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Financial skills for Freelancers

While potentially offering good earnings, considerable flexibility, subject interest, and a high level of organisational control, the inexorable 'time/cost/quality' nexus means that the financial aspect of languages professions is a key component which must also be in equilibrium with the others. This mini guide seeks to provide an insight into these parameters.

The freelance translator or interpreter is fortunate in the sense of having potentially very few financial overheads, materials, consumables or other upfront costs to be incurred.

Capital costs will be: a permanent external drive back-up for all your work and records (such as the Mac Time Machine system) and the all-important PC/Mac. You will need at least one laptop, one desktop, a spare keyboard and printer. It is essential to have two computers and possibly even two printers – you will find yourself in the position of a complete breakdown of this key equipment from time to time, and clients will not be interested in hearing about these problems!

Other recurrent annual costs will relate to a good broadband connection, a smartphone to ensure you do not lose trade when away from your computer, the use of your home as an office, secretarial or support assistance if you have a colleague/partner who will do this for you, professional indemnity insurance, and maintaining your professional memberships, software (e.g. antivirus, periodic MS Office, and other software upgrades).

In general, it is also important to keep records and receipts of deductible expenses that you can claim against tax. Note that training and tuition, including manuals and textbooks (so long as this is genuinely relevant to your profession) can also be claimed as a deductible cost. Receipts must be retained. The same applies for professional subscriptions and memberships, and professional indemnity insurance – see https://www.gov.uk/government/publications/professional-bodies-approved-for-tax-relief-list-3.

Time

The most important cost to you as a freelancer is your time, and because of the various different ways interpreting work can be charged, this short guide focuses on translation as a business model, but the principles are very largely the same for these main strands of the linguistic professions.

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The most important inputs to your translation work as a professional linguist entail the determination of how much you are ‘paying yourself’, in other words, how much you can earn per hour.

For example: a client contacts you with a 5,986-word job which they need translated for next Wednesday. If this involves, say, three available full working days, with delivery first thing on day four, it is probably safe to accept it. You might say that you will charge £0.085/source word, so this job will earn you £508.81 *before tax.* The next important question is how long it will actually take you to do the work. If, for example, you can produce 600 completed and checked words per hour (remember it may be a very technical text, involving research and extra levels of cross-checking), then this will take you almost ten hours (5986/600). This means you are paying yourself c. £50/hr *(before tax).* You may opt to do all the work in ten hours of one day, or five hours across two days, or 3.33 hours per day over three days. So long as you deliver on time, and the work is of a high standard, all well and good.

Money

The example above is not the whole story, however. If one received conveniently batched projects of c. 6000 words every four days, that would mean that given potentially 22 (x 8-hour) working days a month,

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B. Always meet, or beat your deadlines, come what may.

C. In some months you may earn very little, so budget for the whole year and not on the basis of an atypically good (or bad) month.

D. Always spend at least some time when work is not coming in, on marketing.

E. Always invoice everything very promptly at the end of each month in separate account invoices for each separate client, and check as you go that your invoices are actually being paid on a reliable basis, systematically chasing any bad payers.

F.

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Pricing

There are various views on the approach to pricing, but the best advice is probably to remain aware of the range of rates typically charged, as reflected in annual rates surveys, and to adjust pricing accordingly. Differential pricing is acceptable, so long as one keeps track of what is charged for each client. It is perfectly acceptable to increase rates from time to time, but some clients who have been good payers and provided plenty of work, may insist on a specific rate – naturally there is an algorithm as to what you will find acceptable. A minimum charge may also be prohibitive, and if your administrative procedures are sound, this may be an irrelevance.

Balance the value of increasing your price against the potential loss of business – in the costed example above, increasing the price for 5,986 words from £0.085/word to £0.09/word will increase your income over four days from £508.81 to £538.74 (or a difference of £29.93), but if your clients then decided to allocate work to cheaper translators the resultant loss may be considerable. Conversely if your annual pre-tax revenue were £50,881, increasing your rate across the board from £0.085 to £0.09/word would earn you £2,993 p.a. more (assuming the increase did not actually lose you trade). Sadly you will not usually be able to know if you would have had more work by keeping your rates at the same level, and at that level of income, £2,993 is not a big difference. On an income of half that (£25,440 p.a.) the difference is barely £1,500.

Translation memory is an issue here, and, by definition, a double-edged sword. On the one hand, offering the use of a client's preferred TM package may be the key to receiving a certain volume of work of this kind, but the downside is that the TM is then working against

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Tax

The first consideration is that income of only £1000 a year or more is the threshold at which you must register with HMRC as a sole trader. Also – for 2020, if your income is over £85,000 a year, you must register for VAT (see below for more on this subject).

The current tax bands (2020) are:

Earnings below personal allowance (£12,500)	No income tax payable
Basic rate (£12,501- £50,000)	20%
Higher rate (£50,001- £150,000)	40%
Additional rate (Over £150,000)	45%

It is very worthwhile to have an accountant to submit tax returns for you. There are a number of good reasons for this. The most important being that accountants must comply with certain standards, including in the relationship with HMRC, and this is a very reassuring aspect to have working 'on your side'. Some people may enjoy the challenge of completing a tax form, including on-line submissions, but many also find the process extremely unintuitive, and from any perspective plain English rubric is still an issue for the non-expert in tackling these forms.

Another good reason is that for c. £380 a year (also a deductible expense) you have the benefit of the accountant's experience of what is a taxable expenditure and to what extent, and it is a fact that 90% of the time the cost1.5eE-pSnis e taoR36. mmuy.i isc.5eE- timeluding on-line suv8beE

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It is important to have saved approximately 25% of your revenue progressively as you go through the year, so that you are in a position to meet the regular tax bills and payments on account to HMRC due by 31 July and 31 January. If you cannot do this – and it is a discipline – you are unfortunately living beyond your financial means (on that basis alone). Always remember, as a reality (and sanity) check, that a

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For the 2020/21 tax year, you will need to pay Class 4 National Insurance if your business profit is over £9,500. This amount is known as the ‘Lower Profits Limit’ (£8,632 in 2019/20).

If your profits are £9,500 or more a year, you pay Class 4 NICs of:

- 9% on profits between £9,500 and £50,000
- 2% on profits over £50,000.

The £50,000 amount is known as the ‘Upper Profits limit’.

Class 4 NICs are now calculated annually by HMRC as part of your Self-Assessment. Your Self-Assessment liability will include a calculation based on the amount of profit made by your sole trader business.

VAT

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About CIOL

CIOL (Chartered Institute of Linguists) is the leading professional body for people using foreign language skills at work, setting the standard for linguists worldwide. Membership offers professional recognition, and our range of membership grades leads to Chartership, recognised worldwide as the gold standard for practitioners, whatever their profession, publicly understood as a badge of quality and competence. We offer many benefits and services, such as mentoring and access to networks. Our awarding organisation, CIOL Qualifications, delivers fully regulated professional language qualifications, such as the Diploma in Public Service Interpreting and the Diploma in Translation, recognised by government departments, agencies, business, universities and schools.

For more information on membership and qualifications, visit [illegible]

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