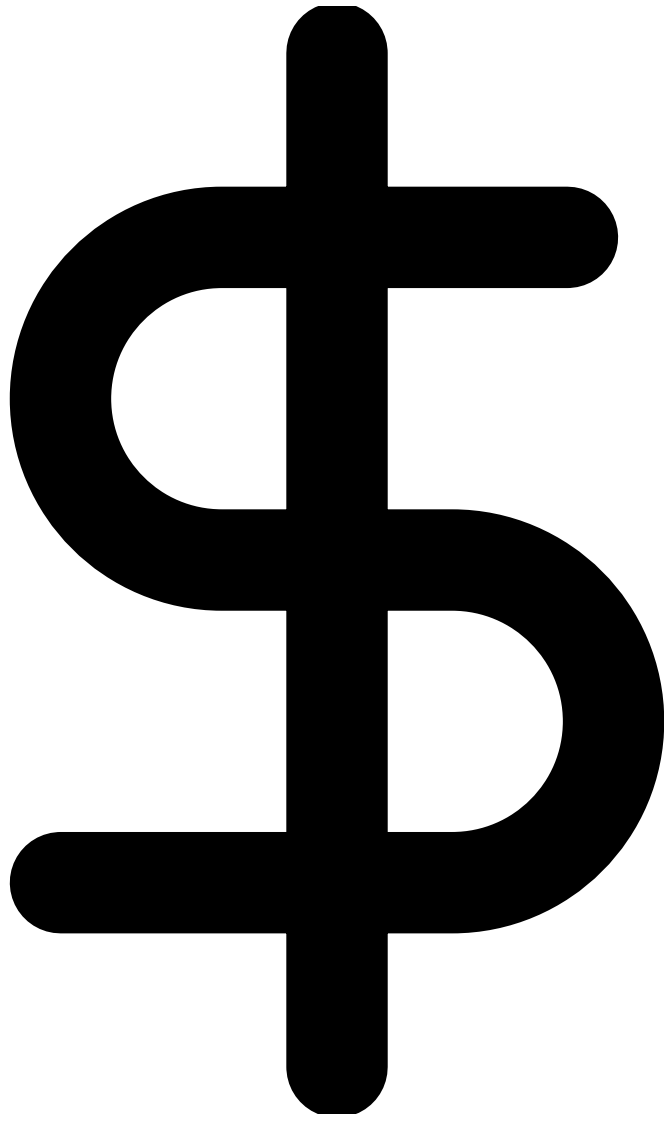
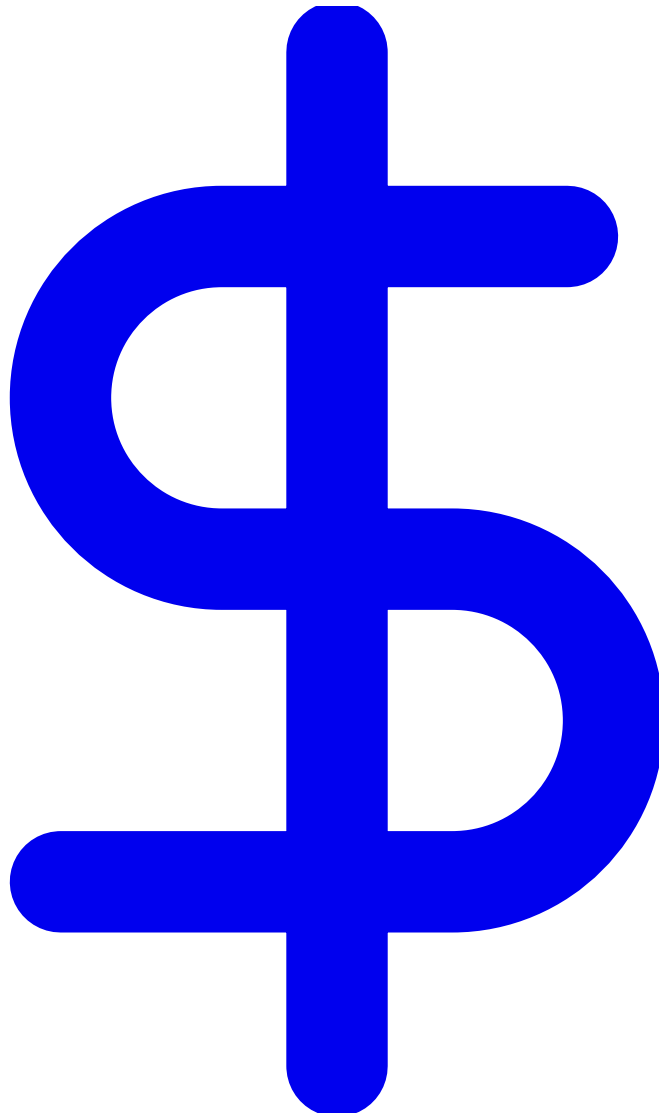






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How to Calculate Your Freelance Hourly Rate (With a Simple Method)

By the [Salaryitis Editorial Team](#) · Reviewed against our [editorial standards](#) · 9 min read · Last reviewed 2026

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How to Calculate Your Freelance Hourly Rate (With a Simple Method)

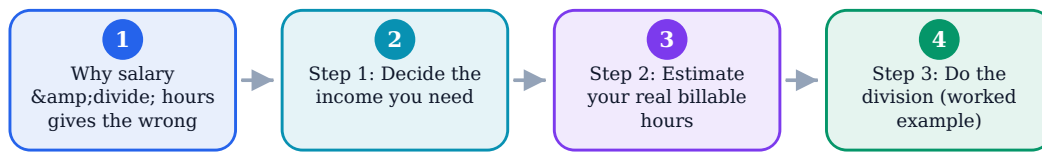


Figure: How to Calculate Your Freelance Hourly Rate (With a Simple Method)

One of the first and most stressful questions new freelancers face is deceptively simple: what should I charge per hour? Set it too low and you work punishing hours for too little; set it based on a vague guess and you may undercharge for years without realising it. The mistake most people make is anchoring their rate to their old salary divided by working hours — a calculation that quietly ignores taxes, expenses, and the large chunk of unpaid time every freelance business requires.

This guide gives you a clear, honest method to calculate a sustainable freelance hourly rate from the ground up, with a worked example you can adapt to your own numbers.

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Why salary ÷ hours gives the wrong answer

Imagine you earned the equivalent of a comfortable salary in a job and simply divide it by a full year of working hours to get an hourly figure. As a freelancer, that number will leave you worse off, for three reasons. First, you now pay **self-employment taxes** and cover benefits an employer used to provide. Second, you have **business expenses** — software, equipment, insurance, a workspace. Third, and most importantly, you cannot bill every working hour: time spent finding clients, sending invoices, learning, and taking unpaid breaks is not billable.

Ignore these and you effectively give away a large share of your income. The fix is to build your rate from what you actually need to earn, not from a naive conversion.

Step 1: Decide the income you need

Start with the total annual amount you need your freelance business to generate. This is not just your take-home target; it must also cover the things an employer previously handled. Add up:

- The personal income you want to take home.
- An estimate for taxes you'll owe as a self-employed person.
- Business expenses for the year (tools, insurance, equipment, subscriptions).
- A buffer for benefits you now fund yourself, such as time off and retirement saving.

The sum is your **required annual revenue**. It will feel higher than your old salary — that is correct and expected.

Step 2: Estimate your real billable hours

Here is where most calculations go wrong. A full-time year has roughly 2,080 working hours, but you will not bill anywhere near that. Subtract time for holidays, sick days, and rest. Then subtract the substantial share of remaining hours spent on non-billable work — marketing, admin, proposals, learning, and inevitable gaps between clients.

Many established freelancers bill only around half of their available hours, and new freelancers often bill far less while they build a client base. Being realistic here is what protects you: a rate built on fantasy billable hours collapses the moment real life intrudes.

Step 3: Do the division (worked example)

Suppose your required annual revenue works out to a figure we'll call R, and you realistically expect to bill 1,000 hours in your first year. Your baseline hourly rate is simply $R \div 1,000$. If R were, say, 90,000 (in your currency), that's an hourly rate of 90. Notice how different that is from dividing a 60,000 salary by 2,080 hours, which would give around 29 — less than a third.

This gap is not greed; it reflects the true cost of running a one-person business. The freelancer charging 90 and the employee earning a 60,000 salary can end up in a similar financial position, once taxes, expenses and unpaid time are accounted for.

Step 4: Add margin and sanity-check the market

Your baseline rate covers your needs; a healthy business also needs a margin for growth, reinvestment, and the occasional bad month. Add a sensible profit buffer on top of the baseline.

Then sanity-check against the market. Research what others with your skills and experience charge, and where your work sits in terms of quality and specialisation. If your calculated rate is far above the market, you may need to raise your value (skills, niche, results) rather than just your price. If it is below the market, you are likely undercharging — a common and costly error.

Adjusting over time

Your first rate is not permanent. As your portfolio, reputation and demand grow, your rate should rise. Build reviews into your calendar — for example, reassessing every six to twelve months and whenever your calendar is consistently full, which is a clear signal you can charge more. Raising rates for new clients first is the least disruptive way to grow your income without difficult conversations.

What an employee rate leaves out

A common and costly mistake freelancers make is calculating their hourly rate by simply dividing a desired annual salary by the hours in a working year, as if they were an employee, when in reality a freelance rate must cover far more. This comparison highlights what the naive approach ignores:

Cost an employer usually covers	Who covers it when freelancing
Paid time off and holidays	You — unpaid time still needs funding
Taxes and contributions	You — often a larger share
Health and other benefits	You — out of your own rate
Equipment and software	You — a business expense
Non-billable time	You — admin and finding work aren't billed

Every row is a cost quietly absorbed by an employer that a freelancer must build into their rate, which is why a freelance hourly figure sensibly ends up well above the equivalent employee wage.

Building a realistic rate step by step

A sound freelance rate is built up rather than guessed. A sensible sequence looks like this:

- Start from the total annual income you genuinely need, including savings.
- Add your business costs — equipment, software, insurance, taxes and benefits you must fund yourself.
- Estimate your realistically billable hours, not total working hours, since much time is unpaid admin and finding work.
- Divide your required total by those billable hours to get a baseline rate.
- Check that figure against the market so it is neither unsustainable nor uncompetitive.

Why billable hours are the number that trips people up

Of all the elements in setting a freelance rate, the one that most often causes freelancers to underprice themselves is the confusion between working hours and billable hours, and understanding this distinction is essential to building a rate that actually sustains you. It is natural to assume that if you work a full week, you can bill a full week, but in freelance reality a substantial portion of your time is spent on activities no client pays for directly: finding and pitching new work, writing proposals, invoicing and chasing payment, managing your own admin and taxes, developing your skills, and

the inevitable gaps between projects. When these unpaid but necessary hours are ignored, the resulting rate is calculated as though every working hour earns income, which it does not, leaving the freelancer earning far less than intended once the non-billable reality sets in. A realistic approach recognises that only a fraction of your total working time is genuinely billable, and it divides your required income and costs across those billable hours rather than all hours, which naturally produces a higher and more sustainable rate. This is also why comparing a freelance rate directly to an employee's hourly wage is so misleading: the employee is paid for their whole week including meetings, downtime and benefits, whereas the freelancer must earn everything from a smaller pool of billable time while covering costs an employer would otherwise absorb. Grasping this changes how you set prices, encouraging you to value your billable hours appropriately rather than undercharging out of a mistaken sense that a high-sounding rate is greedy. In truth, a rate that seems high per hour often translates into a modest overall income once the full picture is accounted for, which is exactly why understanding billable hours, unpaid time and hidden costs is the key to pricing your freelance work fairly and sustainably.

Printable checklist

Print this page or save the PDF to keep these steps handy.

- ☐ Why salary & divide; hours gives the wrong answer
- ☐ Step 1: Decide the income you need
- ☐ Step 2: Estimate your real billable hours
- ☐ Step 3: Do the division (worked example)
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- ☐ Adjusting over time
- ☐ What an employee rate leaves out
- ☐ Building a realistic rate step by step

Summary

A sustainable freelance rate starts from the annual income you actually need (including taxes and expenses), divides it by your realistic billable hours (far fewer than you'd think), and adds a margin. Because freelancers only bill a fraction of their working hours and cover their own taxes and costs, the correct rate is usually much higher than a simple salary-to-hourly conversion suggests.

Key Takeaways

- Never set your rate as old salary divided by 2,080 hours — it ignores taxes, expenses and unpaid time.
- Only a fraction of your working hours are billable; plan for admin, marketing and gaps.
- Start from the total annual income you need, then work back to an hourly rate.

- Include self-employment taxes, business expenses, time off and a profit margin.
- Review and raise your rate as your skills and demand grow.

Frequently Asked Questions

Should I charge hourly or per project?

Even if you quote projects, you should still know your hourly rate — it's the basis for pricing a project accurately. Many experienced freelancers move to project or value-based pricing over time, but the hourly calculation keeps you from underquoting.

How many hours can I realistically bill?

Far fewer than a full working week. After admin, marketing, learning and gaps, many freelancers bill around half their available hours, and beginners often less. Build your rate on a conservative estimate so real life doesn't wreck your income.

Is it bad to be the cheapest option?

Usually, yes. Competing purely on price attracts price-sensitive clients and squeezes your margins. It's generally better to justify a fair rate with quality, reliability and results than to win work by underpricing yourself.

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