Lumoset

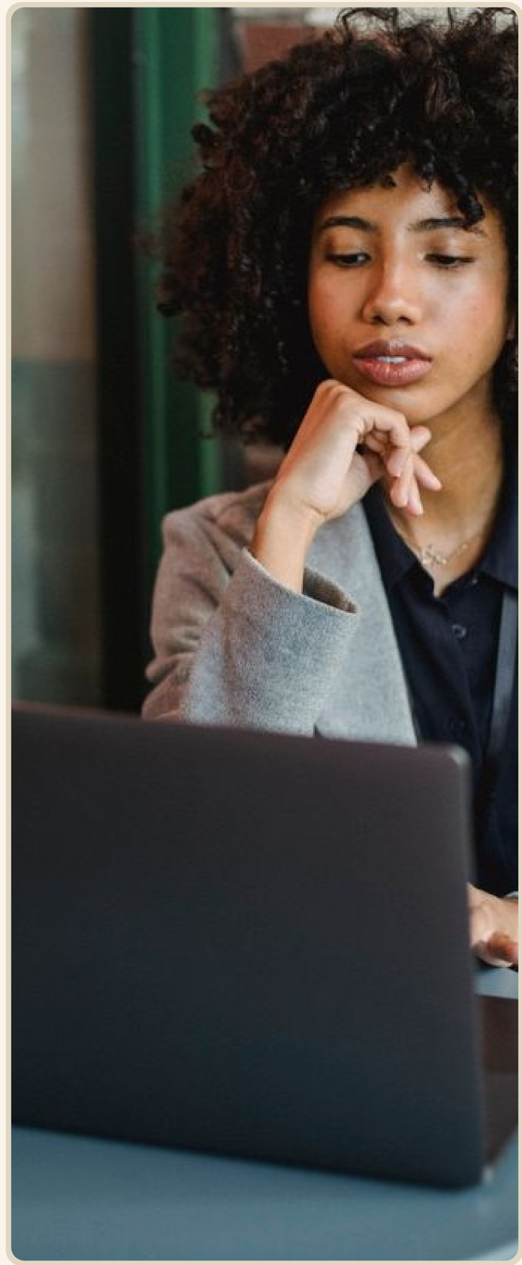
FREE ONLINE-SAFETY EDUCATION

What to Charge

A simple way to set a rate that pays your bills and doesn't scare off good clients.

A Lumoset Foundation guide · Part of the free Safe Online Work series

Who it's for: anyone setting, or rethinking, their freelance rate. **Plain language, no jargon.** A short read you can act on today.



WHAT'S INSIDE THIS GUIDE

Who we are

Lumoset Foundation is a nonprofit that helps everyday people stay safe and confident online. We make clear, plain-language lessons about spotting scams and using technology, and we keep everything 100% free, with no account and no catch. We are a registered 501(c)(3) charity based in Fort Wayne, Indiana.

Why we made this guide

Pricing is where new freelancers lose the most money without ever noticing. Charge too little and you can't pay your bills doing work you're good at; charge with no plan at all and a surprise tax bill can undo a whole good year. This guide gives you one simple method to find a real number, and how to talk about it with confidence.

> **Remember: A rate isn't a guess or a feeling. It's a number you can explain in one sentence, and that's what makes it easy to hold to when a client pushes back.**

Jump to what you need:

Why Most New Freelancers Underprice

What it is. Underpricing means charging less than the work, and your time, actually costs, usually because a rate was picked out of nervousness rather than math.

Why it matters. New freelancers commonly price 20–50% below what their work is actually worth, because they're comparing themselves to a full-time paycheck instead of accounting for the costs a freelancer alone has to cover: taxes, gaps between projects, and no paid time off. A rate copied from whatever a client offers first, instead of one you calculated, is the single most common freelance pricing mistake.

Example. A new virtual assistant charged $15/hour because “it sounded fair,” then realized after taxes, slow weeks, and her own health insurance, she was earning less than a part-time retail job for far more stress and skill.

Do this now

1. Stop comparing your rate to an hourly paycheck. You're pricing a small business, not a job.

2. Don't let the first number a client offers set your rate. Calculate yours first (Page 3), then quote it.

3. Remember: a client who only wants the cheapest option is rarely the client who pays reliably or treats you well.

Learn it free: Our free course Online Work · Level 1: Finding Legitimate Work Without Getting Burned covers landing clients who value your work. No account needed.

Find Your Real Minimum Rate (The Cost-Plus Method)

What it is. Cost-plus is the simplest way to calculate the lowest hourly rate you can charge and still actually make the income you need, once real freelance costs are included.

How it works. Add up what you need to earn in a year, including taxes and expenses, then divide by the hours you'll realistically get paid for, not the hours you're available.

Do this now

1. Pick your target take-home income for the year (what you actually want to keep, after tax).

2. Add roughly 25–30% on top for self-employment tax (see Page 5) — this is money you'll owe, not money you keep.

3. Add your real business costs (software, a portion of internet, a website, health coverage if you're covering it yourself).

4. Divide by your realistic billable hours for the year — most full-time freelancers can actually bill somewhere around 800–1,200 hours a year once you subtract finding clients, admin, slow weeks, and time off; not the 2,000+ hours a full-time job assumes.

5. That number is your floor. Never knowingly quote below it — every project below your floor actively loses you money once tax and time are counted.

Example. Wants to keep $45,000/year add ~28% for tax (~$12,600) add ~$3,000 in costs total ~$60,600 needed divided by 1,000 realistic billable hours a $60.60/hour floor.

Learn it free: Practice this calculation with your own numbers in Online Work · Level 1: Finding Legitimate Work Without Getting Burned, free and self-paced.

Hourly, Fixed-Price, or Value-Based: Which to Use When

What it is. The three common ways freelancers charge, and each fits a different kind of project.

Hourly — best when the scope is unclear or likely to change. You're protected if the project grows. **Fixed-price (per project)** — best once you know exactly what's included, because the client knows their total cost upfront and you're rewarded for working efficiently. **Value-based** — pricing on the result for the client (for example, a landing page rewrite priced on what a sign-up increase is worth to them) rather than your time. This usually earns the most, but takes experience to price confidently.

Example. A new freelancer quotes a vague “redesign my whole website” request hourly, since scope is undefined; the same freelancer quotes a clearly-listed “5-page copy edit” as a flat fixed price.

Do this now

1. If a client can't clearly describe what's included, price hourly or add a not-to-exceed cap.

2. If the scope is written and specific, quote a fixed price, calculated from your hourly floor times your honest time estimate, plus a buffer.

3. Always put what's included, and what counts as extra, in writing before you start (see the companion guide, Getting Paid Safely for Online Work).

Don't Forget Taxes

What it is. As a freelancer, no employer withholds tax for you. You are responsible for setting aside and paying it yourself.

How it works. The IRS combined self-employment tax rate is 15.3% (12.4% for Social Security, 2.9% for Medicare), on top of regular income tax. A common, simple rule of thumb is to set aside 25–30% of your net freelance income in a separate savings account as you're paid, so tax season is never a surprise. If you expect to owe $1,000 or more for the year, the IRS generally expects quarterly estimated payments, not one payment in April.

Do this now

1. Open a separate savings account for taxes only, and move 25–30% of every payment into it the day you get paid.

2. Track your income and business expenses as you go (a simple spreadsheet is enough to start).

3. Once you're earning steadily, a low-cost tax professional or IRS Free File can help you confirm your quarterly payments — this guide is general education, not tax advice for your specific situation.

> **Remember: The tax set-aside in Page 3's math isn't optional spending money. Treat it as already spent the moment you're paid.**

Raising Your Rate Without Losing the Client

What it is. Once you have steady work, your rate should rise. Most freelancers wait far too long to raise it, out of fear of losing clients who were never going to leave anyway.

How it works. A rate increase is easiest to hold when you state it plainly, give notice, and don't apologize for it. Good clients rarely leave over a reasonable, well-communicated increase; clients who only stay because of the lowest price were never your most stable income anyway.

Do this now

1. Raise new-client rates first and most often; it's the lowest-risk time to charge more.

2. For existing clients, give at least 30 days' notice, state the new rate plainly, and don't over-explain or apologize.

3. Revisit your Page 3 math about once a year, since your costs and skills both grow.

Putting It Together

Your rate is a calculation, not a feeling: know your floor (Page 3), pick the right pricing model for the project (Page 4), set aside for tax before you spend it (Page 5), and raise it on purpose as you grow (Page 6). A calculated rate is one you can hold to, calmly, every time a client pushes back.

> **Remember: The freelancers who last aren't the cheapest ones. They're the ones whose pricing lets them keep doing good work without burning out.**

Keep learning, free.

This guide is a start. Our free course **Online Work · Level 1: Finding Legitimate Work Without Getting Burned** walks through building a stable freelance income, step by step, at your own pace. We also teach free courses on spotting scams and using technology with confidence.

• **No account. No cost. No catch.** Ever.

• Start anytime at lumoset.org.

• Know someone setting their first freelance rate? Please share this guide with them.

New to freelancing? Start with our free companion guide, **Your First Freelance Profile**, at lumoset.org.

Sources

Internal Revenue Service, Topic no. 554, Self-Employment Tax (irs.gov/taxtopics/tc554) — combined 15.3% rate; estimated quarterly payments · Upwork Inc., Future Workforce Index 2026 press release (investors.upwork.com) — 2026 freelance workforce context.

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