

How to calculate a freelance design rate?

- Annual survival budget
- Annual business overheads
- Business turnover forecast
- Competitive fee rates ('industry going rate')

The daily or hourly rate depends roughly on:

- *what experience you need for the job and how unique your skill set is*
- *where the work is e.g. London pays higher hourly rates*
- *how long the work is for: if the work is for a longer period then often the daily rate goes down*
- *when the work is: for night or weekend work you get obviously paid more, or if there is an emergency or a speed job to be done*
- *the market rate*
- *your ability to negotiate*

However, you might like to know **the true cost and value of your time for you** and to calculate what your daily or hourly rate should be to enable you to work freelance.

Step 1: Identify your annual expenditure

Firstly, identify how much you spend annually on your business. As a freelance designer this will be pretty low in comparison to people who run a product based business and require a studio.

What are your annual overheads? Include your phone, travel, insurance, meeting space, materials, marketing?

Let's say for this example this would be £ 3,500 p.a.

Then identify how much you would like as a salary. Be aware that you will need to deduct tax and National Insurance, so let's say that you would like to earn £27,000. (This figure very much depends on where you are and what seniority you hope to get within the business).

So you will want to earn £30,500 to cover your personal and business costs.

see notes: [calculating a survival budget](#)

Step 2: How many working hours can you invoice for?

This is tricky!

You will have holidays and sickness, you will need to spend time on admin and marketing. There are **slow periods** in the year such as Christmas or the summer holidays (although you might actually get booked for that to cover holidays by employees!) As a web designer I expect that you get **fairly often regular bookings** with the same clients for a longer period, so I would expect something like 60 – 70% of your hours to be billable throughout the year.

If you are a recent graduate than I would expect **your billable hours to be far lower**, and if you would work in other design sectors it would also be harder to find regular repeat business, so than you might be looking at 40 – 50%. This means that you get paid on average for only 2 days per week, other days you might work but don't get paid for it. So I would expect you to have something like the following annual billable hours:
 $48 \text{ weeks} \times 40 \text{ hours} \times 60\% = 1,152 \text{ hours p.a.}$

Step 3: Calculate your hourly cost rate

Now divide your total annual expenses by your total hours invoiced and you get the hourly rate that you need to charge to break even.

In our case that is $\text{£}30,500\text{K}/1,152 = \text{£}28 \text{ p.h.}$ or $\text{£}212 \text{ p.d.}$ for an 8-hour day.

see notes: [design fees - industry benchmarks](#)

A couple of notes on your hourly rate

Does that hourly rate sounds like a lot?

Remember that you might have been earning far less than this in a PAYE job, but that this is the hourly rate from which **your tax, National Insurance and all expenses will be deducted.**

Also be aware that **you actually need to get the work to get this hourly rate.** If your billable hours are far less than anticipated than your annual income will decrease dramatically. However, when you become more known with potential clients or employers your billable hour's percentage should naturally increase due to repeat work, which means that your annual income also will increase without having to change your hourly rate!

Your actual daily or hourly rate will depend on a variety of factors, including market, your expertise and experience, total work involved, budget.

Be flexible with your daily or hourly rate. For long-term fixed contracts decrease your hourly rate in return for a steadier stream of billable hours. Longer term (part-time or full-time) contracts provide stability and increase your % of billable hours in the year.

Get it in writing. Make sure that you get your hourly or daily rate confirmed in writing or in a contract.