Let’s Start Today

Financial Foundation for Freelancers

Let’s get started.

A solid financial foundation is important as you build your business and prepare for the unique challenges that come with being your own boss.

1. Start by writing down your goals.

Whether it’s something you want (a vacation) or something you need (incorporation fees), your goals dictate where your money goes (your budget). Writing those goals down holds you more accountable.

Short Term (in the next 12 months)	**Medium Term (in 1 to 5 years)**	**Long Term (in 5 or more years)**
By / /	By / /	By / /
I will:	I will:	I will:

Tip
- Pick an accountability partner and share your goals.
- Work to save up to three to nine months of essential expenses in an Emergency Fund.

Notes

2. Build your budget.

Use this template to get a clear picture of how much money's coming in and going out every month.

1. Average Monthly Income

	$
	$
	$
Total	**$**

Tip:
- When you get a raise make sure you're not neglecting your future self; split the amount between your savings and your spending.

2. Fixed Expenses

	$
	$
	$
	$
	$
	$
	$
Total	**$**

Tip:
- Don't forget about minimum payments on your debts.

3. Variable Expenses

	$
	$
	$
	$
	$
	$
	$
Total	**$**

Tip:
- Average the last two to three months of expenses to get a baseline of where your money has been going.

4. Non-Monthly Expenses

	$
	$
	$
	$
	$
	$
	$
	$
	$
Total	**$**

Tip:
- Plan for upcoming non-monthly expenses by estimating the amount you'll need and dividing by the number of months left to save.

5. Disposable Income

Average Monthly Income	$
Total Expenses	– $
Disposable Income	**$**

Tip:
- Determine how you want to allocate your disposable income towards your different goals each month.

Notes

3. Build your own benefits.

Understand common additional benefits that can help you plan for and protect your future.

Tip
- Try to save 10 to 15 percent for retirement. If you can't save that much now, start today with an amount that you can afford and increase contributions over time.

Health Insurance

Helps pay for medical expenses.

Co-pay is the amount you pay every time you visit the doctor.

Co-insurance is the percentage you are responsible for after you pay the whole deductible amount.

Life Insurance

Protects your business, pays off debts and leaves money to loved ones.

Term insurance is temporary and is generally less expensive.

Permanent insurance generally lasts the life of the insured and may build cash value which you could access for life's opportunities (as long as you make sufficient payments to keep the policy in force) and generally costs more.

Retirement

Helps build a future fund for when you hang up those freelance gloves.

Traditional accounts may give you a tax break up front, but you will pay taxes in retirement.

Roth accounts have no upfront tax break, but you generally have tax-free withdrawals in retirement.

A 10 percent tax penalty may apply for withdrawals from tax-qualified products before the age of 59½.

Disability Insurance

Provides income if you can't work because of a disabling illness or injury.

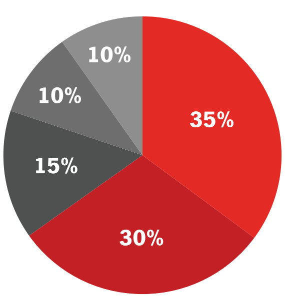
Exemption period is the amount of time before your disability income payouts begin after a qualifying disability or injury.

Benefit percentage is the percentage of income replacement promised to be paid when you start to receive your payouts.

4. Understand how your credit impacts your finances.

Credit is a measure of financial responsibility and has a big impact on your resources. Five factors determine your score.

Tip
- Pull your credit report from **AnnualCreditReport.com**.



How the five factors that determine your credit score are weighted.

35% Payment History
Pay bills on time.

30% Credit Utilization Ratio
Use less than 30 percent of available credit card limits.

15% Length of Credit History
Keep old cards open. The longer your history, the better.

10% Credit Inquiries
Inquiries happen when you apply for credit. In general, you want to keep this number low.

10% Credit Mix
Use different types of credit:
Installment: Has an end date (think loans).
Revolving: Has no end date (think credit cards).