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Thinking of Striking Out Alone? Here's How Much it Costs to be a Freelancer



By Serena Solomon | October 30, 2014 8:24am

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Andrea Bertola Shaw is a freelance web developer and graphic designer based on the Upper East Side.

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NEW YORK CITY — [Andrea Bertola Shaw](#) left the security of a full-time job in marketing and design to become a freelance web developer. She wanted to "live the freelance life" while giving time to her low-paying hobby as an off-Broadway theater director.

Ten years later, she is still enjoying the benefits of making the tough choice to step out on her own.

"You do have the ability to work from wherever. I can work from Florida from the patio overlooking the ocean," said Bertola Shaw, 33, who lives on the Upper East Side. "Planning a family in the future is a big factor — being able to stay home and work hopefully."

Bertola Shaw is part of the large and growing community of freelancers in New York City. There were 247,025 self-employed or freelance workers in NYC in 2012, an increase of almost 60,000 since 2000, according to analysis of Census data by [the Center for an Urban Future](#).

Of course, the freelance life has its downsides. Bertola Shaw said it took 12 months to gather enough clients for a stable income. And it took time to become accustomed to the fees and unexpected costs associated with a self-employed lifestyle.

Between registering yourself as a legal business, protecting yourself with insurance, promotion and advertising and finally to finding someone to handle your more-complicated freelance taxes, you could be looking at up to \$13,000 a year in fees, not counting unexpected costs.

So before you jump on the freelance bandwagon, here are some necessities to consider:

Registering as a Sole Proprietor, LLC, or S-Corporation

Cost: Varies (see below)

Sole proprietor: If operating under your own name in New York City there is no cost.

LLC: About \$1,250 for fees and the public notification required when registering an LLC. When enlisting the help of an accountant or lawyer, additional fees could add up to anything from a few hundred dollars to about \$5,000 depending upon the LLC's complexity, according to [Jonathan Medows](#), a New York City accountant whose clients are mostly freelancers.

S-Corporation or S-Corp: \$135 for New York State filing fees. Legal and accounting fees mirror those for an LLC, Medows said.

The best business structure for your freelance business can only be determined on a case-by-case basis.

"It is very, very specific to your need. There is a plus and minus for each of these," he said.

The most common categories for freelancers are an LLC or an S-Corp because they both offer more protection than a sole proprietor if liability is a concern, Medows said.

Forming as a sole proprietor costs less and you can start work immediately, and is common when someone is moonlighting as a freelancer, according to Medows.

With so many variables and the possibility of penalties for errors like filing late paperwork, Medows advised consulting a lawyer or accountant to figure out the best fit.

"It can save you money in the long run," he said.

Limited Liability Insurance

Cost: Starting at \$22.50 per month.

Even if you register as an LLC, your business's finances and your personal finances and assets can still be exposed to a lawsuit, according to Medows and Hunter Hoffmann, a spokesman for [Hiscox](#), a liability insurance provider.

Hiscox offers industry-specific liability insurance for small businesses and freelancers, with plans for everyone from bookkeepers to PR consultants to dentists. For example, if a photographer's memory card is faulty and deletes the photos from a wedding, the photographer would be covered if the client makes a claim.

"Insurance is not where they [freelancers] are focused," said Hoffmann. "What we want to do is take this away from them and give them the protection to pursue their dreams."

Health Insurance

Cost: About \$5,000 per year plus deductibles

One of the most well-known organizations in health care for freelancers is the [Freelancers Union](#). The New York City-based company with a national reach has almost 250,000 members who pool together for better pricing on health insurance, retirement funds and wage security.

Freelancers Union [recently announced](#) it will use Empire BlueCross BlueShield as its insurance provider. Its lowest cost plan starts at [\\$385 per month](#) for individuals, according to the Freelancers Union [website](#). Under this plan there is no charge for primary care visits, but for other medical needs there is a yearly deductible of \$5,600.

The 2015 health insurance premiums under the Affordable Health Care Act or Obamacare [will be released early in November](#). Early signs

indicate that premiums will increase for 2015 coverage, according to [the New York Times](#). [Pricing in 2014](#) included Health Republic Insurance of New York with premiums that started at \$311.77 per month for the bronze plan, which covered 60 percent of medical expenses. Last year's platinum plan with United under Obamacare cost \$913.99 a month and covered 90 percent of medical expenses.

The good news is insurance premiums can be a tax write-off for many freelancers, according to Medows.

An Accountant With a Freelance Specialty

Cost: "\$400 to \$500 and up" annually depending on the complexity of the taxes, according to Medows.

Is a cab ride for picking up business supplies and running a personal errand a deduction? What percentage of a dinner bill should you write off if you discussed business with a friend?

[Andrew Matusik](#), a freelance photographer for the past 13 years, has thousands of these tax dilemmas each year. That is why he only uses accountants who consider creative freelancers their specialty.

"They understand that particular niche," he said. "They know what is going to be permissible and what isn't."

Creating a Website With a Developer

Cost: Prices start at "a few thousand dollars," according to Bertola Shaw, the freelance web developer whose company is [The New York Website Designer](#). "No two websites are the same," she said.

While a basic website can be created for virtually nothing using resources such as [WordPress](#), a web developer can create something that stands out — including a site that is mobile-friendly.

If a client has all their content ready, Bertola Shaw can build a basic website in less than two weeks.

When it comes to updating a website, most clients have enough tech know-how not to have to return to a developer, Bertola Shaw said. If they need the help, rates range from \$50 to \$200 per hour, she said.

Promotion on Industry Directories

Cost: About \$30 each month.

Depending on the industry you are freelancing in, there are often multiple options for getting your name on a directory and in front of potential clients.

For those in a so-called creative role such as writing, photography or social media, [Mediabistro](#) has a directory that costs \$21 for a monthly listing or \$145 per year.

A spot on [Psychology Today's](#) list costs \$29.99 each month. If you're a graphic designer, websites like [Coroflot](#) will host your entire portfolio for free.

Business Cards

Cost: \$150 to \$300 for businesses cards that are a custom design and printed by a graphic designer, according Bertola Shaw, who designs marketing collateral in addition to websites.

Business cards with limited design options can be created and printed through websites such as [Moo.com](https://www.moo.com), where a basic set of 50 costs \$19.90.