

ACTIVE PRACTICE UPDATES

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Heslops

Chartered Accountants

HOW TO TURN A SIDE HUSTLE INTO YOUR DREAM JOB

The fundamentals of setting up a business.

A side hustle is a piece of work or a job that an individual can get paid for in addition to their main job.

From driving for a ride sharing company to tutoring online, copywriting, and more, a side hustle could be any commercially viable endeavour.

The practice became as popular as ever in the UK during the Covid-19 pandemic, which saw 11.7 million employee jobs furloughed.

Published in June 2022, an Aviva study found that 19% of adults in the country had started a side hustle since March 2020, with 16% claiming to have earned upwards of £1,000 a month from their new venture.

Almost two-thirds (61%) claimed their side hustle had been because of Covid-19, while 30% said it had been out of necessity to make ends meet.

But 39% said it was a way to turn a hobby into an income. Meanwhile, out of those who had started a side job, 63% are still active today – the equivalent of 6.49 million Brits – out of 29.7m payrolled employees.

But how do you turn that hobby-turned-income into a fully-fledged job and business idea? How do you take that next step?

GET YOUR FINANCIAL SITUATION IN CHECK

No matter how profitable you think your side hustle could be in the future, you need to recognise that the most vulnerable time for any new business will be the first few months and years.

In fact, 20% of businesses fail in their first year and around 60% will go bust within their first three years.

A survey by CBIInsights found that 42% of startup businesses fail because there is no market need for their services or products, but luckily for you, you've already got your foot in the door and a customer base.

Instead, you probably need to be more worried about why 29% of startups fail: because they run out of cash.

Therefore, you need to get your finances in order. First, make sure you have paid off any major debts; if your personal finances are not under control, you'll keep finding reasons to turn back to your old job rather than focus on your new business.

Some financial coaches suggest saving at least 6 to 12 months of expenses to help you cope with slower months during the early days.

Crucially, you need to differentiate any money you have for your business from your personal finances – otherwise, you risk neglecting your personal finances for the sake of business growth.

However, make sure you don't use this as an excuse to kick the can down the road. Once you're financially ready to take the plunge, you should take the dive in rather than wait for the 'right time'.

It's natural to be nervous, but remember, you don't have to go it alone – your financial adviser or accountant would only be happy to help you set up your business.

MAKE A BUSINESS PLAN

When you have a side hustle, it's easy to take a rather relaxed approach to things, especially if it's something you do to supplement your income or to monetise a hobby, as opposed to something you rely on to put food on the table.

But if you're serious about turning your side hustle into your dream job, you need to write a business plan.

These aren't just a great way to put your thoughts to paper and formulate a strategic plan or evaluate different ideas; investors rely on business plans to evaluate the feasibility of a business idea before funding it. The same is true with banks and business loans.

Therefore, you need to make sure your business plan is watertight. They also tend to be much more complex than you might think, so don't hesitate to get in touch with a financial adviser to help you with this step.

Broadly speaking, though, your plan should include:

- an executive summary that distils the main points of the business plan
- a description of your business, including your industry, business objectives and business model
- a market analysis – including an ideal customer profile, competitor research and SWOT analysis
- an outline of management and organisation
- a list of products and services, and details
- a marketing plan
- a logistics and operations plan (who are your suppliers, how will you produce your product, etc.)
- a financial plan, especially an income statement, balance sheet and cashflow statement.

Just remember that your business plan isn't necessarily only going to be read by you, so make sure the tone of voice is consistent and there are no grammatical or spelling errors.

REMEMBER THE ADMIN

It's easy to get caught up in the rush of turning a hobby or side hustle into your full-time job and your own business. But, as ever with life, there are some administrative tasks to keep in mind.

First, if you haven't been doing so already, now is the time to start recording every single business expense. Not only will this help you keep track of your money, but it will help you reduce your tax bill later down the road.

Keep on top of your invoices, too. Whether that's paying your invoices to remain in your suppliers' good graces, or sending and chasing your own to get paid on time. A digital system will help massively here.

If you employ staff, you'll have payroll to run, and if you have inventory, make sure to do regular stock checks.

It's also useful to do a monthly performance review to see how your business has been doing, then create plans and projections for the future too.

Finally, there are your taxes to organise by filling and filing a self-assessment tax return (if you're a sole trader) or a corporate tax return (if you're a limited company).

PRIORITISE YOUR TIME

Running your own business will suck up more hours in a day than you might realise. Too many people, unfortunately, sacrifice their personal time and stop meeting friends and family because there's just so much to do.

We're not saying you won't have to work hard. If you didn't, everyone would become self-employed. But for the success of your business, you need to prioritise your time correctly.

You'll quickly become overtired and potentially burned out if you don't. You might even start making mistakes that threaten the viability of your business.

But things still need to be done – emails responded to, suppliers negotiated with, and taxes filed. You could work into the evening or recognise that you're only human and surround yourself with people who can help you.

We, for one, would be more than happy to assist you with your accounting, bookkeeping and taxes to take some work off your plate. Depending on your situation, we might even be able to help you with your business plan while providing you with general business advice.

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