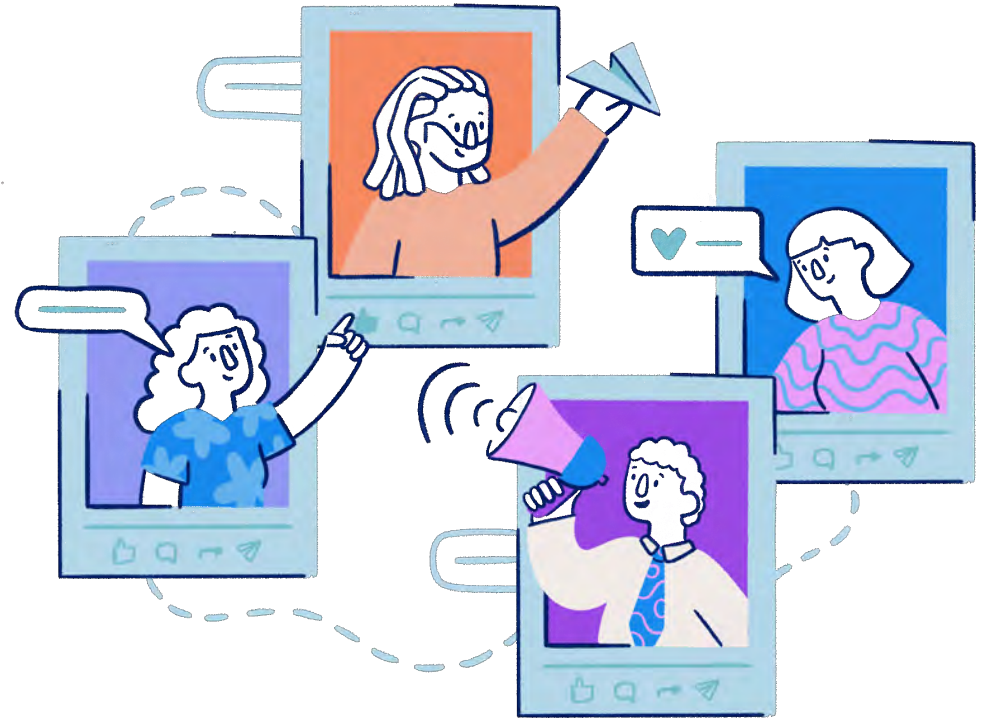




A Creator's Playbook for Financial Success:

How to Thrive in the Creator Economy

This guide supports the growing trend of content creation, offering proven financial tools and strategies to help digital creators grow their businesses and thrive.



The Creator Uprising

Creating a business used to be seen as an alternative path and was either revered or viewed with skepticism. Now, thanks in part to business technology such as communications platforms, financial software, and more, creating a business is accessible to more people

and isn't as uncommon. Today, 51.1 million people in the U.S. work independently, up from 38.2 million in 2020.¹ Digital content creators are one of the fastest growing segments of independent small businesses, with 7.1 million earning income in the creator economy.²

Those earning income
in the Creator Economy =

7.1 Million

¹ <https://www.mbopartners.com/state-of-independence/>

² <https://www.mbopartners.com/state-of-independence/creator-economy-report/>

The trend of self-employment shows no signs of slowing down. According to the U.S. Census Bureau, 5.4 million new business applications were filed in 2021, outpacing any other year on record.

And as a provider of money management software for small business owners, Wave similarly saw a 24% increase in website traffic³ and a 12% increase in signups⁴ from pre- to post-pandemic.

Microbusiness owners like Jason Sturgill are often overlooked when we discuss the small business work landscape, but they are a critical economic engine.



I started my creative business for several reasons, but it all comes back to career and job independence. As an independent illustrator, I can choose where I work, who I work with, and what kind of work I want to do.”

Jason Sturgill

Freelance Illustrator, Art Director & Artist
jasonsturgill.com

³ Pre-pandemic = March 2018 to February 2020

⁴ Post-pandemic = March 2020 to February 2022

Microbusinesses, which are defined as having less than ten employees, make up 92%⁵ of all businesses in the U.S. and, on average, contribute to 38%⁶ of their owners' household incomes. This small but mighty segment is also a source of job creation, with 14% of independent businesses overall and 36% of content creators hiring freelance contractors to help with their businesses.⁷

Gone are the days where the only path to self-employment was to build or buy a brick and mortar location. You now have the freedom to create a business around your area of expertise or passion from anywhere and

connect with clients through the power of the internet.

But while the barriers to self-employment have been eased, the challenges of running and sustaining a business remain the same (preaching to the choir, anyone?). In this guide, we will address how to ramp-up to meaningful growth and sustainable success to keep your business headed in the right direction.

“

Digital talent has spawned a new era of entrepreneurship. Creators are empowering themselves to be businesses with incredible opportunities for success and growth.”

Zahir Khoja, CEO of Wave

⁵ https://aeoworks.org/wp-content/uploads/2019/03/aeo_microbusiness_fact_sheet_landscape.pdf

⁶ https://ssir.org/articles/entry/the_macro_benefits_of_microbusinesses#

⁷ <https://www.mbopartners.com/state-of-independence/creator-economy-report/>

The Importance of Cash Reserves

There is no shortage of success stories about creators who launched a business. You can form a corporation, develop a website, and market to your audience without ever leaving home (and without ever leaving your comfy clothes). Launching a business is one thing, but

making sure that business is financially successful requires particular planning and hard work that isn't often talked about.

In Wave's recent State of Small Business survey⁸ it was discovered that while more than one in three (36%) respondents were

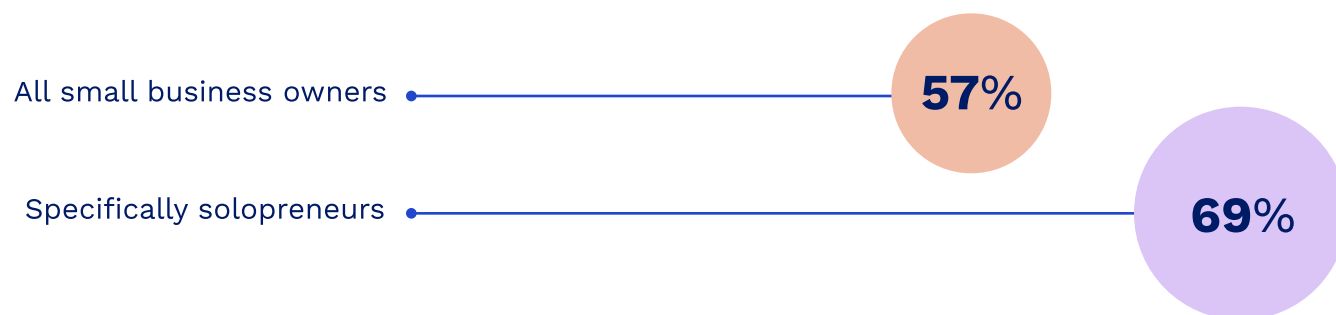
concerned about inflation impacting their business in the year ahead, the majority (57%) of small business owners have less than \$5,000 set aside for financial crises. This majority grows even larger when looking at business owners who are the sole employee of their company; nearly seven out of 10 (69%) have less than \$5,000 on hand.

This means that a car repair, a plumbing problem,

an inability to get the supplies you need, an illness, or simply an increased cost of living could force most creators out of business. Over the past two years we have been awakened to the reality that uncontrollable things can and do happen, and a contingency plan can help you be prepared for such things.

In fact, our survey showed that when it comes to preparedness, almost half (48%) of respondents said they would be unable to pivot to additional revenue streams in the wake of a financial crisis. Those who could pivot were most likely to turn to a side hustle (54%) or digital revenue stream (24%) to keep their businesses afloat.

Business owners with less than \$5,000 in emergency funds



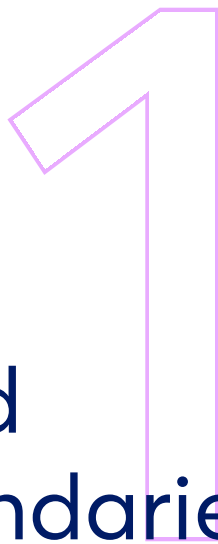
⁸ <https://www.globenewswire.com/en/news-release/2022/04/20/2425431/0/en/The-State-of-Small-Business-in-2022-Majority-of-Owners-Have-Less-Than-5-000-Free-Cash-Flow-Wave-Survey-Finds.html>



7 Ways To Get Your Financial House in Order

There are things you can do to set yourself up so you can weather any storms throughout your entrepreneurial journey! Whether your business is your full time pursuit or a side hustle that may one day be full time, you want to have your financial house in order. Follow these tips to take control of your business finances.

Build Boundaries



Boundaries can be a good thing for your business, especially when it comes to money. Draw the lines early by separating your business and personal bank accounts. Use your business account to deposit your earnings and pay business-related expenses. There are a number of options for business banking including digital banks, credit unions, community banks, and traditional banks.

According to the IRS, mixing personal and business expenses is one of the mistakes small businesses should avoid. Using one account or credit card for personal and business will make it harder to accurately track your deductible expenses (and runs the risk that you'll miss out on possible tax breaks!). It can also create an additional administrative burden if your business is ever audited.

When choosing a bank, look for business-friendly options, like no fees, easy access to your funds, and the ability to automatically synchronize with invoicing, accounting, and payment tools.

This one step of having a separate business bank account will make it much easier for you to keep track of the health of your business.



The best piece of advice I would give creators just starting out is to get a separate bank account for your business.

Jason Sturgill
Freelance Illustrator,
Art Director & Artist
jasonsturgill.com

2 Master the Ins and Outs of Business Finances

You don't have to be an accounting expert to run your business but you do need to master the basics of your day-to-day business finances. It is critical to keep track of your revenue (cash in) and expenses (cash out). This is known as your cash flow. Managing cash flow is the first step to taking control of your business finances (next

step: world domination... just kidding). The amount of money left after you've paid expenses is your net profit.

It's important to account for your business expenses, such as paying for contractors, your website, business equipment, hosting, technology subscriptions, etc.

You will also need to set aside money for business taxes.

You no longer have an employer deducting income tax from your paychecks, so make sure you put away money for paying taxes. It's probably safe to expect to pay about 25% of your earnings to taxes after



subtracting business expenses. You should also be aware that you may be required to pay estimated taxes each quarter. The IRS will not send notices during the year, so you have to make the payments or you could be hit with a large penalty when you file your annual tax return.

From your net profit, set aside money for any unplanned expenses or emergencies, including the natural ebb and flow of business. This is money that you can quickly access, and this step alone will give you control over your business and the insights needed to identify areas of improvement to grow and scale.



As a creator owner, my biggest challenge was finding good information on how to financially run a small business. Even though I studied accounting in college, I struggled with understanding what tax rules applied to my business, where to find funding, and how to account for my income and expenses.”

Tatiyanna Williams-Britton

Freelance Photographer & Videographer
TruCreates.com

Wave customers received compensation for their contributions.

Consider using accounting software to take the pain out of tracking your income and expenses. This will enable you to stay on top of your business finances without the hassle of trying to manage it manually. It will also make tax time much easier as you'll have all the information in one place. There are free options available so you don't have to add another expense line item to your budget.

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“Independence is an ideal way to maintain financial control and ultimately drive wealth. According to our 2021 State of Independence in America Report, 68% of independents feel more financially secure than their traditionally employed counterparts. As independents realize the power of having the control to do the work they love, the way they want, they'll also realize the financial power of having revenue not limited by a salary cap, as well as the risk mitigation that comes with spreading financial dependency across multiple clients.”

Miles Everson, future of work strategist and CEO, MBO Partners, the leading platform for independent workforce management.

3

Set Your Rates and Expectations Wisely

Once you've looked at your cash flow, you may be hit with the reality that you haven't priced your products or services correctly. New businesses may rush to market with a product or service and race to offer the lowest price. While the enthusiasm is great, this is unfortunately not a sustainable plan, whether you're selling courses, content, or marketing services. Every business has expenses, and those can increase as you grow your business.

Do your research to ensure you are not undercharging for your work. Look at comparable services to determine the average. Be sure to look closely at how services are packaged so you're making fair comparisons.

There is only one thing worse than charging too much, and that's not charging enough.

Trust us when we say that you don't need to be the lowest priced provider to be successful. You want to ensure you're targeting the right market and your prices cover your costs and allow you to make a healthy profit. Charge a fair price and don't undercut the value of your time and expertise.



Another way to keep up that positive cash flow is to ask for an interim payment up front, especially if you are doing a project that will take 60 or more days. It gives you protection in case something goes sideways with the project and the client doesn't pay you for the time you've already put in (fingers crossed this never happens!). It also ensures you have money to pay your bills while you work on a large project that may take weeks to finish, and then another 60 days to get paid.

When starting out, you may be hungry for work and want to say yes to rush projects. Don't fall into the trap of working nights and weekends at your regular rate. If a client hires you for a rush job, they know they are asking you to provide services that are beyond

your usual working conditions. Charge a premium of 25% to 50% or more. If that makes you feel uncomfortable, you should charge no less than 10% more. Even if you really didn't have anything else to do that night or weekend (although binge-watching TV definitely counts as plans), it is your time and you are entitled to it. Other professionals charge extra for rush jobs and so should you.

“

The biggest financial challenge for any creative is figuring out how to price your work. I have used pricing guides and I ask my friends and colleagues. Once I have done a specific type of project, I use that fee as a starting place for similar projects moving forward.”

Jason Sturgill

Freelance Illustrator, Art Director & Artist
Jasonsturgill.com

4 Explain Invoicing and Payment Terms

Before you onboard a new client or begin a new project, you should clearly define your compensation terms. This includes the amount, timing, and method of payments. You should also clearly outline how and when they can expect your invoices.

So you've got your client and done the work, but what's next? Your invoice is a key document in your business to help get you paid. It's more than just a request for payment for work completed: it reinforces the agreement between you and your client. Though it may seem uncomfortable at first, clearly spelling out payment terms and enforcing penalties is necessary for the smooth operation of any small business.

It's up to you to determine your payment terms. For example, you may require payment due upon receipt of an invoice (right away), or in a few days, weeks, or months. The word "net" indicates that this timeframe starts as soon as the invoice has been sent. For

example, if an invoice lists net-30, the recipient is expected to submit payment within 30 days.

Whether you use a simple letter agreement or a formal contract to define payment terms, this information should be displayed clearly on your invoices. Doing so can help emphasize your working process and avoid any confusion down the road.

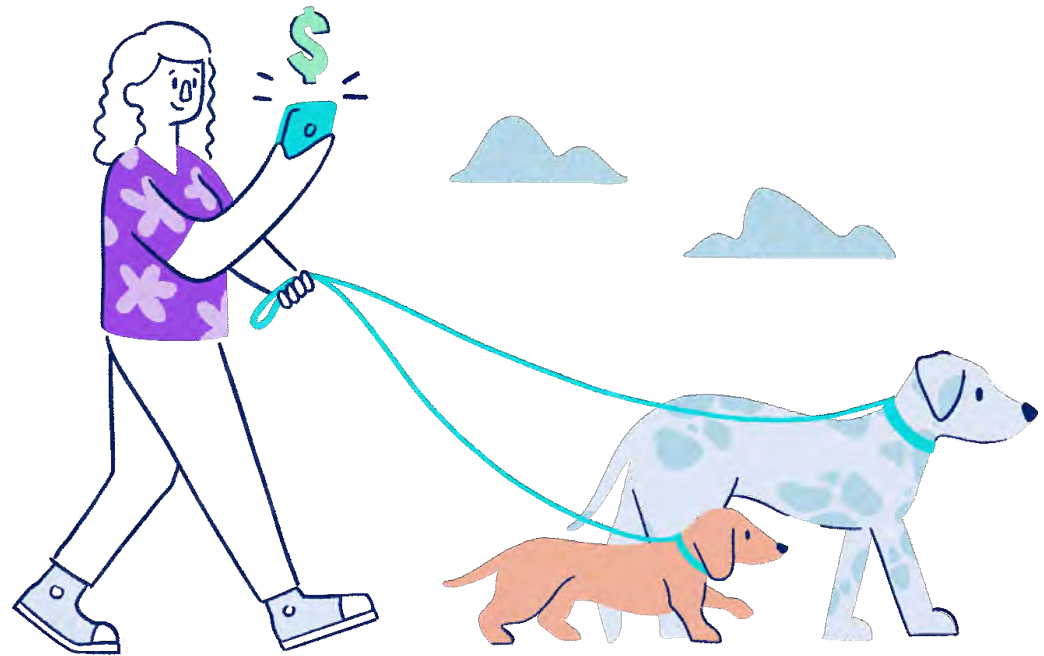
Small business owners typically list their payment terms at the top of their invoice alongside the invoice date, invoice number, and payment due date. Further terms and conditions, such as late penalties or early payment incentives, are typically listed at the bottom of the invoice.

It's up to you to set up boundaries when it comes to the quality of work a customer can expect, and also up to you to set expectations for your customers on when they should pay you for your expertise. You're not out here working for free, after all!



5

Get Paid Quickly



Brace yourself, we've got some shocking news to share. Wave's Report on Getting Paid shows that approximately 22% of digital invoices were overdue in 2021. When Wave asked 1,000 microbusiness owners in the US to share their experiences with late payments, we discovered that 70% wait one to six months to get paid, and

25% wait up to a year, or don't get paid at all!⁹ Ouch.

Managing your accounts receivable is important. You want to keep track of your billings and ensure that payments are being made in a timely manner. Make it easy for your customers to pay you quickly and efficiently.

Making things convenient for your customers means they'll have a better experience and pay you faster as a result!

One way to help with this is by not making customers jump through hoops to pay an invoice. Think about your own digital payment experiences.

⁹ <https://www.globenewswire.com/news-release/2021/07/27/2269650/0/en/Microbusinesses-at-Risk-1-in-4-Report-not-Receiving-Payments-or-Waiting-Over-a-Year-to-Be-Paid-Wave-Survey-Finds.html>



We all appreciate it when buying a product or service has an easy checkout process. Provide the option of paying your invoice with one click using a credit card, bank transfer, or a digital wallet like Apple Pay®.

For example, Wave's digital invoices include a payments feature and when this feature is enabled, more invoices get paid on time*. Plus, coupling invoices tightly with payment history makes cash flow tracking significantly easier, and saves countless headaches come tax season.

Apple Pay® is a trademark of Apple Inc., registered in the U.S. and other countries.

Percentage of Digital Invoices Paid on Time



*An average of 84% of Wave invoices are paid on time when payments are enabled. Paid on time = % of invoices paid in any way within 30 days of when the invoice was created (30 days are the default payment terms set by over 80% of business owners)
Source: Wave user data.



Get Ready for Tax Season Early

It's never too early to start thinking about preparing for tax season. While it's not everyone's favorite task, getting a head start can save you lots of time down the road. To help, here are some important steps you can take now and at tax time.

1

Avoid putting off bookkeeping until tax season

Bookkeeping is a collection of small, separate tasks. It can be overwhelming to tackle them all at once. Leaving it to the last minute can cause a lot of stress and lead to mistakes or missed tax deductions. Do something nice for Future You by setting aside time throughout the year to keep your books up-to-date.

2

Make the most of tax deductions

Understanding the tax deductions your business is eligible for goes a long way in ensuring you save every dollar possible. Tax deductions (also called write-offs) are one way taxpayers can lower their tax liability, or the amount of tax they pay. When you prepare and file your taxes, you claim the deductions your business qualifies for on your annual tax return. Make sure you're tracking and documenting items like vehicle mileage, home office expenses, legal and professional fees, and bad debts. They're excellent tax deductions, and can help you hang on to more of your money come tax time.

3

Get final payroll ready

Have employees? If so, high-five—that's a huge milestone! Wave's small business customers who use our payroll software pay an average of four employees per month. As year end approaches, be sure to remind your employees to submit any outstanding expense reimbursements before you complete your last payroll run. Don't forget to include any year-end bonuses, annual benefits, or other final adjustments. For the amounts to be included in 2022 reporting, the final check run must be in 2022.

4

Reconcile your bank and credit card statements

This ensures your books are accurately counting the money that's gone in and out of your business. Account reconciliation is critical for year-end, so be sure to make it a priority.

5

Gather your paperwork

As tax time approaches, begin to gather the paperwork you'll need to file your tax return. While this list isn't comprehensive for every situation, the following items are a good starting point:

- Your business's Income Statement (also called your Profit & Loss Report)
- Balance Sheet for the last day of your tax year, bank, and credit card statements
- Receipts for any fixed assets you purchased
- Any tax documents like Form 1099-NEC, Form 1099-K (if you process payments), and Forms W-2 and W-3 (if you have employees)

7

Avoid Costly Mistakes by Investing in a Coach



Your small business deserves the same support that executives of Fortune 100 companies receive, even if you're not quite there (yet!). Even the most successful executives have mentors and advisors to help them grow. Coaching is a small upfront investment that will pay long-term dividends to you and your business. You are an expert at the services you offer but you may

need coaching on how to organize your accounts or help with taxes.

Some small business owners are so focused on the small costs of getting help that they miss out on the bigger financial opportunities. No one is born an expert in accounting or taxes. Investing in coaching will help you to avoid the common mistakes that leave small businesses in financial distress.

There's a good chance you use technology for most things in your day-to-day life, so lean on financial technology to run your business more efficiently. Letting your customers make online payments through a digital invoice means you're more likely to get paid faster. Plus, automation allows you to better track your cash flow, giving you a clear line of sight into what is happening in your business so things like inflation won't catch you by surprise.

Using financial technology enables you to present professional invoices to clients and keep track of what you've have billed. Money management tools like Wave (#ShamelessPlug) allow you to invoice and accept payments which streamlines your accounting. Sounds like a win-win to us.



Looking back, the one piece of advice I wish someone would have shared with me is that investing in yourself is not an expense. I was really scared to spend money in the beginning since my work wasn't consistent and I never knew when my next project was coming. But when you invest in better equipment and education, you are putting yourself in a position to grow your business and make more money.”

Tatiyanna Williams-Britton

Freelance Photographer & Videographer
TruCreates.com

About Wave

Wave Financial Inc. (waveapps.com) combines powerful money management tools with no-fee business banking built for service-based small businesses. Wave's comprehensive platform includes accounting, banking, invoicing, payroll, and payments software solutions, as well as bookkeeping services. Wave Money, a no-fee business banking account, provides small business owners with quick access to payments, and their bookkeeping is managed automatically. Over 300,000 small businesses use Wave's small business software. Wave has won awards for growth, innovation, and company culture, including Deloitte Fast 50, Deloitte North American Fast 500, KPMG Fintech 100, CB Insights Fintech 250, Canadian Innovation Awards (Financial Services), Canada's Best Workplaces, and many more. Wave is a subsidiary of H&R Block.

Banking services provided by Community Federal Savings Bank, member FDIC.

