

FREELANCING 1

RATES



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Freelance

- Charging for services of a specialized nature is always a challenge
- Look at the world of haircuts: \$10 and up
- “You get what you pay for”
- How much you charge is a balancing act between the following things:



GOOD

FAST

CHEAP

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ARTIST

CLIENT

DEMAND

BUDGET

EXPERIENCE

TIME

PRESTIGE

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Freelance Adages

- “Corporate video runs about \$1000-\$1500 per minute”
- “Freelancers sacrifice security for freedom”
- “The internet has changed everything”
- “you get to set your own hours”



Hourly, Per Project, or Both?

- Be prepared to offer both
- Either way you need to know how long it takes you to do something
- Overestimation is typical
- Experience dictates your level of accuracy
- Most clients will opt for a reasonable per project rate to nail down a specific cost



Rates as a Range

- Be prepared to estimate a low ball and high ball cost
- Projects vary, this is insurance for you that you don't underestimate



Ask For What You Need

- Beginners may feel inclined to undersell themselves to get a foot in the door
- Set a rate that both you and the client will be happy with later
- They don't want to pay a different price when you have to raise your rates to survive, they want consistency (think McDonalds)
- Don't ask too low -- you may end up working for minimum wage in the process!

Consider Overhead

- Rent or mortgage on an in-home office space can be billed, and can be tax deductible
- Rules state that it must be used primarily for business (can't deduct the laundry room)
- Include the appropriate percentage of utilities (realistic to office rental, such as heat and electric)
- Include legal services, internet access, phone if appropriate
- LEGAL software licenses cost \$

Consider Overhead

- Withhold personal income tax (about 30% is considered safe)
- be prepared to do some legwork filing taxes for state and federal
- Paying someone to do taxes
- Health insurance



Research

- Don't base your rates exclusively on what you see on the web but take them into consideration
- Rates vary based on location, experience, types of work
- It's a guideline, not a rule book: don't price yourself out of the game
- Figure experience level into rates
- Most of your competition WON'T be advertising their rates to avoid competition

Regional Rates

- Lots of work in town with no skilled operators drives up the rate
- A glut of artists with comparable skills plus a small trickle of paying gigs equals famine for most



Figuring Out Rates: Long form

- What are your total costs for the 12 month period? (Try this now)
- How much do you want to work?
- A normal working week might be 35 hours, with 46 working weeks a year (Giving yourself 4 weeks break plus 2 weeks emergency/sick time per year)
- Divide costs by 46, then by 35, that's your hourly

Figuring Out Rates: Long form

- Consider that you will be spending TWO HOURS finding and generating work opportunities for every ONE HOUR of paid work
- This means that you'll really be getting paid work half of the time at best (15-23 weeks/year)
- You technically aren't making anything half the time but you're still working (as a salesperson, no less!)

Figuring Out Rates: Long form

- Now figure out your rate based on working 15 weeks a year but still making those bills
- That new hourly is a bit different, right?
- Post production companies pay people to do the sales work, you don't have that luxury. Their overhead is higher, but the chances of them having work is greater



Figuring Out Rates: Long form

- Figure out two rates:
- **Optimum** (what you think you're worth and want to be making)
- **Cut Off** (what you need to be able to survive at a minimum level)



Profit

- Though we love our work and could probably live happily just scraping by, companies are in business to make profit.
- You can too.
- Add 30% -- a universally agreed upon percentage for “a successful, profitable company”
- Profit helps you insulate against the following:



Profit: Protection Against:

- Planning for the future (your own)
- Purchasing an unexpected piece of equipment
- Loss or theft
- Professional development and training
- Client fails to pay on time, or at all
- Misquoted job that you have to “eat”



Why Calculate it This Way?

- This takes the guess work out
- This show you what you need to make
- This erases the guilt of overcharging the client, because you know what you need to survive or flourish



Comparison: Post House

- If a company pays an artist \$50,000/year, what is the rate?
- $\$50k / 1610$ (46 weeks x 35 hrs/wk) =
- \$31 / hr
- Right?
- Well...



Comparison: Post House

- Other company costs include 401k, workers comp, non-productive time, leave, overheads (coffee, toilet paper etc). When all these are added up they come to roughly 50% of the salary.
- Also equipment costs and furniture, which are large initial expenses as well as ongoing ones: \$10-12,000 to setup an employee, plus yearly hardware and software upgrades, up to an additional 30%
- 50K plus 80% = \$90,000!

Where to Look

- Job postings
- IT recruiting agencies
- Network with other creatives and find out what they're charging
- Pose as a producer who needs the work to see what others would charge for similar (proceed with caution and don't overdo this one)



Building a Base

- Take small jobs to build portfolio and client base
- Jump at high-profile jobs (grunt work for Target) if they net you experience and credibility
- Work samples are crucial, make sure you have the rights to use it for portfolio, and make that one of your negotiating points



Legal Status

- **Incorporate?**
- Costs more, but legally insulates you as an individual from being sued into oblivion
- **Sole Proprietor?**
- Cheaper, easier to file, but has legal ramifications



The Bid

- Realize that the client needs you as much as you need them
- Percentage up front?



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Advice from the Trenches

- The client may even tell you that they can't afford your rate just to see how low you are willing to go.
- Often a client will appear to walk away, before reconsidering and agreeing to your rates. This can be a test to weed out who's serious and who's not. The ones who are prepared to negotiate down to nothing are usually not going to provide quality work.
- Along the way you may miss out on a few jobs because your rates are too high. But remember, if you accept a job for too low a rate, you may be missing out on a much more attractive offer just around the corner because you're too busy.

Advice from the Trenches

- Your rate will also depend on your abilities within an area. The better you are the more you can charge. Although the industry may determine that 3d character animation is worth more than matte painting, if you're better at matte painting, your rates should represent that.



Advice from the Trenches

- Experience/number of satisfied clients will affect your rates. If a client can see that you've worked successfully with other clients, they are more likely to agree to your rates.
- If the job involves team work, having worked with others on projects will greatly enhance your chances.



Advice from the Trenches

- The faster you are at doing something the more you can charge per hour. This can be a difficult one with a new client, but as you do more work for a particular client this can become a bargaining point
- Sometimes it isn't about the money, but the creative satisfaction or opportunity



Resource

- <http://www.fxguide.com/fxtips-262.html>

