



What do you need to think about when you decide to work for yourself?

5 finance must-do's when you become self-employed.

Starting out as self-employed: An accountant's perspective.

My Finance 'must-do' list

1. Get a separate bank account for your business.

Now that you've seen it written down, it seems obvious doesn't it? Doing this one simple thing will make running your business so much easier.

If you are a sole trader you don't need to have a business bank account (it is a legal requirement if you set up a Limited Company), it can simply be a separate current account.

Whichever bank account you use for your business, have the details of this on your invoices. Have all of your business direct debits and standing orders coming out of this account and use it for only business-related expenses.

Pay yourself a "wage" out of this account. Best practice is to have a set amount on a set date. As time goes on, if things are going well, reward yourself with a bonus and / or give yourself a pay rise.

2. Register your business.

As a sole trader, you will need to register your business with HMRC. Register by 5th October in the year that you start working for yourself. You can choose to look after your own tax affairs. You will need to keep records and file a tax return for each tax year by the following 31st January. However, for peace of mind and to save yourself stress, it is worth getting a quote from a few accountants as it might be more affordable than you think.

If you are keen to trade through a Limited Company, you will need to register with Companies House and HMRC. The day that you register is the day your company is incorporated. It can't be backdated but you can set up prior to your trading start date.

There is so much more to consider with a Limited Company and I would highly recommend both getting an accountant and using cloud accounting software for a Limited Company. I have clients who have come to me before registering and I have been able to help them through that process, then others who have come to me later on when they need to file accounts and tax returns. The cost is usually the same but you'll benefit from discussing this all with an accountant early on and gain from the service they can provide.

3. Get some cloud accounting software.

There are lots of options and they all have plenty of pros and cons. Find one that suits your sector and size of business.

You can use cloud-based software from any device with an internet connection. With online accounting small business owners can stay connected to their data and their accountants. and it's easy to use. Everything is run online, so there's nothing to install and everything is backed up automatically.

My preferred software for my clients is FreeAgent. It is user friendly, intuitive and perfect for freelancers and small businesses. It really is worth investing in the right software from the start and most providers and many accountants provide free training. It will save you loads of time in the long term.

Other reputable cloud accounting software providers that you will have heard of are Xero, QuickBooks and Sage.



What do you need to think about when you decide to work for yourself?

4. Find an accountant who is a good fit.

Contact them via their website. Assess their reply and how long it takes them to respond.

Things to consider:

- Whether you can get on with the accountant as well as thinking about whether the response time and methods suit you?
- Do you feel comfortable asking all the questions you have? You need to trust them.
- Does it matter to you whether they live near to you? Obviously, most things can now be done online but you may want to meet them in person.
- Do you want them to have an office? You may want an office address to use as your registered office. You may want to know where you will meet them. It may not matter at all and may be more important to keep the costs down and have a dedicated individual to speak to about your finances.
- What software do they use and recommend? Do they partner with the software provider? Do they provide training and support and how much does it cost?
- What is their fee structure? Is it a set fee per service or will they charge you by the hour? How will you pay? Do they offer payment plans or is it just an invoice at the end of the year?

5. Plan ahead

Write down a plan. It doesn't have to be particularly detailed, just set yourself some clear and achievable goals for the year ahead. Do this each year.

Think about:

- Creating a budget and cashflow forecast. Find a template you can work with or discuss with your accountant.
- What do you actually need to earn? I like to work backwards from what I need, it's a good starting point.
- Will you work full or part time?
- How much available time do you have to work? Figure out how much you can earn in half of that time.

When I started my business, I naively thought I could devote 90% of my working time to billable work and 10% to admin. Be careful here, I find it's more like 50% billable time and 50% everything else (admin, social media, marketing, planning, networking, accounts - working on your business).

Obviously, you need to consider more than just finances when you start out in business.

My Non-Finance 'must-do' list

1. Traditional marketing: Where are is your target market? Who is your ideal customer?
2. Networking: Where will you network? On and offline?
3. Company mission and values: Do you have a mission? Core values and brand identity? Why are you doing this? Who do you want to work with? What do you believe in?
4. Digital marketing: How are you going to communicate all of this to potential customers? Do you have a website, Facebook page, LinkedIn profile, Twitter and Instagram accounts? Do you need them all immediately?
5. Work ethic: Be prepared to work more than you ever have before and think about what help you might need.

I have met so many other small business owners who help me with the "non-finance" side of running my business and I've been able to help many of them too. It's really good to find a network of likeminded business owners, local or online that you can call "your tribe", they can help you to build and grow your business and support you along the way.