

# Making the Leap: Transitioning from Employee to Independent Contractor

**Erin Landis**

The proverb “look before you leap” is usually sage advice and one that is commonly understood in the English language. The phrase admonishes you to consider the consequences of the decision you’re about to make—a decision that might be hasty or risky. Sometimes, however, looking before you leap can cause unnecessary pause and it’s better instead to go with your gut—in other words, trust your intuition. That’s precisely what I did when I decided in late 2021 to make a monumental change in my career; I transitioned from being a full-time employee to an independent contractor (IC). Admittedly, I leapt without looking (or at least I didn’t look very much) and have never second guessed my decision. While I’m not encouraging others to make such an important decision in the same manner, for me it worked. It was the right time in my professional and personal life to make such a change.

## The Backstory

For the 20+ years after graduating college, I held jobs in traditional employment settings. You know the drill—I went into an office (until hybrid was a thing), I received benefits such as health insurance, retirement savings plans, paid leave, etc. For me, that’s really all I knew for those 2+ decades, and it provided a sense of security and normalcy. I was doing what everyone else I knew was doing. I was somewhat aware of people taking other paths—for example, someone I supervised ultimately left the job to become a freelancer and start her own business. At the time, I was shocked she would do so—how would she guarantee regular income? Where would her health insurance and other benefits come from? How would she secure clients? It was so foreign and scary to me I dismissed it as something I would never consider.

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<https://doi.org/10.36591/SE-4702-10>

But fast forward to late 2021, and new circumstances (the pandemic being one of them), as well as a greater sense of professional confidence, I realized that going out on my own wasn’t so scary. When Origin Editorial’s senior partners, Kristen Overstreet and Jason Roberts, PhD, approached me to join their team, explaining that everyone at Origin was an IC, I didn’t shrink from the opportunity. Instead, I decided to embrace it. In short, I leapt (Figure).

## The Practicalities

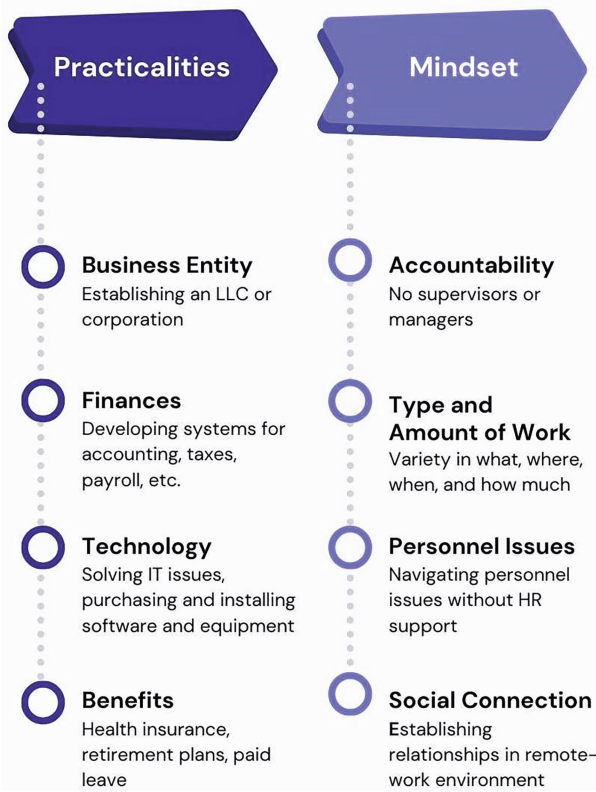
Once I made the jump to becoming an IC, I had to hit the ground running to address the myriad practicalities that come with this form of work. There are many ways to do this, so my experience is by no means the only way—nevertheless, I share it here to help others think about what they’ll need to consider if they make the same transition. The first step I took was to establish my own company. While I didn’t *have* to do that, I viewed doing so as beneficial for many reasons, including asset protection (severing direct connection between my business and myself as an individual), tax flexibility, and professional image. There are different types of companies you can form; for example, a limited liability corporation (LLC), an S or C corporation, or others.<sup>1</sup> In my case, I decided to use LegalZoom to form my business, as they had the resources and expertise to guide me through the process and ensure that I stay compliant with government rules and regulations.

## Getting My Financial House in Order

After my company was established, I then turned my attention to the financial matters of my business—primarily accounting and taxes. I worked with a business adviser to set up a basic Excel file to record my business’s revenue and expenses. I would later provide this file to my accountant for tax purposes. I also worked with the business adviser to determine what salary I would pay myself, ensuring that I withheld enough money to account for the business and personal taxes I would owe. To make things easier for myself, I decided to use a payroll company to pay myself a salary—this ensured that I could easily run a monthly payroll

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# From Employee to Independent Contractor



**Figure.** There are many important considerations when transitioning from an employee to an independent contractor that can be loosely categorized into “Practicalities” and “Mindset.”

and have the payroll company pay my taxes on my behalf. I had no desire to run afoul of the IRS. Finally, I alerted my personal accountant that I owned a company now and retained him to prepare annual tax returns for the company, as well as ensure I was filing all other necessary business-related paperwork with the IRS. The expenses associated with both the payroll company and the accountant are write-offs for my business.

## Becoming My Own IT Specialist

As an IC, you quickly realize you are your own IT person. I could no longer run to someone else to fix my printer or figure out why Word wasn't opening properly. All IT troubleshooting fell to me. This meant I had to research IT-related problems by watching YouTube videos or reading

discussion forums. While in some cases the learning curve was high, I quickly became proficient at solving basic-to-intermediate-level problems (you'd be surprised to learn how many other people on the Internet have the same technology problems that you do). I was also responsible for purchasing and installing all the software necessary to run my business and perform work for clients. This was a bit of a sticker shock at first, but I soon succumbed to the reality that such purchases were the cost of doing business and would be considered write-offs.

## Setting Up Benefits

Becoming an IC means you no longer have an employer providing benefits to you. In terms of health insurance, I was in the privileged position of being able to join my husband's employer-provided plan. I realize that for many people, this is not an option. However, that shouldn't discourage you from considering becoming an IC, as I know many people who have health insurance plans through the federal Health Insurance Marketplace<sup>2</sup> (also known as the “Marketplace” or “Exchange”) under the Affordable Care Act, commonly known as Obamacare. Having a retirement plan is another critical component of making the switch from employee to IC. Where I worked previously, not only was I part of a company-sponsored plan and contributed a percentage of my salary to my retirement account each month, so did my employer. I was therefore able to consistently build toward a nest egg for retirement. Becoming an IC meant I was no longer part of an employer-provided plan, which meant I had to establish a new plan. I worked with my existing retirement-plan provider to roll my account into a Simplified Employee Pension (SEP) IRA (a list of the types of self-employed retirement plans can be found here<sup>3</sup>). Once that was completed, I began to have my newly founded company contribute a certain dollar amount to the plan each month.

As an IC, you no longer have a set number of paid sick/personal and vacation days. You essentially set your own schedule, which means when you take personal days—whatever the reason—you have nothing to record and no tally to keep. This was a huge adjustment for me, as I was used to maintaining a timesheet. Now, as an IC, I handle sick days by simply telling clients that I'm unwell and will be back to work as soon as possible. In my case, I'm not negatively affected financially for this—I still get paid. However, I know for some ICs, this means they go without pay for those hours or days. The same is true for vacation—in some cases ICs can work it out with their clients that they're still paid for their leave whereas in other cases they'll not receive payment for the time they miss.

## The Mindshift

Aside from the various practical activities that accompanied my transition from employee to IC, perhaps the most

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significant adjustment was the shift in mindset I had to work through. Abruptly, after years of having a boss to whom I was accountable, I was my own boss. Technically, I reported to no one—that didn't mean, however, that I wasn't accountable. I had clients for whom I needed to provide services and so I was certainly accountable to them. But did I have performance evaluations or routine check-ins with a supervisor anymore? No. Did I have to tell someone when I was taking time out of my day to go to the doctor or take my children to an appointment? No. Did I have to work during a set window of time each day? No. At first, I felt strange not documenting my absences from work or telling someone where I was for every minute of the day. But gradually, I became accustomed to my newfound freedom and came to appreciate it deeply, as it afforded me the opportunity to both have a satisfying career while also raising my children and participating in as many of their activities as possible.

Being an IC also means you can choose what type of work you want to do, with whom you want to work (client-wise), and how much work you want to do. You aren't wedded to work that you dread or that you find unfulfilling. I have found this to be incredibly liberating, as a good portion of the work I did in employed settings was uninteresting to me or didn't match my skill set. I also appreciate the variety that comes with being an IC. I now can mix and match what I do, choosing the types of assignments I enjoy and to which I can make a meaningful contribution.

A less exciting mind shift for me was the realization that I no longer had an HR department at my disposal to handle personnel issues—I had to grapple with how to address issues with the performance of fellow contractors in an entirely different way. Additionally, it was a hard pivot for me to learn that I could no longer direct people what to do, as I am not technically anyone's manager or supervisor. I had to learn (and am still learning) how to guide my fellow contractors' work versus telling them specifically what to do. Finally, becoming an IC means I no longer go into an office and only see people at in-person meetings and conferences. While I

can't imagine ever having to work in an office again, being an IC can be a bit isolating, as you're sometimes working with clients who are all physically together in an office and you're the only remote team member. I have found that it's critically important that I make time to socially connect with my colleagues either via video conference or in person at meetings and conferences, or locally, if we live near each other. Certainly, I have become more intentional at forging these relationships than I was previously, as an employee.

Before submitting this article to *Science Editor*, I asked a friend and colleague who had made the same transition from employee to contractor to review what I had written. Namely, I wanted to ensure the content resonated with her. She told me that sitting on her desk is a coaster that reads "Leap and the net will appear." Wow—there couldn't have been a more fitting summary for my career-transition experience. Not only did the net appear, but it came with boundless opportunities and a newfound perspective that going out on my own wasn't nearly as scary as it seemed, and in fact, was exciting and invigorating.

Disclaimer: Since I am not an attorney, accountant, or financial advisor, nor am I holding myself out to be, the information contained in this article is not a substitute for financial or legal advice. If becoming an independent contractor is a path you'd like to consider, please seek advice and information from a professional who is aware of the facts and circumstances of your individual situation.

## References and Links

1. [https://www.legalzoom.com/business/business-formation/compare.html?utm\\_source=google&utm\\_medium=cpc&utm\\_term=llc%20vs%20corporation&utm\\_content=492081434801&utm\\_campaign=SMB%20%7C%20Overlap%20%7C%20Exact&utm\\_campaignID=849130737&utm\\_adgroupID=41377569737&utm\\_partner=googlesearch&gad\\_source=1&gclid=CjoKCQjwiYOxBhC5ARIsAlvdH53VmtPpU7CsjyhJ7AkTmgIiDILUURtI7DZsvUXNuQZCmcR-n4L3VCYaAv5VEALw\\_wcB](https://www.legalzoom.com/business/business-formation/compare.html?utm_source=google&utm_medium=cpc&utm_term=llc%20vs%20corporation&utm_content=492081434801&utm_campaign=SMB%20%7C%20Overlap%20%7C%20Exact&utm_campaignID=849130737&utm_adgroupID=41377569737&utm_partner=googlesearch&gad_source=1&gclid=CjoKCQjwiYOxBhC5ARIsAlvdH53VmtPpU7CsjyhJ7AkTmgIiDILUURtI7DZsvUXNuQZCmcR-n4L3VCYaAv5VEALw_wcB)
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3. <https://www.nerdwallet.com/article/investing/retirement-plans-self-employed#SEPIRA>