

## Expenses to Consider When Determining Your Rates

As an independent contractor or freelancer, there are a variety of things that you will need to take care of on your own that may be part of the standard package for a regular employee. Take these things into consideration when you write your business plan and determine your rates.

- You'll have to pay for your own sick leave and vacation time.
- You'll have to fund your own retirement account.
- You'll have to purchase your own life and health insurance, often at a premium.
- You may have to purchase liability insurance.
- You are solely responsible for filing all IRS papers as well as quarterly estimated taxes.
- To satisfy government regulations, you'll have to provide your own tools, computer equipment, and software as well as on-going maintenance and upgrading of those tools and equipment. Otherwise, the client/employer will not be able to classify you as an independent contractor.
- You may need an invoicing system, business cards, stationery, and possibly a website.
- Companies are generally not allowed to reimburse independent contractors for travel and entertainment expenses, but you should consider these expenses in determining your rates.

This may sound like a lot, but remember, the employer/client sees these expenses as potential savings for hiring you over a long-term employee. You should not be paid a similar hourly rate to that of a regular employee for just these reasons.