

7 Bookkeeping Tips for Freelancers - A Complete Guide

The numerous [benefits of freelancer careers](#) are work-life balance, freedom to choose any [schedule](#), being your boss, and many more. It is safe to say that you have a lot of cause to be excited if you plan to embark as a freelancer. Many individuals around the world took the plunge into freelancing, maintained a [steady income](#), and have never looked back since. They made freelancing their primary means of livelihood, and most of them are satisfied with the freelancer lifestyle.

Do you know how long-time freelancers stabilized themselves in the freelance economy? You might be thinking that they stabilize themselves through strategic marketing, [getting more work](#), partnering with trusted clients, being consistent with their productivity, having an excellent online reputation, and so on. All of your assumptions are correct, but you missed one key factor of their stability as freelancers, and that is bookkeeping. That being said, you need to learn all about it if you're going to be a freelancer. So without further ado, we'll discuss bookkeeping with you and the eight tips you must apply to execute it.

What Is Bookkeeping?

Bookkeeping is the process of tracking or recording business affairs and transactions that involve financial assets and liabilities. The results of the bookkeeping procedure will be used as a basis to formulate an analysis or report to determine the current financial status of a business. Successful freelancers observe bookkeeping practices regularly to facilitate the money they earn and spend in their freelancing operations. Moreover, the kind of bookkeeping that freelancers do is simpler than in corporate companies. So, it's not really that complicated.

Structure a System That Suits You

Every business has a distinct system to make bookkeeping easy and smooth sailing. In your case, just make it simple. Your freelancing operations aren't as big as the operations of established businesses. Devise a system that can help you manage your finances without any hassle. Make sure that the system you'll structure fits perfectly on how your freelance operations run. It's a matter of strategizing something that suits your work routine.

Lucky for us, we're born in a generation wherein the abundance of digital tools enables our work process to be swift and efficient. So, take advantage of them and use them to help in your bookkeeping.

Record Everything That Needs to Be Tracked

By using spreadsheets, [checklist](#) pads, or whatever device you have, make sure to record every transaction or exchange that has to be included in your bookkeeping. The items listed below are the usual things your bookkeeping must track regularly:

- Utility bills
- Internet bills
- Office supplies expense
- Software subscription payments
- [Quotations](#)
- [Invoices](#)
- Client payments
- Bank transactions
- Taxes
- Personal expenses

There are plenty of other things that you can add on that list. The bottom line is that you have to track every activity in your freelance work that involves an inflow and outflow of money. Each of them is important so that you can accurately estimate your financial status in a particular period.

Separate Your Work Assets From Personal Assets

Placing your work assets and personal assets in a single account can make your bookkeeping duties tricky. So, make things easier on yourself by opening a new bank account to separate the two of them. This method will help you see how much money you've earned and lost. You can easily measure whether you have an increased income and how much you've spent on your operations. A percentage of the money you gained from freelancing becomes your personal asset, so you must separate it. Your work assets and personal assets are different entities, but they have a connection. Include them in your bookkeeping.

Always Set a Budget

Setting a [budget](#) is a fundamental practice in our daily lives, and it works wonders as well to achieve a flawless bookkeeping process. Setting a budget can aid in monitoring your cash flow and organizing your financial records. So, when you do your bookkeeping duties, it'll be easier to input your spending activities on your ledger and [balance sheet](#). Other than that, budgeting can help you improve your good buying habits. As a freelancer, it's crucial to spend your money wisely because there are times when gigs are scarce.

Follow Up Client Payments

If your clients don't pay on time, that halts your bookkeeping procedures, and you never want that to happen. Plus, your income will be delayed, and you need money for your bills and other expenses. So, make sure to follow up on your clients' payments from time to time, especially when they're already overdue. Send them an email containing an invoice for your freelance services. One good way to ensure that your clients pay on time is through your [contracts](#) with them. Each contract you sign with your clients must have a condition that they should pay your fees before on or on the due date.

Observe Transparency

Your bookkeeping records must always be credible and accurate. Government revenue service agencies such as the Internal Revenue Service (IRS) audit the bookkeeping accounts of selected freelancers. Who knows? You could be selected for an audit someday. If the auditor sees that there are discrepancies in your bookkeeping records, they might flag you for fraud, especially when it concerns taxes.

Sometimes, errors in your bookkeeping accounts are unintentional. Admittedly, bookkeeping isn't an easy task to accomplish. So, it would be best to ask for the assistance of a certified public accountant (CPA) if you're unsure of your bookkeeping records.

Use an Accounting App

A study conducted by Statista found that 64.4% of small business owners use accounting apps or software. Well, that shouldn't come as a surprise why there are so many of them. Accounting apps quicken the bookkeeping process thanks to some of their automated features. Such apps can minimize the errors that are common in manual bookkeeping as well. They can also help you create invoices and bills for your clients within minutes.

So, consider investing in an accounting app to make your bookkeeping duties a walk in the park.

There are multiple [freelance websites](#) online where you can get referrals for available gigs. You can also use social media strategies to make yourself known as a freelancer and obtain a work proposal from clients. But before all of that, make sure that you understand the importance of bookkeeping beforehand. We assure you that you'll enjoy a fruitful and successful freelance career if you practice proper bookkeeping.