drinks in front of you are tax deductible (Note: in 2021, you can now deduct 100% of the cost. In 2020, you could only deduct 50%)

Transportation

No matter the vehicle you used to go meet that client (car, train, plane, hoverboard) and whatever you spent to get on that vehicle or make that vehicle move is a work expense. If you use your personal car, track your mileage and check how much you can deduct per mile for the current year.

Classes and Training

Did you learn new skills to be more efficient or expand your offerings? These expenses are tax deductible.

Business Trips

If you travel more than 100 miles away from your home to meet a client or for a conference, the whole trip counts as a business trip, therefore all the expenses engaged are tax deductible: hotel, flights, 50% of your meals...

Disclaimer
This list is non exhaustive and every line of work is different. In doubt, always check with a professional accountant or visit the IRS website for more information.

CHAPTER 02

Benefits

It's not because you don't work for the Man that you shouldn't have access to affordable healthcare or save enough money to call it a day and move to Bermuda the minute you turn 65! Freelancers can access the same benefits full-time employees often enjoy. Your just have to build the package for yourself.

Healthcare Coverage

For many freelancers, the question of health insurance is one of the hardest one to solve, so much so that it can sometimes even be a deal breaker. But there are options. So if you're not one of the lucky ones (under 26 and still covered by your parents insurance or married to a working partner, therefore covered by your spouse's insurance) here are a few options to look at when shopping for health insurance.

Freelancer's Union (or other professional organizations)
Some professional organizations offer healthcare options for their members, including The Freelancer's Union. If you can't find a good plan for you today, keep checking back. If the union keeps growing, the plans could get better and better over time. And you should also do a quick search specific to your profession, see if there are any guilds or unions that offer this type of benefit.

The Affordable Care Act (ACA)
Healthcare.gov offers a wide range of plans, variable per state, to any US citizen and legal immigrants. You can choose between Bronze, Silver and Gold plans, depending on your needs and what you can afford. Depending on your income,

you might even be eligible for a subsidy that can drastically reduce your premiums. The open-enrollment period usually starts in November. But if you experience a major life event before then (birth, death, loss or gain of coverage through another job…) you can enroll at that time. And yes, as you've probably heard, you can't be denied coverage because of a pre-existing condition.

COBRA

If you're leaving a job to start your freelancer adventure, you can keep your previous employer's insurance under a program called COBRA. For up to 18 months (some states like California offer even more time), you can stay on your former employer's plan, but you will need to pay the full premium: your usual share plus what your employer used to pay for you. It can add up, but depending on the company's size and plan, it can allow you to get much better health coverage for a similar price tag as the ACA.

Private Insurance

Most insurance companies offer individual plans, but they usually come with either a very high deductible or a very high premium. Combined with a Health Savings Account (HSA), a tax-advantaged bank account where you can save up to $3,600 for an individual ($4,600 if you're over 55) or $7,100 for a family tax-free as long as it's used for qualified health expenses in 2021), this option can be interesting if you just want to protect yourself in case something major happens you don't end up completely bankrupt. But you'll most likely still end up paying ticket price for day-to-day health expenses, the usual wear and tear of life! Being part of a plan will often give you a discounted rate at the doctor though.

Always compare costs!
Always look at the total expenses over the course of the year, in the worst-case scenario – the numbers might tell you something you didn't think of. 12 months of premiums under one option could end up being more than 12 months of premiums + the Out of Pocket Max from another option.

Parental Leave

Taking time off work as a new parent can be daunting no matter what job you have; but as a freelancer, you might feel totally baffled as to how to begin with planning a parental leave. But the good news is that taking maternity and paternity leave as a freelancer is possible, especially if you plan ahead.

First: Assess Your Budget
Sit down with your partner and look at your monthly budget. How much of that equation are you, personally, responsible for? Multiply that income goal by the number of months you plan to take off, then write that big number down somewhere; it will guide your financial planning.

Check for self-employed state benefits
These states currently have, or plan on starting, paid family leave policies for the self-employed: California, Washington D.C., Massachusetts, New York, Oregon, Washington State. (This list will keep growing, so don't hesitate to call your State Employment Department for the most up to date information.)

Look at your state's policy, as they vary widely; in some, the birthing or adoptive parent can get up to 16 weeks of paid leave once per year, often with up to

$1,000 per week in payments. This also applies to a non-birthing parent, who can often get up to 6 weeks of paid leave from the state, sometimes up to 12. The process of opting in to your state's parental leave policy as a self-employed person varies. You'll likely need to enroll in the program and pay a small percentage of your overall revenue, due quarterly, for a certain amount of time in advance of your planned leave.

Investigate short-term disability plans

A lesser-known funding option for the birthing parent involves investing in a short-term disability plan. You can also apply for them as an independent contractor. If you want to use the plan to cover leave, **you must sign up before you're pregnant**. Short-term disability plans also don't cover the non-birthing or adoptive parent, and some plans require you to pay into them for three to six months before you become pregnant, which means you'll need to think way ahead.

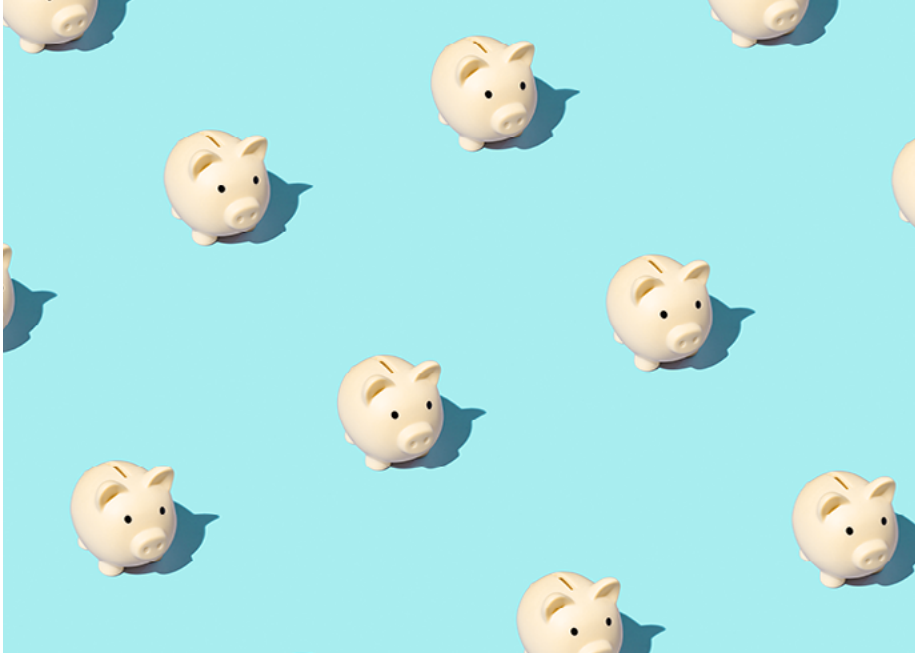
Many freelancers recommend planning for a full leave after your first baby — at least 12 weeks. Be flexible, have a back-up plan, and hold your best-case scenarios loosely.

Communicate and be helpful

Let your clients know when you'll be stepping away. Make plans with them to either get work done early, or to hire a replacement while you're away. Consider taking on a month or two of extra work in the second or third trimester, to add to your savings and give your client a back-flow of work to draw upon while you're gone. Plan to check in with your regular clients about a month before you return to work. Freelancing is a momentum game, and losing momentum during leave can be tough, so any guaranteed work you can secure upon your return will be welcome. Expect that it will take a month or two to get back up to full capacity.

Make a back-up plan and a back-up-back-up plan

Babies are unique, and you don't know what yours will be like until they show up. You won't know what you're dealing with (or how you'll feel!) until your baby arrives. Many freelancers recommend planning for a full leave after your first baby — at least 12 weeks. Be flexible, have a back-up plan, and hold your best-case scenarios loosely.



Retirement Savings

Yes, one day you will turn off your computer, disconnect your work email and go sip margaritas on a beach in Bermuda (visiting your grandkids once in a while if you'd like!) To make that happen though, you need to start planning now!

The three core options for Individual Retirement Account (IRA) for freelancers with no employees are: ROTH IRA, SEP IRA or SOLO 401K. They all have different rules and it's not easy to keep track. But here are some basics to get you started.

ROTH IRA

With a ROTH IRA you pay taxes on the money when you put it in the account, not when you withdraw it. It's beneficial for those who think they will be in a higher tax bracket when they retire. This video explains it very clearly.

- In 2020, the maximum contribution into a ROTH IRA is a flat $6,000 ($7,000 if you're 50 or older)
- You can't contribute to an IRA if you make too much money. The limits for 2020 are on AGI of more than $140,000 for a single person and $208,000 for a married couple.

- If you need to withdraw the money before the age of 59 ½ you will pay a 10% penalty and taxes on your earnings, except in some cases (to purchase your first home, some medical expenses like the birth of a child, or higher education expenses are some examples).
- You can contribute to a ROTH IRA separately and in addition to a Solo or full-time job's 401K.
- A Roth IRA is usually viewed as the best option for young people or freelancers who are just starting out since they tend to be in a lower tax bracket now than in the future.

SEP IRA

The main advantage of a SEP IRA is that it has a much higher contribution limit than a Roth IRA and less paperwork than a Solo 401K.

- In 2021, you can contribute up to 25% of your Net Earnings with a cap at $58,000.
- All your contributions are tax deductible and you will pay taxes on the money when you're on that beach in Bermuda.
- You do not have to contribute every year, so you can adjust depending on the way business is going.
- If you need to withdraw the money before the age of 59 ½ you will pay a 10% penalty and taxes on distributions, except in some cases (to purchase your first home, some medical expenses like the birth of a child, or higher education expenses are some of the examples)
- When you reach 70 years old, you will be required to take some money out, through a process called Required Minimum Distribution. Hey you saved it... So at some point you should enjoy it!

Starting is easier than you think!
You can open any of these accounts with all major investment banks. They'll be able to guide you and help you make the best decision. Acorns also has an option to open an IRA.

SOLO 401K

It's all in the name, this is a 401K for people riding solo. Now, for this one there's one thing you need to wrap your head around: as a freelancer you can contribute to it twice - as your own employer and as yourself.

- As the employer you can contribute, up to 25% of your Business Net Income. Reminder: that's your Gross income - (Business expenses + 50% of your Self Employment Tax)
- As the employee, you can contribute up to $19,500 in 2021 ($26,000 if you're 50 or older)
  Example: Michelle is a person (employee) and a freelancer (employer). Michelle's freelancing business makes a net income of $50,000 a year so Michelle The Freelancer can only contribute up to $10,000 to Michelle's Solo 401K. But Michelle The Person wants to save more! And she can: up to an additional $19,500.
- The total contribution (employee + employer) is capped at $58,000 in 2021 (64,500 if you're 50 or older)
- All your contributions are tax deductible and you will pay taxes on the money when you're on that beach in Bermuda.
- To open a Solo 401K you'll need an Employer Identification Number. You can easily request one with the IRS.
- If you need to withdraw money from your Solo 401K BEFORE you reach 59 ½ years old, there will be financial penalties. Make sure to check with your broker what these are.
- The $58,000 cap on 401K contribution is per person not per account. So if you're freelancing on the side and also have a 401K with your employer, the total of your contributions to both 401K can't be over $57,000.

CONGRATS! YOU OPENED AN ACCOUNT. NOW WHAT?

Once you've put money in your retirement account, you need to invest it. There are plenty of options to do so, and you should talk to a specialist at your investment bank, but one of the easiest ways to start is by investing in a Target Retirement Mutual Fund that corresponds to your anticipated retirement year. These funds blend a variety of assets to optimize return and risk over a period of time. Do a quick search for "target retirement fund [your retirement year]" to explore your options.

CHAPTER 03

Lifestyle

Freelancing is not just a status, it's also a lifestyle. And that lifestyle of freedom and entrepreneurship does come with its own set of challenges.

Working From Home

The 2020/21 experience confirmed what every freelancer already knew: working from home is hard.

Sure you're saving money (no commute), you're saving time (no commute), and you're saving energy (no commute). But doing work in the same location where you play with your kids and watch TV with your partner renders the mental separation of work and life tricky. So here are a few tips to help you maintain a healthy balance between your work and your life, when both of them share the same address.

Get. Dressed.
It may sound trivial, but getting dressed is an efficient way to switch modes. If you stay in your pajamas all day, your body won't feel the difference between business and pleasure. Also make sure to change outfits throughout the week. We probably don't need to tell you why…

Actually keep it separate
As much as possible, try to create a specific space for work, whether it's a room or a corner desk, that is separate from everything else in your home. This also

has the benefit of allowing you to deduct some of your rent/mortgage come tax season (one of the requirements from the IRS is that the space is exclusively used to conduct your business – meaning your dining room table doesn't count).

No Procrastination Allowed

If you work in an office, you have a pretty great incentive to get things done: when you have, you can go home! At home, it's easier to procrastinate and decide to do after dinner what should be done in the afternoon. This is a dangerous path, one that can mess up your work-life balance rather significantly. So don't do it!

Keep the business hours concept alive

Just like space, time is also of the essence here. There are of course more distractions at home than in an office. Since you're alone, nobody will report you to a manager or give you dirty looks if you decide to take a nap after lunch. And if you do have time to take a nap, enjoy it. But determine upfront how many hours you're going to dedicate to work and/or to everything else. And hold yourself to it. That discipline is truly key to maintaining a virtual wall between house chores, entertainment and work.

So to sum up!

Do what you need to do while wearing a daytime appropriate outfit in a dedicated space and time frame you have allocated for your work, and make sure to go talk to another human being at some point during the day.

Did you know ?

"Procrastrination is the action of ruining your own life for no apparent reason." **If this rings true to you, you can buy this poster on Etsy, and nail it to your wall** 😉

Taking Time Off

People often believe freelancers work whenever they feel like it... The truth is, freelancers work when they get work.

Any freelancer is familiar with the long weeks of radio silence from their clients. These weeks almost never feel like time off, but rather like a slow build up of stress. We also know this period can end with one single email that can come at any time. And of course, that email often requires you to be available the next day. And if you're backpacking across Europe, there goes your payday! The unpredictability of the freelance life can make it extremely difficult to plan for a vacation or some time off.

There are of course no easy solutions, but it doesn't mean a freelancer shouldn't take time off. Vacations are not only healthy for the body, soul and family dynamics, they're also an important part of life.

So here are a few tips to help you really enjoy your time off and find that time on/time off balance.

Plan around big projects

If you know a big project is coming up, plan a vacation the week before. You won't be stressed about money or missing out on an opportunity, because you know you have a gig waiting for you when you clock back in. If you are in the middle of a big project with a clear end date in sight, make a reservation for the week right after – you'll probably need the break, and with a paycheck coming in, you won't have your account balance in the back of your mind the whole time.

If you plan a trip somewhere exotic, ask your clients if they'd like you to bring them something back. It's always a great excuse to get in touch when you return!

Talk to your clients

Even though you're not on the payroll, your regular clients often see you as part of the team. Ask them when their slowest time of the year is, make them feel that you're working with them to find a time that works for everyone. If you plan a trip somewhere exotic, ask them if they'd like you to bring them something back. (Always a great excuse to get in touch when you return!).

Give yourself some breathing room

Determine how much money you need to take off a week or two. Then double it! With double the money in the bank, you'll be able to enjoy your vacation more, knowing you have some time covered to find your next gig upon your return. Then, do what you need to do to reach that goal: start working as much as you can, say no to nothing, and start saving money for your vacation.

Don't take a guilt trip

If you get an offer for the one week a year you're out of town, don't cancel your plans and beat yourself up: there was no way for you to know! Simply inform that potential client you won't be available (no need to tell them why, every good relationship benefits from a little mystery), and be sure to let them know the exact date you're available again. Maybe they have something else coming down the line, maybe their timeline is flexible – you never know what is happening on their end. Then, follow up when you're back, but not before: YOU'RE ON VACATION!

Fighting Freelancer's Anxiety

63% of freelancers say they feel anxious because of the amount of things they have to manage. And that was before Covid.

So first thing's first, if you're one of them, you're not alone and there's nothing wrong with you! Stress can be a motivator for some, but it is widely accepted that it is not a healthy state long-term. That said it's pretty impossible to avoid stress altogether. If you care about what you do, you will at some point feel stressed. What matters is what you do with that stress, how you handle it, and how you fight it back so it doesn't take over your body and your mind, leading to the sinister cycle of stress generating more stress.

For those who work alone, stress can go unnoticed or undiscussed, so don't forget to watch your stress level and try to implement these few steps into your routine, if you start to feel you're losing control.

Move your body

All health professionals strongly recommend working out and exercising to combat stress and anxiety. The problem is that finding time to make your heart

rate go up is not always easy. But there are many ways to keep your body moving, even if you can't get to the gym. Walk during phone calls, ride your bike to your coffee shop, if you take a 10-minute break, don't open Insta, instead stretch out, do a small yoga routine or a full-on short high-intensity exercise. You can find plenty of short routines online that can fit your schedule.

For those who work alone, stress can go unnoticed or undiscussed, so don't forget to watch your stress level and try to implement these few steps into your routine.

Take a breath

Mindfulness and meditation have become mainstream in the past few years. The reason is that it simply works. By becoming aware of your body, clearing your mind and focusing solely on your breathing, you can slow everything down and keep the chaos at bay. Only a couple of minutes in a moment of anxiety can help tremendously. It's all about taking that first step of saying: instead of freaking out for 3 minutes, I will meditate. And then, all you have to do is literally just breathe – which we can all agree is easier than doing 50 push-ups!

Write things down

When things get chaotic, when there's too much to do, when you don't know what to think or where to start, writing down what you feel and everything that's on your mind is an effective way of regaining control. The simple fact of getting some thoughts out on paper is similar to kicking a demon or an alien outside of your body! By writing thoughts down on paper, they're not spinning in your brain in a whirlwind, they're out there, ready to be shared with people and ready to be tackled, one by one!

Treat your senses

Light a candle. Turn on some relaxing music. Watch an episode of your favorite sitcom. By stimulating your senses, you can infuse some peace into your body and remind yourself that there are beautiful and fun things in the world around you.

CHAPTER 04

Money

Another day, another dollar.
Work hard, play hard.
Early bird gets the worm.
No such thing as a free lunch.

Lots of advice out there when it comes to earning and handling money. Here's ours.

How Do I Get Paid (On Time!)?

When you work for many different clients, you're dealing with as many different payroll services, payment methods or practices. So you need to be prepared.

Getting paid is a recurring pain point and most freelancers have a story regarding late payment or even getting totally jilted. While this is an issue that takes more than a blog to solve, there are a few things you can do to make sure this doesn't happen to you.

Write things down and know your rights.
A lot of freelancers start working without a contract. While it's usually fine when it's for big companies or clients you already know, you really should request a contract before investing any time or effort in a project. At the very least, make sure to send an email where you lay down all the terms (financials, deliverables…) and ask for the client to approve. If they respond in the affirmative, you'll have a written record of the agreement.

Invoice immediately.
If you don't invoice, your client won't pay you – it's as simple as that. So do your part and send your invoice as soon as the work is completed and approved. Make sure to note the date of your invoice and some language regarding payment deadline (either repeat what is in your contract or, if you work without a contract, add a line like: "Payment due within 30 business days"). Remember that the people dealing with your invoice are usually different than your day-to-day point of contact. Lili allows you to also send a payment request, which can be used as a nice reminder a few weeks after you send your invoice.

Check in often.
If the money doesn't come in on time, make sure to send follow-up emails (for the written record) and make phone calls (for the human-pressure aspect.) When payment is late, it's most of the time due to a communication error, so don't move to DEFCON 5 immediately. But make sure to stay on top of your client and remind them of their deadline. If this client is known to be a late payer or if you have concerns, you can always ask for a percentage upfront.

Accept all forms of payment.
Every client is different so try to be flexible and make it easy for everyone, they'll appreciate you for that. Let them know you accept payment via Paypal, Cash App, Venmo, checks, direct deposit, etc… The good news for you is all these payment methods are compatible with your Lili account!

Did you know ?
In some states, the law is on your side. In New York for example, unless stated otherwise in an agreement, the company must pay you within 30 days of completion.

Keep Your Money Secure

Now that most of our banking services are on phones and laptops constantly connected to the Internet, managing our money has become easier and more convenient, but also more open to fraud and security breaches.

At Lili, your security and privacy is our top priority, and we have the know-how and the technology to keep all your information secure. But here are a few things that you, as the customer, should do to help us keep your data (and money) safe and sound.

Track your banking activity

Review your account activity regularly, especially when you're traveling or shopping more than usual (holidays, wedding planning...). It's easier to miss a fraudulent transaction when there's already a lot of activity on your account. So once a day, instead of opening your favorite social media platform, open your Lili app and scroll through your recent transactions to make sure there's nothing there you don't like! We also offer real-time notifications on all account activity, so turn them on and you'll never be taken by surprise!

Cash withdrawals

Try to only utilize ATMs that are associated with a bank and stay away from potential “skimming” locations like gas stations or deli kiosks. If the machine is obstructed from view or poorly lit, it is definitely not a safe option.

Act fast & report

If you lose your debit card or suspect it has been stolen, deactivate it immediately (with Lili you can do it directly from the app!) and then call customer service to report it as lost or stolen. It’s much easier to replace a piece of plastic than to spend days pursuing a series of fraudulent transactions.

Protect your PIN number

Don’t share your personal identification number (PIN) with anyone, and don’t keep it written down anywhere... you know the drill! Also, it’s a good idea to change your PIN every few months to be on the safe side.

Secure login

Keep your account secure by logging into your banking app using fingerprint or face recognition on your phone. If you choose not to use biometric authentication, make sure to set up a very strong password to protect your account. (Yes, the days when you could use your birthdate as a password are definitely over!)

Did you know ?
Lili, like many other banks, is FDIC insured. This means that your money is guaranteed by the US government, up to $250,000 per account.

How to Start Investing in the Market

Only 55% of Americans own stock, either via a private investment account or a retirement account. If you're part of the 45% that don't own stock because of the intimidation factor, let's try to remove that right now!

First things first: what can you buy and where can you go to buy it?

Equity (AKA Stock)
When they go public, companies issue a certain amount of shares (aka stock). The public can then purchase that stock from the companies directly, at the price set in their Initial Public Offering (IPO). After this initial stage, people start trading these stocks amongst themselves, in the secondary market. If a stock is in high demand, prices go up and vice-versa. Owning stock at a company means you usually receive intermittent dividends (your share of the company's profit) until you decide to sell your shares. Dividends are not guaranteed, but it improves the attractiveness of owning stock.

Bonds

A bond is similar to a loan: you purchase it for a specific amount of time with a fixed interest rate. Bonds are often issued by governments, companies or other entities to finance projects. Except if the company defaults, bonds are usually considered a safe investment as you're likely to get all your money back if you keep it all the way to the maturity date and you receive extra $$ through the interest rate. In the unlikely event of a default, bondholders maintain priority over stockholders in receiving recovered funds.

ETF (Exchange Trade Funds)

An ETF is a financial product that typically combines stocks from different companies within the same sector. So if you think a certain sector has growth potential (like reusable energy or Fintech), but don't want to pick a specific company, ETFs are an easy option to invest.

Mutual Funds

Mutual Funds are similar to ETFs in the sense that they're also a combination of several equities. But whereas an ETF is available to everyone, each investment bank manages its own mutual funds (ie: Vanguard gives you access to Vanguard Mutual Funds, TD to TD Mutual Funds...). They usually have a higher price point and you pay a fee to the investment bank, because they're actively managing it, constantly making changes to the fund to adapt to market movements.

How to get started?

You can open an account with any of the investment banks around. Just Google: "Investment bank near me." Some of them are now commission free, meaning they don't charge you when you buy or sell stocks. Then trade away! Another, perhaps simpler, option is to open an account with a Fintech company like Acorns or Robinhood or Cash App which do the heavy lifting for you and let you invest with as little as $1.

If you want to learn more about your options and really dig into this topic, investopedia.com is a great resource.

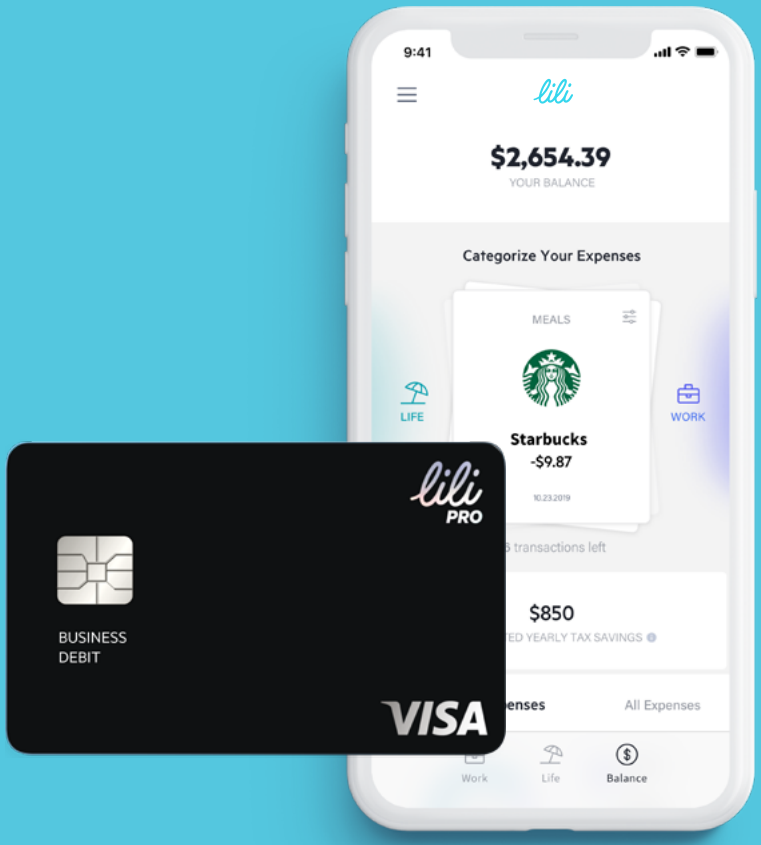
Did you know ?
The S&P500 is an index that measures the performance of 500 large companies in the US. The Dow Jones is the same, but with only 30 companies (Apple, McDonald's, Chevron, Disney, Coca-Cola...)

CHAPTER 05

Lili & You

Now, let's see how Lili can concretely help you grow your business, save time & money on your taxes, and find that work/life balance everyone is talking about.

Spoiler Alert
We can help you quite a bit!



Expense Management

Separate personal & business

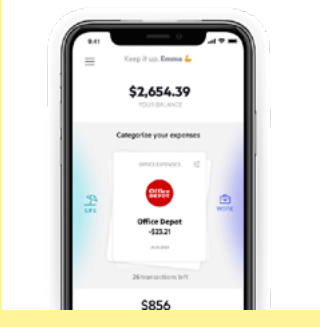
With just a swipe, you can categorize any transaction as a business expense. Lili then preselects one of the IRS categories based on where the purchase was made, but feel free to change it anytime.

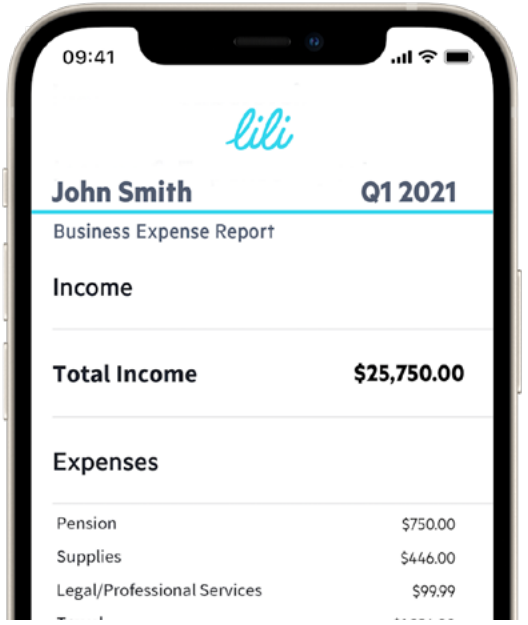
You can sort your expenses in real-time from anywhere. All you need is your phone and a finger! Swipe left for personal, right for business and up for a-little-bit-of-both.

Keeping track of your business expenses is the #1 way to make sure you don't pay more taxes than you should!

Save Real $$

Including ALL your business expenses from the year can save you some real $$. For example, a freelancer who makes $75,000 a year will pay $707 more in Self-Employment taxes if they only account for $10,000 of business expenses instead of $15,000.





The Expense Report

This is the reward for all your swiping! Every quarter, we will send you a Business Expense report that summarizes everything you swiped right during that period. And, of course, we also will send you one for the entire year!

The Saving Buckets

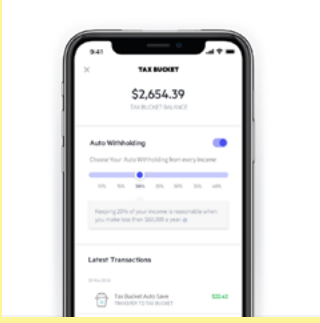
With Lili, no need to open a separate savings account to save for your taxes or start an emergency fund. You can simply open a "bucket," which is just another word for a sub-account, where you can manually or automatically set money aside, while keeping it one tap away in case you need it.

The Tax Bucket

This one is for your taxes. You can automatically set aside a percentage of every payment, to keep that money warm for tax season. It keeps you from spending what you technically shouldn't be spending anyway, but it's always available if you find yourself in a pinch.

25% to 30%

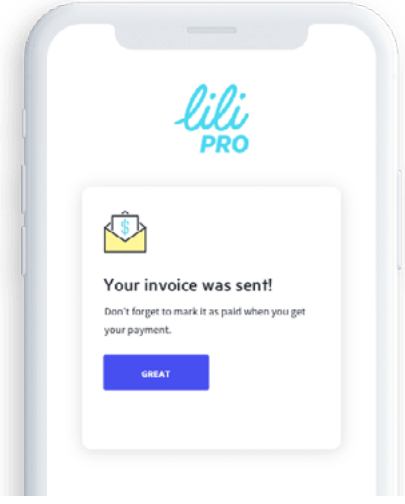
It's commonly recommended that freelancers save between 25% and 30% of their income for their taxes. That accounts for the self-employment tax and the income tax.



The Emergency Bucket

This one is for, well, emergencies. You can set a daily amount, as low as $1/day, and start an emergency fund immediately.

If 2020 has taught us anything it's that it's better to be prepared, and we want you to be prepared. So we have gathered a few ideas on how you can save a little money for your Emergency Fund, without even feeling it!



Invoicing Software

Keeping track of invoices is almost as painful as reminding a client they have not paid you yet (and it's been 42 days…) With Lili Pro, you can create, send and manage unlimited invoices, directly from the app.

So what are you waiting for?

Open your Lili account today!

No minimum deposit. No hidden fees. No credit check.

SIGN-UP

Other Resources

South Florida Musicians

Freelancer's Union

The Tax Foundation

Investopedia

Healthcare.gov

Lili's Blog

Lili's Youtube Channel

All the information contained in this booklet is for educational purposes only, and has sometimes been simplified for the sake of the example. Always consult with a professional accountant or with the IRS for any tax related matter, and with a professional financial advisor for any specific investment related questions.

If you have any question or comment, always feel free to send us a note at content@lili.co

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