CourseMints

GUIDE

Freelance Pricing Playbook

Set Rates Clients Respect

SELF-PACED PDF COURSE

COURSEMINTS.COM

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Freelance Pricing Playbook

Set Rates Clients Respect

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INSIDE THIS GUIDE

Contents

	How to Use This Guide	4
CHAPTER 1	The Real Cost of Working for Yourself	6
CHAPTER 2	Capacity: The Hours You Can Actually Sell	10
CHAPTER 3	Your Three Numbers: Floor, Market and Target	14
CHAPTER 4	Choosing a Pricing Model	19
CHAPTER 5	Estimating Fixed Fees Without Losing Money	22
CHAPTER 6	Value-Based Pricing in Practice	25
CHAPTER 7	Packages, Tiers and Productized Services	29
CHAPTER 8	Proposals That Present Your Price	33
CHAPTER 9	Handling “Too Expensive”	37
CHAPTER 10	Raising Your Rates Without Losing Your Best Clients	40
CHAPTER 11	Retainers and Recurring Work	44
CHAPTER 12	Discounts, Scope Creep and Payment Terms	47
CHAPTER 13	Your Pricing System	51

How to Use This Guide

Most freelancers set their first rate by guessing. They look at what a friend charges, subtract a little because they feel new, and then spend years working too many hours for too little money. The guess feels safer than the math, because the math usually says you need to charge more than feels comfortable.

This playbook replaces the guess with a method. It is written for freelancers, consultants and independent contractors of every kind (writers, designers, developers, marketers, editors, virtual assistants, video editors and more), whether you are about to quote your first client or you are busy but not earning what you should.

What you will learn

- How to turn your living costs, taxes and business costs into an annual revenue target, and how many hours you can really sell to reach it.
- How to research your market and set a floor rate and a target rate.
- When to use hourly, project, package, value-based or retainer pricing, and how to estimate fixed fees without losing money.
- How to build tiered packages and write proposals that present your price with confidence.
- How to handle “too expensive”, raise your rates, decide on discounts and stop scope creep.
- How to track your effective hourly rate and review your prices every quarter.

This is a book about the numbers and strategy behind your price. The live conversations (handling nerves, the exact words for a tough negotiation) are covered in depth in the CourseMints guide Queen of Negotiations. You will find short phrases here where they help.

How to get the most from it

1. **Gather your numbers first:** last year's income, business expenses, personal monthly costs and any records of hours worked. Rough figures are fine.
2. **Do Chapters 1 to 3 with a calculator.** They produce your floor and target rates, and every later chapter builds on them.
3. **Use a live proposal as your case study** and apply each chapter to it as you read.
4. **Review every quarter** with the routine in Chapter 13.

TIP

About the examples

The freelancers in the examples are illustrative composites, not real people. Their numbers show how the math works; they are not market rates or predictions of what you will earn. Dollars are used for illustration only. Every method works in any currency.

CAUTION

Not financial, legal or tax advice

This playbook teaches pricing methods and business math. Tax rates, social contributions, invoicing rules and late payment rights differ between countries and even regions. Where tax appears in the examples, it is a placeholder percentage that shows the method. Confirm your real figures with a qualified accountant or your tax authority's official guidance, and have a lawyer review contract terms that matter to you.

KEY TAKEAWAYS

- Pricing by guesswork usually means undercharging. This playbook replaces the guess with math and strategy.
- Chapters 1 to 3 give you your floor and target rates; everything else builds on them.
- Use a real proposal as your practice case and review your prices every quarter.

CHAPTER 1

The Real Cost of Working for Yourself

01

When you are employed, your employer quietly pays for things you never see on your payslip: their share of payroll taxes or social contributions, paid holidays, sick days, often health cover and retirement contributions, your equipment, software and training, and every hour spent in meetings or between tasks. When you go freelance, nobody pays for any of that except your clients, through your rate.

That is why the most common pricing mistake is so expensive. Many new freelancers divide their old salary by 2,080 (40 hours a week for 52 weeks) and charge that per hour. That rate pays you as if you billed every working hour of the year, never took a day off and had no business costs.

What your rate has to pay for

Layer	What it covers	What people forget
1. Your pay	What you need to live on and save	Saving for irregular months and annual bills
2. Benefits you now fund	Health cover, retirement, income protection, paid time off	Time off is unpaid unless your rate covers it
3. Taxes and contributions	Income tax plus any self-employed contributions	In the US, for example, self-employed people pay both halves of Social Security and Medicare
4. Business costs	Software, equipment, insurance, accountant, training, marketing, payment fees	Small subscriptions add up; equipment needs replacing
5. Buffer	Late payers, surprises, reinvestment	Without it, one bad month becomes a crisis

Build your annual revenue target

1. **Add up your monthly living costs** from your last three months of bank statements: housing, utilities, food, transport, debt repayments, insurance, childcare and everything else.
2. **Add your monthly savings goals,** then multiply the total by 12. This is what you need in your hand each year, after tax.
3. **Add the benefits you now fund:** health cover where it is not provided publicly, retirement contributions, income protection. Do not count retirement twice if you included it in savings.
4. **Gross up for tax,** using the formula below.
5. **Add business costs for a year:** subscriptions times 12, annual costs and an equipment allowance (a $1,800 laptop replaced every three years costs about $600 a year). In most countries, genuine business costs reduce taxable profit, which is why they are added after the tax step. Check which costs count where you live.
6. **Add a buffer of 10 to 20 percent.** It covers late payers, the month your computer dies and next year's training. Freelancers without one tend to make desperate pricing decisions in slow months.

Annual revenue target = pre-tax pay + business costs + buffer

Gross up for tax correctly

Your living costs, savings and benefits are what you need after tax. To find what you must earn before tax, divide by one minus your estimated tax rate:

Pre-tax pay needed = after-tax amount ÷ (1 − tax rate)

A common error is to add the percentage on top instead. If you need $48,000 after tax and set aside 25 percent, adding 25 percent gives $60,000, but 25 percent of $60,000 is $15,000, leaving only $45,000. Dividing gives $48,000 ÷ 0.75 = $64,000, which leaves exactly $48,000. Get your real rate from an accountant or your tax authority's calculator; until then, use a cautious placeholder and mark it as one.

EXAMPLE

Priya's revenue target

Priya, a freelance UX writer, left a salaried job paying $62,000. Her living costs are $2,900 a month and she wants to save $300 a month: $38,400 a year. She now funds her own health cover ($4,800) and wants $5,000 a year for retirement. Total after tax: $48,200.

With a 25 percent placeholder from her accountant, $48,200 ÷ 0.75 is about $64,300. Business costs are $7,200, making $71,500, plus a 10 percent buffer of $7,150. **Her annual revenue target is about $78,700.** Her old salary divided by 2,080 was about $30 an hour. The next chapter shows why charging that would have earned her well under half of what she needs.

EXERCISE

Your annual revenue target

Line	Monthly	Annual
A. Living costs (after tax)		
B. Savings goals		
C. Benefits you now fund		
D. Total after tax (A + B + C)		
E. Tax placeholder rate (%)		
F. Pre-tax pay: D ÷ (1 − E)		
G. Business costs		