



These Costly Mistakes Could Make Your Side Hustle Not Worth the Effort

Description

In case you haven't noticed, side gigs are *hot* right now.

According to a recent study, if you put five Canadians in a room, chances are three of them will have a side gig. That's a big increase since 2019 when only 30% of Canadians — roughly one in four — claimed to be pursuing their own side hustle.

While side gigs can be a great way to supplement your income, they can become a costly problem if they're not done right. If you're thinking about starting your own side gig or you just embarked on one, here are five mistakes you should avoid.

1. Spending too much money upfront

Take note: a side gig isn't meant to be a *hobby*. The two can overlap, sure, but the point of side gig is that it requires almost no financial investment to start.

For instance, let's say you want to drive for Lyft. You drive a used car that's seen better days. Because Lyft can be fairly strict on the type and condition of your car, you start to consider buying a new (or newish) car in order to be accepted as a driver. You might think, *what's the harm?* You'll earn the money back by driving.

In this case, you're already starting your side gig in the red. While, true, you might earn enough to pay off the car, you could easily find yourself overburdened with payments. And if you don't *like* driving for Lyft, guess what — you're stuck doing it unless you sell the car and eat your losses.

The same can be said of any side gig, whether it's marketing or freelance writing or delivering groceries. If the initial investment is high, you might want to second-guess doing it.

2. Charging less than what your time is worth

Look, I get it: competition within the freelance community is fairly tight. In order to make yourself stand out, many freelancers believe they can just charge a rate that's lower than everyone else.

While this might help you get started, it can come back to haunt you. Above all, it can burn you out. By charging rates that are lower than everyone else, you'll end up doing more work than them, without getting the proper compensation. This might be fine in the beginning, but over time it will start to wear you out.

Instead, charge what you believe you should earn. Don't short-sell yourself. Even if it's difficult to find work in the beginning, you'll feel much better about yourself and your abilities later on, when you're getting the proper pay. Besides — charging low rates can make you seem suspicious or worse — desperate. The old adage, "You get what you pay for," is nowhere truer than in freelancing, and if you have considerable skill, there's no reason not to charge what you deserve to earn.

3. Embarking on a side hustle you don't actually *like*

If you choose a side hustle you *hate* or feel lukewarm about, you probably won't have the motivation to stick with it. Find something that aligns with your interests and your side gig will have more longevity.

4. Forgetting about taxes

As a freelancer, you won't get a T4 slip. You have to keep track of your income and report it to the Canada Revenue Agency (CRA) on a T2125, the Statement of Business or Professional Activities form.

If you make more than \$3,000 a year (\$1,800 in Quebec), you'll pay your taxes in quarterly installments. A good rule of thumb is to set aside 25% of your income for taxes. For instance, if a freelancing project brings you \$2,000, you should set aside \$500 for taxes, just to be safe.

The penalties for failing to file your taxes correctly can be severe. The CRA can fine you up to 10% of the amount you didn't report. And that's in addition to the taxes that you owe.

5. Spending your extra money

Finally, don't let your side gig inflate your spending. The extra income from your side gig should fit into your overall financial picture, helping you achieve your goals. If you end up blowing through your extra money, then you'll have nothing to show for your extra work. Give your side gig a purpose (saving for a home, for instance), and you'll feel much more fulfilled when the extra income empowers you to achieve that goal.

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