

Finances For Freelancers



From the Toronto Chapter of Periodical Writers Association of Canada (PWAC)

Writing is a craft, often elevated to an art. But to survive as a freelance writer, you have to understand that your writing is a business. Income tax forms, GST, bills... they can all crowd your mind and impinge on your ability to create. To maintain independence, the effective freelancer knows the ins and outs and develops systems to manage the business details of writing.

PWAC Toronto gathered a financial planner, a personal finance columnist and author who runs her own writing business on the side and an accountant turned 'financial therapist' who provided many practical tips to help freelance writers manage their businesses. Angie Gallop moderated the panel and provided these notes.

Panellists for the evening were:

Amanda Mills learned 20 years ago what financial chaos really was. She was asked to manage a theatre company so far in debt that cash flow was a daily concern. After this trial by fire, she founded Artbooks, an organization dedicated to financial management in the arts. She started **Loose Change**, a financial therapy practice because as she says 'You can't take your bills to the therapist and you can't cry at the accountants.' She has worked with hundreds of artists in all disciplines and arts organizations to help clarify and solidify their financial positions, prepare their tax returns, plan and make decisions. Amanda has taught financial management for the Banff Centre, University of Victoria, the Toronto Arts Council and Humber College.

Ellen Roseman has written about consumer advocacy and personal finance for over 27 years with the *Globe and Mail* and, most recently, *The Toronto Star*. Roseman is well aware of the freelance life because she is married to a freelance writer and has works as a freelancer from time to time. Wylie and Sons will be publishing her most recent book, *Money 101: Every Canadian's Guide to Personal Finance*, in December.

Financial planner **David Potter**, MBA, has 30 years of experience in the financial services industry. He has owned, operated and managed businesses including financial services, marketing, real estate, consulting and insurance in Canada, the U.S. and South Africa. He has received many awards recognizing service excellence including the International Quality Award.

GENERAL TIPS FROM THE PANEL:

- For freelancers, mortgage brokers will grant mortgages much more readily than the banks.
- Invest while the market is low and stay invested. David says that equity investments lose for a long time and then make gains very quickly. So in a year your stock may lose for 11 months and then go up over a seven-day period to make you money. As the market plunges, you are picking up stocks at lower prices which will benefit you in the long run. Equities reward patient investors so you have to stay invested.
- Put money into your RRSP before you pay your debts. If your debt is at 6 per cent - you save the 6 per cent by paying your debt. If you put the money into an RRSP you can write it off against your income to save money plus you will earn the interest. Your rate of interest depends on how you invest it.
- If you are travelling on business you can write off your entire travelling expenses - if your reason for taking the trip was principally for business. As long as you can argue convincingly that the expense will reasonably generate income you should be able to deduct it.
- Clothing is hard to argue! Amanda added to this point by saying that Col. Sanders was not allowed to write off his white suits in Canada! Actors can write off clothing, but Amanda said she makes her actor clients have two closets - one for business clothing and one for personal clothing.

AMANDA'S SEVEN BASIC TIPS FOR WRITERS:

1. Save all of your personal receipts:

There are more audits happening right now than before. Revenue Canada is targeting artists and freelancers - recently audited all CBC freelancers. One way to prove that your receipts are legitimate (particularly meals and entertainment) is to show them all of the receipts that you are not writing off. Auditors will look to take away expense claims...so when you are arguing it is better to err on the side of more. The guiding principle to write-offs is 'Can you prove it?'

2. Consider having a GST number and signing up for the quick method:

The quick method assumes a certain percentage is for expenses and this percentage is generally favourable to writers.

3. Consider paying off your taxes before your Visa,

even though the interest rates may dictate the opposite of this principle: Taxes, if left unpaid appear to be never-ending. Amanda illustrated her point with a story about a client who was angry about money because he had never paid his taxes and was over whelmed. After he started having the bank deduct GST and income taxes automatically off of each cheque, he started to become more relaxed, more clear and more positive about money. Although Visa is a higher interest rate you can see on the bill that the money went to that trip to Mexico or new pair of boots. Tax bills cause people to be depressed because you can't immediately see where the money is going.

4. Work your budget forecasts around your regular income:

Artists tend to live a 'do without' life during low times in the cash cycle and then spend when the surplus cash comes in. Often they perceive the times when they have cash on hand as 'the norm' and low cash times as crises. Shift your perspective at look at the 'do without' times as the norm - and build your budget this way. When the surplus comes in, use it to build a cushion that is three to six times your 'do without' budget. This will give you the confidence and positive attitude about money that you need to become more prosperous.

5. Consider the Wisdom of Optimism:

Our energy follows our expectations. Although pessimists view themselves as realists, they are experience more disappointment because they are expecting failure. Optimists expect success and guess what? The principle applies.

6. Confront and Deal with your Emotional Baggage about Money:

Sound money management is as emotional as it is practical. If you can think clearly and simply about money this gives you the self esteem and 'clear head' you need to be prosperous.

7. Talk about Money to De-mystify and De-power It:

Develop the language and confidence to talk in a straightforward way about money.

ELLEN ROSEMAN'S TIPS:

- **Keep track of everything** you spend by keeping receipts or by using Intuit, Quicken or Microsoft Money. Once you've figured out how you are spending your money, you can figure out ways to trim your spending. Don't make massive cuts as these are not sustainable.
- **Budget time** to scrutinize all bills and bank statements.
- **Negotiate:** Ellen phoned the credit card company to say she was going to give up her card - she was offered an 8 % decrease on her interest rate - from 18% to 10 %. Call the Hydro company to discuss ways you can reduce your bills.
- **Emergency Fund:** As Amanda recommended, have one! But consider the fact that writers love their work and many want to work into retirement, so consider the fact that your RRSP could serve as an emergency fund. This can motivate you to start and keep one.
- **Disability Insurance:** This is important for writers!
- **Consider the hidden job market:** There are many companies out there who would use a freelance writer but don't know how it could benefit them. Ellen is often asked when she is talking to companies for her column if she does freelance work. She can't take this work due to job conflict but she says it proves there is a demand for writing out there.
- As an editor Ellen has found that there are many, many writers but **good writers are scarce**. Work on your craft and then have confidence in the fact that professionalism is still a valuable commodity.
- **There is great value in buying a house** or condominium and using it as equity.
- **Check your credit rating!** There is a new service by Equifax (www.equifax.ca) where for \$21.95 you see how you rate on a scale of 800 points and what you can do to improve your rating.
- **Consolidate all of your business with one bank** and get to know your banker. Remember that each bank has an ombudsperson that clients rarely know about. If you have a concern take it to the ombud. Services such as PC banking and credit unions often give better rates than the banks.

QUESTION & ANSWER PERIOD:

Question: How many books and magazines should writers be able to write off?

Amanda: There is no question that with auditors...the amount you can write off is not enough. In my view it should be 100 per cent of the material you use to educate yourself about your market - books and magazines. One way to prove these are useful is to show your clipping files.

Question: Cable TV?

Amanda: I had a client who worked for television but when audited was not allowed to write off cable. In both cases, you have to fight hard and you can write off what you can prove is contributing to your business and ability to make a profit.

Question: Any tips on collecting from deadbeat clients?

David: There are services you can pay, that are not collection agencies, to do collections in a polite forthright way.

Ellen: At a writer it is important to be careful who you do business with. It is better to work at a lower rate for a reliable organization than at a higher rate for a publication that may disappear.

