

Income Calculation Tipsheet

Striking the balance.

Here's a handy technique you can use to help you find the right balance of income earning and creative activity – I use this on a regular basis with clients, and it usually helps them visualise how to divide their time effectively.

It also helps with the very important issue of setting financial goals – which are critical if you are concerned about the inflow and outflow of cash.

The process can be divided up and tackled in number of easy steps:

1. Decide how many days a year you are available for work.

Start with 365, then subtract weekends (or if you are open weekends, the weekday equivalent thereof). Then subtract the number of 'holiday days' you wish to take. Then subtract the number of days you need to spend on admin, marketing and running your business. Then think about and subtract the number of days you might estimate to be ill each year. Finally think of the number of days you might want to devote to things which may earn you no money at all – reading and research perhaps – or being a parent or carer.

How many days are left out of 365?

2. How many different things do you do (or plan to do) which will earn you money? List them all.

For some, this will be simple:

- Making
- Teaching
- Ebay trading

For others, much more complex:

- Making
- Running workshops
- Working as guest lecturer
- Working part time for an arts organisation
- Selling designs
- Etc.

3. Take a large sheet of paper

List these things, or better still draw a pie chart that shows roughly what proportion of your available days you will spend on each. The pie chart approach is better, as it lets you visualise the proportions more easily.

On the list or in each 'slice' of the pie chart, write down the number of days you want to devote to each.

Now, have a think about the total income you want in the coming year, and how much you can reasonably charge for a day's activity in each area of work. Don't forget to allow for tax and NI that you will have to pay. Do the sums. At this stage, this will usually need careful thought and adjustment. You should end up with a balance of activity that lets you hit or exceed your financial goal.

If it doesn't, check that your pricing is realistic – i.e. properly pitched, in each area of work. It can pay to compare notes with other people if you are at all unsure about what you might be able to charge for particular activities.

You may need to increase or decrease the number of days you have allocated to certain things.

Planning ahead in this way puts you in control. When you have established how many days work you want to get in each area, you can begin to assess how to go about your marketing - and allocate your time and budget accordingly.