



workwell
Formerly JSA Group

MAKING A SUCCESS OF FREELANCING

Start Out Strong

i n t r o d u c t i o n

We know that stepping away from the security of employment and a steady income can be daunting. That's why we're here to help you.

With Workwell by your side, you can make a success of your freelance career. It's what we've done for 30 years – and we now support a fantastic community of 25,000+ contractors to make the most of having a flexible lifestyle.

Let us help you Start Out **STRONG**.

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Are You Ready to Quit Your Day Job?

Freelancing is a very big step, so before you start, you will need to think carefully about it to make sure this truly is the right path for you.

Key areas to think about include:

- What skills do you offer & how much are they worth?
- Do you have work lined up and how will you source new opportunities?
- What provision will you need to make for your mortgage and other financial commitments so you don't need to worry about bills in the early days?
- If you plan to work from home, have you got a space to work comfortably and in a focused manner?
- Are you aware of your tax and accountancy responsibilities?

Have a backup plan

One way to give yourself the confidence to start is to have a backup plan. Having options to return to in the unlikely event that your venture doesn't work out will give you the security you need to step out on your own. This can include leaving your permanent employment on good terms, building a reliable network of contacts, and continuing to develop your skills.

Your backup plan should also include saving enough money to cover at least 3 months of your basic living costs. Make sure you take things like tax and insurance into account as well as other outgoings like your insurance or pension contributions. Working this out in advance will help you feel confident you have/can get enough work to generate the income you need to support your lifestyle.

Charging correctly

No matter which sector you're in, going rates will vary depending on demand and experience so it can be difficult to know what to charge. Before you set your rates, do some calculations by forecasting how much you need to make to fund your lifestyle in comparison to the going rate for your experience and skills.

Consider short-term cashflow

You may also need to consider your personal cashflow. If you invoice your clients near the end of the month, you may not see that money for another 4 - 5 weeks depending on your payment terms, so factor that in when making calculations.

Choosing A Business Structure

Before you set up your business, you will need to decide on a trading structure that works best for you. The right choice will depend on your circumstances and future plans as well as the amount of admin you're willing to take on. Speak to your Workwell accountant who will be able to advise you.

Limited Company

What is it?

A limited company is its own legal entity, separate from its shareholders and directors (even if you are just one person acting as both shareholder and director). Your company will have a separate bank account, its own income and expenditure, can enter into its own contracts, and has to pay its own taxes.

How does payment work?

As a limited company, you pay Corporation Tax on your profits rather than Income Tax and you can pay yourself through a combination of salary and dividends. So it tends to be the most lucrative and profitable way to work.

You are also able to claim a wide range of business expenses through your PSC, including equipment, mileage, business trips etc.

Limited company contracting is most suitable for contractors who are deemed 'outside' IR35.

Sole Trader

What is it?

A sole trader is a self-employed individual who is the sole owner of their business. It is simple because you can simply start trading, filing a Self-Assessment Tax Return at a later date.

The drawback is that you are not viewed as a separate legal entity to your company, meaning you are responsible for the banking and legal issues of your business and your personal assets can be liable.

How does payment work?

Sole traders pay income tax and self-employed national insurance via the Self-Assessment Tax Return. The amount is based on their profits after expenses. This is straightforward when you're just starting out. However, if you reach a certain threshold, you may be better switching to a limited company structure.

Note, sole traders aren't subject to IR35.

Umbrella Employment

What is it?

Umbrella contracting is a great way to enjoy the freedom and flexibility of contracting while still maintaining access to a wide range of employment rights, protections, and benefits.

It is often the first step contractors take on their contracting journey when they're not quite ready to start their own limited company, or if your assignment is classed as 'inside' IR35.

When you join an Umbrella, you become their employee and receive employment benefits whilst retaining the ability to work as a contractor.

How does payment work?

The Umbrella company will engage contractually with the end-client or recruitment agency it is supplying you into, and will invoice the client or agency for its services (supplying its employee). From this fee, the Umbrella accounts for its costs and retains a profit margin before paying a salary to you, which is subject to income tax and national insurance.

Confused about IR35?

IR35 is a complicated topic, but we have the experience to walk you through it. Download our guide to IR35 or book a free consultation with one of our advisers who'll be happy to help you get your head around this legislation.

Set-up Tasks: Administrative

If an Umbrella or sole trader structure is right for you, that's simple. You can choose a trading name and leave the rest to us. However, if limited company is your preferred route, there are a number of set-up tasks we'll need to help you with.

Choose a name

Your company name needs to be a unique name that no one else has registered with Companies House – we can check for you if your chosen name is available. It also needs to be something that you feel represents your brand well.

Appoint directors & shareholders

All limited companies must have at least one director and one shareholder. It may be that you take on both roles and no one else is involved.

Register your company with HMRC

Once the company is formed, registering with HMRC is a relatively straightforward process. We will submit your CT61G document that officially notifies HMRC of your new company's details.

Registered address

All limited companies must have a registered office address. If you're working from home, this may be your home address. If this is the case, it is possible to keep your home address private - just let us know if you want to do this.

Determine your SIC code

A SIC (Standard Industry Code) is required for company registration. This broadly describes the trading activities of your company. We can talk you through this.

Set up your website & social media

Establish your online presence by setting up a website and social media feed. Set aside dedicated time to keep these active to support your networking and brand awareness by showing off your skills to prospects and connections.

Make insurance arrangements

Your business must be sufficiently covered to protect you in the event of customer dissatisfaction, loss, or personal illness. There are various insurance types available to freelancers including Professional Indemnity and Public Liability. You may not need every type of insurance, but it's important to discuss this with a professional to ensure your business is sufficiently protected.

Here to support you through every step

We're partnered with specialist contractor insurance providers and leading business banks, so we can help you get set up with insurance and banking arrangements that meet your needs.

Set-up Tasks: Financial

If an Umbrella or sole trader structure is right for you, that's simple. You can choose a trading name and leave the rest to us. However, if limited company is your preferred route, there are a number of set-up tasks we'll need to help you with.

Open your business bank account

It's vital to keep your business and personal finances separate for a range of reasons. The best way to do this is through a business bank account, designed to process all your earnings and expenditure.

Set up bookkeeping arrangements

You'll need to keep on top of your finances, maintaining a regular record of any company-related expenses as well as copies of invoices you've sent to clients. Regularly updating your records and ensuring you have a clear filing system will help you determine your company profits and complete your Self-Assessment Tax Return accurately.

Register for Self-Assessment Tax

Registering for Self-Assessment Tax will ensure you comply with the rules that require almost all company directors to be registered to file an annual personal tax return.

Create a P&L statement

A Profit & Loss (P&L) or income statement shows how much profit and loss your company generated over a given period. Comparing P&L statements from consecutive accounting periods helps identify changes in revenue, operating costs, development expenses, and net earnings over time.

Payroll, National Insurance & VAT

As a company director, you are classed as an employee as well as an employer. This means you must pay Employees' and Employers' National Insurance. We can help you work out what NI you need to pay and when.

You will need to become VAT registered if your turnover goes over a certain level (unless you work in a sector that doesn't operate VAT). You may also be able to use the flat-rate VAT scheme which allows you to pay a fixed rate of VAT to HMRC and keep the difference.

Create a balance sheet & review it regularly.

A balance sheet lists your assets, liabilities, and equity for a specific date, illustrating your business's net worth and the financial health of your company. You can also use your balance sheet to determine how to meet your financial obligations and use credit to finance your processes.

Create a cashflow statement and forecast

A cash flow statement is a financial statement which summarises the quantities of cash (or cash equivalents) entering and leaving your company. The cashflow statement measures how well your company generates cashflow to pay debt obligations and fund ongoing expenses.

It's never been easier...

With our straightforward My Workwell online portal, you can manage invoices and expenses, produce balance sheets, access your P&L, analyse bank statements, and perform cashflow forecasting 24 hours a day! It's never been easier to manage your finances as a freelancer.

CASE STUDY: Sentinel Scaffolding

SENTINEL
SCAFFOLDING
SERVICES

When you're working in commercial and residential scaffolding like Phil Birley and Tim Solomons, you have a big responsibility for public health and safety. By helping Sentinel Scaffolding manage their accounts, Workwell gives Phil and Tim the headspace to ensure they're keeping people safe throughout their operations.

Many people have concerns before starting their own company, worrying that it may be a lot of admin and hassle before they can even start trading. For Phil Birley and his business partner, Tim Solomons, setting up Sentinel Scaffolding at the end of 2017 was "simple and easy".

"Initially, we had to juggle getting the company up and running with other work – we couldn't go all-in straight away. But we quickly built up our network and have since been able to build the business with it now taking our full-time focus."

Finding work

We both had a good network of contacts in the industry so this helped create a pipeline of clients at the outset.

"We used to find it difficult to find consistently good work that would pay well. But over time we've learnt to ask the right questions so we properly qualify clients and only agree to work that will be worthwhile."

"In this trade you have to be proactive with marketing so I do a lot of emailing to people I think we can help. I've secured a lot of commissions through persistent emailing - you can't be afraid to pursue business and be tenacious."

Plans for expansion

"At the moment it's just me and Tim and we bring in other people when we need extra hands for specific jobs, but we're growing nicely and steadily acquiring a great customer base.

We're moving away from residential and into more commercial work and with the construction industry booming at the moment, things are going really well for us."

Final advice

"My advice to anyone thinking of starting a limited company is to go for it. Don't be shy, just get started, work hard and don't be afraid to ask people for work!"

Financial Decisions

When you're freelancing, you'll need to think about the wider financial implications.

Pensions

Your pension arrangements will change when you become self-employed. If you choose Umbrella employment with JSA, you'll have access to our pension scheme or you can continue paying into your SIPP or private pension for no additional cost.

If you're setting up your own limited company or you become a sole trader, you won't have an employer in the same sense, so you will be required to make your own pension arrangements. We can help you understand the implications of the different options available.

Mortgages

Your mortgage eligibility will depend on the way your work is structured. For example, as an employee of an Umbrella company, your payment frequency and payslips will remain the same as if you were in permanent employment. Therefore, you will appear to a lender as a permanent employee and, providing you meet their criteria, you should have no problem getting a mortgage.

However, when you work through your own limited company, your lender will most likely require at least 2 years' worth of full accounts to prove the stability of your income. It's worth noting that this is the same even if you have a top credit score, zero debt, and great repayment history – so before you decide to take the leap into self-employment, make sure the timing is right in relation to your other life plans.

Savings

Since there's no guarantee that you'll have a consistent stream of work when you're self-employed, you must think hard about the savings you have and what is easily accessible if you need it. We've previously explained the importance of having an emergency savings fund to cover at least 3 months' worth of income, but you should also consider having separate savings for times when you're on holiday or not working, plus any long-term retirement arrangements.

Everyday financial management

When you work for yourself, you'll need more discipline over how you manage your finances. As an employee, your income tax and National Insurance will be deducted at source before you get paid. However, this won't be the case if you're a sole trader or limited company director. You'll need to set aside money to pay your taxes. You'll also need to open a business bank account and keep your business income separate from your personal account.

The Freelancing Lifestyle

A little planning and forethought can help you make the most of the freelancer lifestyle.

Working environment

While some freelancers may be office-based, others have the freedom to work from anywhere. No matter where you work, make sure you've got the technology and equipment you need.

If you're working from home, think about how you will set up your desk so you don't have to move laptops, phones & paperwork around family life. Having a private and quiet space is ideal or you may want to consider renting flexible office spaces a couple of times a week.

Keep well

Freelancing is an extremely rewarding way to work. But, with the added responsibility of being your own boss, there are bound to be times when you begin to feel stressed.

Don't forget, no matter how busy you are, overwhelm and burnout are real issues and are more likely to occur when you're working for yourself.

Don't let this be the case. Take the time to look after you – go on walks, spend an hour at the gym, do a virtual yoga class, develop your skills, network with other freelancers – find out what works for you.

Set a routine

Establish a pattern you can stick to and set out your working hours - it can be very tempting to work particularly long hours when you're freelance but this can be damaging to your mental and physical health. If you master a routine, not only will you be much more organised and efficient from the outset, but it'll help you stay focused knowing you have set working hours and scheduled breaks.

Stay organised

Set time aside to focus on managing your business. You'll have a range of accountancy responsibilities that you'll need to be on top of to remain compliant and collect the correct income/expenses. Take advantage of the range of software and applications available to help you manage your time efficiently - plus, we're always there to take some of the accounting and admin responsibilities off your hands.

Networking

Networking is a vital part of successful self-employment. Make sure to update your personal social media accounts regularly and set aside time to catch up with work connections - both old and new. Keeping a live network of interested contacts that you can reach out to for work or support will help you make the most of freelancing.

CASE STUDY: Ashok Mehta



While Ashok Mehta focuses on his Biopharmaceutical Consultancy, we're helping run his limited company accounts so he can spend time doing what he loves.

Ashok began his career in biopharmaceuticals 38 years ago. After taking on contractual work in 2003, he enjoyed self-employment so much that he set up his own limited company and, since then, he has "never looked back".

The lifestyle

"I came to my retirement age at 66 this year, and as you age in life you really realise what's important to you. I realised I need to be in control of my own destiny, and that required having the flexibility self-employment gives me to have a work-life balance, see my family, and do things I want to do".

"My favourite part about self-employment is the range of experience I've had. If you remain in a permanent position for years, you only ever know one way of doing things. But if you move around a lot, you get a broader range of experience and each day is much more varied."

Thinking back...

"If I were to do anything differently in my career, it would be to begin in self-employment sooner. "

The finances

"I've contributed heavily to my private pension from the word go, so I've never been worried about financial arrangements because I've always known how much I need to live on. And now I've been contracting for 18 years, if I don't work for 6 months it doesn't even matter... I'm covered."

Although Ashok is very independent and knowledgeable about his financial arrangements, whenever he does have a query, his accountant at Workwell is always on hand to help.

"I have nothing but praise for my accountant at Workwell. Every time I have a query, or something is wrong, my personal accountant helps me out straight away. Workwell takes care of all my invoices, my P60, and helps me keep track of my dividends and salary – they're always there to guide me through it."

Finding Work & Managing Clients

Finding work

You'll need to invest time into finding new opportunities – especially when you're new to freelancing. To start getting placed in the best contracts:

- Build a strong CV - first impressions count - keep your LinkedIn profile up-to-date and consider building a website where you can showcase your experience and feature testimonials.
- Build recruitment agency contacts and use contractor job boards - be proactive in searching for opportunities.
- Get networking online and in-person - keep in touch with people who can help you. Reciprocate as much as possible - what you give out, you get back!
- Follow-up all opportunities appropriately - make sure you thank people for referrals and for being considered for opportunities - you never know where the contact might lead!

Managing client expectations

So, you've followed our tips and found a role with a new client – that's great! But before you rush into it, make sure the expectations are clearly set about what you're going to deliver, by when, and how much you'll get paid.

Remember, while you may have a standard rate, depending on the economy and the supply/demand movements within your sector, you may have to be flexible to obtain the role.

Having said that, don't be willing to back down and accept any offer – strong negotiation skills are essential for success. Always aim high and expect to compromise to achieve the rate that you really want.

Finally, don't be afraid to discuss your renewal options with the client and your recruiter (if you're using one); projects often tend to overrun and you need to be confident that you won't lose out if you require an extension.

Top tip

**When it comes to finding work,
always take a targeted
approach.**



How Can We Help?

We are one of the UK's leading providers of specialist contractor accountancy services. We support more than 25,000 contractors to enjoy the freedom and flexibility of this way of working. Join us and get access to a host of great benefits:



Free business formation

We will take care of the formal process to form your business within 1 working day!



Simple software

Simple software for 24/7 access to your accounts. Plus expert advice on tax planning, bookkeeping & dividends.



Hassle-free

Year-end accounts and corporation tax returns completed on your behalf.



Perks & discounts

Take advantage of the perks offered via our fantastic network of banking, finance, and insurance partners.



Compliance

FCSA-accredited service plus unlimited IR35 advice and assessments for total peace of mind.



Unlimited support

Get your questions answered by a member of our expert team - we're open 6 days a week.

Need advice?

Book a free, no-obligation consultation with one of our experts who will help you Start Out Strong.

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