MINDING THE FUTURE

As freelancers, translators and interpreters alike must keep on top of their finances and secure their own financial futures. But how should we go about doing so? The LRG's September bookkeeping and pensions event sought to answer this question. **Carolina Casado Parras** reports

Freelance translators and interpreters have a gift for wearing hats, and they mostly sport them with style: the linguist's hat in the morning, perhaps the marketing hat in the afternoon, and the webmaster's hat to end the day.

However, I dare say there's a particular hat many freelancers don't enjoy wearing – namely, the accountant's hat. Why is that? Is the money aspect of our business really so daunting? Eager to find out, I decided to join speakers Janet Henley and Nigel Kern in an LRG session to clarify the basics of bookkeeping and pension schemes.

As Janet stated to kick off her talk, first things first: when you start to sell your services, you must tell Her Majesty you are in business. Most freelance translators and interpreters register as sole traders or limited companies and decide whether or not they are going to be VAT-registered. As most attendees had already gone through this stage, she didn't go into great detail.

Instead, Janet focused on the fact that from April 2019, when Making Tax Digital is enforced, all VAT-registered freelancers will have to change the way they file their taxes, from once a year to quarterly.

Making Tax Digital

This reform has been in the making since 2015 and is supposed to put a stop to HMRC losing billions of pounds every year to taxpayers' mistakes. They are hoping that by filing taxes 'in real time' – i.e. every three months – people will find it easier to keep their books in order and the government can get their fair share. We should not forget that we are Her Majesty's customers and as such we have to pay for the services we receive as citizens.

Janet encouraged us to have a separate bank account for our freelance work so we can keep things private in case the Government has to audit our books, and she surveyed us on how we keep our records, both regarding business expenses and invoices. From spreadsheets to papers in a shoebox, anything goes as long as you can make sense of it all should the taxman knock on your office door. Also, we must keep all records for six years once we have filed for the tax year.

Something I learned is that big expenses such as a new computer should be claimed throughout their lifespan. Why? Because it's a company asset you need to keep your business running. So if you spend £2,000 on a laptop, you should claim £400 each year for five years. Through participants' questions, we also discussed what can be claimed as deductible business expenses, including train tickets, meals when we work outside our home office, and subscriptions. When in doubt, the Government website sheds light on this matter with a few helpful examples.

Pension planning

After the first hour, it was Nigel's turn to confirm what we all knew: we need to start putting money aside for retirement. We live longer than ever before and, yes, we'll get some money from the Government – but unless we expect to survive on about £8,500 a year, provided we have contributed for 35 years, we'd better start building up our piggy banks.

Nigel works for The Pensions Advisory Service, a non-departmental government body which offers guidance on pension schemes. They can be contacted by phone, web chat, email, or snail mail, and they are active on social networks.

Having been self-employed in the past, Nigel understands that dealing with our retirement comes very low on our to-do list, but he was spot on when he said that it's never too early or too late to start.

Additionally, we can get tax relief on every penny we put into our pension contributions. Like everything, we should shop around and see what's most convenient for us. Some of the options we have are Stakeholder, PP, SIPP, or NEST (I'll let you decipher these on your own). Although they all have the same tax advantages, their structures and investment choices change.

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Does this sound like Greek to you? It did to me, too – and although I was sitting in the first row and I couldn't see the faces of the other attendees, we must all have looked rather baffled. This is when Nigel stopped, looked at us, and reassured us: at the end of the day, a pension scheme is like a savings bank account. Your money is in a big pot, growing and waiting to be drawn down at your discretion.

Thanks to pension freedom, once you reach 55 years old you can start getting your money. To do so, there are six options you can choose from; a lump sum or an adjustable income are but two of them.

For globetrotters like us linguists, the recognised overseas pension scheme (ROPS) will be worth looking into if you plan to retire abroad. This allows you to receive your pension in another country and avoids double taxation.

Needless to say, how big an impact Brexit will have on this with regard to other EU countries is a mystery, so we'll have to sit back and wait.

Context matters

According to Nigel, before making a decision on what type of pension scheme suits us best, we should consider our individual circumstances: age, health, savings, mortgage, retirement plan…. He concluded with a caveat: be on the lookout for scammers, for they abound. Be wary of cold-calling and unsolicited letters, and never, ever let anyone else access the money you've expended so much effort to save up.

As this article reaches an end, my personal quest for a pension plan begins. I know it's going to be a challenge, but it helps knowing that I can contact Nigel and his colleagues if I feel completely lost.

Keeping my books in apple-pie order hasn't proved to be a problem so far, but I know this hat will be the first one I'll put on someone else's head.

I guess it makes sense: I wouldn't ask a baker to repair my car, so why would I want a translator to take care of my business with Her Majesty? Yes, I guess it makes sense...

***Carolina Casado Parras** is an EN/FR>ES translator working in creative fields. You can find her at www.vibrantwordstranslations.com, on LinkedIn, or on Twitter @VibrantWordsT*