Intro person: You're listening to Academic Egg, episode six. Academic Egg is a podcast for current and aspiring academic creatives, freelancers, and entrepreneurs. Along with every episode, we post show notes with links to resources mentioned in the episode and a full transcript. You can find these materials, sign up for our email list and share your ideas for episode topics at academicegg.com. Now, on to the episode.

Katie: Hey Sara.

Sara: Hey Katie, how are you?

Katie: I'm good. What's going on with your business?

Sara: Oh man. Lately there's been a lot of administrative tasks. You know, they tell you when you start your own business that you have to do it all. There not kidding about that you guys.

Katie: This takes a lot of time too.

Sara: It does, oh, my goodness. So, I've been working a lot on, you know, getting contracts lined up for our presentations and that requires, you know, doing a W9 for every person who made a presentation organization I'm going to and balancing my books and making sure I get my invoices out and all of that kind of stuff. It just eats up more time than you think it will. So, that's what I've been working on. How about you?

Katie: I've been thinking about onboarding new clients because I am currently onboarding new clients and I'm trying to systematize that process a little bit and think about what are the things that I need. You know, like what's the information I need from a client when I first start working with them so I'm not like sending them six emails, you know, like, "I need this, I need that." How can I kind of really create systems where it's very smooth and obviously looks a little more professional when I'm working with these new clients.

But also your point about the admin stuff reminded recently I outsourced travel and I'm using a travel agency to help me book my travel because that was a huge time suck for me. And I book a lot of my own travel because I like to have control over timing and stuff like that and even just like going in and having to do it all the time was just a lot so, I'm a big fan of outsourcing, which I think we will talk about in another episode I'm sure. But, yeah, admin stuff is a lot.

Sara: It's real. There's a lot that goes into it. Yeah, there are moments when I'm just dreaming of the time when I can hire an admin to take care of all of that stuff for me because that would be really, really nice but we're a little ahead of that game at this point; a little before that's going to happen. But, today you want to jump into the topic today, which is all about starting a LLC. So how do you get the project going?

Katie: So speaking of hiring people, I think that ... So, one of the things we wanted to talk about today and that Sara and I get a lot of questions about is like how do you even go about forming an LLC. Like what are some of the logistics of that and I chose to hire a lawyer, Sara did not. So, I think we can talk a little bit about the process of what we went through to form an LLC but for me it also involved hiring an accountant. There's other kinds of things about business bank accounts and all kinds of fun stuff that is involved with that. And so, we thought we'd get into some of the nitty gritty details. Of course, we are happy to take listener questions for things that maybe we don't cover in this episode. But if you have been wondering about how do you even go about doing this, we're going to get into some of that today. So, Sara, let's start with just ... When did you, like, realize you needed a LLC?

Sara: Yeah, well, so this was back when I first started my first LLC. So, for those of you who haven't heard from some of the earlier podcasts, I am a varietal business mogul in that I have two LLC's at this point. The first one I started was a partnership LLC. When my business partner and I were first starting out and first thinking about taking on our first client, we knew because we were both involved in it and because it was going to eventually result in splitting any profits and any income, that we needed to get all our ducks in a row right away. And so, she and I spent a lot of time on the interwebs Googling things about how to start an LLC. The good thing is, is that with the internet, it's a lot easier to get some of those basic answers just by digging in a little and doing some of that learning. We also had the benefit of having a few people in our circles who had done this before and so could kind of advice us in the process of starting the LLC.

The thing that's I think complicated about LLC's is that there are different ones depending on if you have a sole proprietorships or just one person or if you have multiple people. And there are some very specific kind of things that you have to get set up before you can register for an LLC and it's just sort of is good business practice to do. So if you've got two members it's good to have a very straightforward, what they call an operating agreement where it's very clear, you know, if the business goes under who gets what and who owns how much and all of those kinds of conversations and detailing all of those logistics. And I think that's really important especially if you're going into business with somebody to really think about because it's a lot of those really scary questions; the things that you think are never going to happen. Like what happens if you have a huge falling out and one person wants to leave the business, like how does that work.

You know, and I've had friends who've actually had to deal with that. So, having that kind of stuff set up ahead of time is really, really valuable when you're getting that LLC started. So, for me, the process started very early but it was kind of an interesting thing going through and having those conversations with my business partner about like, "But if we end up hating each other at the end of this, who gets what? How does this work?" But really important conversations before even doing the registration on the government website.

Katie: So, when you formed your second one, what was the decision making there?

Sara: Yeah, for that one, it was much more about keeping my business income and financial pieces separate from my personal. And so, one of the reasons to start and LLC, for those of you who are thinking about it, is to provide you that extra layer of legal protection. So, say you take on a client and you know, something goes wrong, and they come back and say, you know, "You didn't do this work for me." And they try to sue you. If you don't have an LLC and you're just sort of doing this out of, you know, being paid personally, you don't have the protection of the business right. They can go after your home, they can go after your assets. Whereas if you do the business through the LLC, all they can do is go after your business, which is still not, you know, that's not an insignificant thing but it protects you personally. And so, when I started that, it was very much with the idea of keeping those things very separate and keeping the finances separate and making sure that I had all my ducks in a row so that when I was doing business it was through my business as opposed to me personally being contracted for things.

What about you Katie? What was the process for you in terms of thinking about how, and when, and what to do with your LLC?

Katie: So, this actually came up for me because I was working with an institutional client and they said, you know, "It would actually make it a lot easier to pay you if you were an LLC."

Sara: Oh, interesting.

Katie: And I was like, "Oh, maybe I should think about that." I mean like it was honestly not something I had like pursued. I didn't know very much about it. I talked to my partner about it and this was also the time where I had been talking with my institution. I worked for a state institution. And we were really trying to be clear about what my consulting business was on the side of my work with the state institution, and I've talked about this on previous episodes, like really trying to keep those things separate. So I felt like, "Okay, this is kind of killing two birds with one stone." You know, I could make it easier for people to pay me and I can really separate this out in a way that it's very clear.

And so, speaking of outsourcing, I mentioned earlier in the episode I outsourced some of my travel arrangements, I decided to hire a lawyer because this is one of those areas where the easiest thing for me to outsource is something where I don't feel confident that I can do it well. And I outsource for my own peace of mind. You know, like, I want to make sure that I am not going to screw something up because I just didn't know enough about it and at this time in my business I did not have the time to really go into this and Google around and figure out ... And I agree with you, all that information is out there. Like you can totally do this on your own, you do not have to hire a lawyer if you do not have the resources to do that but I did. And I was just like ... And this was an investment that my partner and I decided to make. So, I hired a lawyer to help me kind of go through the paperwork. And what was nice about that is he already had like, the operating agreement language. You know like there was a lot of stuff ... He basically just asked us a few questions and I answered them and he filed the paperwork.

Sara: Yeah.

Katie: So, and that was super nice. And I asked him a bunch of questions too and we basically like this is our lawyer now for the business. So, if I have to ... So, at one point, I added my partner to the LLC so we now co-own it and he put in that paperwork for us to do that. So, the other piece, I think, actually about having an LLC that I really like is when you do an LLC, you get what is called and EIN number. This is a number that you can use in replacement of your social security number on forms like a W9.

Sara: Yep.

Katie: So, if you are having to do tax paperwork for your business and I was never comfortable like giving out my social security number at all these different kinds of businesses and stuff that I am working with. I really preferred to have this other number that I can use and it's still tied to the business and it still allows me to kind of fill out all the tax paperwork appropriately but I'm not like faxing around my social security number. So, that's something else that I kind of like about the possibility of it. So, I decided to outsource it and have not regretted it at all. I think that it was a really helpful way to do it. But as I did that, I learned several things along the way about things like business insurance, business bank accounts, which I want to jump into next. So, Sara, do you have business insurance?

Sara: I don't actually. Yeah, no, I don't.

Katie: Because when you were talking about people coming back to you and like suing your business, that was one of the first things I thought about was, "Oh, that's part of why I got business insurance." And actually, some places that I work, in the contract I sign for my business, it like basically stipulates that I have to have business insurance.

Sara: Yeah, so I think this really depends, and one of the things I want to say about LLC's too is that it kind of depends on states too -

Katie: Yes.

Sara: And on individual state's rules about that kind of thing. So, you're right, there are some places that you actually as a business have to have business insurance in order to do business with certain clients and also in terms of setting up your LLC, looks very, very, different state by state. And so, I'm in Minnesota and Minnesota is actually pretty easy to set up a LLC and it's pretty straightforward and not a ton of hoops to jump through. I know, you know, people who started businesses in other states, like there's a lot of stuff you have to go through in order to do that. So I think that also contributes to the thought about, you know, do you hire a lawyer, do you do it yourself. It just kind of depends on the state by state rules. As for business insurance, it's definitely something that's on my radar and I think it's something that I will probably be doing sooner rather than later so if any of my clients are listening and want to sue me, please don't yet. But, I think it's something that's worthwhile to do but it's something that hasn't come up for me yet just in the work that I've been doing so far.

Katie: So, one of the things that I didn't realize, I feel like this is going to be an episode where you realize like how naïve Katie is about business -

Sara: And Sara too, don't worry.

Katie: Hopefully that's fun for our listeners to hear these things. But one of the things I didn't realize, and this is actually ... It came up when I was doing the business insurance, and this is one of those areas where another reason why I added my partner to the business because he's the one who kind of researches a lot of this kind of administrative stuff.

But when we were looking into it, one of the things we realized was, you know, let's say I have a consulting trip and I live an hour and a half away from our nearest airport up in Portland and he drives me up to the airport to drop me off. And on the way back, he gets into a car accident. That is covered by our business insurance because it was a business trip. There was a business reason why he was driving me up to the airport and driving me back. If he goes to Staples and buys me a ream of printer paper for the business and gets into a car accident, that is covered by the business insurance. And we have car insurance and all these other things but there are things that you wouldn't think of that are covered by our business insurance that even if you're like working out of your home and your not like seeing clients in your home, like I think a lot of people think about it like that, like it's physical things. Like, what if a client comes in your home and like falls down the stairs, like something like that. But, there are other parts of your business that are covered by it that I think it's important to at least look into it even if your like, "I don't have a need for that and it's not required." It's something to definitely consider because there are things that get covered under it that you might not think about.

Sara: I think that's true, I also think it really depends on the type of business you're trying to start too.

Katie: Yes.

Sara: When I first went through, you know, went through this with the first LLC and then, you know, again with the second one when thinking about business insurance, as with any kind of insurance, it's a little bit of a sort of risk assessment right. Like how likely is it for something to happen that you would want to use business insurance specifically for. And due to the kind of work that I do, the risk is lower so I think that worked into the equation too. Now, if I were doing a brick and mortar, you know, office park kind of situation, then yes, of course right. So, I think it really depends on a little bit of risk assessment and also, you know, where do you want to invest your money, you know, does your personal insurance cover you in a way that you're comfortable with at this point for the things that you're talking about like driving to the, you know, airport and getting in an accident. You know, if you have enough coverage under your personal insurance, is it worth it to buy business insurance. You know, there are all of those kinds of considerations to take into account but I definitely think it's not one of those things that you say, "Oh, I'm not doing this, therefore, I'm never doing it." I think it's one of those that you kind of have to put on your annual calendar to check in on and say, "Okay, how am I feeling about this? Is this something that we want to invest in this year? Has the business grown enough to make it worthwhile to invest in this or, you know, to do these kinds of processes a little bit differently than we did before."

Katie: Yes, and this is also something where I sought my lawyers counsel and I asked, you know like, because ... So, first of all, I think a question that people would ask is like how do you find a lawyer.

Sara: Yeah.

Katie: Because I did not have one like sitting on retainer. And I basically Googled around and found someone locally. I wanted someone that I could see locally, easily and that's kind of hard where I live because a lot of people would like, you have to go to Portland for certain kinds of services.

Sara: Mm-hmm (affirmative).

Katie: But I wanted somebody that was local and that wouldn't be a pain to go visit this person if I needed to set up a meeting. But also I wanted somebody who worked with small businesses. And so, that's really what I looked for, was like, "I need somebody who works with small businesses." When I found this person, I asked, and I was like, "And you're experienced working with small businesses, talk to me about some of the reasons you might want business insurance." You know like, I needed kind of that counsel of like, "Should we do this, why would it be important?" It was required for some of the things in the legal side of stuff and so we did it but also I think it's just ... I do sign contacts with people in other states where they're requiring that I have it.

Sara: Yep.

Katie: So anyway, but I think that that's the kind of thing that you could utilize a lawyer for. It would be a good thing to put on your list of questions if you're going to talk with someone anyway about having an LLC. If they work with a lot of small business, they might be able to talk with you about the pros and cons of having business insurance for your particular situation.

Sara: Yep, that's a great point.

Katie: This is probably a good time for us to offer a disclaimer that we're not lawyers -

Sara: No.

Katie: We're not giving any kind of legal advice on this. We are just sharing our own personal experience.

Sara: Which might very likely be wrong.

Katie: Well and really, like you said Sara, I think it's such a good point, that state by state this really varies and there is a resource that we could put in the show notes that does break it down by state. And it actually talks about like what are the different LLC requirements in each state. I ran across this when I was initially Googling around and that was part of like, "Okay, I'm hiring a lawyer."

Sara: Yep.

Katie: I don't want to deal with this.

Sara: Yep.

Katie: But one of the other things that I did not realize when I was forming my LLC is I needed to have a business bank account.

Sara: Yep.

Katie: And this is something that actually through me into a little bit of an impostorous [inaudible 00:17:37] tailspin when I was meeting with my lawyer and actually came home and recorded a podcast episode for my other podcast about it, like immediately that night because I was like, "I feel like a huge imposter starting my business." We can link to that in the show notes too. But he was like, "Okay, so you'll need a business bank account." And I was like, "What now, what do I need?" He's like, "Yeah, and you're going to have to put some money into it." And I'm like, "How much money are we talking about?" Do I need to put into this ... And he's like, "Well, typically it's this number." And I'm like, "Yeah, I definitely don't have that number."

Sara: Right.

Katie: And he's like, "Okay, well, what do you have?" And I was like, "Well, this is what I could do, this is what I can swing." And he's was like, "Okay that will work." But it gets put into like your operating agreement and into some of your other paperwork that you have this business bank account. Something that I did wrong that I want to share because if it could save other people the pain, I want to tell them about it, is that I created a P.O. Box as an address for our business. The main reason I did this was because I use MailChimp to send out newsletter information that's tied to my business and at the bottom you're required to give an address for lots of reasons that are probably obvious for our listeners. I did not want to put my home address down at the bottom of this email.

Sara: Why not?

Katie: It's going out to hundreds of strangers, you know like, that just didn't seem like a very smart thing and obviously my partner would not have been happy with that. So we had created this P.O. Box and we do our business through this P.O. Box and this is what I give to people to like, if they're mailing me a check or something like that, they can mail it to this P.O. Box. So, when I was doing my business paperwork for this LLC, I was like, "Oh, well this is my business address." So, I put the P.O. Box into the LLC paperwork. Well, the LLC paperwork is what you have to use to get your business bank account.

Sara: Yep.

Katie: And banks will not take a P.O. Box address as your business ... Now, I had no way of ... This is like Katie's naïve about business, like I had no way of knowing this and they were like, "Well we need you to have paperwork from the government that says you have a business and it says that it's at an actual street address."

Sara: Yep.

Katie: And because I work out of my home, you know, it is at my home address but I didn't have any paperwork that said that.

Sara: Yep.

Katie: There was nothing. I went through so many phone calls with my bank, which is, by the way, an online bank, so that didn't help. I couldn't walk into a brick and mortar and actually like sit down and talk to anybody. So I was like on the phone multiple times trying to figure this out and we eventually figured it out. But I was like, "This is the kind of thing that I wish my lawyer had realized I was naïve enough not to know," so he would have mentioned to me like, "You should not do this, you should use your street address." I was just trying to keep it separate from my home.

Sara: Yep.

Katie: As much as possible for the reasons you mentioned Sara too, like I don't want anyone to go after my home, I don't want my home to be associated with my business even though I work out of my home.

Sara: Yep.

Katie: I mean it was like a whole thing. So, if that helps any of our listeners to know that, do not put a P.O. Box on your business paperwork when you have to then open a business bank account.

Sara: Yes. Well, the somewhat annoying thing that's happened as a result of having to do that right, of having to put in your home address as your technically brick and mortar place of business, not P.O. Box, is I don't know if you get this, but I get crap mailings from so many places.

Katie: Yeah.

Sara: Like, "Oh, here's your giant ..." I got a giant office supply catalog the other day and I was like, "Why, I don't ..." First of all, I'm a little annoyed that they have access to those lists first of all, and secondly like why would you send me a 300 page catalog of all your office furniture. I'm just going to throw it away, I don't know.

Katie: Yeah, no. There's an uptick in credit card offers.

Sara: Yep.

Katie: There's an uptick in all kinds of things you get to. So it's annoying.

Sara: It is annoying.

Katie: But there is like no way around it.

Sara: Nope.

Katie: Like if you need to get a business bank account, and you do, it is required, at least in my state. This is the part where I really don't know.

Sara: Yeah.

Katie: I mean like your state could be totally different than my state but it is required. So, I feel like that leads us in Sara to accountants.

Sara: Yeah.

Katie: Which is another part of this. So, do you have an accountant?

Sara: I do. He's great.

Katie: Okay, so, what was the process behind that? To you, because I think some people could probably form an LLC with having an accountant but like what was that process for you of like thinking through that?

Sara: Yeah, for me the accountant, again, sort of came from the first partnership LLC. I will say that like, starting a partnership LLC makes a sole proprietorship LLC way easier. You've kind of fought through all of the hurdles and all of the difficult stuff, you know, and gone through that once already. So when we first started that LLC and came around to tax time, again, sort of the feeling of feeling out of your depth, my business partner and I were just like, "No, like, I'm not trying to do this on my own, this is not something where I feel like I can do my own taxes and do them right." And so to me, that was again a risk assessment. Like we could've figured it out, it's not like we were rolling in the dough, it's not like we were making so much that the IRS was going to be like, "Well, I don't know about this." But we want to make sure that all the way along, from the very beginning, we had the accounting right and that we had our taxes right. And so, we reached out to a few friends and got a couple of recommendations and found somebody who was both affordable, which is also a part of the equation, and also great to work with. So, you know, we've worked with them for the last several years and it's really easy because they do all of their stuff, like online through a secure portal. So, it's not like I have to send in copies or mail in stuff, I can kind of just scan and upload and then they take it and run with it. It's amazing. It's just a huge weight off of my shoulders to know that somebody who is a trained professional is dealing with that part of the business because it's such an important part to get right especially when it comes to taxes. Yeah, that that's just been ... It's been a huge relief for me.

And then starting the second LLC, again I have talked to that accountant and said, "Okay, now that I'm doing this and I'm doing this full-time, there are implications about my personal income taxes and all of that kind of stuff too. So, having that conversation and having that person that I can call on and be like, "Okay, now I'm making this much, should I be holding more back for taxes for this year?" And even the questions about do you file your quarterly taxes? The answer to that is yes, and how you do that, how you go about doing that. And so, just having that expert to talk to and be like, "Okay, I don't know what I'm doing here, tell me what I need to do. Here's where I am, here's what I'm anticipating for the year, help me out," has been really, really, great. I think, to him, I'm really easy client in the sense that I'm not super complicated, there's not a ton even though I have two LLCs, there's not a ton of really complicated tax stuff going on. So this accountant is not only our business accountant but also a personal accountant for me as well.

It helps to kind of have all of those things in one place. He knows everything that's kind of going on and has his finger on the pulse of exactly what's going on with my businesses and with my own personal situation too. So that's been really helpful. How about you? Do you have an accountant?

Katie: I do. So also I want to offer a disclaimer that we are not accountants -

Sara: No, we are not.

Katie: As we are talking about these things, we recommend you talk to professionals. The other thing I want to differentiate between and I'll talk about my accountant too, is that there's accountants and there's bookkeepers.

Sara: Yep.

Katie: Accountants, in my mind, are really the people who are like helping you with your taxes.

Sara: Yep.

Katie: You know, like this is their main purpose is to make sure you are not screwing up your taxes. And like you Sara, I've never done my own taxes ever for my personal anything. I have always hired an accountant because this is not an area, again my own piece of mind, I have always scraped together the money I needed to hire an accountant to do it. And now it's a little easier to do but even like when I was in grad school, when I was in my early career, we always hired this out. So it made total sense to me, when I was starting a business that I needed an accountant and I was going to be hiring someone to help me with this. And I had an accountant who was referred to me by my lawyer. So, he had worked with this person, a lot of his clients worked with this person, this person kind of specializes in small business, so I felt good about the fact that my lawyer knows my accountant and my accountant knows my lawyer. Like that, I like having a little bit of a team situation there and not that there like talking with each other about my business but, I don't know, it was just like a nice comforting thing.

Sara: Yeah.

Katie: This is a small town and these people know each other.

Sara: Yeah.

Katie: But also, what was interesting, and you mentioned this like you have quarterly taxes, so this is something I'm still kind of wrapping my brain around because the first year that I hired my accountant, we did not file taxes for my business because of when the LLC was formed. And so, a lot of the stuff that was coming in as revenue for my business, wasn't coming in when I had an LLC, and so it got filed as part of my personal taxes. And then this year we're filing it with my LLC and so this is the first full year that I've had an LLC, and so we'll be filing it that way. And this is where I'm like definitely not an accountant and I want to get your perspective on this Sara because I feel like I have a very rudimentary understanding of this.

So my understand is basically you get kind of a grace period in the first year of your business where you don't know what your quarterly taxes are because you don't know what your revenue is necessarily for that year. And so you don't pay quarterly taxes like you're just paying it at the end of the year like you typically would, you know or the beginning of the year, whatever. When you typically would pay taxes, you're paying the taxes for your business. But then you're using what you made that year in revenue as a way to estimate what your quarterly taxes would be moving forward and that can be adjusted over time. But this is something that like I had heard about from like other business owners like podcasts I listen to and things like that. But I didn't have any idea what it was. So, for our listeners who do not know this, when you have small businesses, LLCs, you pay taxes quarterly. Like you are not ... It's a different structure and again Katie's naïve. I mean, so of you are probably listening to this going, "Duh, we know." That's fine if you know this but I would imagine there are some people listening who do not know this. So it is a different structure. And this is another reason why it was useful for me to have an accountant because I could ask stupid questions and be like, "How does this work?"

Sara: Yep.

Katie: You know, like talk to me about how this gets estimated and also because I have a lot of business expenses that get deducted and we're not, right now, pulling regular salaries from my side business. A lot of it's getting reinvested into the business. So I had a lot of questions about like what can I write off, what exactly is being counted as revenue. So I think that, that was a big thing for me. I wanted somebody I could go, where I trusted them and I could ask questions that other people might think were kind of stupid so that I could really kind of wrap my brain around this. So, do you have anything to add about the quarterly tax thing in particular?

Sara: Yeah, the first is to say, my understanding is also that you have a year grace period to kind of figure it out but that also you might get dinged a little for it if you're really, really off. So if you suddenly go from making $2,000 a year to suddenly making $200,000 a year in your business and don't pay quarterly taxes that year, the IRS maybe isn't not going to be super happy about that. So, from when I talked to my accountant about it he said, "Well, you can wait and pay it all at the end of the year and that's fine but there's also, some percentage that they might ding you for having not paid taxes quarterly kind of depending on the situation." And I was like, "Oh, well I would rather go ahead and pay it in now and deal with the balance of it at the end and be pretty close and not be at risk for that." Partly because I am taking salary, you know, so I think that's the other distinction between you and I Katie is that now that I'm fully self-employed, my LLC, you know, that money is coming in and yes, paying for business expenses and being invested into the business but it's also paying me as a human to live in the world.

Katie: Yeah.

Sara: So that's a different differentiation as well and so I think that kind of plays into it. And again, not an accountant, don't actually know what the tax code says but based on again, my comfort level and my understanding of the situation, I was like, "Let's go ahead and pay in," and make it a part of my business from day one so that I know what that looks like, I can kind of work through the kinks this year and then next year, know exactly how to do those sorts of things. Yeah, I think it depends a little bit on state, I think it depends a little bit on how much you're making. And again, are you investing it back in the business or are you, you know, paying yourself; what does that look like and how much are you bringing in per year. Those kinds of things all factor into this equation about how much quarterly taxes to pay or whether you pay them annually or whatever. So, again, talk to a trained professional about these things because Sara and Katie don't know.

Katie: Yeah. Well and also I think, you know, again, what people may not realize, self-employment income is taxed differently.

Sara: Yep.

Katie: So, I just didn't want to have to worry about any of that. But I think that the other piece that's really important is to really know what you're making. Because exactly for this reason of the quarterly taxes ... Like, this has been a pretty good year for my business and I'm actually afraid I'm not going to be able to do this in the future so, you know like, speaking of fear, that was an episode that we talked about. You know, like, "What if I can't make the same revenue and then I'm paying these taxes on revenue that's not coming in?" You know, like that's always a question too. And I feel like the more you know your numbers and your calendar and what you're trying to hit, you know like, you need to have kind of some revenue goals and that helps you to kind of map this stuff out. But I also mentioned earlier the difference between an accountant and a bookkeeper.

Sara: Yep.

Katie: Which again, naïve Katie in business, but you know like there's the accountant who helps with your taxes and then there's actually like the bookkeeping of what money is coming in, what money is going out, is it something that you feel could be deducted from your taxes, like as a business expense and also like how are you tracking these things. And this is something that I think is like super important but also super intimidating to some people.

Sara: Oh yeah.

Katie: Like how do you start to track this information. So do you have a system ... Like first of all, do you have a bookkeeper and/or do you have a system that you're using to track this?

Sara: I do not have a bookkeeper other than the wonderful piece of software that I use to do this. I started using QuickBooks Self-employed, is the platform that I've used. I've also heard great things about Fresh, is it FreshBooks? Is that right?

Katie: Yeah, I use FreshBooks, I can talk about that.

Sara: You use FreshBooks, okay. I really like having this because you can basically link it to your various bank accounts and credit cards and all of that and note which things are business expenses and which ones aren't, which ones are business income, which things are personal income. You know, somebody writes you a check for your birthday or whatever. So you can really differentiate what's what and it helps you keep track of those business expenses. I don't know if FreshBooks does this but QuickBooks Self-employed actually gives you an estimate on your quarterly taxes as it's tracking your expenses and as your revenue is coming in it will say, "Based on what we're projecting," you know based on what's come in already and what we would expect for the next six months, which again is kind of arbitrary because, you know, you might have periods where you're bringing in lots of money and periods where you're not and so it's a little arbitrary but it gives you an estimate of what your next quarterly tax amount would be. Which is helpful because it at least gives you a sense of like, "Okay, I at least need to have that much money on hand in order to pay my quarterly taxes appropriately." So that's really nice to kind of have that metric.

It also does a nice job of tracking mileage. So, there's a handy dandy little app where you can basically turn it on and it will track your location as your driving around and you can basically mark whether that was business travel or whether that was personal travel. Really handy tool to kind of keep track of all of those things when you don't want to have to be thinking about it constantly. Because honestly, you do have to kind of think about it constantly and so to have some tools and some programs that help with keep track of those receipts and keeping track of your mileage and those kinds of things is really a weight off my shoulders to have that as a way to kind of keep track of those things.

Katie: Yeah, so I would definitely jump on the bandwagon of like recommending that people have a [inaudible 00:35:25].

Sara: Yeah.

Katie: Whether it's QuickBooks whether it's FreshBooks like you probably should have some system. And for some people it could even just be an excel spreadsheet.

Sara: Yep.

Katie: If you're fancy with Excel, I think, go for that. But I chose to use FreshBooks in part because I was hearing about it on like every single podcast that I would do they sponsor like every show.

Sara: We are not sponsored by them though.

Katie: We are not let's be clear.

Sara: Sadly.

Katie: FreshBooks if you're interested, come knock on our door. But I think that I was interested in FreshBooks because it has an invoicing system and that's kind of why I originally signed up with FreshBooks is because I didn't want to be creating invoices in Word and sending them to people. So, FreshBooks has an invoicing system where you can email people and then they can pay by credit card through that invoice or they can pay by check, you know, in the mail. But it basically gives you a record of like when it was send and whether or not they read it so that you can have a clear sense of what's going on with your clients and how you're billing them. So, that was originally how I used FreshBooks was primarily for that because I didn't have a lot of business expenses I really just had invoicing issues. Now, I used it a lot with ... So, basically, and this is something we actually need to catch up on but this is something my partner helps me with, is basically what we try to do is on a monthly basis is take our business credit card and make sure that everything that's on that is in FreshBooks. So that we can basically say, "These were all of our business expenses." And then as people are paying things into the business and paying the invoices that we're sending out, we're marking it in FreshBooks so we have a record of like when things were paid, how it was paid by. And then it also allows me to keep track of all of our clients because I have a record of all the different clients that we've worked with and when just because I've been sending them invoices.

It also allows me to send people estimates, which I really like. Because I will often have people say, "I want a proposal and I want an estimate of cost." So I can send a proposal with a formal estimate where people can see this is what I think it will cost for me to come out and, you know, do this thing. That's especially something I do for speaking engagements. And so the other nice thing about FreshBooks and this is probably also true of QuickBooks is that you can give your accountant access to the information.

Sara: Mm-hmm (affirmative), yep.

Katie: And you can also create a various reports. And I actually think that ... I have not looked into this because I'm not yet at the place. I will very soon paying quarterly taxes but I'm not yet doing it. I'm not yet at that place so I would imagine it probably does that, it probably does some of those calculations. But there's definitely other reports that it runs that allow you to kind of see, on a quarterly basis, how much income are you bringing in, how much are you business expenses. It allows you to assign different business expenses to certain clients, which is helpful if there's certain things that you need to be getting reimbursed for. And also it allows you to do some time tracking as well and there is a team functionality within FreshBooks that you can use. So there's lots of different functionalities that I have not gotten into just because I don't need them necessarily but it's a pretty robust platform. So, I have found it to be very helpful and it's a monthly fee. So if people are interested, we can link to it in the show notes but that's how it functions is ... It is basically based on how many clients you have. So, if you're a relatively small business, the fee is relatively small.

Sara: Yeah, I find having that software system or basically the thing that's kind of partially automated but also kind of keeping me organized is super helpful and gives me a huge amount of peace of mind and so the monthly fee is totally worth it for me just for that peace of mind aspect. I also, you know, just sort of as a side thing, I keep track of the things that I have agreed to, whether I signed an official contract yet or not, the things that I'm expecting will come in by the end of the year. I have a little spreadsheet where I keep track of that stuff because for me I think it's helpful to know, "Okay, where am I in my yearly revenue." Right. "Ive made this much I can see that this much is sitting in my bank account but how much do I have coming in in the next six month right? What does that look like? What have I contracted through the end of the year?" So that's really helpful for me just for a quick and dirty look at like, "Okay, where am I?" Where sometimes kind of drilling down and going into the minutia in one of those software programs can be a little overwhelming I find. So that a tool that I've found really helpful is just having a kind of tracking spreadsheet where I track okay, "This is happening on this date and here's how much they said they'd pay me for it." Especially for speaking gigs and that sort of thing. Kind of keeping those ducks in a row can be a little bit challenging so I found that to be helpful to.

Katie: Yeah, I feel like you're so much more fancy than I am because I keep that but I keep it in a note on my phone. I use the Notes app on my IPhone and I have like a running list. And I also check off on that list because you can do little check marks like when I've been paid. So I have like the upper part of the list is what are the things that like contracts have been signed, like I know the money is coming in.

Sara: Yep.

Katie: And then I check off whether or not the money actually has come in. And then I have a list that's a little bit underneath that like, what are the things that people have inquired. So I also keep a running list of like if all of these things worked out, this is what my income would be. So it's kind of like the stuff that's on deck but I don't have official ... And things get kind of moved on and off that lower list quite a bit because someone will be like, "I'm interested." But then they need to wait or whatever so it's not going to be this year, it's going to be next year. But that allows me also to see kind of what are the possibilities of if I really was like pushing it for this year you know like could I increase my income by like another $10,000 or something like that.

Sara: Yeah, it's funny because I think we're talking about all of these details but this is the part of running a business that sometimes people who are like, "I'm going to start my own business," don't always think about right away.

Katie: Yeah.

Sara: And I didn't necessarily think about it right away. You know, I wanted to start my own business because of the freedom and I wanted to do the work that I wanted to do and be able to work from home in my pajamas if I wanted to and you know those kinds of things. It wasn't because I wanted to become an expert in bookkeeping but you know, you kind of learn along the way.

So a lot of the things that Katie and I are talking about today I hope is helpful for listeners, especially those of you who are thinking about starting a business. You know, things to keep in mind as you're making that transition and that jump. There's a lot of details that you got to keep track of and that are sometimes hard to keep track of and questions that you should be asking and thinking about and those sorts of things. And you don't know until you know and a lot of the journey of starting a business I think, is figuring out what you don't know and asking for help and asking for input from professionals when you don't know. There's nothing wrong with that, you can feel a little dumb but that's okay, that's why we hire other people for things.

Katie: Yeah, exactly. Well, and I think also like, there is this moment especially early on, you feel really silly when you have like a FreshBooks or a QuickBooks and there's like two things in it. You know, you feel like what am I even doing. Like I don't need this I could just remember it, you know, I could just keep it in my brain. But that moment goes by pretty quickly like in the large scheme of things, you know, all of the sudden, you will have things to put in there and then it's like you will wish you had started it from the very beginning. So even if you're like, "I don't really feel like I need this quite yet," you might want to consider doing some of this stuff just to kind of get it set up and so you get into the system of it because like right now I feel like we are at a place where we need more systems but we didn't set them up from the beginning and so it doesn't feel like a habit.

We're still trying to kind of work that stuff out within our business. So, don't feel silly if you want to kind of start it from the beginning.

Sara: And also don't feel bad if you started your business six months or several years ago and some of this stuff is new to you or some of this stuff is like, "Oh, I hadn't considered that." That's okay too. After this, I'm making a note to self to investigate business insurance more specifically.

Katie: Yeah, exactly.

Sara: Should I have been doing that from day one? Maybe.

Katie: I function as a business, not as a business I function as like a consultant and a speaker for like three years before I formed an LLC. I wasn't doing anything wrong, I just didn't need it yet. And then I did and so I formed it. So, I agree with you. This is definitely not an episode that's meant to shame people into like [inaudible 00:44:12] for your business. But also I would be really curious to know if we have listeners who have other things that are like, "I can't believe you didn't talk about X."

Sara: Yeah.

Katie: You know, and maybe we don't know about that thing.

Sara: Probably true.

Katie: You should tell us and we can, you know, address it in a future episode but we do not know everything about this but this is just from our own experience the stuff that we get the most questions about and that, you know, were most impactful for us as we were kind of watching our LLCs.

So Sara, anything else you want to add before we move into the resources?

Sara: Well, just that it ... True time guys. You jump in and you kind of try it as you go and you learn things along the way and then you learn later that maybe you were kind of an idiot about some things and, you know, part of the process of starting your own business and launching into self-employment is to have a healthy dose of forgiveness for yourself and a little bitty sense of humor too never hurt anyone. So there are things I'm sure, like you said Katie, that listeners are probably like, "Why didn't you talk about this thing?" We're still learning too and we're still trying to figure this thing out and give ourselves a little bit of forgiveness and grace a long the way.

Katie: Yes. Yes to all of that. All right. What's your resource for this week?

Sara: My resource this week is a book that I read back in the day when first starting in consulting and first kind of getting my feet wet in the world. It's actually called Getting Started in Consulting, it's by Alan Weiss. It's a great kind of introduction to consulting like things that you wouldn't necessarily think about when you're first like, "I just want to work for myself." Things from establishing goals and expectations to what does your office space need to look like and what does marketing look like or sorting out the legal and financial and administrative duties. All these kinds of things that we've been talking about today. So, I found that really helpful just to kind of get a lay of the land of the things I needed to be thinking about as I moved forward. So, I would definitely recommend that and we'll link to that in the show notes. For those of you who are just kind of getting started and thinking about doing some side consulting or jumping into self-employment. What about you Katie? What's your resource for today?

Katie: So, for my resource, I thought I would just remind everybody that we've got this list of 100 plus resources that we give out to people who sign up for the mailing list for the show. That mailing list is really just like "Hey," when we have new stuff we let you know. It's a great way for us to stay in contact with you. But when you sign up for that, you get this PDF list of a bunch of links and it's like blog posts, books that we really like and have found helpful. This one that Sara talked about is on the list. It's podcast episodes, you know, all kinds of other resources that we have found useful and they're divided by category.

So like there's a category, for example, on public speaking, and there's a different category on social media. And it's really targeted to academic, freelancers, creatives, and small business owners who are trying to figure this out. It's all the stuff that we found to be really helpful collected in one place. So, if you have not yet signed up for our email list, you can do that at academicegg.com and you will get that emailed directly to your inbox and I think it's just a treasure trove. I mean it's the kind of thing I wish I had and then I love what other people do because I'm just like, "I just want to crawl through all these things and see what could be of use to me."

There's just so much good stuff out there but it takes a lot of time to find it and we've taking the time to collect if for you. So, we want it to be a resource for you so go to the website and you can also find our show notes there for all of these episodes and shoot us an email and tell us what you're liking about the show, what you want us to talk more about, tell us your own story about being an academic, creative, freelancer entrepreneur, we want to hear all about it. Thanks for listening to this episode.

Sara: We'll talk to you all next time. Bye

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