

# Fifteen things to do to make jumping into freelancing/self-employment financially successful: Part 1

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An acquaintance from my previous career wrote to me recently asking about the steps I took when I made the switch to working at home.

It's official! I'm ready to get out of here. I'm tired of working here and I have a lot of people lined up to hire me for home catering and cooking. I'm sure you did a bunch of planning before you made the leap. What exactly did you plan?

I know at least one other former coworker who is contemplating a similar move into a freelancing gig, though his plans are decidedly less clear at this point.

So what exactly did I do during that transition period? I started making a list of the things I did—then, soon, I realized that there were several things I wish I had done. Before I knew it, the email had ballooned into a guide that I thought might be useful to quite a few people.

Here are fifteen things I did (or wish I had done) during the months leading up to my transition to working for myself.

## 1. LEARN TO LIVE ON LESS

One of the biggest challenges of freelancing/self-employment is the uneven pay. Gone are the steady paychecks of a typical job. Gone is the idea that you'll make roughly the same amount next month as you will this month. During 2009, I have had months that earned only 25% as much as other months—and I anticipate a single month later in the year when several projects come to fruition in which I have by far the best month of the year.

If you allow your spending to match your income, you're not going to be able to survive during the lean months. Instead, you need to adapt yourself to a consistent lower level of spending. Start looking now for fat to trim from your life. Every expenditure you have that's not necessary for your basic living standards should come under very careful scrutiny.

Many people balk at this, but the truth is this: your first several months as an independent worker

are going to be a real shock in a lot of ways. The last thing you need making this transition more difficult is a bunch of unnecessary expenditures. If things go well, you can always add some expenses back into your life—but you may find, surprisingly, that you're quite happy without most of them.

## 2. CREATE A BUDGET, BOTH PERSONAL AND BUSINESS

As I've written before, I'm not a believer in the "one-budget-fits-all" approach. Trying to make your budget or spending match an example provided by someone else is doomed for failure because that example doesn't match your life.

I argue that the real value provided by a budget is that it reveals, loud and clear, how you actually spend your money and it can provide some clear pointers to where you need to make changes. Prepare a budget by just keeping careful track of what you spend for a month—make a giant list of every dime you spend, then organize all of that spending into categories that make sense to you. When you have that in place, look not only at the total amount you spend (you're going to need an income level that on average exceeds that by at least a little), but also at the various categories—are there areas that you can cut?

A similar exercise for one's business expenses is also useful, though it can be more difficult. Seek advice on the expenses that people typically have freelancing in your area of interest and use that for a basis.

## 3. BUILD UP A BIG EMERGENCY FUND

If you've followed steps one and two and made serious cuts in your spending, you've now got a nice surplus of money coming in each month. Don't be tempted to spend it. Instead, sock it all away into a savings account. In fact, do it automatically—instruct your bank to automatically transfer a healthy amount each week into a savings account on your behalf.

If you've done your budget, you have a good idea of what your monthly expenses actually are.

I recommend having at least six months worth of living expenses in your emergency fund before making the leap. This will help you survive the lean months, particularly those early on in your freelancing experience.

## 4. NOW MAKE IT BIGGER

Quite often, people go light on the emergency fund before they make the leap. They have a bit of cash saved up, but they've convinced themselves that they're ready—they have plenty of clients and opportunities lined up.

Don't make that mistake. The big problem is that freelancers and self-employed folks—especially early on—can have a tendency to count their chickens before they hatch. No deal, no matter how good it is, is a sure thing until contracts are signed and products are delivered. You might have ten potential clients that talk big about what they want to do, but when push comes to shove, all of them could vanish—and many of them will.

Be prepared for that. Don't leave yourself in a desperate situation if a conversation doesn't pan out. Cover your bases—and the best way to do that is with a healthy emergency fund. Build it now, build it later, keep it nice and fat.

## 5. START REACHING OUT TO YOUR AUDIENCE AND CLIENT BASE NOW

There is no better time than right now to start digging for opportunities, even if your leap is far into the future. Get out there and start seeking out the people you want to know—and the people you want to sell to.

In a nutshell, this is market research—you need to find out if there are people that will buy what you do and figure out how to connect with them. Obviously, the internet and social media (like Twitter and Facebook) are good places to start, but they're just a start. You should also go directly to where people who might be potential clients—or potential competition—congregate.

Start finding the people now. Join message boards. Start Twittering. Start a blog. Pound the pavement in your local community. Dig through freelancing boards and other job

boards. If you're passionate about the field you're leaping into—and you must be if you want freelancing to work—you have plenty already to talk about. Let the passion flow.

## 6. ELIMINATE AS MANY REGULAR BILLS AS YOU CAN

Back on the money side of the coin, start whacking your regular bills, particularly any related to entertainment. Ditch Netflix—if you want to watch a movie, use Redbox or a similar service. Ditch your cable bill entirely—use a digital converter box and Hulu to get your television fix. Sell your car—if you can use public transportation or ride a bike to work, do you really need one?

For the ones you can't eliminate, trim. Make your living quarters as energy efficient as you can, with programmable thermostats and the like. Cut your cellular plan—do you really need that much data, those minutes, or that many text messages? If you decided to keep cable or satellite, whack some premium channels you don't watch.

The more monthly bills you can eliminate or reduce, the more room you have to breathe when you make the transition.

## 7. WRITE A BUSINESS PLAN

Don't worry about being too formal when you do this. The purpose of a business plan is to make you think about all of the details of what you're about to leap into. Have you really thought things through?

Areas to include: market analysis (is there actually a need or a market for what you're doing), product or service development (what kind of service or product will you actually offer), marketing (how will you draw attention to what you're doing), financial organization (the money), and risk factors (what problems might crop up and how you might handle them).

Spend some time on this. Include everything that comes to mind, and flesh out details on every point. Don't sweat the formality—just focus on ideas. The more effort you put in here, the easier it will be to make this all work when things get rolling.

# The total money makeover: The challenge ... and denial

So what exactly is The Total Money Makeover all about? It's just a very straightforward plan for getting in control of your finances, particularly in terms of overcoming a heavy load of debt. Many people have "turned the corner"—meaning they've realized that debt is dangerous and are actually committed to spending less—but the mountain of debt they've incurred makes it almost impossible to move forward. That's exactly who the book is written for.

## '80% BEHAVIOR, 20% HEAD KNOWLEDGE'

Right off the bat, on the first page of the introduction, the basic idea is made clear:

I am positive that personal finance is 80 percent behavior and 20 percent head knowledge. Our concentration on behavior—realizing that most folks have a good idea of what to do with money but not how to do it—has led us to a different view of personal finance. Most financial people make the mistake of trying to show you the number, thinking that you just don't get the math. I am sure that the problem with my money is the guy in the mirror.

I wholeheartedly agree with this. All of us know that it's important to save and can see the numbers on how useful it really is. The trick is actually doing it—and that's all psychology.

If you don't truly make up your mind to achieve financial success, you'll hold back. You won't save—or you won't save much. You'll keep telling yourself that "later" is the right time to do it.

And then you'll find yourself in ten years having not made any progress on your big goals in life.

The choice to start spending less than you earn is a hard one, but it's the most important one. That choice has nothing to do with math, with running the numbers, or anything else. It's inside your head.

## IF YOU WILL LIVE LIKE NO ONE ELSE, LATER YOU CAN LIVE LIKE NO ONE ELSE

That phrase is found at the bottom of virtually every page in the book—it's basically the book's mantra. Dave's take on it is clear: live hard now and you'll live easy later. My take is a little bit different.

I agree with him largely on the first part: it's incredibly important to tighten up that spending and get rid of the debt. Doing that requires learning how to spend less—and also not allowing yourself to use that extra money for anything but getting rid of debt and building a future. That requires living "different" in a way—your goals shift from the shiny new car and the shiny vacation to the removal of all of your debt.

On my block, I can certainly say I see a lot of shiny cars—my truck is the oldest vehicle on the block, by far. In the end, though, my truck works—and that's all I can really ask of it. It

gets the kids to daycare and gets me to the library, which is really all I need. As long as it keeps running, we'll keep it. And that's living quite different when we're surrounded by vehicles more than ten years newer than my truck.

It's the other part that's tricky. I don't view the "later you can live like no one else" as meaning I can afford that shiny new car. Instead, I take a perspective closer to Your Money or Your Life—the "live like no one else" in the future for me is complete financial independence, meaning I don't have to work for money.

That, to me, is "living like no one else." I won't have to factor in money at all when it comes to choosing how to spend my time, and that's my real dream.

## A 12% RATE OF RETURN?

One big flashing question mark comes on page xv in the preface:

"Sadly, many intelligent but ignorant people seem to think that making a 12 percent rate of return on your money in a long term investment is impossible. And that if I state that there is a 12 percent rate of return available, then I have lied to you or misled you. [...] The S&P 500 is the 500 largest companies traded on the New York Stock Exchange, sometimes called 'The Big Board.' So it is widely accepted to be the best average of the market. The S&P 500 has averaged 11.3 percent per year for the last seventy-plus years, as of this writing."

So, I immediately flip to the front and discover that this revision was published in 2007. Something tells me that 2008 hurt those numbers quite a bit.

Here's the point, though: The Total Money Makeover tends towards the optimistic when it comes to investment returns. While there are certainly long-term stretches (more than ten years) where the market as a whole—or certain pieces of the market—have returned more than 12% annually, the truth is that there is no guarantee that any 10 year, 20 year, 30 year, or any year period will return any percent. Surely, 2008 taught us all that, loud and clear.

Instead of relying on that extremely optimistic forecast, I've come to use Warren Buffett's more realistic (perhaps even a bit pessimistic) forecast that in the future we should expect 7% returns on average. This might be slightly on the pessimistic side, but when you're making calculations for your future and banking on them, you're better off being pessimistic (and having more money than you need when the day comes) than optimistic (and having to work for the rest of your life).

Calculating with 12% returns gets people really excited—and it might happen. But my perspective is that using such hugely optimistic numbers puts your future at risk. Better to finish with more than you expect than with less.

# Starbucks to give away free ice cream

By ANTONIO PEREZ  
Epoch Times Staff

NEW YORK—Seattle-based coffee chain Starbucks Corp. is giving away 280,000 pints of ice cream to Facebook users this month in celebration of National Ice Cream month.

Flavors will be based on popular Starbucks drink flavors, including "Caramel Macchiato," "Java Chip Frappuccino," and mocha.

The offer is valid through July 19, and all current Facebook users can apply to received a coupon redeemable for a pint of Starbucks ice cream in any flavor. Up to 20,000 coupons will be issued daily until July 19. Starbucks is limiting 800 coupon applications per hour.

Earlier this year, Starbucks announced its new ice cream line in partnership with Unilever PLC, the British food manufacturer. The ice cream products will be mar-

keted nationwide in convenience stores, grocery stores, and other mass retailers.

Flavors will be based on popular Starbucks drink flavors, including "Caramel Macchiato," "Java Chip Frappuccino," and mocha.

"We want consumers to enjoy the Starbucks Experience on their terms - in our stores, on the go or at home, through a variety of food and beverage offerings," said John Culver, president of Starbucks Global Consumer Products, in a statement. "We're pleased to introduce the new Starbucks ice cream line in collaboration with a partner that shares our passion for innovation and our core values."

Starbucks signed a collaboration agreement with Unilever in September 2008.

## NEW MAIL CAMPAIGN

The coffee chain recently launched a new mail marketing campaign to get consumers back to its coffeehouses. The envelope resembles a wallet, which reads "Give your wallet the day off." The mail contains a mini Starbucks card preloaded with \$5.

The mini card attaches itself to key fobs, which reminds consumers that "even without cash or wallet, you can still get a cup of latte."

Five dollars isn't much and can probably purchase only one cup of latte, but the clever marketing tool is a good example of simple, clever, and effective PR, analysts say.



ICE CREAM: Starbucks is giving away 280,000 pints of ice cream to current Facebook users. The offer will be valid through July 19. SCOTT OLSON/GETTY IMAGES

# There is no place for hindsight in Real Estate

By ADAM MILLER  
Epoch Times Staff

I help people buy and sell homes. Over time, I have noticed a phenomenon. It doesn't matter if a transaction unfolds smoothly or poorly, whenever a person relies on hindsight to evaluate an experience, he or she tends to end up thinking negatively.

It is safe to say, there is no place for hindsight in real estate. Rather, one must trust that life works as it does for a reason—particularly because nobody is able to press the rewind button in order to rearrange past events.

It is natural to reminisce on situations that did not go our way, wishing they had turned out differently. But here are a couple examples where a person wished things were different just after they ended gracefully.

Once I represented a buyer client who had decided upon an offering price for a home. He felt that his offer was fair and expected the seller to counter offer at a higher price. When the seller accepted the offer right away, the buyer was happy ... at first. Then he began thinking that he perhaps wrote too high an offer, and thought that he should have offered a lower price. In the end, things worked out just fine. But this is a perfect example

where using hindsight became the obstacle to seeing the good in life.

Similar situations occur for sellers. Let's say a seller invests money and effort into selling her home. She repairs the home completely, services and cleans all of the mechanical units, touches up paint and enhances other cosmetic items, and then lists the home at a competitive price for the local market. Within two days, a full price offer arrives at her doorstep and she puts the house under contract. A week later, after things calm down, the seller becomes fixated on the thought that she should have placed her home on the market at a higher price.

The truth of the matter is that there is no guarantee things would have turned out any better if the buyer would have offered less, or if the seller would have asked for more. The whole chain of events would have likely changed. And in the end, wouldn't the buyer or seller still use hindsight to review the past, wishing something had ended up differently?

Making wise choices and sticking with them is a principle of healthy living. Within a real estate transaction or any other life situation, second guessing and assessing matters through hindsight are unnecessary blockades to a person's innate sense of faith and trust in life.