Back to Basics: Focusing on the Nuts & Bolts of Consulting

The Alliance of IEEE Consultants’ Networks Coordinating Committee (AICNCC) knows that many readers of this newsletter are experienced consultants with a long history of working for themselves. However, there are also many IEEE members who are always looking for basic information about possibly becoming their own boss. So every now and then we like to run stories that give IEEE members basic information they should consider before of becoming an independent consultant. This newsletter contains two articles where consultants share their experience and advice about becoming an independent consultant.

Also, the AICNCC wants to thank the New York Section Consultants Network for partnering with us to hold a very successful half-day consultants workshop this past May. Over 25 consultants and would be consultants gathered to hear AICNCC members and New York Section Consultant Network speakers talk with them about the many aspect of consulting from just starting out to entrepreneurship. If you’re a leader of a consultants network or wanting to start a consultants network the AICNCC is willing to partner with your network or Section to hold a half-day or full-day consultants workshop. Contact Daryll Griffin at d.r.griffin@ieee.org for further information.

Lastly, later this summer the AICNCC will be publishing the 2016 IEEE-USA Consultants Fee Survey Report. If you did not participate in the survey (survey participants receive the report free of charge) be sure to purchase this report. It contains vital information for beginning and experienced consultants.

The Nuts and Bolts of Going from a Regular Job to Consulting

by Dennis Cahillane, Internet Blogger

(This blog post is targeted at people who are pretty serious about becoming a consultant while living abroad. For most people it will bore you to tears. In addition, although I am a lawyer, this post is NOT LEGAL OR TAX ADVICE. If you take one thing from this, hire an accountant in every country where you owe tax.)

For me, the last seven weeks have been a crash course in the legal aspects of being a consultant. I’ve probably

The Nuts and Bolts of Launching a Career in Freelancing or Consulting

by Maureen Crawford Hentz

“I’m going to work for myself.” For many people, the dream of independence can be turned into a reality. Freelancing and/or consulting is the most straightforward path toward working for a great boss — you. Because it is a tremendous commitment, however, it’s important to think logically and take steps toward this career move seriously.

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spent 100+ hours researching this stuff so maybe I can save you some time.

In March, I was a happy employee of Soundcloud (company) in Berlin, Germany. Like most companies with employees, Soundcloud (my company) has an HR department that really takes care of you. (Although Soundcloud’s (my company) is quite a bit better than some other companies out there.) Once you’re a consultant, you just get money at random intervals, and suddenly you need to take care of a lot of stuff yourself. Here’s a few things that I’ve learned. I hope they’ll be helpful to at least one person out there making the leap. Please note, I won’t be discussing the wisdom of the various laws and regulations I’m complying with, just how to stay safe and legal.

Taxes

First, a little bit about me, so you can see how closely your situation matches mine and how applicable my experience is for you. I’m a US citizen, which means I pay income tax on all worldwide income, no matter where I am in the world. (To see where your country stands on this issue, look it up [chart].) I’m not very interested in tax avoidance, although a lot of people you meet in the world of digital nomads and perpetual travelers are very aggressive with their taxes. For 15 months from January ’14 until March ’15, I lived in Berlin, which made me a something called a “tax resident” of Germany, subjecting all of my worldwide income to German tax during that period. (Happily, Germany and the US have a double-taxation treaty, which means that I don’t have to pay tax to both countries, the tax I pay to Germany “counts” for the US. Warning: don’t try to parse these treaties on your own, check with your accountant.) I’m now on the move, and don’t intend to become a tax resident of any country in 2015. That means in 2015 I’ll pay all of my taxes to the US, since it doesn’t matter whether I live there or not, we Americans still have to pay.

If you aren’t a US or Eritrean citizen, your income earned while living outside of your country of citizenship isn’t taxed by your country. Therefore, in some situations you can live in a country without income tax, or never establish tax residency anywhere, and avoid income tax altogether. Check with your accountant. Hire an accountant!

When I started to look into paying taxes as a digital nomad, I did an Ask HN. The advice I got was loud and clear—hire an accountant in every country where you might owe tax. I asked around and got good recommendations in both countries. Germany: click here (speaks English). The US: click here. I’ve been happy with both, and in my situation for 2014 they actually needed to talk to each other, which worked out great, and I’m thrilled that I’m 100% legal. They are responsive and both seem to know their stuff. The German fees are going to be €250-350, and the US $250-350, depending on how complicated my taxes end up being and how many forms are involved. As someone who someday hopes to be an officer of a corporation, I am fastidious about avoiding any kind of blemish on my credit or tax history. In addition, hiring accountants frees up my time for activities that advance my career or just for leisure.

A quick side note for Americans: In 2014 I did both remote cross-border consulting work, and ordinary work for Soundcloud (my company). That’s why my taxes are complicated. If all you did in a given tax year was work a regular job, then by all means use Turbotax for your US taxes. Do this whether or not you owe tax to the IRS, because all Americans living abroad must file a tax return every year. This is true even if you’ve never set foot in the US, e.g. if you were born to an American parent in Canada, you are a US citizen and were at birth, and you must file a tax return every year. Ignorance of the law is no excuse, and even not knowing that you’re American is no excuse.

Americans: The biggest and most important difference for Americans receiving 1099 income instead of W2 income is that you need to pay your taxes four times a year. Yes, you don’t wait until April 15th of
the following year, you have to pay taxes every three months if you're self-employed. Ignorance of the law is no excuse, you will be fined if you pay late. To read a bit about this click here. If you pay late you will be fined and charged interest. This year, I'm having my accountant take care of all of this for me. Eventually I might be able to handle it myself, but why bother and potentially make a mistake when I can pay someone a few $100 and not worry? As a rule of thumb, you should set aside about 30% of your freelance income for taxes.

I also did some research about living in another country for an extended period of time while remote consulting for a US company. In general, if you live in a country for more than six months, or you move there with the intent to remain, then you become a tax resident, and are subject to tax in that country. However, even in high tax countries like Spain you should not rule this out immediately. In short, if you're making enough money, you should hire a lawyer to create a Spanish corporation for you, which will lower your top tax rate from about 43% to about 25-30%. So if you have a dream country, really dig into their law and possibly hire someone to advise you ahead of time. Some countries want remote freelancers, check out this program for Portugal.

US State Taxes
**Most states don't try to tax you when you don't live in them.** Some do. Check if your last state of residency is on the list.

**Business Expenses**
You can deduct business expenses from your income for tax purposes. You need to have receipts for everything in case you get audited. I made a Libreoffice spreadsheet with columns for Date, Expense and Amount. Then I save a pdf of each receipt in the same directory with the filename prepended by [date in format year month day]_expense_name.pdf. Send the total to your accountant.

**Leaving Germany**
If you're leaving Germany, get your Abmeldebestätigung as soon as possible before you leave. You need this document to cancel your contract with SuperFit and O2, and eventually to do your taxes and prove you left Germany. To get one, download this form and fill it out. (Available from this site). Then email the filled-out form to this email address. You can do this a few weeks ahead of time and save yourself some time and money.

Also don't forget to be really sad because Berlin's a great place and it's sad to leave!

**Form a Corporate Entity**
Most American long-term consultants form a corporate entity in the US. This is either an LLC or a corporation that shields you from liability, gives you tax advantages, and makes it simpler for your clients to pay you. I haven't formed one of my own yet, and on my current gig I'm getting all the advantages of having one without having to do anything because of how the gig is structured. (Long story.) Eventually I'll probably form one.

I recommend you talk to your accountant about this, and hire a lawyer to form it properly. The only exception to the “hire a lawyer” rule is if you're forming an LLC with yourself as sole owner, which might be OK to do using some “auto-LLC” site. Still, if you make a mistake doing this you can sometimes end up making a very expensive mistake. For example, if you give your shares a par value of $0.00 instead of $0.0001 when you form a Delaware C-corporation, **your tax bill can be $180,000/yr. instead of $350.**

**Health Care**
I bought a health care plan from GeoBlue (a company) for $138/month. This is a plan that does not cover you when you are in the US, but does cover you in every other country in the world. To add the US to this coverage, the price more than doubles to over $300/month. n.b. it is illegal for US citizens to

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go without health insurance if you spend more than 29 days in the US in a calendar year. There is a floor on the amount of health coverage you are allowed to have under Obamacare, and Geoblue (the company I use) will happily sell you a plan that complies with that. My current plan is to upgrade my plan when I visit the US, and downgrade when I go abroad. Will update this blog on how that goes, but Geoblue (the company I use) has been responsive so far, and when I asked them about this they gave me a number to call to set it up.

This is a limited health care plan. It doesn’t cover vision or dental. It does cover emergency and routine care in any country, and they have an app where I can find English-speaking, vetted doctors anywhere using geolocation. On their website when you sign up you can mix and match whatever coverage you want. Personally I don’t need vision (yet!) and will just pay a dentist to clean my teeth at some point. The plan does cover flying me back to the US in extreme cases, including death! If you’re in a third-world country and something really bad happens, they will fly you somewhere nearby like Singapore to get first-world care.

After you sign up you’ll need to send them some info about your old health care plan, which I was able to do by emailing my previous health insurance provider and asking for it. It took some back and forth, but I was covered the whole time.

In the end, buying health care on the open market was less complicated that I feared. You just do some searching, pick a company, and pay them once a month. If I’m ever a regular employee again, I’ll be much better informed regarding health care and I’ll pay more attention to what my plan covers.

Retirement

This is very US-specific advice.

I have a 401(k) from a previous employer just sitting there gaining value (it’s invested in the “high-risk” stock market option since I’m only 32 years old.) Sadly self-employed people are not eligible for 401(k)’s, but we can invest in IRA’s. I’m personally saving 5% of my income for retirement while I consult, and once I hit the minimum investment amount I’m going to invest in one of these IRAs. Vanguard is a very well-respected company that got mentioned as good in the book A Random Walk on Wall Street, and their name came up several times when I asked around.

An advanced option is to move your 401(k) money into your IRA. I’m going to investigate that once I get this account set up.

Don’t put off retirement savings! Due to compound interest, saving in your 30’s is really huge. Seriously, Social Security won’t be enough, and people are living to be 80+ on a regular basis these days. Sock away a little money now and let it grow.

Finding Your First Client

First step: figure out what you’re looking for. Figure out what you’re great at. Then post on Facebook/Twitter that you’re a digital nomad now, that you’re looking for a certain kind of remote work (onsite not OK, remote only). All your friends know you’re good, but post a few sentences that they can cut & paste to people who might hire you to make it easier for them.

Update your Linkedin, no one will know about the cool stuff you did unless you write it out.

When I first tried to become a remote consultant, I sent out a ton of resumes. From the responses I got, I could tell that anyone who posts a remote job these days gets a lot of good resumes and has their pick of the litter. Sending out blind resumes was a dead end for me.

The only good leads I got were from coder friends who weren’t looking or had too much work and thought I was good enough to hand off their potential client to me.

Remember, if you drop the ball with a potential client, the worst that will happen is you don’t get the engagement. There are other clients. Don’t undercut yourself just because you “need” work. Cheap developers aren’t valued. Also, in my experience American companies and startups pay the best. You don’t need to be a US
citizen to remote freelance for a US corporation, and doing so can increase your consulting rate.

Once things get rolling with your first client, let people know that you’re a remote consultant. Then people will think of you when they need such a person. There are a lot of psychological issues to overcome with respect to charging thousands of dollars a week to do something fun like write ruby and javascript. For one, negotiating with potential clients isn’t something a lot of coders want to do. Get over it! Your fun little hobby is worth a lot of money to the right company, and even if they’re the wrong company, if their money’s green, it’s green. (Note to non-Americans: US currency is green.) If you really don’t know where to start with negotiating, I enjoyed this book about negotiating your salary. The title is cheesy, but the book is good. The tips in there apply to consulting negotiations as well.

**Budgeting**

Plan on consulting about 30 weeks a year. Figure out what your weekly rate will be. Multiply those numbers and you have your hoped-for annual income. Congratulations, you just gave yourself 22 weeks a year to goof off. Eat your heart out European five weeks of minimum vacation time! (Let’s not discuss the fact that consultants aren’t eligible for unemployment.)

Increasing your weekly rate is a good and scary thing. I’m still figuring that out, but one idea I’m pursuing is declaring yourself an expert on some valued topic, and demonstrating your expertise through blog posts, conversations with other hackers, commits, talks at meetups, etc.

**Student Loans**

All of the loan companies I deal with are set up for one kind of person: a W2 employee with a regular paycheck. When I call them and explain what I’m doing the drone on the other end cannot compute what I’m saying. That goes double for my income-based repayment loans. Don’t even get me started on getting your income-based income classified when you aren’t paid in US dollars. All I can say about student loans is you gotta pay the beast, and when you need a break just call them up and ask them to be flexible. Student loans have been the bane of my existence for 10 years and I don’t anticipate that changing anytime soon.

**Frequent Flyer Miles**

This applies to everyone. For every flight you take from now on, sign up for the frequent flyer miles program for that airline. There are a few big miles collectives like Oneworld and Star Alliance, you’ll be able to merge the miles. Even if you never get status on any one airline, just signing up for the program makes you more likely to be treated well. I’ve gotten two exit row seats for free by just signing up before my flight, even when I had zero miles accrued. Seriously, if you’ve been putting it off, look into FFMs.

**Conclusion**

Let me know if you have any questions about becoming a remote consultant! I’d be glad if all this writing helped even one person.

**Source:** [My Digital Nomad Blog](#), The nuts and bolts of going from a regular job to consulting, May 4, 2015.
The most important thing to consider is the purpose of freelancing/consulting. Are you looking to fill some free time? Do you want to earn extra money? Are you looking to work for yourself? Want to test the waters in a new career? These are all questions central to the issue of income expectation. Decide whether you will freelance/consult on the side, as a part-time position, or as a full-time move. It’s wise not to quit your full-time position until you’ve been consulting on the side for a few years and have a good sense of the flow of your intended business.

You don’t really want to quit your “real” job unless you:

1. have enough money set aside to support yourself (and others, if applicable) for a year, plus costs for starting up your business, such as a tax advisor, lawyer, copy machine, and office supplies.

2. are independently wealthy and/or have a spouse who can provide all of the above.

If you don’t plan to quit your real job, you have more options for success benchmarks. When you have a steady source of income outside of your consulting/freelancing work, your timeline for finding clients can be longer, you can be choosy about clients and projects, and your financial needs are covered during the start-up periods and inevitable dry spots all new businesses face.

Things to Consider First

1. Think about the market and think out of the box. Sure, you are a great Web-page designer, but there are literally thousands of Web-page designers out there. Instead of designing Web pages, why not teach high school students about design? Assessing the market is extremely important. If your intended market is saturated with competition, it’s important to be realistic about your ability to find and sustain a client base.

2. Think about non-compete agreements. Many companies ask you to sign an agreement saying, in many cases, that you will not compete with the primary business of your employer. For a recruiter hoping to go freelance, for example, a non-compete agreement may mean that you signed away your rights to recruit in a particular city, with anyone currently on your employer’s client list, or anyone within a certain physical distance to your employer. For other employees, such as a hair-stylist, a non-compete agreement may mean that you cannot take your clients with you when you leave. Carefully check your employment records as part of your pre-change strategy.

3. Check into no-moonlighting agreements. Although less common than non-compete agreements, some businesses ask you to agree not to work on your own after traditional work hours. Again, be sure to check if your employer has this policy. Some states allow businesses to prohibit moonlighting. Check with your state’s Division of Labor if you have questions.

4. Carefully study tax and record keeping implications. Before you hang out your shingle, it’s important to understand the tax ramifications of self-employment. As a self-employed taxpayer, you may have to file paperwork completely unfamiliar to you. For independent contractors, the equivalent of the W2 form issued to employees is a 1099, generally issued for fees paid to you in excess of $600. See irs.gov for information about tax filing status and record keeping.

5. Call in the experts. IRS.gov has an on-line site for small businesses and self-employers. Most mid-to-large size cities have small-business associations and even start-up loans, grants and classes for new businesses. It may also be a worthwhile investment to speak to a tax advisor or financial planner. Finally, think carefully about your legal needs. Will you need a contract for each client? If so, a lawyer may be able to draft you a template to use with each new client. It’s important to consider issues such as liability, cancellation policies, arbitration agreements, and payment terms.

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6. Do you need insurance? What costs are associated with insurance to cover you and your assets? Insurance needs vary depending upon the kind of business or activity you are conducting. It’s important to carefully research this topic. Most folks starting on their own as freelancers rarely think about negative scenarios. Are you looking to become a masseuse? What if your client falls off the table or has an allergic reaction to the lotion you use?

7. Consider the licensure requirements. Thinking about starting a resume-writing service? Are most resume-writers in your area certified? Should you be in order to be competitive? What are the costs associated with certification?

Finding Clients and Customers

1. If permitted by your current employer, let your current contacts know you plan to go out on your own and/or are offering a la carte services apart from your current position. You can spread the word formally through such means as fliers and email, or informally through mentioning your availability to people as you speak to them.

2. Ask people to pass on your name to anyone who might be looking for your services. I recommend sending out an email, which is easily forwarded to others. Make sure you use your own/your business’s email account; using an employer’s email is unethical, and using a spouse’s/friend’s email is unprofessional.

3. Consider making simple but professional-looking fliers. Depending on your business, you can post these in high-traffic areas.

4. Join a professional association. If you’re thinking about becoming a professional organizer, for example, it’s important to find the Organizational Professionals group in your area. In addition to offering a place to exchange ideas and network, local professional groups often offer mailing lists and “recommended providers” among the members of their group to people who inquire.

5. Give away the milk for free. Many consultants and freelancers get their start at conferences or large meetings. Many performers, leadership consultants, and motivational speakers fall into freelancing/consulting because they speak at a conference, and then are approached after a workshop/lecture by impressed participants. Think of who your potential audience might be, and check into regional and local conferences and workshops of those folks in your area. If you are looking to consult on effective customer-service techniques, giving a workshop on this topic at a local small-business convention/workshop is a valuable use of your time.

6. Get a Website. Web sites are critical to the success of smaller consultancies/ freelancers. Put the word out that you are looking for a web designer. Negotiate price and think of creative ways of payment. Offer a link to designer’s site or a banner indicating the designer and contact information. This next step is important: Query your favorite search engine for your topic such as “PR firms in Boston” or “Party Planners-New Jersey”. Note what the search comes up with — and then see if you can link to or be listed on those sites.

7. Take out an ad in the smallest local newspaper in a target town or a small trade newspaper. Looking to provide personal chef services? Take out a small ad in the town paper of the wealthiest suburb within driving distance. Dream of freelance editing and proofreading? Want to tailor clothes or make alterations and repairs? Take out an ad in your local college paper, where you’ll reach both students and faculty. Want to offer your expertise as a jury consultant? Advertise in your local Bar Association publication.

8. Attend “community days.” Does your city sponsor community fairs? Bake sales? Rummage sales?
The Nuts and Bolts of Launching a Career in Freelancing or Consulting  (Continued from page 7)

Environmental-awareness days? First-time homebuyer fairs? These are all good places to rent a table (usually for a small fee of $10-50) to give out fliers for your business. A house inspector new to the field, for example, can gather a huge list of names at a homebuyers’ fair.

Ideas for a large-scale customer drive

1. Obtain a yellow pages ad. Advertising in the yellow pages is a sure way to reach people looking for your services.

2. Sponsor something. Many community groups and religious organizations look for advertisers for their bulletins, newsletters, or drama programs. Think about sponsoring a Little League team or pee-wee soccer team. Again, it’s critical to target a specific audience. If you are looking to freelance as an at-home computer teacher, advertise to an audience that would be in the market for those services — folks in the 70+ age bracket perhaps? Offering birthday-party planning? Advertise in the second-grade class play program.

3. Cold call/mail. If you plan to go large scale, cold-calling and direct mail are the proven ways to get customers. Go through the phone book, and call companies you think could benefit from your services.

Freelancing and consulting are great ways to explore various career paths and revenue streams. Performing this kind of work on the side can be fulfilling, exciting and fun. Taking a chance to explore a new career, or explore the world of being your own boss is a great opportunity stretch yourself a bit.

The best part is that you work for the best company ever: You, Inc. Take a chance. Do a little consulting and freelancing. You might find a whole new career is waiting!

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Crawford Hentz holds a master of arts degree in college student personnel from Bowling Green State University, Bowling Green, OH, and a bachelor of arts degree in international studies from The American University, Washington, DC. She lives outside Boston, Mass.

Sharing is Caring

IEEE-USA staff does numerous internet searches to find interesting stories to include in AICN Quarterly Newsletter. This past month IEEE-USA staff came across a web portal that lists numerous websites where consultants can search for consulting assignments. The websites are not dedicated to engineering consultants, but it may be worth a look, so check it out: https://www.livecareer.com/quintessential/consultant-jobs

Engineering Job Shops

Working at a “job shop” is one way full-time employees can transition into becoming an independent consultant. In late 2015, the Boston Globe ran a brief profile piece on an engineering job shop. Check out this quick overview of engineering job shop: https://goo.gl/F3mttB
3 Ways You Can Maximize Your Social Security Benefits

By Independent Financial Partners

The vast majority of working age adults understand that waiting to claim Social Security benefits usually results in a higher monthly benefit; however, one may be surprised by the fact that there are other ways to increase their monthly benefit claims, some of which depend on his or her marital status. The most optimal strategy for maximizing your Social Security benefit is really quite simple, wait until the age of 70 before taking your first payment from social security. Currently, waiting until the age of 70 years old to receive your claim could increase your monthly benefit by 32%, not including any cost of living increases that may be added to this amount.

In order to maximize your monthly benefit, one should be aware of the three basic forms of retirement benefits:

The Survivor benefit: This is the monetary value paid to the surviving spouse. This benefit is paid at a rate equal to the greater of his or her own current benefit, or the deceased spouse’s current benefit.

The Worker Benefit: This is the amount that is based on one’s earnings history, and for which the claimant will become eligible after 40 quarters of work.

The Spousal Benefit: Put simply, this is the amount paid to your spouse. In the instance that one’s spouse does not have employment history, this benefit entitles the spouse an amount up to 50% of the working spouse’s benefit, depending on what age the working spouse’s claim was made.

How can you make the most of your Social Security benefits? By having the right, professional financial guidance and plan. myFinancial Wellness supports IEEE members’ financial well-being by connecting members with their own personal financial advisor. Learn more by registering for your complimentary financial plan provided by a professional financial advisor.

For more information and an overview of myFinancial Wellness, you can view this video, or visit IEEEFinancialwellness.com.