

Wealth Check: 'How can I save up enough to be a freelance writer?'

Samantha Hiew has completed her PhD, has no debt, a job, and takes on extra writing and translation work – but she needs advice on fulfilling her dream

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The Patient

Samantha Hiew from north-west London has just completed a PhD and is working as a medical writer, but hopes to set herself up as a freelance writer one day.

The 30-year-old spent four years studying for her doctorate degree at University College London. This was funded by a scholarship of £15,500 a year, in addition to her student fees.

"I'm currently working for a contract research organisation writing the various reports required in a clinical trial process," she says.

She has been in this job for eight months and earns around £30,000.

"I'm also doing freelance work to focus on my creative writing," she says. "I've been getting work through a site called peopleperhour.com. This helps to supplement my income, and eventually I'd like to do more freelance."

Samantha also boosts her income by taking on English-Malay interpreting and translating jobs, and adds: "I'm looking to increase my earnings to above £35,000 in a year or two."

At present, Samantha only has a small amount squirrelled away, in current accounts with HSBC and the Co-operative Bank. She has no debts, as she worked hard over the past few months to clear a £1,750 overdraft.

Living in a one-bed flat with her partner also helps Samantha keep costs down. "The cost is £550 a month inclusive of bills – plus a little extra for council tax," she says.

Samantha has been proactive about pension saving, and pays 4 per cent of her salary into a work pension each month. Her employer contributes 8 per cent, giving a total of around £285 a month. She also pays £54 a month for life insurance, medical cover and dental cover with Bupa.

The Cure



MICHA THEINER

Creative Drive: To fulfil her writing ambitions, Samantha Hiew will have to be disciplined about saving

Our panel of independent financial advisers (IFAs) agree that Samantha is in good financial shape. But they say her priority must be to get into good long-term money habits if she is to achieve her dream of going freelance.

Budgeting carefully now will help in the longer-term

Andrew Reeves from The Investment Coach says Samantha needs a financial plan that fits in with her goals.

"Samantha needs to find time for her creativity and time to market her creative writing," he says. "She should start with a simple budgeting exercise to determine her income and expenditure to help understand how much she can afford to save."

Set up a savings plan

As Samantha doesn't have an emergency fund, Nick Evans, from One Life Wealth Planning, suggests she should build up between three and six times her monthly expenditure in savings. "She should set up a direct debit so money goes into this account as soon as she is paid each month," he says. He recommends she save up £8,000 or so as a safety net. "This could be done by using a cash individual savings account (ISA)" for tax efficiency.

"Given her lack of debt, saving [£1,000 a month] should not be an issue for her," says Kusal Ariyawansa from Appleton Gerrard. "After a few months of saving regularly, it will become habitual."

To find the "best buy" rates, he recommends Samantha visit a site such as www.moneyfacts.co.uk. However, as many accounts have a fixed period bonus of, say, 12 months, she needs to note down when introductory deals come to an end, says Mr Reeves. "You need to be in a position to switch accounts close to the anniversary date."

Increase pension contributions

Samantha is lucky to work for an employer that pays twice her contribution into a pension, says Mr Ariyawansa. "Given her circumstances, it would be wise for her to increase her contributions up to that maximum. Her employer might also increase its contribution – up to a maximum limit," he says. "She's likely to get a pension of around £10,000 a year from the current contribution levels [and] she may want to look at ways to top-up her contribution."

Check the available benefits

Mr Ariyawansa recommends Samantha ask her employer what benefits she is entitled to. "She may well be entitled to a package which includes death benefits and private medical cover," he says. "But she would also be well advised to implement private arrangements which are permanent."

Review protection policies

Mr Ariyawansa suggests that Samantha could use up to 5 per cent of her pay after tax to put the necessary safety net in place for when she goes freelance. "If she's looking to prioritise she should start with income protection, then private medical cover, and then critical illness cover," he says.

Mr Evans says that there is little point in Samantha paying for life cover when she has no debts or dependents. "She may be better placed using these funds to provide some form of income protection in the event of long-term sickness or disability," he says.

Focus on a financial plan

Once Samantha has built up her cash savings, she can consider longer-term investments linked to the stock market, according to Mr Ariyawansa. "But," he says, "bear in mind a horizon of at least five years is necessary for

any stock-market linked investment."

Mr Reeves adds that her success will depend on having a detailed plan. "The thing that will really make a difference to achieving your goals is having a living, breathing financial plan that's kept up to date with your progress."

Do you need a financial makeover?

Write to Julian Knight at The Independent on Sunday, 2 Derry Street, London W8 5HF

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