

6 Things to Consider When Setting Freelance Rates

Many say that a person can [earn more money](#) in freelancing than in a traditional job. Well, they have a good point. There's plenty of credible evidence that supports the claims of financial security in doing freelance work. One evidence is an analysis report from Payoneer saying freelancers make 17% more income than traditional workers. According to Payoneer, it's due to freelancers' \$31 average earning per hour.

So, if you plan on [becoming a freelancer](#) soon, you have a good cause to be excited. You have the opportunity to [earn a steady income](#) doing the job that you love. But before that, you have to know [how to set your freelance rates right](#). For that reason, we invite you to stay for a few minutes here with us. We'll discuss the six things you must consider when setting your freelance rates.

Your Long-Term Goals

The first thing you must consider is your long-term goals. Every freelancer, especially new ones, thinks about their financial future as their freelance career progresses. That's a good practice because it helps them calculate their rates. So, make the same approach.

For instance, if your goal is to earn \$64,000 after a year of freelancing, you have to make an estimate of \$5,333 monthly. Your long-term goal is a vital formula in setting your freelance rates. If you don't consider your long-term goal, then your freelance career could be unprogressive and stagnant. You won't have much financial growth, as many other freelancers achieve. And lastly, you should include your long-term goal in your [freelancing business plan](#) to have a constant reminder of it.

Your Current Market Value

Your market value is another important formula in setting your freelance rates. Market value refers to the quotation or price amount of an item that's for sale or bargain based on its quality and demand. In freelancing, the freelancers' services are the items for sale or bargain. The market value of a freelancer depends primarily on his or her skill level and experience.

In your case, as a newbie freelancer, your market value is still at a minimum level. But, if you already have a decent skill level, your market value is a tad higher. That means you can set your rates slightly above minimum. The reason why it's not advisable to set your prices bigger is because of your inexperience. You may have tenured skills, but most clients' checklist of preference are experienced freelancers. They're not willing to offer work proposals and [contracts](#) to inexperienced freelancers with relatively high rates.

For now, keep your freelance rates grounded. You can [increase your income rate](#) in time, but we'll talk about that later.

Your Expenses

In running any business, it's a general principle to outweigh revenue over expenses. If otherwise, then a business's financial status for a particular period is tracking to be a loss instead of a profit. You should know that this principle also bounds freelance businesses. So, in setting your freelance rates, you need to calculate your expenses.

The following are the expenses the majority of freelancers:

- Office supplies
- Materials and tools for work
- Internet connection bills
- Marketing and promotion activities through email, [freelance websites](#), and social media
- Monthly software subscriptions
- Rent
- Travel expenses
- Insurance

As you can see, most of the expenses of freelancers are important for their [productivity](#) and [portfolio](#). In freelancing, you need to budget your finances well to cover all the necessary costs. It's one of the essential [tips for freelance workers](#). No one else will provide you with your freelancing needs but yourself.

When you set your freelance rates, make sure to include your expenses in the equation. Mark up your service fees at a particular percentage to ensure you'll earn a profit from your clients' payments. Aside from avoiding loss, never settle for a breakeven. In a breakeven, you may not lose money, but you're essentially not earning money. You simply just got back what you spent on your expenses without adding to your income.

Choosing Between Per Hour or Per Project

You have two options in pricing your freelance service: per hour and per project. You don't need to worry about the golden rules about which of the two you should choose because there isn't one. The only rule is to choose a pricing option that you're comfortable with. However, both pricing options have their pros and cons.

Per Hour

If you prefer receiving payments each hour you work, then choose this pricing option. Glassdoor.com advises that \$20 per hour is the reasonable rate for rookie freelancers. You can heed their suggestion if you want, but you don't have to follow it completely. You can use that \$20 per hour suggestion as a limit, and not set your rates below it.

The advantage of a per hour option is you can earn a consistent income. It may not be a high income as of yet, but at least you'll make money consistently. For one, projects that take days to finish will enable you to earn a full day's payment for a few days. The disadvantage of getting paid by the hour is encountering small projects. Well, small projects that'll take you an hour or two to finish means you'll get less money out of them.

Per Project

In this pricing option, you'll receive payments for every project you complete. The hours you spent working on a project will not be put into account. If you choose this option, you need to assess the scope of a client's project before you start working. Why? That's because the amount of your payment will depend on the project's scope. Set your rate higher if the project has a broader scope.

The advantage of this pricing option is you can make more cash if you land big projects. Plus, clients will unlikely to exceed the project's budget. The con of the per-project pricing option is the possibility of your work being undervalued due to scope creeps.

Steering Away from Introductory Rates

Although introductory rates can help you attract clients and referrals and [get more work](#), they're not practical for new freelancers. Introductory rates will encourage clients to hire you, but they might not hire you for their next projects because they'll have to pay your regular price. In that case, you'll not obtain regular trusted clients. You might trap yourself in an endless cycle of meeting new clients while receiving payments based on your lesser introductory rates.

So, steer clear from introductory rates. When you meet a client, inform them of your actual freelance rate in the first place.

Increasing Your Rate In Time

As your freelance career moves forward, of course, you'll want to increase your rate. To do so, you'll need to reassess your market value. You have to determine if your skills have improved and whether you've gained enough experience. If so, then you'll have every right to increase your freelance rates. It's that simple. It's just a matter of being patient and performing well. As your market value and online reputation reach new levels, your freelance rate must follow suit.

Setting your freelance rates is one of the baby steps you have to take in your freelance journey. It may be baby steps, but it'll be crucial for your growth as a freelancer. Sooner or later, you'll enjoy the [benefits of freelancer careers](#) if you can set reasonable freelance rates right from the start.