

lili

Handbook for your Small Business

2022-2023 Edition



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Running a Small Business in America in 2022

In 2021, the IRS recorded 5.4 Million new business applications, and 2022 shows no sign of slowing down.

In an economy that has been moving away from industrial manufacturing toward services for the past few decades, this is not entirely surprising. And the health crisis that dramatically altered all of our lives in 2020 has only accelerated the evolution the global economy was already on, illustrated by The Great Resignation. 44% of those who took on freelancing opportunities say they earn more freelancing than they did with a traditional job in 2021.

But beyond the statistics and current economic environment, freelancing and running a small business are slowly but surely becoming the preferred career choice for many workers, especially among younger populations. Of course, there are many factors that are triggering this new lifestyle choice – un-affordable cities, the search for more balance between work and life, and technology that allows you to pretty much do anything from anywhere. But there is also something truly American about freelancing: the self-determination, the entrepreneurship, having control over finances and schedules.

Which is why it can be a bit paradoxical sometimes that American institutions, public and private, don't provide the necessary infrastructure to support this career and lifestyle choice. For a long time, freelancers have been disregarded by institutions: lenders, landlords and fathers-in-laws alike, which never made a whole lot of sense. A full-time employee can get fired at any time, so this is in no way a more secure situation. But no matter what, an underwriter will always be happier with one pay stub than 7 invoices!

There's still a lot to do, but businesses and politicians are starting to pay attention. Public and private sector investments in resources and technologies to support the growth of small businesses and freelancers are at an all time high. The feeling is mutual as 9 in 10 freelancers believe that their "best days are ahead" [of them].

[Banking services like Lili](#) have developed tools to serve freelancers in their banking and tax endeavors. Platforms like Upwork or Fiverr are now helping freelancers and businesses find each other. Fintech companies and investment banks are now actively helping individuals save for their retirement and invest in the stock market. Politicians have now started to include self-employed workers in government programs (contractors were included in the unemployment assistance package during the Covid Pandemic for the first time!) Some states are now even allowing freelancers to opt into state funded family leave programs.

Affordable healthcare has always been one of the top concerns for freelancers in America, and organizations like the Freelancers Union are taking matters into their own hands by negotiating better rates with insurance companies for their 490,000+ members.

There's still a lot to do, but the demand from the people is clear: 68% of new freelancers cite that "career ownership" is a top draw. And that's where Lili comes in, we hope this booklet will give you answers to the questions we know you're asking yourself and help you find your space and your financial freedom in this new era of the world economy.

Let's do this 💪

Taxes

Not the most exciting of topics, but one that is usually the #1 source of headaches for the freelance workforce. So much so that a recent study found that almost 75% of freelancers overpay their taxes. So put down the aspirin bottle and get ready for a refund – in just a few minutes, it will all make sense and you'll know how to do it right!



The Self-Employment Tax

Whether you file your taxes yourself or use a professional accountant, it is important for freelancers to understand how your taxes are calculated, so you can better prepare and optimize your tax liability.



The Self Employment Tax

It covers your Social Security (12.4%) & Medicare (2.9%) contribution. You owe this no matter what, on 92.35% of your net earnings. Note that you only pay the Social Security tax on the first \$137,000 of your Net Earnings.

For full-time employees, taxes are automatically taken out of their paycheck and sent directly to the IRS (and state treasury for states with an income tax). As a freelancer, dealing with taxes is part of your job all year long, because calculating what you owe and physically mailing those checks falls on you.

Just like everyone else, you will owe Income Tax on your earnings. But freelancers also need to pay the Self-Employment tax to contribute, just like any employee, to government funded benefits.

Why 92.35%? That's an odd number.

The answer is simple: you're not going to pay taxes on money you're allowed to deduct! Half of your self-employment taxes ($15.3\% / 2 = 7.65\%$) are deductible. So by removing 7.65% from your net earnings, you make sure you don't pay taxes you don't owe. ($100\% - 7.65\% = 92.35\%$).

The Income Tax

Various %
of
TAXABLE INCOME

The percentages here will depend on your taxable income and filing status.

First things first: you don't pay Income Tax on every cent you make. You first need to calculate your Taxable Income. And as a freelancer, it takes a couple extra steps to calculate that right!

STEP 01

Net Earnings

Net Earnings = Gross Income - Business Expenses

Your Net Earnings are your profit from your freelance work. All your tax calculations start with this number, which is why it's very important to keep good track of all your business expenses (see [page 13](#)).

Let's say this year, you made **\$85,000 from your freelancing business** and all your **business expenses add up to \$15,000**.

Net Earnings = \$85,000 - \$15,000 = \$70,000

Now, that you've determined your earnings from your work, we can start calculating your TAXABLE INCOME. In order to do that, you need to go through a couple of rounds of deductions.



Lili can save you actual \$\$

Using Lili's write off tracker will help you keep track of your business expenses and make sure you don't forget any throughout the year! Watch [our video](#) to find out more

STEP 02

Adjusted Gross Income (AGI)

AGI = Net Earnings - Above the Line Deductions

First you need to subtract a series of specific deductions called ABOVE THE LINE DEDUCTIONS: contributions to retirement accounts, student loan interests, health insurance premiums for individual plans, 50% of your self-employment tax...

So let's say this year, you contributed \$2,000 to an IRA, spent \$3,000 on a healthcare plan, and paid \$1,500 in interest on your student loans. And add to that, 50% of your self-employment taxes (92.35% of \$70,000 = \$64,645, 15.3% of that = \$9,980) which would calculate to \$4,946.

$$\text{AGI} = \$70,000 - (\$2,000 + \$3,000 + \$1,500 + \$4,946)$$

$$\text{AGI} = \$70,000 - \$11,446$$

AGI = \$58,554

STEP 03

Taxable Income

Taxable Income = AGI - Below the Line Deductions

Every other expense that qualifies gets deducted at this step as BELOW THE LINE DEDUCTIONS (charity donations, state and local taxes up to \$10K, mortgage interest, un-reimbursed medical expenses...)

The IRS also offers a simple option, which is to deduct a flat amount called the Standard Deduction based on your filing status.

Filling Status	Standard Deduction 2021
Single	\$12,550
Married, filling separately	\$12,550
Married, filling jointly	\$25,100
Head of Household	\$18,800

If the total of your Below the Line deductions is higher than the Standard Deduction, you can choose to itemize your deductions, meaning you provide the IRS with your own numbers. For our example, we’re going to take the Standard Deduction as a single filer.

$$\$58,554 - \$12,550 = \$46,004$$

STEP 04

The Income Tax

Now it’s all about the brackets! With \$46,154 of taxable income as a single filer, you land in the 22% bracket.

2022 Tax Rate	Single and Married filing separately	Married, filing jointly	Head of household
10%	\$0 to \$10,275	\$0 to \$20,550	\$0 to \$14,650
12%	\$10,275 to \$41,775	\$20,551 to \$83,550	\$14,651 to \$55,900
22%	\$41,776 to \$89,075	\$83,551 to \$178,150	\$55,901 to \$89,050
24%	\$89,076 to \$170,050	\$178,151 to \$340,100	\$89,051 to \$170,050
32%	\$170,051 to \$215,950	\$340,101 to \$431,900	\$170,050 to \$215,950
35%	\$215,951 to \$539,900	\$431,901 to \$647,850	\$215,951 to \$539,900
37%	Over \$539,900	Over \$647,851	Over \$539,900

Taxable Income
\$46,004

\$46,004

\$40,525 to \$46,004

This much get
taxed at 22%

This much get
taxed at 12%

\$9,950 to \$40,525

This much get
taxed at 10%

\$0 to \$9,950

Now keep in mind **the US tax system is progressive**, meaning you don't pay 22% on ALL of your taxable income, only the top dollars. You always pay the tax percentage that corresponds to each portion of your income, as shown below.

FINAL STEP

Back to Algebra Class!

Everyone always said math was important and now is when you realize they were right! Here's the equation that will give you your federal income tax liability.

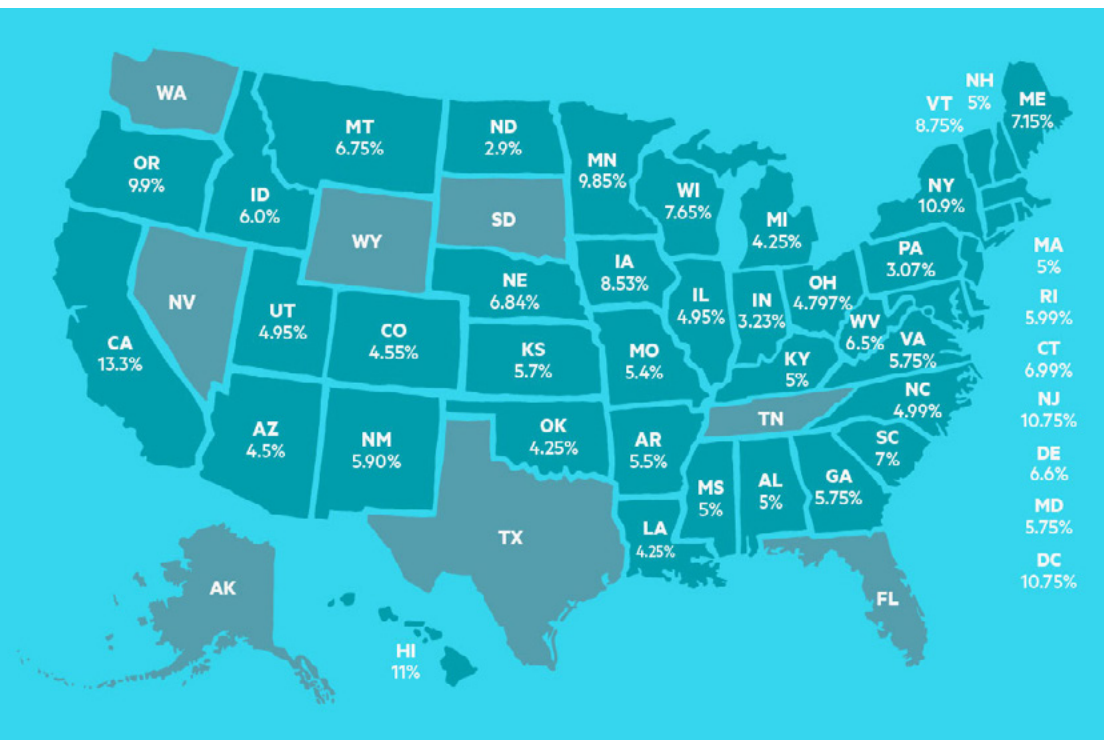
$$\begin{aligned} & 10\% \times 9,950 \\ & + 12\% \times (40,525 - 9,950) \\ & + 22\% \times (46,004 - 40,525) \\ & = 995 + 3,669 + 1,205 \\ & = \mathbf{\$5,869} \end{aligned}$$

Congratulations!
You just calculated your
Federal Income Tax!

What about State Taxes?

Now, America is a big country, and many states and localities have different rules. But if you live in a state or city that charges an income tax, here's what you need to know.

- Most states conform to federal rules for determining income, deductions, schedules... So everything you've read in the previous chapter usually applies to your state's taxes.
- If you chose the itemized deduction method, you can include all your state's taxes up to \$10,000 in your Below the Lines deductions.
- State taxes are also progressive and [you can check your state's brackets here.](#)



Estimated Quarterly Payments

As a freelancer, you're required to send some money to the IRS four times a year, just like a regular employee contributes to their taxes with every paycheck. Note that while the government calls them quarterly payments, they're actually not due every three months.

Payment	Income received between	Due Date
1st Payment	January 1st to March 31st	April 15
2nd Payment	April 1st to May 31st	June 15
3rd Payment	June 1st to August 31st	September 15
4th Payment	September 1st to December 31st	January 15

The quarterly payments you're sending the IRS and State are based on what you estimate to earn during the year. For a seasoned freelancer, this shouldn't be too tough, but for someone just dipping their toes in the self-employment pool, determining this number accurately can seem like an overwhelming task, especially since you're risking an underpayment penalty if you don't calculate accurately.

That being said, there are some guidelines you can follow to ensure you're not penalized. These are referred to as Safe Harbor rules, and are pretty straightforward. You'll be in Safe Harbor if the total of your four Estimated Tax Payments equals the lesser of:

90% of what you will eventually owe for the current year, or
100% of the taxes you paid the previous year
(110% if your prior year Adjusted Gross Income was greater than \$137,000)

Bottom line is that as long as your tax payments during the current year are equal to what you paid the previous year, you'll be in Safe Harbor. But if your business took off, you will end up owing more. [For more info on how to pay and calculate your quarterly payment, you can click here!](#)



What Can You Expense?

The IRS says a business expense must be “necessary and ordinary.”

Software and Hardware

Computer, laptop, tablet, smartphone, printer, mouse, keyboard, subscription to softwares and services (ie: Microsoft, Adobe, Google Workspace), cell phone bill... Everything and anything you use when your computer screen is on.

Office Expense

Pens and pencils, paper, envelopes, notepads, staplers...

If you're more old school, all your office supplies are still tax deductible.

Subscription and dues

A magazine subscription or a membership to a video streaming service, whatever you spend to stay up to date with design, entertainment or trends important to your line of work, are part of your work expenses.

Marketing Materials

Domain registration, website hosting, themes, stock photos, fliers, posters, business cards, advertising fees... You are what you show, so all your marketing materials are tax deductible.

Work from Home Expenses

If a part of your home is your main place of work and is used exclusively for that purpose (the dining room table doesn't count), you can deduct the percentage of that space on your rent and/or mortgage.. [The IRS also offers a simplified option](#) for this: \$5 per square ft, capped at 300sq/ft. Additionally, a desk, furniture, decor, portion of your utility bills and insurance can all be deducted... You run an office at home, so some of your home expenses count as work expenses.

Client Meetings

If you meet clients face-to-face at a restaurant or coffee shop, the costs of the food and drinks in front of you are tax deductible (Note: in 2022, you can now deduct 100% of the cost. In 2020, you could only deduct 50%)

Transportation

No matter the vehicle you used to go meet that client (car, train, plane, hoverboard) and whatever you spent to get on that vehicle or make that vehicle move is a work expense. If you use your personal car, track your mileage and [check how much you can deduct per mile](#) for the current year.

Classes and Training

Did you learn new skills to be more efficient or expand your offerings? These expenses are tax deductible.

Business Trips

If you travel more than 100 miles away from your home to meet a client or for a conference, the whole trip counts as a business trip, therefore all the expenses engaged are tax deductible: hotel, flights, 50% of your meals...

Disclaimer

This list is non exhaustive and every line of work is different. In doubt, always check with a professional accountant or visit the [IRS website](#) for more information.

Benefits

Just because you don't work for the Man, doesn't mean you shouldn't have access to affordable healthcare, or have the opportunity to save enough money and call it a day at 65 to move to Bermuda! Freelancers and small business owners can access the same benefits full-time employees often enjoy. You just have to build the package for yourself.





Healthcare Coverage

For many freelancers, the question of health insurance is one of the hardest one to solve, so much so that it can sometimes even be a deal breaker. But there are options. So if you're not one of the lucky ones (under 26 and still covered by your parents insurance or married to a working partner, therefore covered by your spouse's insurance) here are a few options to look at when shopping for health insurance.

Freelancer's Union (or other professional organizations)

Some professional organizations offer healthcare options for their members, including [The Freelancer's Union](#). If you can't find a good plan for you today, keep checking back. If the union keeps growing, the plans could get better and better over time. And you should also do a quick search specific to your profession, see if there are any guilds or unions that offer this type of benefit.

The Affordable Care Act (ACA)

[Healthcare.gov](#) offers a wide range of plans, variable per state, to any US citizen and legal immigrants. You can choose between Bronze, Silver and Gold plans, depending on your needs and what you can afford. Depending on your income,

you might even be eligible for a subsidy that can drastically reduce your premiums. The open-enrollment period usually starts in November. But if you experience a major life event before then (birth, death, loss or gain of coverage through another job...) you can enroll at that time. And yes, as you've probably heard, you can't be denied coverage because of a pre-existing condition.

COBRA

If you're leaving a job to start your freelancer adventure, you can keep your previous employer's insurance under a program called COBRA. For up to 18 months (some states like California offer even more time), you can stay on your former employer's plan, but you will need to pay the full premium: your usual share plus what your employer used to pay for you. It can add up, but depending on the company's size and plan, it can allow you to get much better health coverage for a similar price tag as the ACA.

Private Insurance

Most insurance companies offer individual plans, but they usually come with either a very high deductible or a very high premium. Combined with a [Health Savings Account](#) (HSA), a tax-advantaged bank account where you can save up to \$3,650 for an individual (\$4,650 if you're over 55 or \$7,300 for a family) tax-free as long as it's used for qualified health expenses in 2022), this option can be interesting if you just want to protect yourself in case something major happens you don't end up completely bankrupt. But you'll most likely still end up paying ticket price for day-to-day health expenses, the usual wear and tear of life! Being part of a plan will often give you a discounted rate at the doctor though.



Always compare costs!

Always look at the total expenses over the course of the year, in the worst-case scenario – the numbers might tell you something you didn't think of. 12 months of premiums under one option could end up being more than 12 months of premiums + the Out of Pocket Max from another option.



Parental Leave

Taking time off work as a new parent can be daunting no matter what job you have; but as a freelancer, you might feel totally baffled as to how to begin with planning a parental leave. But the good news is that taking maternity and paternity leave as a freelancer is possible, especially if you plan ahead.

First: Assess Your Budget

Sit down with your partner and look at your monthly budget. How much of that equation are you, personally, responsible for? Multiply that income goal by the number of months you plan to take off, then write that big number down somewhere; it will guide your financial planning. The same steps should be taken if you are a single-parent, set a financial savings goal and stick to your plan.

Check for self-employed state benefits

These states currently have, or plan on starting, paid family leave policies for the self-employed: [California](#), [Washington D.C.](#), [Massachusetts](#), [New York](#), [Oregon](#), [Washington State](#). (This list will keep growing, so don't hesitate to call your State Employment Department for the most up to date information.)

Look at your state's policy, as they vary widely; in some, the birthing or adoptive parent can get up to 16 weeks of paid leave once per year, often with up to \$1,000 per week in payments. This also applies to a non-birthing parent, who can often get up to 6 weeks of paid leave from the state, sometimes up to 12. The process of opting in to your state's parental leave policy as a self-employed person varies. You'll likely need to enroll in the program and pay a small percentage of your overall revenue, due quarterly, for a certain amount of time in advance of your planned leave.

Investigate short-term disability plans

A lesser-known funding option for the birthing parent involves investing in a short-term disability plan. You can also apply for them as an independent contractor. If you want to use the plan to cover leave, **you must sign up before you're pregnant**. Short-term disability plans also don't cover the non-birthing or adoptive parent, and some plans require you to pay into them for three to six months before you become pregnant, which means you'll need to think way ahead.

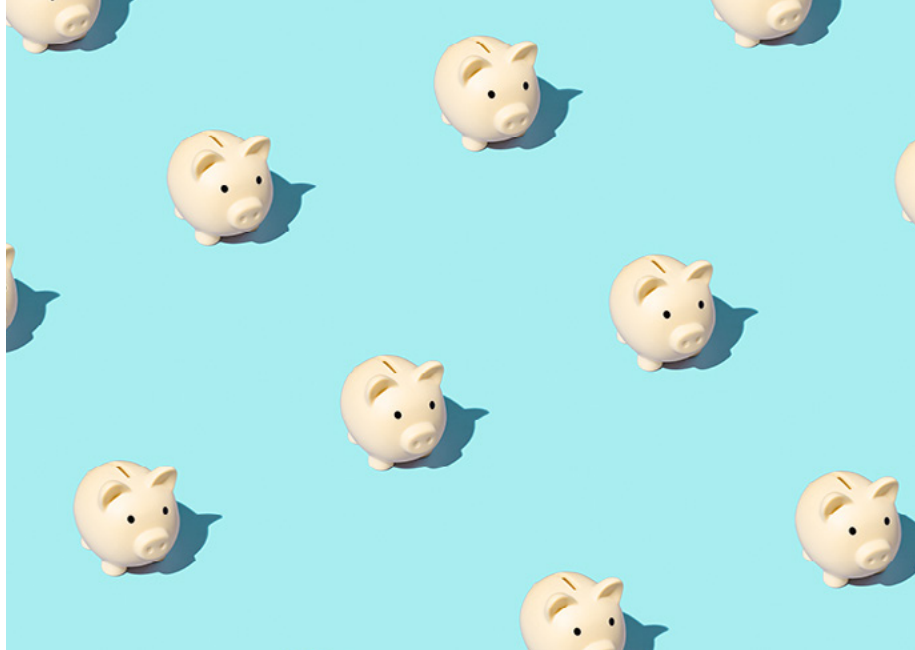
Many small business owners recommend planning for a full leave when you have your first child —so at least 12 weeks. Be flexible, have a back-up plan, and hold your best-case scenarios loosely.

Communicate and be helpful

Let your clients know when you'll be stepping away. Make plans with them to either get work done early, or to hire a replacement while you're away. Consider taking on a month or two of extra work in the second or third trimester, to add to your savings and give your client a back-flow of work to draw upon while you're gone. Plan to check in with your regular clients about a month before you return to work. Freelancing is a momentum game, and losing momentum during leave can be tough, so any guaranteed work you can secure upon your return will be welcome. Expect that it will take a month or two to get back up to full capacity.

Make a back-up plan and a back-up-back-up plan

Babies are unique, and you don't know what yours will be like until they show up. You won't know what you're dealing with (or how you'll feel!) until your baby arrives. Many freelancers recommend planning for a full leave after your first baby — at least 12 weeks. Be flexible, have a back-up plan, and hold your best-case scenarios loosely.



Retirement Savings

Yes, one day you will turn off your computer, disconnect your work email and go sip margaritas on a beach in Bermuda (visiting your grandkids once in a while if you'd like!) To make that happen though, you need to start planning now!

The three core Individual Retirement Account's (IRA) for freelancers or small businesses (where you are the sole-proprietor) are: ROTH IRA, SEP IRA or SOLO 401K. They all have different rules and it's not easy to keep track. But here are some basics to get you started.

ROTH IRA

With a [ROTH IRA](#) you pay taxes on the money when you put it in the account, not when you withdraw it. It's beneficial for those who think they will be in a higher tax bracket when they retire. [This video](#) explains it very clearly.

- In 2022, the maximum contribution into a ROTH IRA is a flat \$6,000 (\$7,000 if you're 50 or older)
- You can't contribute to an IRA if you make too much money. The limits for 2022 are on AGI of more than \$129,000 for a single person and \$204,000 for a married couple.

- If you need to withdraw the money before the age of 59 ½ you will pay a 10% penalty and taxes on your earnings, except in some cases (to purchase your first home, some medical expenses like the birth of a child, or higher education expenses are some examples).
- You can contribute to a ROTH IRA separately and in addition to a Solo or full-time job's 401K.
- A Roth IRA is usually viewed as the best option for young people or people running their own businesses, who are just starting out since they tend to be in a lower tax bracket now than in the future.

SEP IRA

The main advantage of a [SEP IRA](#) is that it has a much higher contribution limit than a Roth IRA and less paperwork than a Solo 401K.

- In 2022, you can contribute up to 25% of your Net Earnings with a cap at \$61,000.
- All your contributions are tax deductible and you will pay taxes on the money when you're on that beach in Bermuda.
- You do not have to contribute every year, so you can adjust depending on the way business is going.
- If you need to withdraw the money before the age of 59 ½ you will pay a 10% penalty and taxes on distributions, except in some cases (to purchase your first home, some medical expenses like the birth of a child, or higher education expenses are some of the examples)
- When you reach 70 years old, you will be required to take some money out, through a process called Required Minimum Distribution. Hey you saved it... So at some point you should enjoy it!



Starting is easier than you think!

You can open any of these accounts with all major investment banks. They'll be able to guide you and help you make the best decision. [Acorns](#) also has an option to open an IRA.

SOLO 401K

It's all in the name, this is a [401K for people riding solo](#). Now, for this one there's one thing you need to wrap your head around: as a small business owner you can contribute to it twice - as your own employer and as yourself.

- As the employer you can contribute, up to 25% of your Business Net Income. Reminder: that's your Gross income - (Business expenses + 50% of your Self Employment Tax)
- As the employee, you can contribute up to \$20,500 in 2022 (\$27,000 if you're 50 or older)
Example: Michelle is a person (employee) and a small business owner (employer). Michelle's freelancing business makes a net income of \$50,000 a year so Michelle The Small Business Owner can only contribute up to \$10,000 to Michelle's Solo 401K. But Michelle The Person wants to save more! And she can: up to an additional \$20,500.
- The total contribution (employee + employer) is capped at \$61,000 in 2022 (67,500 if you're 50 or older)
- All your contributions are tax deductible and you will pay taxes on the money when you're on that beach in Bermuda.
- To open a Solo 401K you'll need an Employer Identification Number. You can easily [request one with the IRS](#).
- If you need to withdraw money from your Solo 401K BEFORE you reach 59 ½ years old, there will be financial penalties. Make sure to check with your broker what these are.
- The \$58,000 cap on 401K contribution is per person not per account. So if you're freelancing on the side and also have a 401K with your employer, the total of your contributions to both 401K can't be over \$57,000.

CONGRATS! YOU OPENED AN ACCOUNT. NOW WHAT?

Once you've put money in your retirement account, you need to invest it.

There are plenty of options to do so, and you should talk to a specialist at your investment bank, but one of the easiest ways to start is by investing in a Target Retirement Mutual Fund that corresponds to your anticipated retirement year. These funds blend a variety of assets to optimize return and risk over a period of time. Do a quick search for "target retirement fund [your retirement year]" to explore your options.

Lifestyle

Freelancing is not just a status, it's also a lifestyle. And that lifestyle of freedom and entrepreneurship does come with its own set of challenges.





Working From Home

The 2021 experience confirmed what every freelancer already knew: working from home is hard.

Sure you're saving money (no commute), you're saving time (no commute), and you're saving energy (no commute). But doing work in the same location where you play with your kids and watch TV with your partner renders the mental separation of work and life tricky. So here are a few tips to help you maintain a healthy balance between your work and your life, when both of them share the same address.

Get. Dressed.

It may sound trivial, but getting dressed is an efficient way to switch modes. If you stay in your pajamas all day, your body won't feel the difference between business and pleasure. Also make sure to change outfits throughout the week. We probably don't need to tell you why...

Actually keep it separate

As much as possible, try to create a specific space for work, whether it's a room or a corner desk, that is separate from everything else in your home. This also

has the benefit of allowing you to deduct some of your rent/mortgage come tax season (one of the requirements from the IRS is that the space is exclusively used to conduct your business – meaning your dining room table doesn't count).

No Procrastination Allowed

If you work in an office, you have a pretty great incentive to get things done: when you are done, you can go home! While working from home, it's easier to procrastinate and push things off to a later date. This is a dangerous path, one that can mess up your work-life balance rather significantly. So try to avoid it!

Keep the business hours concept alive

Just like space, time is also of the essence here. There are of course more distractions at home than in an office. Since you're alone, nobody will report you to a manager or give you dirty looks if you decide to take a nap after lunch. And if you do have time to take a nap, enjoy it. But determine upfront how many hours you're going to dedicate to work and/or to everything else. And hold yourself to it. That discipline is truly key to maintaining a virtual wall between house chores, entertainment and work.

So to sum up!

Do what you need to do while wearing a daytime appropriate outfit in a dedicated space and time frame you have allocated for your work, and make sure to go talk to another human being at some point during the day.



Did you know ?

"Procrastination is the action of ruining your own life for no apparent reason." If this rings true to you can buy [this poster on Etsy](#), and nail it to your wall 😊



Taking Time Off

People often believe freelancers work whenever they feel like it... The truth is, freelancers work when they get work.

Any freelancer is familiar with the long weeks of radio silence from their clients. These weeks almost never feel like time off, but rather like a slow build up of stress. We also know this period can end with one single email that can come at any time. And of course, that email often requires you to be available the next day. And if you're backpacking across Europe, there goes your payday! The unpredictability of the freelance life can make it extremely difficult to plan for a vacation or some time off.

There are of course no easy solutions, but it doesn't mean a freelancer shouldn't take time off. Vacations are not only healthy for the body, soul and family dynamics, they're also an important part of life.

So here are a few tips to help you really enjoy your time off and find that time on/time off balance.

Plan around big projects

If you know a big project is coming up, plan a vacation the week before. You won't be stressed about money or missing out on an opportunity, because you know you have a gig waiting for you when you clock back in. If you are in the middle of a big project with a clear end date in sight, make a reservation for the week right after – you'll probably need the break, and with a paycheck coming in, you won't have your account balance in the back of your mind the whole time.

If you plan a trip somewhere exotic, ask your clients if they'd like you to bring them something back. It's always a great excuse to get in touch when you return!

Talk to your clients

Even though you're not on the payroll, your regular clients often see you as part of the team. Ask them when their slowest time of the year is, make them feel that you're working with them to find a time that works for everyone. If you plan a trip somewhere exotic, ask them if they'd like you to bring them something back. (Always a great excuse to get in touch when you return!).

Give yourself some breathing room

Determine how much money you need to take off a week or two. Then double it! With double the money in the bank, you'll be able to enjoy your vacation more, knowing you have some time covered to find your next gig upon your return. Then, do what you need to do to reach that goal: start working as much as you can, say no to nothing, and start saving money for your vacation.

Don't take a guilt trip

If you get an offer for the one week a year you're out of town, don't cancel your plans and beat yourself up: there was no way for you to know! Simply inform that potential client you won't be available (no need to tell them why, every good relationship benefits from a little mystery), and be sure to let them know the exact date you're available again. Maybe they have something else coming down the line, maybe their timeline is flexible – you never know what is happening on their end. Then, follow up when you're back, but not before: **YOU'RE ON VACATION!**



Fighting Freelancer's Anxiety

63% of freelancers say they feel anxious because of the amount of things they have to manage. And that was before Covid.

So first thing's first, if you're one of them, you're not alone and there's nothing wrong with you! Stress can be a motivator for some, but it is widely accepted that it is not a healthy state long-term. That said it's pretty impossible to avoid stress altogether. If you care about what you do, you will at some point feel stressed. What matters is what you do with that stress, how you handle it, and how you fight it back so it doesn't take over your body and your mind, leading to the sinister cycle of stress generating more stress.

For those who work alone, stress can go unnoticed or undiscussed, so don't forget to watch your stress level and try to implement these few steps into your routine, if you start to feel you're losing control.

Move your body

All health professionals strongly recommend working out and exercising to combat stress and anxiety. The problem is that finding time to make your heart

rate go up is not always easy. But there are many ways to keep your body moving, even if you can't get to the gym. Walk during phone calls, ride your bike to your coffee shop, if you take a 10-minute break, don't open Insta, instead stretch out, do a small yoga routine or a full-on short high-intensity exercise. You can find [plenty of short routines online](#) that can fit your schedule.

For those who work alone, stress can go unnoticed or undiscussed, so don't forget to watch your stress level and try to implement these few steps into your routine.

Take a breath

Mindfulness and meditation have become mainstream in the past few years. The reason is that it simply works. By becoming aware of your body, clearing your mind and focusing solely on your breathing, you can slow everything down and keep the chaos at bay. Only a couple of minutes in a moment of anxiety can help tremendously. It's all about taking that first step of saying: instead of freaking out for 3 minutes, I will meditate. And then, all you have to do is literally just breathe – which we can all agree is easier than doing 50 push-ups!

Write things down

When things get chaotic, when there's too much to do, when you don't know what to think or where to start, writing down what you feel and everything that's on your mind is an effective way of regaining control. The simple fact of getting some thoughts out on paper is similar to kicking a demon or an alien outside of your body! By writing thoughts down on paper, they're not spinning in your brain in a whirlwind, they're out there, ready to be shared with people and ready to be tackled, one by one!

Treat your senses

Light a candle. Turn on some relaxing music. Watch an episode of your favorite sitcom. By stimulating your senses, you can infuse some peace into your body and remind yourself that there are beautiful and fun things in the world around you.

Money

*Another day, another dollar.
Work hard, play hard.
Early bird gets the worm.
No such thing as a free lunch.*

Lots of advice out there when it comes to earning and handling money. Here's ours.





How Do I Get Paid (On Time!)?

When you work for many different clients, you're dealing with as many different payroll services, payment methods or practices. So you need to be prepared.

Getting paid is a recurring pain point and most freelancers have a story regarding late payment or even getting totally jilted. While this is an issue that takes more than a blog to solve, there are a few things you can do to make sure this doesn't happen to you.

Write things down and know your rights.

A lot of freelancers start working without a contract. While it's usually fine when it's for big companies or clients you already know, you really should request a contract before investing any time or effort in a project. At the very least, make sure to send an email where you lay down all the terms (financials, deliverables...) and ask for the client to approve. If they respond in the affirmative, you'll have a written record of the agreement.

Invoice immediately.

If you don't invoice, your client won't pay you – it's as simple as that. So do your part and send your invoice as soon as the work is completed and approved. Make sure to note the date of your invoice and some language regarding payment deadline (either repeat what is in your contract or, if you work without a contract, add a line like: "Payment due within 30 business days"). Remember that the people dealing with your invoice are usually different than your day-to-day point of contact. Lili allows you to also send a payment request, which can be used as a nice reminder a few weeks after you send your invoice.

Check in often.

If the money doesn't come in on time, make sure to send follow-up emails (for the written record) and make phone calls (for the human-pressure aspect.) When payment is late, it's most of the time due to a communication error, so don't move to DEFCON 5 immediately. But make sure to stay on top of your client and remind them of their deadline. If this client is known to be a late payer or if you have concerns, you can always ask for a percentage upfront.

Accept all forms of payment.

Every client is different so try to be flexible and make it easy for everyone, they'll appreciate you for that. Let them know you accept payment via Paypal, Cash App, Venmo, checks, direct deposit, etc... The good news for you is all these payment methods are compatible with your Lili account!

**Did you know ?**

In some states, the law is on your side. In New York for example, unless stated otherwise in an agreement, the company must pay you within 30 days of completion.



Keep Your Money Secure

Now that most of our banking services are on phones and laptops constantly connected to the Internet, managing our money has become easier and more convenient, but also more open to fraud and security breaches.

At Lili, your security and privacy is our top priority, and we have the know-how and the technology to keep all your information secure. But here are a few things that you, as the customer, should do to help us keep your data (and money) safe and sound.

Track your banking activity

Review your account activity regularly, especially when you're traveling or shopping more than usual (holidays, wedding planning...). It's easier to miss a fraudulent transaction when there's already a lot of activity on your account. So once a day, instead of opening your favorite social media platform, open your Lili app and scroll through your recent transactions to make sure there's nothing there you don't like! We also offer real-time notifications on all account activity, so turn them on and you'll never be taken by surprise!

Cash withdrawals

Try to only utilize ATMs that are associated with a bank and stay away from potential “skimming” locations like gas stations or deli kiosks. If the machine is obstructed from view or poorly lit, it is definitely not a safe option.

Act fast & report

If you lose your debit card or suspect it has been stolen, deactivate it immediately (with Lili you can do it directly from the app!) and then call customer service to report it as lost or stolen. It’s much easier to replace a piece of plastic than to spend days pursuing a series of fraudulent transactions.

Protect your PIN number

Don’t share your personal identification number (PIN) with anyone, and don’t keep it written down anywhere... you know the drill! Also, it’s a good idea to change your PIN every few months to be on the safe side.

Secure login

Keep your account secure by logging into your banking app using fingerprint or face recognition on your phone. If you choose not to use biometric authentication, make sure to set up a very strong password to protect your account. (Yes, the days when you could use your birthdate as a password are definitely over!)



Did you know ?

Lili, like many other banks, is FDIC insured. This means that your money is guaranteed by the US government, up to \$250,000 per account.



How to Start Investing in the Market

Only 55% of Americans own stock, either via a private investment account or a retirement account. If you're part of the 45% that don't own stock there's never a better time to start!

First things first: what can you buy, and where can you go to buy it?

Equity (AKA Stock)

When they go public, companies issue a certain amount of shares (aka stock). The public can then purchase that stock from the companies directly, at the price set in their Initial Public Offering (IPO). After this initial stage, people start trading these stocks amongst themselves, in the secondary market. If a stock is in high demand, prices go up and vice-versa. Owning stock at a company means you usually receive intermittent dividends (your share of the company's profit) until you decide to sell your shares. Dividends are not guaranteed, but it improves the attractiveness of owning stock.

Bonds

A bond is similar to a loan: you purchase it for a specific amount of time with a fixed interest rate. Bonds are often issued by governments, companies or other entities to finance projects. Except if the company defaults, bonds are usually considered a safe investment as you're likely to get all your money back if you keep it all the way to the maturity date and you receive extra \$\$ through the interest rate. In the unlikely event of a default, bondholders maintain priority over stockholders in receiving recovered funds.

ETF (Exchange Trade Funds)

An ETF is a financial product that typically combines stocks from different companies within the same sector. So if you think a certain sector has growth potential (like reusable energy or Fintech), but don't want to pick a specific company, ETFs are an easy option to invest.

Mutual Funds

Mutual Funds are similar to ETFs in the sense that they're also a combination of several equities. But whereas an ETF is available to everyone, each investment bank manages its own mutual funds (ie: Vanguard gives you access to Vanguard Mutual Funds, TD to TD Mutual Funds...). They usually have a higher price point and you pay a fee to the investment bank, because they're actively managing it, constantly making changes to the fund to adapt to market movements.

How to get started?

You can open an account with any of the investment banks around. Just Google: "Investment bank near me." Some of them are now commission free, meaning they don't charge you when you buy or sell stocks. Then trade away! Another, perhaps simpler, option is to open an account with a Fintech company like [Acorns](#) or [Robinhood](#) or [Cash App](#) which do the heavy lifting for you and let you invest with as little as \$1.

If you want to learn more about your options and really dig into this topic, [investopedia.com](https://www.investopedia.com) is a great resource.



Did you know ?

The S&P500 is an index that measures the performance of 500 large companies in the US. The Dow Jones is the same, but with only 30 companies (Apple, McDonald's, Chevron, Disney, Coca-Cola...)

Business

CGL, E&O, LLC, Schedule C, DBA, Sole-Prop...

It's easy to get lost in the alphabet soup, here's a our breakdown of what you should know for registering your business.





Do I Need a Single-Member LLC?

Separate yourself from your business, legally, financially and mentally.

A sole proprietorship is the easiest and cheapest way to get started, as it makes no distinction between you and your business. In fact, if you are doing business and haven't registered as a specific business structure, you are already considered a sole proprietorship, filing your taxes with your social security number.

Registering your business as a Limited Liability Company (LLC), on the other hand, provides an extra layer of protection between you and your business, particularly when it comes to finances. As such, it's a bit more complex than a sole proprietorship.

Although there are both single- and multi-member LLCs, we'll be focusing mostly on single-member LLCs for the purposes of this article, since it is the preferred structure for freelancer and small business owners with no employees. you buy, and where can you go to buy it?

Single-Member LLC vs. Sole Proprietorship

In some ways, a single-member LLC and a sole proprietorship are similar, but there are a few important distinctions. In both cases, your business is not required to pay corporate taxes. Instead you'll pay self-employment taxes. And for the income tax, you'll file as a self-employed individual through a Schedule C.

However, since an LLC is more formal than a sole proprietorship, there are greater upfront costs, more requirements you'll have to meet and maintain — such as the one-time filing fee and subsequent annual fees (exact amounts vary by state), any state-required licenses — and more steps you'll have to take before you can officially get started. But you'll also have greater protection in place for your personal assets.

Why Is it a Good Idea to Register as an LLC?

Despite the extra paperwork and cost, an LLC affords you more protection than a sole proprietorship does. You are required to keep your business and personal assets completely separate, but that means your personal assets are safe if the business is sued or accrues debt. Don't worry, it's not as tedious as it seems, especially today! In the past, you had to open two bank accounts, one for your personal use and one for your business use. But with Lili, that is no longer the case: you can open one account both for you and your single-member LLC, and keep all your finances separate within the app itself.

How Do I Register an LLC?

When you register your LLC with the state, you'll need to pay the state filing fee, which can be anywhere from \$40-\$500. Depending on the state and your line of work, you may also be required to pay additional fees for licensing, permits, publication, and/or name reservation. Your business name can be the same as the name you register your LLC under, or you can Register additional names (a [“doing business as” \(DBA\)](#)) name for instead (More on DBA's in the next section!).

Whether you choose to register your LLC on your own or hire a professional service, like [LegalZoom](#), to help you navigate the process, most states also require you to appoint a registered agent as your legal point of contact.

While registering as an LLC isn't absolutely necessary to do business as a freelancer, it does protect you by setting a clear divide between your business and personal entities.



What is a DBA?

Another acronym to add to the list, but an important one!

One of the most exciting parts of starting your own business is picking a business name that illustrates who you are and what services you offer. This is called a DBA, or “doing business as” name, although you might also hear it referred to as a trade name, operating name, or assumed name. Basically, the name you choose will be your business’ pseudonym, even if you’re a business of one. And you’ll likely find that choosing a DBA offers big benefits from a marketing and mindset perspective.

Do I Need a DBA?

Anybody can get a DBA (whether you’re a sole proprietor or an LLC). Although registering a DBA is not required for freelance business owners, having a DBA lets you conduct business under a different identity from your own personal name. You can actually register as many DBA as you’d like. For example, perhaps you’ve been signing contracts with your own name, but you want to call your business Wizard Skills Editing; that’s a DBA. Or maybe you initially registered

your DBA as ABC Consulting LLC, but you since pivoted and you now want to go by a name that's more reflective of your current service offerings, like Gorgeous Cakes Consulting; again, that new name is a DBA.

Why is it a good idea to get a DBA?

There are a lot of logistical benefits to filing for a DBA and separating yourself from your business. And having a DBA can allow you to use a name that might have already been taken by an LLC in your area; this is why you might see several businesses with similar names in your town. It's worth noting, however, that a DBA doesn't give you legal protection!

Practically, having a DBA also allows clients to pay your company rather than you. If you have a Lili account, you can add your DBA to the account and therefore receive payments made to your business or to your name. And positioning an agreement as being between two business entities, rather than a company and a person, can also be more empowering from a negotiation standpoint.

From a mindset perspective, you might also find enormous benefits in separating yourself from your business. First, even considering your freelance practices as a business can have the trickle-down effect of taking the whole operation more seriously; you're more likely to come up with a business plan, have intentional business practices, and create a business infrastructure. When you speak about your work with other people, having a business name can make the whole thing feel more legitimate. It can also help you position your business better online – when a potential client searches your business name, Google will more likely direct them to your website, rather than your personal social media profile.



Trade Name vs. Legal Name

Most major brands and companies have a trade name (DBA), and then a legal name. For example, Walmart's DBA is "Walmart", but their legal name is "Wal-Mart Stores, inc."

You can also reposition your business over time by assigning a new DBA to your work; think of it as putting a new layer of paint on the business you're already running. A DBA name can give clients direct information about what you do. (For example, Clean Plumbing gives clients more information than using your name.) And if you want to be seen as an agency or larger entity (even if you're just an agency of one!), giving yourself an agency DBA name can assist with that framing during marketing conversations.

Finally, a DBA can give you the flexibility to launch additional brands (or even just target different audiences) without starting another business; with a new name, the possibilities for flexibility are endless.

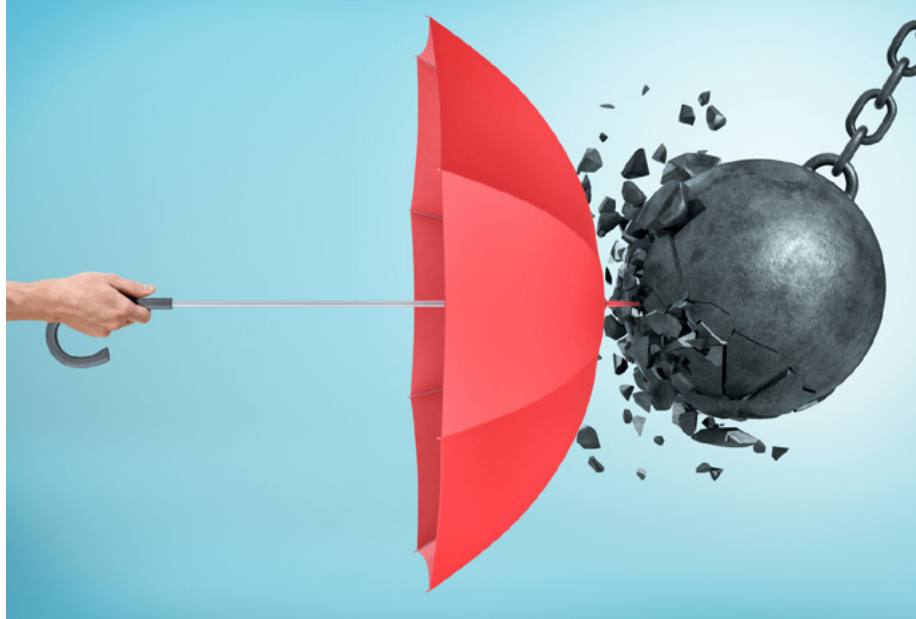
How do I get a DBA?

For most U.S. states, you'll need to check if your intended name is available first, then you'll file the necessary DBA forms (which can usually be found online via the Department of Revenue). You'll also pay a small filing fee to receive a DBA certificate. It's worth noting that having a DBA doesn't require paying extra taxes; your business will continue to function as it has been, just with a shiny new name! And there's no limit to the number of DBAs you can have. There are now plenty of websites out there that can help you with the paperwork, like LegalZoom or Swyftfiling. But if you don't want to pay an additional fee, you can also easily do it yourself on your state's Department of Treasury or Revenue website. Just google: register dba [state], scroll past the ads, and find the website ending in dot gov.



What's in the name?

*Ultimately, there's no right answer, but picking a DBA name for your business can be a **deeply creative process** that helps you clue into your intuition about where you want to go and who you want to work with. Choose wisely and have fun in the process!*



Business Insurance

Should You Buy Business Insurance if You're a Freelancer or Small Business Owner?

Insurance of any kind can seem like a complicated offering. Most of us are conditioned to acknowledge the value of having auto insurance, just in case something happens to us on the road. Medical insurance helps cut the costs of a potential major accident, and renters insurance and homeowners insurance are also required in many scenarios.

But when you're starting a new business as a freelancer, it might be difficult to imagine shelling out monthly payments for "just in case" scenarios. That said, the protection you can get — for an oft-low cost — is usually worth it, depending on the kind of work you do.

"Freelancers often think they don't need business insurance, but they're just as vulnerable as any other business," says Sofya Pogreb, Chief Operating Officer at NEXT Insurance. "Just as insurance protects a large company from expensive lawsuits, it also protects freelancers from unhappy clients, unforeseen out-of-pocket expenses and legal risks. Since freelance work can be inconsistent and

projects often arise on short notice, working with a digital insurance provider allows for quick and flexible coverage.”

Who Needs Insurance

Here are some important questions to ask yourself:

- Do you have assets in your personal life that need to be safeguarded?
- If a fire destroyed your place of business, would you struggle to reopen?
- If you make a mistake and client sues, could a lawsuit destroy you financially?
- Do you intend to work with clients who require you carry business insurance?

If you answered yes to these questions, you might want to consider purchasing insurance of some kind to cover your business proceedings.

General Liability Insurance

It doesn't matter which industry you're in; whether it's web design, marketing, writing, software development, consulting, or beyond, you face liability risks. If you're a freelancer, you're typically not covered by your clients' insurance — but those same clients could take legal action against you if you make a mistake that costs them money or their reputation.

General liability insurance protects you from potential legal action. If someone sues you or if there's some kind of property damage in a place where you've worked, you won't have to pay for the legal fees or repairs. Many policies also cover claims of slander, libel or copyright infringement. General liability insurance can cost several hundred dollars per month, depending on your industry and the level of risk the insurance company is taking on.

There are a few other kinds of liability insurance, including:

General

The Basics - as listed above

Professional

Errors or omission insurance

Product

Faulty Products

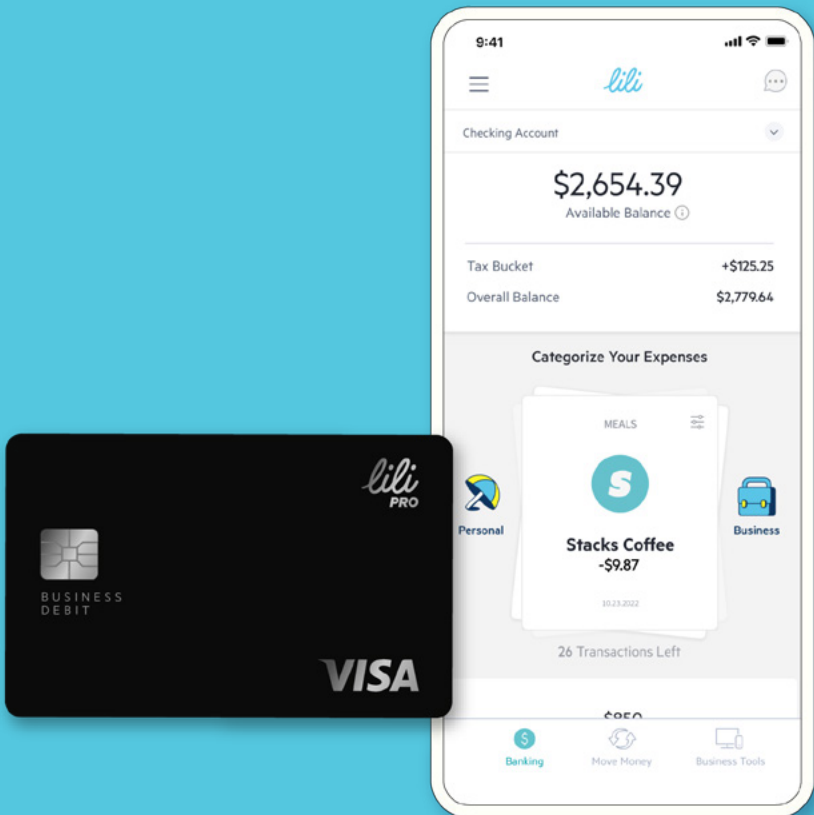
Previously, any search for insurance would start with contacting a broker. But now, there are several online options you can consider: [NEXT Insurance](#) or [Thimble](#) that offer low cost insurance plans for any type of business, housekeepers, photographers, constructions, make-up artists, writers... are a good place to start. [The Freelancer's Union](#) also carries a liability plan for people who work for themselves.

Lili & You

Now, let's see how Lili can help you grow your business, save time & money on your taxes, and find that work/life balance everyone is talking about.

Spoiler Alert

We can help a lot!

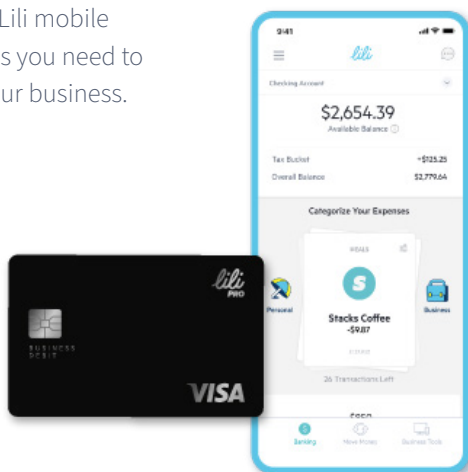


Mobile Banking

Mobile Banking Designed for Your Business Needs.

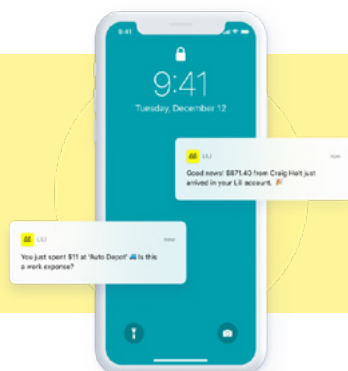
Easily manage your finances from your Lili mobile banking app, which offers all of the tools you need to stay organized and focus on growing your business.

- Visa Business Debit Card
- Cashback Rewards*
- Fee-Free ATM at 38k Locations
- Fee-Free Overdraft up to \$200*
- 1.5% APY on Savings*
- No Min. Balance Requirement



Never miss a beat.

Stay in control! Get a push notification every time money comes in or out of your account. Keeping track of your business has never been easier.



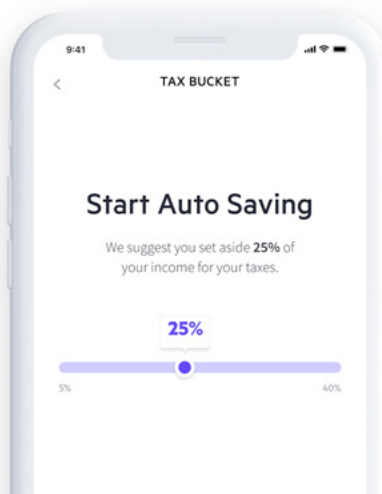
* Available to Lili Pro account holders only, applicable monthly account fee applies. Please refer to our Terms and Conditions for details.

lili Tax optimizer

Running your own business is taxing. So you should only pay the taxes you owe!

Track your write-offs with just a swipe (left for personal, right for business, up for a-little-of-both) and watch your estimated tax savings in real time, automatically set aside a percentage of your income into a Tax Bucket, download business expense reports every quarter and a pre-filled Schedule C for your business every year..

Keeping track of your business expenses is the #1 way to make sure you don't pay more taxes than you should!



Write-Off Tracker

Never miss or forget a tax write off ever again! Categorize every transaction in real time: swipe left for personal, right for business, and up for a little of both. And with every swipe, watch your estimated tax savings go up!



Tax Bucket

Automatically set aside a percentage of all your income for your taxes (we'll help you decide how much) No more late night sweats, no more IRS penalties!

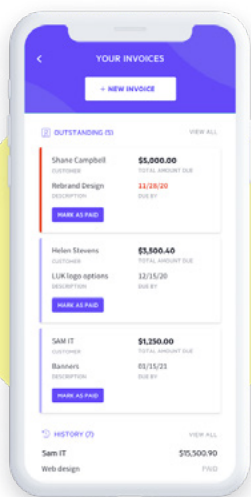


Schedule C

If you've done the work all year, we'll pre-fill your annual 1040 Schedule C form, ready to be shared with your accountant or the IRS.

DIY Accounting

All your bookkeeping. All in one place.



Invoicing, payments, expenses, receipts – manage it all from the Lili mobile banking app. You really won't need anything else.

With our built-in invoicing software, you can create, send, resend and manage an unlimited amount of invoices wherever you are, directly from the Lili app. Scan and save your receipts and categorize your transactions in real-time and on the go. Seamlessly connect your Lili account with Cashapp, Venmo, Paypal and marketplaces so you can access your money up to 2 days earlier at no extra cost, when transferring via direct deposit. You can also integrate your Lili account with Quickbooks, Freshbooks and other financial software using Plaid.



Invoicing Software

Create unlimited invoices in just a few minutes. Send, edit (and resend), file, organize – all from within the Lili mobile banking app.



Receipt Scan & Save

Attach a picture or pdf of your receipt to your transaction in just a few clicks...and throw it in the trash! It will be stored safely in your Lili mobile banking app.



Quarterly Expense Reports

Lili automatically generates a quarterly and yearly business expense report, summarizing all of the expenses you swiped right, so you always know where you stand!

So what are you waiting for?

Open your Lili account today!

No minimum deposit. No hidden fees. No credit check.

SIGN-UP

Other Resources

[The Tax Foundation](#)

[Investopedia](#)

[Healthcare.gov](#)

[Lili's Blog](#)

[Lili's Youtube Channel](#)

[Freelancer's Union](#)

All the information contained in this booklet is for educational purposes only, and has sometimes been simplified for the sake of the example. Always consult with a professional accountant or with the IRS for any tax related matter, and with a professional financial advisor for any specific investment related questions.

If you have any question or comment, always feel free to send us a note at content@lili.co

The Freelancer's Handbook by Lili, 2021 - 2022 Edition

Printed in September 2022

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