



Dream of Travel Writing

Freelance Business Systems: Finance Fun

Today we're gonna do Freelance Business Systems: Finance Fun. I'm trying to use more interesting if, I mean sort of cheesy titles for these accounting ones because who likes accounting and finance, right? Nobody. I know amongst particularly the people who are in our coaching and dream buffet programs, there's more people who enjoy if not the actual math part of it, who enjoy this part of the business side because they know what it does for them, right? A lot of you and I spend a lot of time on time tracking, on looking at our time tracking data, on optimizing how long we spend on different things. And that is actually something that we're gonna get into in another part of this series, the one on operations and also on quality control, okay? But for now we're talking about the numbers that you know, most people put off and I'm completely included here.

But this sort of, you know, we'll look at how often you should do this finance look, but these daily, monthly reviews, these type of things. These, I actually find myself doing a lot more often if like even, I mean now for sure, but also when I was a freelancer. And the reason for that, like I said, that some of you have kind of started to get in on what's cool about this is that it's not about the numbers in a math way. And then another thing that we're gonna talk about this week as we look at finance versus accounting and what's the difference. It's about what are the numbers in an analysis and conclusions in building and growing your business way.

So before I dive too far into what finance is and how that's different from accounting and all that, what we're gonna look at today is I've pulled some statistics on why this stuff matters because like I said, I know it's not everybody's favorite thing and like you can definitely grow to love it even if you don't love the numeric part of it because of what it can do for you. But I also kind of wanna show you some slightly scary actually statistics about why this stuff matters and then...oh, there's a typo there, it's words that you may abhor.

But we're gonna look at some really sort of classic, or I don't know if you wanna say old school cause obviously people still use them today, but we're gonna look at some really mainstream accounting terms that are the kinds of things that usually make your eyes glaze over. Because I want you to understand, it doesn't matter if you remember the word, okay, that's not important. But I want you guys to understand the concepts behind these terms because the concepts are really revelatory in terms of what is important, what people who are out there as venture capitalists or people who invest for a living or who are like CFOs of company, like the numbers that matter to them that they always ask what did they look at at a daily basis to understand like at least what those numbers are and why they matter.

And then, of course, we'll talk about how you can, you know, create those numbers for yourself in a less strenuous way as a freelance writer. But to understand what these things that people look at in a finance capacity are will help to open up why these numbers can do so much for you. And then we're gonna talk about cash flow, which is obviously something that we all think about quite a bit, even if we don't call it cash flow, but it's basically having the money when you need it and not freaking out because it's not there and how to watch out for it and some tips for maintaining it because that's a big part of this finance equation.



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So for my part in this webinar that we're doing now and this larger series on business systems, I just wanted to say that, you know, on the one hand, I've been a freelancer myself for a long time and I've been a freelancer successfully and I've been able to optimize these mathematical, financial, whatever you wanna call them, numbers to work for me. And part of that was done by keeping an eye on them. But at the same time, I'm also a certified business coach and there's this whole review the numbers, looking at the numbers, working the numbers, controlling the numbers is a really central part of business coaching for any business owner of any size at any level in any industry. And when we do over the summer we have our Advanced Freelance Travel Writing Mastermind, which is a really cool event.

We do a lot of talk about this, we talk about numbers and if you don't have them, we talk about them hypothetically because it's important to understand how these numbers can work. Even if you're not tracking these numbers right now, to just put a couple of numbers in and say like, okay, well, you know what, if I only earn this much this month or this week and I only earn this much next week and I only earn this much next week, where does that put me with my personal and business finances at the end of the month? Okay, well what if I earn this instead and then what do I need to do to get there?

And the reason, again that we're starting this whole business series where we're gonna go through a lot of different aspects of your freelance travel writing business with these numbers is that they're really the driving factor.

Obviously, we talked about a lot of writing pitches, but like what we here at Dream of Travel Writing, I'm here at the retreat house with the contractors who work for me. We're having a team meetup right now. What all of us do is not just help you learn how to do the things, we want you to be able to do it and have, you know, a full-time freelance income that you're proud of that allows you to do things like say no to clients, go on trips with your significant other, you know, purchase things that you're interested in. Not just things that you want and it all comes down to the money and watching the money. And so that's why we've got to start here because everything else comes out of this.

So talking about the money, like I said, I'm going to tell you some terms that sound really draw. I know, but I'm gonna try to couch them as much as possible in your experience and why they matter. And again, the terms don't matter, the specific numbers don't matter. It's what you can do with them. And then I just wanna recap really quickly.

So I pulled some numbers for today's webinar that I found really, I see kind of some of these numbers a lot, but I hope that some of these will be eye-opening for you, particularly in terms of the money but of it.

So this is from a survey about all of the different reasons that small businesses fail. So this is like a business than an individual stats. So as a freelancer you are a service provider business like you're a business, that's what you are. So nearly half like a huge portion fail due to lack of an available market. So what that means is that there aren't people out there willing to pay for what they wanna do. Now this is more the case for somebody who launches like the next Baby Bjorn, but, it's not the Baby Bjorn and people already have the Baby Bjorn and they don't care less so than it is for us freelance writers because obviously, there's magazines, there's companies that need content, the market is there. But the next biggest reasons, so



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nearly a third fails because the owner runs out of money. And I think for any of us who've been doing this for a while, there's always enrollments when we worried about that. And for anybody who's thinking about getting into this, I had a couple of coaching calls with people on this kind of topic recently. It's something that keeps you from doing it maybe for a long time and is a big fear for you.

Now, the next one is something that seems like it wouldn't come up so much for us travel writers, but you'll actually see over the next few webinars as we talk about these business systems, that even though you are a solopreneur, your business is just you, your business is made up of several different facets of you. And part of having the wrong "team" when it's just you, is not having all of the important skills covered. And when I was researching this webinar, I found a ton of people who were saying that the most important financing that they can advise to any small business owner is to bring in somebody who understands and will use these numbers early on.

So if it's just you and it's always gonna be just you because you're a freelance number, I mean if you have a bookkeeper, we'll get into this more about what's the difference between finance and accounting. If you have someone that does your taxes or that does your, you know, your books for you, that's not quite the same. So if there's never gonna be anybody else but you, it's a fundamental business mistake that a lot of people talk about to not bring into yourself, bring out the part of yourself, whatever that's gonna dig into those numbers.

Now, another stat on here is that only 40% of small businesses are profitable. So we'll talk again more in a little bit when we talk about terms of what profit really means. But if you think about that, that means that only 40% of people who have their own business actually earn money having their own business, which basically means that they're working for free, which is not something that any of us want to be doing. So I said this before and this really underlies like what we're doing with this whole series, but also with this whole company, which is that having the financial stability in your company is what allows you to do the things that you got into this for in the first place, which are either travel or writing or probably both. Sometimes it's more one than the other. Okay. So if you don't have that financial stability, you can't do what you came into this business to do, all right.

So as we work through this series, I'm just going to remind you every time to remind yourself that you aren't just a writer or you aren't, you know, some cog in the wheel of somebody who accepts gigs from different companies or different magazines. You are your own business and that gives you a lot of agency and a lot of power to make different choices. And so as a business, as a business owner particularly, there are three hats that you wear. So one is the entrepreneur, which is the visionary. And again, this particular slide, like I said, is a recap of the introduction in this series. And if you haven't watched that, I really recommend going back and watching that because it has a lot of mindset-oriented things around how to approach not just this series but also your business in larger terms.

So you've got three hats, you've got the entrepreneur who's really the visionary, the big picture person if you will. And then the manager, this is the person who makes sure that all the ducks are in a row, that things are organized, you know, this might be the anal part of yourself or whatever you wanna call it. I know he represents a lot. And then the technician, who's the person that actually sits down and gets the work done. And something that we



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talked from the beginning of the series in that intro was about making job descriptions for each of the jobs that you do. And as we go through this series and we go through each kind of "department" or aspect of your business, I'm gonna talk about different things that you can do, that you should do, that you can think about in service of that, in service of filling out what does that role mean in your company? What does that role do? What does that part of you do? What does that person or you know that day of your month, what does that look like? All right. And it often comes down to systems.

So as we look at these different aspects of your business, it's gonna take us through, I think into the summer and these are the things that we're gonna be looking at and then unroll slowly over time in a logical progression. I think what's up here is actually probably the final order as well. So you'll see these other things as we get to it.

So we're starting with finance. And as I mentioned earlier, to start finance it's really important to understand. I mean, what is finance, but specifically what's the difference between finance and accounting? Because finance I think is something that a small business owner doesn't...it doesn't cross our mind, right? We don't really say like, Oh gosh, I have to set aside a day to do my finance. We say I have to set aside a day to my invoices or my admin. People use that word a lot. Or maybe, you know, to look over my numbers, or to look at my books or to do my taxes. But we don't say I have to set aside a day to do my finances, right? So what's the difference? I really liked this description. I'll read it aloud and explain why I've underlined all these things in a second.

So it comes down to two things in a way, right? Accounting is like that management hat that we talked about of keeping all the ducks in a row and finance even though it's got the word manage in there, finance is that entrepreneur, that visionary, that big picture side. So we'll talk in the next webinar about accounting and what that is and what you should track and some different options for tracking it. We'll look at some different software options. We'll talk about what you need for your taxes if you're based in the US. We'll talk about different areas of spending that you should consider or make sure that you're tracking or budget for, we'll talk about budgeting, we'll talk about invoicing, we'll talk about all of that next week because that's accounting. That's tracking and organizing.

But finance is using that information. Remember like I said earlier, as we talk this week, you might not have this information that you need to make these finance decisions at your fingertips right now. But that's okay. You don't need to say I can't start thinking of my business in this perspective until I sit down and I do the work of crawling all these numbers because that's not exciting. You wanna see what the numbers can do for you first. So use this information to help you A) manage your money. I think we can all agree with the fact that you know, we want to do that, we ought to do that. But that's not as inciting, I think and interesting, right? But then the next part is make your operation more profitable.

So as I mentioned, we're gonna get into what profit exactly means and why that's important. And the thing is, I think that a lot of freelancers don't think about this concept of profit. People think about paying their bills and they think about, you know, maybe like what can I spend when I'm in a destination as a traveler? Or you're like what can I spend here? But you don't think about what's that gap between what's going out and what's going in and the time that you put in on your work, and what part of that is actually the "profit." So that extra that



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you're getting as a business owner. And like I said, we'll talk more about what profit is in a minute. But the difference between being an employee or you know, being, I don't know if I wanna say a different type of contractor versus a business owner is profit. It's that money that just comes kind of because of nothing, even though you're a service provider. So we'll talk more about that.

So I put this quote in here because I think it's really important. It sounds very venture capitally, and I'll read it in a second for those of you who are just listening, but a lot of freelance businesses, particularly in the travel space, don't work out because they don't pivot. Literally, when I have like a random one-off call with people who have bought my book or who've come to one of our events, or something like that, we always talk about so many different things that they're doing. So many different things they're thinking about doing, that they wanna do when they quit their job or they're already doing because they already quit their job and they're not getting traction because they're doing too many things. We talk about so many things. But being able to look at which ones make sense and pivot towards the ones that are the most profitable for sure, but also the most enjoyable and that you do well and where there's the most opportunity, that is what makes the freelancers that I know who are many, who are able to do this full-time, who are very chill, who are able to like go on vacations or work from Brazil or whatever. It's that pivoting around where the money is, changing your monetization strategy.

So what VentureBeat said from this article that I looked at, "We hear about startups 'pivoting' all the time. Often the most important pivot can be in a company's monetization strategy. Accordingly, understanding the financial principles underlying such decisions is essential to being able to make these shifts." Now we hear the term monetization in the blogging space a ton, right? How are you monetizing your website? Let's go to this session at this conference on monetizing my website. How am I monetizing my Instagram, how am I monetizing my Pinterest? And so we think of monetizing as for people who've already spent a bunch of time creating a thing, whether it's an audience or content or something like that, and it's not been earning money and now they need to change its state. They need to turn it into something that makes money, they need to monetize it. But we don't think about that with our freelancing. We don't think about that with these skills that we develop.

I was chatting with somebody, I was doing a coaching call in this show with somebody who's been working really hard for a while. She did this round the world trip and she came back and she's been really boning up on what are magazines looking for? What is good writing? What kind of pitches do I send to different places? What kind of articles do I like to write? She reads tons and tons and tons of magazines. She's like exposing yourself to all this stuff and she was really discounting, kind of the, I don't wanna say the sum cost, but you know all of that, like I said, like an Instagram or like a blog, all of that stuff, she had already banked up that was waiting to be monetized. And I think in freelance writing, it can be sometimes harder to see what are those things that are waiting to be monetized, right? It could be that you have experience in a certain industry that you can bring to bear writing for trade magazines. It could be a place that you've lived. It could be a particular segment of the travel industry that you're really familiar with or something like that where you already have something built up that's waiting to be monetized.



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But the important thing, like I said, is not just to think about what we do as freelance writers, as monetizing things, but also about pivoting accordingly by understanding the financial principles that we're gonna talk about of where we should pivot, where we should monetize rather than just getting caught up with what interests us or what we got into this to do or something like that. Because I guarantee you, I don't know a single, I don't know if I wanna just say writer, but even small business owner, that hasn't made a huge pivot. I mean, if you think about a lot of big companies that you know, if you go back, they've often pivoted from selling something very, very different than the beginning. There's an interesting story about, what's that website, Kickstarter. I don't know it super well, but there's an interesting background on what they did before they did fundraising as we now know it in the format of Kickstarter.

And there's even a company that I know that I follow from two friends of mine who've been doing their own businesses much longer than I have and were kind of mentors of a sort for me in doing that. And they launched this business that they put a lot into. It's an app that personalizes the actual text and images and even the layout of your website for different people as they come to it based on that person's demographics or search history or things like that.

And it's not sketchy because they actually have a cool thing where when you come to the page they ask you like, are you a content creator, or a writer, or a blogger, or a journalist? And then you say, and then the website adapts accordingly based on the information. And they just did a massive pivot in their marketing because even though they created this thing that was really, really cool and they knew all about business, they've had lots of businesses before, they just realized that they needed to position what they were doing differently and they needed to package it differently. So if you've not pivoted once at all, it's probably time and the finance is gonna help you figure out how.

So let's talk about, I've put this joking hashtag up here #MatterDon'tMatter. Let's talk about these finance terms that are like blur, but that we really need to understand, okay? So I've put them like tiny because like I said, the words themselves don't matter. I wanted to have them all in one page so you have them kind of as a cheat sheet? You know if you wanna like take notes or look back at them later, or just remind yourself, these are the things that I'm supposed to be thinking about when Gabi says to think about finance, okay?

So first, profit. Now, I mentioned this not too briefly earlier, but a little bit and I mentioned that profit is the icing. Profit is not the cake, okay? And we typically, particularly for freelancers who don't have their own kind of custom contracts going on and things like that where they've really elaborately calculated their hours and their hourly rate and all that kind of stuff, you don't even know what the icing is. You know what the difference is between your bills going out and the money coming in. That's not profit, guys. Profit is the extra, okay?

So here's what profit is. Profit is if I am working on a magazine article and I know I'm gonna get paid, trying to think of an appropriate example. I know I'm gonna pay \$1,500 for this, like package of short articles and I know that I have to do these many interviews. I have to source the photos from these many places. And I know that when I agreed to do this article, you know, like in my head when I was like, okay, yeah, sure, I'll accept this, it was because I



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calculated if I can probably do this in this many hours and that would give me this hourly rate. And so that means I'm making this much per hour and I'm good with that. So let's say because of various forces, I'm actually able to get the interviews and really fast or you know, something happens that just makes the whole process go faster. So let's say that rather than taking 15 hours to do this 1,500 word, you know, package of articles, it actually ends up taking me 10 hours. So there's two ways to think about that. You could think of that your hourly rate is higher, but you can also think that that extra chunk of five hours at \$100 an hour, so that extra \$500 but that's profit, okay? So that's one way we look at it.

I mean, another really clear way to think about it is, let's say you're going on a trip somewhere, you know, maybe let's say that you're a blogger, okay? And you are doing sort of a set of content creation where you're creating some content for your blog. You're creating some content for the tourism board's blog or for the hotels blog or whoever it is, maybe the tour company or something like that. And let's say that all of your expenses are covered for this, like maybe it's a fun trip or something.

So your flight is covered, your accommodation is covered, your food is covered, and then you're also getting some money on top of that, right? So you're getting whatever it is, \$500 \$2,000 \$5,000 \$20,000 depends on who you are, right? So some people look at that as profit. They look at, okay, well I'm going there. I don't have to pay for anything and I'm getting this money. Like that's profit. But the problem is that's actually the money that you're being paid to do the thing. That's not profit. Like I said, the prophet is extra. And so it can be kind of like tricky mental gymnastics. And that's why I wanna talk about this first. Think about what is profit for us as freelance writers, but it's really important because this is the most important stuff. This is the stuff that makes it all feel really great when you finish the project and you're like, ah, that's profit. Good on me. I have profit. So this can work out when you, for instance, scope a contract with a client.

So Vanessa, who runs our databases here, she just told me she's doing some city guides for some new client of hers. And, you know, let's say that originally I just happen to know originally they contracted with her to do some stuff about France and then they gave her some Italy stuff. So let's say that when she did the first, this is totally hypothetical, okay?

I don't know the numbers on this, but let's say that when she first did the France project, they set a certain number to her and she said, okay. Like, I think that makes sense for time, da, da, da. And then it ended up being more email back and forth, and she thought, or she had to find the photo. She didn't realize she was gonna have to find it in the beginning. And so then the next time she says like, "Okay, sure. Yeah, I'd love to help you with the Rome city guide. But I need to be paid this much." Because she said to herself, well, I think I was actually gonna take this many hours, so why don't I budget that? I think they'll need to pay me \$500 or \$1,200 for this. So let's say \$1,200. I think they'll need to pay me \$1,200 for this. But since some extra stuff came up last time that I wasn't expecting, I'm gonna have that. I'm gonna add an extra \$300 bucks. So I'm just gonna tell them it's going to cost \$1,500. Now let's say then that she's working on this thing and she doesn't end up needing that padding in the same way that she did. They didn't ask as many questions, they didn't need rewrites, they came up with the photos, whatever it is, that 300 there, that's just gravy. That's just icing. That's that profit, okay?



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So it's like I said, it's a little mental gymnastics to think about it is as freelancing, but I hope that you can start to see how like delicious and attractive that idea of having that money, that feels like it's basically for nothing that comes to you that you get like how cool is that? We aren't straight up hourly service providers and you shouldn't be in this game. You shouldn't. You should have the capacity to have flat rates or per word rates or whatever where you can make these calculations so that you are able to make profit because that's a very, like I said, delicious and important driver in doing this work. It's very exciting to feel like, oh, I got this thing done and I got extra, okay?

So revenue, this is a term that I'm telling you just because it comes up. If you look into any of this finance stuff, it's really just a synonym for money coming in, okay? Now there's a modification of this called gross revenue, which means all of the money coming in as opposed to the money coming in minus the money that you spent. So you can think about revenue. Again, you don't super need to know this, but just in case you need to see it anywhere you can think about revenue as the money that comes in minus the money that goes out. Whereas gross revenue, you probably saw this on your tax recently is all of the money that's coming in. Okay.

Now that there's a couple different words for this, the bottom line or the net profit is actually left a little bit of this out, but the idea of the net means what's left at the end. Like net is like final. It's like after you've done all of the subtraction of expenses and different things, okay? So the bottom line or the net profit is actually the money coming in. Okay. So the money you're paid by your clients minus the money going out any expenses that you incurred, you know, paying your rent for your "home office," your Internet, all that kind of stuff, but then also minus labor, right? Like we don't think of ourselves as labor, but technically that's the term, we're labor, okay?

So that's actually minus labor. So this is when I was talking about that hourly rate that we were looking at before. So when I said I wrote that article and I got it done in 10 hours and I think of my labor as being at \$100 an hour, my net profit there, because I didn't have any expenses because I didn't travel for the piece, maybe I have some overhead admin costs in that, so maybe I'd say there was like \$35 worth of like overhead of my utility use and like different things like that. But then the rest, that \$465 that's net profit, okay?

So I'm gonna go through these quickly because like I said, I want you to understand the concept and why they're important, but not the words. And I don't wanna bore you to death with these, okay? So the gross margin though is a really cool concept that I wish more of us thought about because it's very motivating as a work factor. So the gross margin is the percentage of every dollar that you get in the gross revenue, so total money coming in, the percentage of every dollar of that that you get to keep, so the profit. So that means that that like theoretical article I was talking about where I got that \$500 of net profit for that piece, I got paid \$1,500, right? So the gross margin there, that's like a third of the whole pay. That's like 33% but my gross margin on every single piece of work that I do is not gonna be that high. There's gonna be some times when I work and I spend more hours than I thought or I travel somewhere and to get the research done and I spend extra days and I have to go to this extra town or whatever that when I think about the travel costs and my time costs, I'm actually like in the hole really.



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So your gross margin is overall what percentage of every dollar that comes in is actual profit. It's not your labor, it's not expensive, it's just gravy. It's spending money, it's money to put in your IRA, it's whatever, okay? And like to have that number to figure out for yourself, what percentage of every single dollar that I'm working on is that profit, is that gravy, is that motivating awesome. And write it up on your wall and say, I keep \$0.03 cents of every dollar, Jesus like that will be so motivating.

You will want to optimize what you do so that you keep more cents of that dollar on every piece of work you do. I promise you. So this is like a slightly more mathy, but that you had to understand all these numbers that came before to get to. But that idea of the gross margin, the how many cents of each dollar is for you, is for your savings, is for whatever you wanna spend money on, is for the exciting bits. That is really important. Like to just be able to put on your desk in front of you, like, you know, minus 5 cents a dollar, right? That's horrible. But some of us may be in that boat, right? You know, 2 cents of a dollar, 3 cents a dollar 5 cents a dollar, 10 cents a dollar, 20 cents a dollar like that is awesome because every time you're working, you know what dollar that's going towards.

You know what client that's going towards and what you're gonna pay them or what they're gonna pay you rather. And you can think about how much of that you really keep, how much of that doesn't just go in your bank account and out again for expenses or something like that. But how much is actually profit is very motivating.

Now I can talk about cash flow in a minute because that's super important. But the basic concept of cash flow is that it's money that is physically working capital is another word for it. It's like physically cash on hand. It's in your bank account right now. You have it. It's not the money that you're invoicing for, that you're waiting for, that you know is going to come. It's not money that you know. I mean obviously, it wouldn't be on your credit card, we're talking about cash, but so it's like the physical money you have right now, this is very important. We'll talk about that.

Then there's this idea that people don't think about enough of fixed versus variable costs, okay? So I wanna expand this for a second because it's very important. So fixed costs are, well actually for travel writers, even some of these can be variable. So fixed costs are things like for most people it would be your rent or your internet payment. You know, if you live somewhere where you own, it's having to pay the waste management company to take the trash out. Things like that, okay? If you have children it might be daycare. And then variable costs are costs that you can decide not to spend at this moment.

So that might be, you know, meals out. It could be trips, it could be a lot of things. But the thing is that for us as travel writers, I was chatting with somebody about this the other day and she lives in a major US city and she's basically like full-time freelancing. And she was like, I don't know why I'm here. Like I don't have to be here. I could be somewhere else and I can reallocate all that money somewhere else.

So for us as travel writers, even this idea of the cost that we think of as fixed, whether that's our rent or cell phone, our utilities, there's often some interesting way to turn those into variable costs that don't have to exist all the time. So there's like a whole can of worms on that. But I just wanted to intro that idea to you because I think it's really, it can create some



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powerful thinking of how you can open up some space in your finances that you might not have thought of before.

So I'm actually gonna skip this equity and leverage thing for now. Okay. I'll just talk about them quickly. So the idea of equity is, this kind of means like if you think about a house, right? Because I think this is probably the closest comparison for a lot of people. If you own something versus renting, you're still paying the mortgage, which might actually be more than you paid when you were renting. But now you're "building equity." That's what everybody says, right? And would that means is that you might be spending the money but it's turning into something long term. That money is gonna pay the mortgage for you to own the house. So even though, you know, the money is still being spent, you have a stake of ownership versus renting where the money is like going down the drain. So this is a really kind of interesting thing to think about not so much in the finance part of your freelance business, much as in the time.

So let's say, for instance, you have a client who wants you to, for her, start doing some interviews with a certain type of people, person. I'm actually using a real-world example here and you have to reach out to all those people. You have to find them, you have to reach out to them, you have to schedule things with them, you have to make sure it's gonna work with her, things like this. So like that's something that's gonna take a crap ton of like organizational time on your part. And what does all of that time do? Like hopefully you're getting paid enough for it? But are you gonna use those connections to those people in the long term? Probably not. Okay, I know somebody who's in a similar situation, but she's interviewing small business owners in a specific geographic area and in that case, those people might say something about what their business is doing that could turn up an article idea for her. So she's now having an ownership of those relationships and of the content that comes out of those interviews that can work for her in the long term. Right.

Another way of thinking about this is when you write for clients in an industry you don't care about, you're having to spend the time to learn about that thing, but you're never gonna use that information again, right? This is one of the problems with these article bidding websites of all the various forms that they take these days is that you're spending hours of your day learning about something well enough to write about it, that you're never ever, ever, ever gonna use that information again. So that space in your brain to learn those things is basically being rented by this company, okay?

Whereas you could be learning it, you could be using it to learn about things that you wanna write about, again and again, to be like I talked about way back in the beginning of the call, building up those sources of information, whether it's, you know how I just keep talking about wine because we're going to a winery later today, whether it's like how the wine industry works or, you know, how tourism boards work with, you know, local small businesses or how you know, how certain destinations have become sustainable or something like that. As you do work where you're spending your time using your mental equity, building that up of something that you own this information that you can use again in the future, that's way more powerful.

Now, this concept of leverage, again, this is like a little more mental gymnastics to understand how it applies to us. But leverage means debt versus equity. So for people who,



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I'll use the same analogy I was using a second ago, for people who are doing a lot of work writing about things that they don't really have a lot of interest in, they have kind of like a lot of, you know, mental space debt, brain debt, time debt, whatever you want to call it, that they're investing their time, their mental space on learning about these things to write about them that they're not interested in. Now they have very low equity. They're not spending a lot of time learning about things they wanna write about, things that are gonna move their business forward. So that means that these people are high risk or highly leveraged because they don't have another word margin. They don't have enough buffer space to be able to grow, to be able to move into something new.

So those last two, equity and leverage, are really, really just like food for thought things. But like I said, there's some concepts that if you'd let them start to seep into your subconscious can be really powerful in how you think about approaching your freelance business. Now the last one here and I think is kind of something that we're more familiar with from a financial perspective. This idea that you should be diversified, that if you have retirement savings, you wanna have it in something broad, like a mutual fund or an index fund or something like that where the money is involved in multiple different stocks and, you know, commodities and things like this so that if one goes down, it's okay because there's quite a few others, right? So the opposite of that is concentration.

So I think even though you may have learned, or you may be good at this in your own personal finance, this idea that diversification is great, people don't do it enough in their freelance businesses, guys, like it kills me. So if you have less than you know, three maybe even less than five sources of income, you are also high risk with your business because something can happen and just wipe you out. I knew somebody, I mean I know her still, but I know somebody who had a crazy situation. She's a really well-paid, totally has her like ish together, a freelance writer who lives in San Francisco, like a very expensive city to live in. Like she's single and she just like makes the money work and she's totally chill about it. And she had like five clients and like four of them all when under or dropped her or change to a full time person or whatever all at the same time. Like she's diversified but still you can still get into risk there. So concentration is bad, leverage is bad, equity is something that we wanna have, net profit is something that we want to have, high gross margin is something that we wanna have. Low costs of all kind are things that obviously we wanna have. Profit and revenue are also awesome. Okay.

So I told you that we were gonna talk about cash flow because that's really like the most important thing here. But as we think about understanding the finance side of our freelance business, there's four, sort of, papers or these days are Excel sheets or whatever you wanna call them. There's four things that finance professionals swear by, use, live by, whatever you wanna call it. I was thinking like the four horsemen of the financial apocalypse, but we've been positive about numbers here, right? So they're the four horsemen carrying your business off into the sunset. So the top one we as freelancers don't really care about. Like I said, this concept of equity and debt and things really like play out for us more in terms of our time. So there's this thing called the balance sheet that you don't need to know anything about whatsoever. Don't even bother if anybody says it. If you're reading finance websites after hearing this don't bother.



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But then there's three things that we do care about one more than others, and we'll talk about that more, which is the cash flow statement. So one, I think, I hope that a lot of you guys have this one because I harp on it a lot, but the very, very basic one is your income statement. So you may have also seen the words P&L thrown around like on TV shows like Alec Baldwin saying that like, "Oh yes, I have to look at my P&L." But this is something that's kind of like, it means profit and loss statement. And because we are a whole expense situation that's slightly different as freelancers. I don't know that you really wanna think about it that way, but the basic thing to think about it that we should all have as an income statement.

Where's my money coming from this month, next month, where's my money coming from? Where is it? Where's the money? And I think even if you don't have that on paper, we all kind of think about it, right? Like, Oh, I have this article. Like, okay, my regular, you know, content client, I'm doing this, this and this. So we kind of carry it around in our head and I wanna recommend that you look at that. I've talked to a lot of people about kind of setting up this practice and it's really useful for them to just have one part in your week, whatever day, if it's at the end of the day Friday, the beginning of the day Monday, if you're like me and you work every weekend, maybe it's gonna be Tuesday, whatever, but that you have a time where you just either open up that sheet or open up that part of your brain, whatever, and a piece of paper and you look at where's the income coming from?

Now the next part of that is the cash flow statement. So this means what money do you have now? What money is coming to you and when is it coming, and then correspondingly, what money needs to go out and how are those two things going line up. So this is again something that you probably have in some way, shape or form going on in your head. I know especially those of you who tune-in live, a lot of you are quite organized by numbers so you may already have something of this ilk. But cashflow statements can take a lot of formats. I was looking for one that I really like to share with you guys in this setting but there were just so many and I think like designing how you track your pitches or something like this. It's one of these things that I don't wanna give you guys one way because it's really personal for everybody.

So you can get, if you got a lot of stuff going on, like if you've got a family situation where you have a lot of bills and you have a lot of different clients, something like that, you can get really granular and you can sit there and you can have something for every day of the month and have two columns like in and out and just show for yourself for the month going forward and the month after that what is expected to come in and what is expected to go out on each day and make sure that those two things balanced and have like a sub on the side, right? So you're essentially forecasting what your bank balance is gonna be, whether it's by week or a month or by day if you want.

Now I recommend on here for reviewing this. I recommend that you look at it at least once a week. And that's not just so that you could make sure that your numbers work out. It's also because it's very motivating and useful to look and see that you don't have as much money coming in as you would like to have to cover the things that need to go out to make you get out there and get some pitches going. Which of course I always think is a very useful and important thing. Okay. So I recommend looking at that at least once a week. I usually, I personally kind of go, I have now that we have the business, I have some different like



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automatic finance type tools that track like different subscriptions that we have and different things like that. So I can like open up a website and it shows me this kind of stuff, but that doesn't mean I have to look at it, right? So I usually find that if I'm on a work day where I'm actually on my laptop and I'm mostly doing work, I'm not at a conference, I'm not, you know, slammed with coaching calls a day or something like that, then I'm probably gonna look at it like pretty much look at it every day. And I think that's nice about that is then you're kind of always thinking like, okay, what...like get my head in the game, what do I need to do, what do I need to do to make these numbers work.

Now the next part of this, it sounds like a little bit like what we talked about with cash flow, but this is your revenue or income forecast. But this is something that I recommend you have going out as far as possible. And we've looked at the one that I use for this in a lot of other webinars, we've looked at it in the annual review webinars in the past and other webinars where we talked about finances. So I don't wanna like spend a bunch of time on the format that I use for that. But basically, like what I had as a freelancer was I just had every month written out. So like I would just go to the end of the year. Once we get close to the end of year, I'd go to like June of the next year or something like that. And I'd have a section for all of my recurring clients, so like people who are on retainer, and I would say how much was gonna come in from each of those people.

And then I have another section for the like basically recurring stuff. So like maybe people that I did blog posts for regularly but they weren't on retainer and I would say how much was expected to be coming from each of those places. And then for any assignments that I had booked with editorial outlets that I knew for sure were happening, I would say for each of those, the amount that was gonna be coming from that. And then I would have like a questionable section. So like here's some things that maybe I've talked to an editor about that should be going like in this issue that I think are gonna happen around those times.

So I'd have those four sections. I would have like for sure absolutely this amount of money coming in exactly this time, probably this amount of money coming at exactly this time seems like it should be this amount of money but not sure exactly what is going to come and then this money might happen. And then I would look out several months out, guys. Several months, this is how you plan your pitches to make sure you don't have bumps in the road. I would look out and I'm like, okay, like you know June. Wow, June is really light. What's going on there? Oh obviously like all the magazines just do like a combined issue for the summer shit. So like there goes to, pardon my language. There goes, like one whole like magazine that I would be writing for and then I would plan, okay, is there some other project I can pick up for this? Like what can I do to make this work?

So we talked about this way back when we look to finance versus accounting, but having this information, having that you keep 3 cents of every dollar, having that cash flow and that revenue forecast in front of you, knowing where your money's going to come from, when and where the holes are, all of that helps you to drive a profit. So this is another quote that I pulled. "Effective cash flow management requires a laser focus on each of these drivers of cash in addition to your profit or loss." So when I was just talking about how I would forecast my revenue, you heard a couple of things that I said that were kind of germane to the way that that was set up, right? There's things that I have recurring. There's clients who are giving



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me work that I know quite far in advance that that work is probably coming down the line, even if it's not on a contract. So I knew what my profit centers were, I knew what the place is, where I could expect money, I could expect money that I could do quickly and easily that I could draw a profit for.

So looking at your cash flow, I talked about to set like a very easy way to do it, right? You can go by week, or by month, or by day and just for each day write what you think is coming in that day and what needs to go out today. That's all you need. Money in, money out. Okay. And then what makes it cash flow is that you add this dimension of future. You can see the past to the present, you can see what's coming up and then you look for those "Oh crap" spots. So cash is really important, what you have in the bank. And I say that not just because I feel like having cash with us, I personally, I don't know. I have my own relationship with this, but like this is one of these things where, as I was researching this webinar in particularly those statistics that I shared with you guys earlier, it's actually a huge driver in successful businesses. Like whether people have cash or not.

I was actually really surprised to see how much that correlated with businesses working. So like I can tell you that these cash flow things I'm talking about are really important that you need to look at your revenue forecast and all these things, but there's also like a little bit of element of magic, okay? Like if you have this, things work out. And I can tell you psychologically a lot of reasons why I think that is. If you know that you don't have to worry about money, you can be more creative. There's a lot of sort of mental things about how if you feel endangered, you narrow and you're not creative and you don't brainstorm and you look very focused right in front of you versus if you feel safe, then your horizons broaden and you can have new ideas and things like that.

But there's just a little bit of magic that happens when that cash flow is working, that people tend to do better. People tend to grow their business. People tend to be more, you know, abundance mindset versus scarcity in terms of taking on new clients or maybe dropping bad clients. So like people in business say cash is king and like you can look at the numbers and see like, well yes, clearly that's a healthy business because they've got a great cash flow. But there's also that little element of it might just be that thing you're missing. If you just feel like you've got a lot of other stuff in your business figured out and things seem to be going okay, but you just have this general anxiety about it, having a close watch on your cash flow might be that thing that helps open you up because evening up those little bumps looking out a few months on your revenue forecasts can give that sense of security that can start to generate like a goodwill that snowballs into a lot of different things you do.

So a few things don't forget, profit for us is different because we have to think about our labor. When you focus on cash flow, that means that you say no to late paying clients or on publication paying clients. Or if there's a client that regularly pays late, you just draw the line. You say, "I'm not doing another article." I know way too many of you guys who will do more than one article for somebody who hasn't paid you for the previous article when they don't have a good track record. So when you think about cash flow, you don't do that anymore. And when you look at your cash flow, you can't overestimate your future sales volume because what's the point? But when you don't look at the numbers, it's really easy to say, oh I'm sure this will work out.



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So when you're thinking about your cash flow, you're not gonna neglect looking at the forecasts and actually seeing if they worked out, right? Because you're checking it frequently, and you have to be honest with yourself. Like did those assumptions pan out? Did you overestimate where the money was gonna come from? And when you're looking at the cash flow, especially if it's daily, but even if it's weekly, you're not gonna be lazy about getting those invoices out and getting them paid, which I know a lot of people kind of put that off. And you're gonna recognize scope creep for what it is, okay, which is eating into your bottom line and stealing time from your personal life and your other clients.

So I told you we're gonna break this up and we are gonna do accounting in the next block and then we will move on to purchasing, which is like the last cog in this finance wheel and it's so much sexier than it sounds. We're gonna talk all about travel and how to optimize your travel expenditure. So that should be an awesome one in purchasing. So in our next one, which is gonna be on accounting, we're gonna look at all that. We're going to get it all out of the way. All this finance stuff that like we kind of hate, we're gonna talk about it. We're gonna talk about budgeting and the categories you should budget for and what you should look at, we're gonna talking about getting paid and making sure that happens that's invoicing and receivables. We're gonna talk about what to do with those numbers like I said, we're gonna look at some different softwares and we're gonna talk about how to spend smartly to minimize your tax burden.

Thank you so much for joining us guys. And I'll catch you later.