

## **Preview Of 'Freelance Writing in the Fast Lane: Operation and administration secrets for your home-based corporate writing business'**

This is Book 2 of a series. While some of the information in this book can apply to all types of freelance writing, some may only apply when you set yourself up as a corporate writing enterprise as explained in *Freelance Writing in the Fast Lane: How to create a six figure, home-based writing business without all that marketing*.

This book contains tips, information and mistakes to avoid based on my personal experiences as a corporate writing enterprise, including:

- Equipment and software needs
- Taxes and other common overhead costs
- How much to charge
- Day-to-day business operations
- How to get paid by direct deposit
- And more

## **Chapter 1: Create your business entity**

### **Name your business right away**

In the beginning of my freelance life, I worked as a self-employed individual under my own name. Once I crossed six figures, my accountant suggested I incorporate to help save on taxes. So, I gave my company a name, got a taxpayer ID number and D&B number, and hired help.

I realize now it was a mistake to wait to give my company a name. If it's inevitable that you will incorporate under a different name, then you might as well do so from the beginning. Here's why:

When I incorporated, I came up with a name that reflected what I do instead of who I am. All my client contracts were in my name, not my company's name. This shift caused quite a fiasco with my clients. I had to get a new vendor number, sign new agreements, and jump through all the original hoops as if I was a brand new vendor.

I also had a client-issued laptop to use for anything I did for that particular client. But, the company didn't allow me to save anything to the laptop's hard drive, so all of my files, emails, address book — everything — was on the company's network.

When I changed my business name, they assigned me a new user name and I lost access to my old user name's network information. That included works in progress. They even assigned me a new email address, so my familiar contacts could no longer find me. My clients at that company were completely confused and some were even angry. I didn't lose any work over it; I quickly explained the situation and got everyone back on track. But, it was a headache that could have been prevented if I had incorporated and named my company at the start.

### **Take your time thinking of a name**

Don't decide your business name in a hurry. Spend some quality time thinking about it, share your ideas with colleagues and friends, and listen to their feedback. You don't want to rush into an idea, incorporate and tell the world, and then a week later come up with something better or realize your business name was a bad idea.

You don't have to follow my lead on naming your business based on what you do; you *can* still use your own name if it's not too common. Remember, potential clients are not out on the internet looking for writers, so using your own name won't impair your ability to get clients.

You can also contact your local Chamber of Commerce, Small Business Administration, or SCORE chapter to find someone who can help you come up with a winner.

## **Should you incorporate and, if so, what type?**

There are many advantages to incorporating your business. The act of incorporating can help you separate your personal life from your business life (That may be a good argument for using a name that's not your own). Incorporating also adds credibility to your services. Some clients prefer to work with corporations instead of individuals. Some even require it.

There are also legal and tax advantages to incorporating. I'll tell you what I know based on my experience and as explained to me, but with this disclaimer: *I am not a lawyer or tax accountant and I may live in a different U.S. state than you. I strongly suggest you discuss with professionals before deciding what type of entity you want to be.*

There are three different types of corporations that you might consider for a writing business: C-Corp, Limited Liability Corporation (LLC), or S-Corp.

**C-Corp** – This is a general corporation and the default if you don't specify otherwise. The company pays taxes on its profits (revenues less expenses). Those profits are distributed to you (the owner/shareholder) as dividends. Then, you have to pay personal income taxes on the same money! So you probably don't want this type of entity.

**LLC** – This entity is not really a corporation; it's something of a hybrid between a partnership and a corporation. It's taxed like a partnership (through personal taxes) with the limited liability protections of a corporation (the company can be sued, but not the owner). But it lacks the extra tax advantages of an S-Corp.

**S-Corp** – This entity is much like an LLC in that it is taxed through personal taxes and has the liability protection. But, because it is a true corporation, the formalities are more strict. You'll have to adopt bylaws, issue stock, hold initial and annual director and shareholder meetings, and keep meeting minutes with corporate records. But, don't worry, you can get a lawyer for about \$1,000 to set all that up for you, including the bylaws, stock certificates, taxpayer ID number (TIN), and more. Then, once a year, simply type up a page (a meeting with yourself) that reviews your company's previous year and anticipates the upcoming year and store it with your corporate papers.

The advantage of an S-Corp over an LLC is the self-employment taxes. When you work for someone else, your employer pays half of your Federal Insurance Contributions Act (FICA) tax, which funds Social Security and Medicare. You pay the other half of FICA out of your paycheck.

When you're self-employed, you're both the employer and employee, so you pay both halves of FICA. When you incorporate to an S-Corp, you become a shareholder (perhaps the only shareholder) and you hire yourself as an employee (perhaps the only employee). You must set a "reasonable" or industry-appropriate salary for yourself as an employee, but it doesn't have to represent your actual earnings.

For example, let's say your company revenues are \$100,000 for the year. But, you set your annual salary at \$45,000 (a reasonable salary for an entry-level copywriter). You can

divide that up into weekly, biweekly or monthly payments so you get regular paychecks just like a regular employee.

Now your company pays half of FICA on your \$45,000 salary and you pay the other half. But the point is that you're paying both halves on only \$45,000. The remaining \$55,000 of your revenues are not subject to that hefty self-employment tax. As an LLC, you would pay FICA taxes on the whole \$100,000.

I again urge you to discuss with your own accountant first. I understand that in some states, S-corporations have other fees and taxes. For example, in California, an S-corporation must pay tax of 1.5 percent on its income with a minimum annual amount of \$800. This tax is not required for sole proprietors.

### **You can start out as an LLC and upgrade to an S-Corp later**

Remember, as an S-Corp, you must set a reasonable salary for yourself. It can't be \$1. It has to be realistic for the job. Check entry-level copywriter salaries in your area and use that as a starting point. The IRS pays particular attention to S-Corps because of the potential for abuse. You don't want to prompt an audit by setting your salary too low.

If, in the beginning of your business, you don't think you'll earn enough to qualify as a reasonable salary and still meet your startup overhead, you could make your business an LLC and change to an S-Corp later, when you feel more confident about your earnings.

### **Get certified as a minority-owned business**

Being certified as a minority-owned business can help you get work at large companies and even win government contracts.

You may also get certified as a women-owned, veteran-owned or service-disabled-veteran-owned business. To qualify, your business must be at least 51 percent owned by members of one or more minority groups who are U.S. citizens or resident aliens. For example, in the case of a woman-owned business, husband and wife as equal partners would not qualify. The wife must own 51 or more percent of the company.

The options and certification process may be different depending on where you live, so check your state's official website for instructions to apply. Google: [Your state] certification of [minority/women/etc.] owned business. You can also contact your local Small Business Association for forms and assistance.