

FREELANCE WRITER'S SPECIAL REPORT

#C-482

Setting Freelance Fees

When pricing your work, you must take into consideration these two writing business facts of life:

- One-half of a freelance writer's income, on the average, goes to direct and overhead business expenses: supplies, equipment, telephone, auto, accounting, photography, education, on-line services, travel, utilities, postage, repairs, printing, research, and so on.

- One-fourth of an efficient writer's time goes into overhead tasks: telephone calls, scheduling, correspondence, bookkeeping, purchasing, maintenance, filing, mailing, and so on -- time not directly attributable to any one project, but time necessarily spent to run a successful business.

An example of how to factor these facts into your fee-setting is the ABWA Pay Formula, which the American Business Writers Association came up with several years ago:

ABWA Pay Formula

	<i>Example</i>
1. Decide what annual salary you would be reasonably capable of earning in a staff position dealing with similar material:	\$20,000
2. Divide that annual salary by 2,000 (40 hours per week times 50 weeks) to obtain a net hourly wage:	\$10
3. Double the net hourly wage to cover your direct & overhead business expenses. This gives you a gross hourly rate:	\$20
4. Increase the gross hourly rate by 25% to cover overhead time. This is your billing rate for this project:	\$25
5. Multiply your billing rate by the total number of hours you calculate it will take you for travel, research, interviews, photography, writing, revising, and delivery to complete this project:	2 days or 16 hours x \$25
	<hr/> \$400

Multiple Billing Rates

Some writers use several billing rates. A specialist in medical writing, for example, may figure that because of experience and knowledge of the field, he (or she) is worth \$50 an hour to ghost a professional article or complete an assignment where he will draw on contacts and research files built up over the years.

Then to write a business article, for which he has some but not a great deal of experience, he could base his fees on \$40 per hour.

But to do a computer software manual, for which he has no experience but would like to learn, he might ask only \$25 per hour.

Billing rates can be adjusted upward as you gain more experience in a field or become more expert or acquire more speed. For example, the first time you index a book, it may take you three to four times longer than it will after you've indexed several books, and have adopted shortcuts or learned new techniques.

"Profit Objective" Formula

Here's another method for determining your billing rate:

	<i>Example</i>
1. Decide how much profit you want (net money in your pocket) for the year:	\$21,000
2. Divide your target profit by 1500 billable hours per year (6 hours per day times 5 days times 50 weeks):	\$14
3. Determine what your weekly business expenses are: rent, loans, secretarial services, auto, supplies, and so on:	\$450
4. Divide weekly expenses by 30 hours; thus your overhead is per hour:	\$15
5. \$14 (profit) + \$15 (overhead) = billing rate:	\$29

"Gross Earnings" Formula

The following method for setting a billing rate is especially good for the writer who does not work regularly at the writing business, but only during short periods of time or on a part-time basis:

	<i>Example</i>
1. Determine how much you need to earn:	\$1,000
2. Determine the time period in which you must arrive at the amount:	10 months or $\$1,000 \div 10 =$ \$100 per month
3. Decide how many working hours you have available to you in the total time period:	20 hours per month
4. Divide amount per time period by hours available:	$\$100 \div 20 = \5 needed per hour
5. Multiply amount needed per hour times 4 to cover overhead time and expenses	$5 \times 4 = \$20$ per hour billing rate

Explaining the Freelancer's "High" Hourly Rate to a Potential Client

In most cases, you avoid having to defend your hourly billing rate by analyzing the job, estimating how much time you will need to complete it, multiplying that time by your billing rate, then quoting the client or editor a flat rate to do the job. In these cases, only you have to know what your hourly rate is; you use it only for arriving at your bid.

However, sometimes the client insists on an hourly fee or the job has too many unknowns to fairly estimate time involvement. Once in awhile, especially when dealing with people who are accustomed to hiring employees, not sub-contractors, the potential client will question why you charge \$50 an hour when he only pays his own staff people \$10 or \$15 an hour.

1. First tell him what he doesn't have to pay:
 - vacation days
 - holidays
 - unemployment insurance
 - social security
 - sick leave
 - workman's compensation
 - pension contributions
 - investment plans
 - other fringe benefits

2. Remind him that salary for nonproductive working hours is not being paid. (Studies have shown that staff workers waste as many as four hours per day on talking to fellow employees, running personal errands, and just waiting for the day to end.) Thus, the actual salary to support a captive employee can be twice the hourly rate he's quoting as paying his employees -- and that's without the fringe benefits.
3. By the time all the fringe benefits, training costs, and miscellaneous costs are included, that \$10-an-hour employee may be costing the company as much as \$25 or more for every hour of actual productive time.
4. Other advantages of freelancers or independent contractors:
 - a fresh outsider's view of the project
 - new approaches to old problems
 - availability of diverse experience
 - avoidance of lay-off or termination when project is completed

Here's the way one freelance advertising copywriter explains his high fee for only a few words:

"I'm a little like the plumber who charges \$30 to install a part worth ten cents. When the homeowner says he could have bought the part for a dime, the plumber answers, 'I charged you only a dime for the part and \$29.90 for knowing where to put it.'"

Different Ways To Charge For Your Work

1. You can charge an hourly rate:

☺ Charging by the hour, you get paid for your actual effort; if it takes you ten hours to complete a job, you get paid for ten hours.

☺ When clients are paying you by the hour, they aren't as likely to waste your time with unnecessary rewrites or meetings or changing their minds.

☺ But, you can get penalized for your own speed. If the job goes smoother and faster than you had estimated, you make less money.

☺ When you charge by the hour, you may have to explain why you need to charge such a "high" hourly rate.

2. You can charge a flat fee for the job, which you arrive at by estimating the number of hours it will take you to complete the job, then multiplying the projected hours by your hourly rate.

☺ By quoting a specific fee for doing the job, you eliminate the possibility of scaring off the client with what he or she considers a high hourly rate.

☺ If the client is considering more than one writer for the job, he or she can use flat fees to maneuver the writers into a low-bid situation. And if the writers aren't careful the "winning" writer can price the job so low that it is actually unprofitable to do.

☺ *Warning:* Once guaranteed a fixed price, some clients have no hesitation about changing job requirements, or demanding partial or total rewrites on little more than a whim.

3. You can network with other writers to determine what they are charging, either by the hour or for different kinds of work. Decide whether you offer more or less than they do -- whether you write better or not quite as good, whether you have more or less experience, whether you work faster or slower, and so on. Then set your fees the same, higher or lower, accordingly.

4. You can base your fees on what other professionals in your area charge. For example, one writer sets his hourly fee the same as the hourly fee his local psychologist charges. Another writer says her fee for an hour's work is about the same as a local General Practitioner's charge for an office visit.

Markups For Extra Services

Markups of 17.65% of net costs are normal when you make purchases for the client (supplies, printing, artwork, photography, and so on). For example, let's say you are producing a brochure for a client, who wants you to not only provide the copy, but also to oversee the artwork. Let's say your fee for writing the copy is \$750. And the graphic artist charges \$500 for camera-ready artwork. You would multiply that \$500 times 1.1765 (a shortcut for figuring out how much 17.65% of \$500 is and then adding it to the \$500), which would come to \$588.25. So your invoice to the client would show \$750 for brochure ad copy and \$588.25 for graphic art services, or \$1,338.25 for the total job. When you receive payment, you would then write a check to the graphic artist for \$500. You would keep the \$88.25 to compensate you for the time you spent hiring and meeting with the artist.

Stating Your Article Fees To Editors of Magazines and Newspapers

You can state the amount you want for an article you're proposing right in the query letter, or in the cover letter when submitting the manuscript cold. ("I am offering this article to you for \$250.")

When an article is assigned, but the editor doesn't mention how much money they are paying you for doing it, you have every right to ask -- and *should* ask -- how much money they will pay for the completed material -- and when.

Once the price is agreed upon, submit an invoice for faster payment -- preferably along with the manuscript.

Retainers

A retainer is a fee paid by the client in advance to make sure the professional's services are available when needed. It is not unusual for public relations people to work on a retainer basis with business clients. Retainers are fine as long as you can trust the client not to ask for more of your time than is her or his due. Any retainer should be negotiable after three to six months.

Fixing a retainer requires an estimate of how many hours (or days) per month will be involved, on the average. Multiply that times your hourly (or daily) rate. Round off to an even amount.

Always log time against jobs to use in future bargaining when it comes time to renew an agreement.

One writer sets a retainer with the understanding that the retainer amount will cover x number of hours' time per month. Any time put in beyond those hours will be billed in addition to the retainer at a set hourly rate.

Miscellaneous Tips

- Normally, hour rates are discounted a bit for daily, weekly, or longer time periods. For example, an hourly rate of \$40 might be \$300 for a day, \$1200 for a week, and so on. If engaged on an annual retainer basis and paid monthly, the fee is usually discounted 10 percent.

- Request half the fee in advance the first time you work for someone, and have a written and signed letter of agreement. In the agreement, state what you are responsible for providing and when, and what the client is responsible for paying and when.

For more tips on building a freelance editorial business, see *100 Keys to Freelance Success* at <http://amzn.to/AdVwbe>

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