

Financial Projection 101:

TOP 40 BUSINESS TERMS FOR FREELANCERS, INDEPENDENT CONTRACTORS & ENTREPRENEURS

Why These Terms Are Important:

Many people start their entrepreneurial journey without understanding the rules of the game; I was one of them. I jumped in headfirst at the age of twenty-one, chasing my passion and letting my heart lead the way.

Fortunately, God blessed me with a wife, partner, and helpmate who double-majored in Accounting and Finance and passed all four parts of the CPA exam on her first attempt. In short - she's SMART!

It's taken me years to grasp even a portion of what she knows, and as I continue learning, I want to share that invaluable knowledge with you. The key to success is not just doing the work, it's understanding your why and the foundation you're building upon.

This foundation, this system, has structure and language.

And if you're stepping into this arena, you need to know the rules and the terms used to explain and manage that system.

So, here's a list of the Top 40 Business Terms I've found most valuable for anyone new to the entrepreneurial world who's seeking financial mastery.



Rather than just listing them alphabetically, we've organized them like a journey, from getting started → operating legally → managing money → reporting taxes → growing wealth.

This mirrors the natural path of an independent contractor's business lifecycle - the way you actually live and learn this process.

Our approach:

Teach a roadmap, not a dictionary.

Align with the FP101 framework: Setup → Operate → Sustain → Scale → Secure → Grow.

Build context, so you don't just memorize terms - you understand how each concept fits into your financial story.

"Masters of Finance know how to have their money work for them instead of only working for their money. The foundation of having your money work for you is understanding the system it lives within."

See it . Believe it . Achieve it .

#Projection101



Clem Harrod
Founder & Chief Projection Officer
CLEMCO.AV





The Terms:

Stage 1: Getting Started – Setting Up Your Business Identity

1. **Independent Contractor Agreement** – A written contract outlining project terms, payment, and responsibilities between you and your client.
2. **1099 Contractor** – An independent worker who provides services to clients rather than being a company employee.
3. **W-2 Employee** – A worker classified as an employee. Taxes are automatically withheld by the employer. (Important contrast to 1099 work.)
4. **Sole Proprietor** – An individual who owns an unincorporated business and is personally responsible for all profits, debts, and liabilities.
5. **DBA (Doing Business As)** – A registered trade name for operating your business under a brand name different from your legal name (e.g., “CLEMCO.AV”).
6. **EIN (Employer Identification Number)** – The business equivalent of a Social Security number; used to open business bank accounts and file taxes properly.
7. **LLC (Limited Liability Company)** – A business structure that protects personal assets from business debts and offers tax flexibility.
8. **S-Corp** – A tax election that allows business profits and losses to pass through to the owner’s personal return, offering potential tax savings.



9. **Business Bank Account** – Keeps your business and personal finances separate for bookkeeping, taxes, and professionalism.

Stage 2: Running the Business – Operations and Financial Management

10. **Bookkeeping** – The daily or weekly process of recording all income and expenses accurately.
11. **Accounting Software** – Tools like QuickBooks, Wave, or J_AP101 that automate tracking of invoices, payments, and expenses.
12. **Operating Expenses** – The recurring costs of running your business (fuel, software, insurance, etc.).
13. **Write-Off / Deduction** – Legitimate business expenses you can subtract from your income to lower your taxable earnings.
14. **Tax Deductible** – Any business-related cost (travel, gear, etc.) that legally reduces your taxable income.
15. **Budgeting / Forecasting** – Planning for expected income and expenses to stay financially balanced.
16. **Cash Flow** – The movement of money in and out of your business; vital for stability.
17. **Profit & Loss Statement (P&L)** – A financial report summarizing revenue, expenses, and profits over time.
18. **Balance Sheet** – A snapshot of your assets, liabilities, and equity at a specific point in time.





Stage 3: Getting Paid – Income, Pay, and Taxes

- 19. **Gross Pay** – The total amount earned for a gig before any deductions.
- 20. **Gross Income** – The total amount earned from all gigs and sources before expenses or taxes.
- 21. **Net Income** – The profit you keep after expenses and taxes — your real earnings.
- 22. **Net Pay** – The amount actually received after deductions and withholdings — your take-home pay.

Stage 4: Tax Season – Reporting, Paying, and Staying Compliant

- 23. **Direct Deposit** – Electronic payments from clients or payroll systems; faster and more secure than checks.
- 24. **Form W-9** – A form contractors give clients with their name, address, and Tax ID for 1099 reporting.
- 25. **1099-NEC** – A form clients send contractors showing how much they were paid during the year.
- 26. **Schedule C** – The IRS form used by sole proprietors or LLCs to report business income and expenses.
- 27. **Form 1040** – The main IRS form for individuals; 1099 income from Schedule C flows into it.



28. **Taxable Income** – The portion of your income subject to taxation after exemptions and deductions.
29. **Self-Employment Tax** – The tax covering Social Security and Medicare contributions (usually 15.3% of net earnings).
30. **Quarterly Estimated Taxes** – Tax payments made four times a year to stay current with the IRS.
31. **Federal Income Tax** – The percentage of income owed to the federal government.
32. **State & Local Taxes** – Taxes imposed by your state or city, such as income or sales tax.
33. **Pre-Tax Deductions** – Expenses deducted before taxes are applied (like health insurance or retirement contributions).
34. **Post-Tax Deductions** – Expenses deducted after taxes (like Roth IRA contributions).

Stage 5: Building Stability – Security and Growth

35. **Insurance** – Business liability, health, or equipment insurance that protects against financial risk.
36. **Emergency Fund** – Savings (3–6 months of expenses) to cushion against slow seasons or cancellations.
37. **Professional Development** – Investing in your growth through training, certifications, and workshops (like FP101).

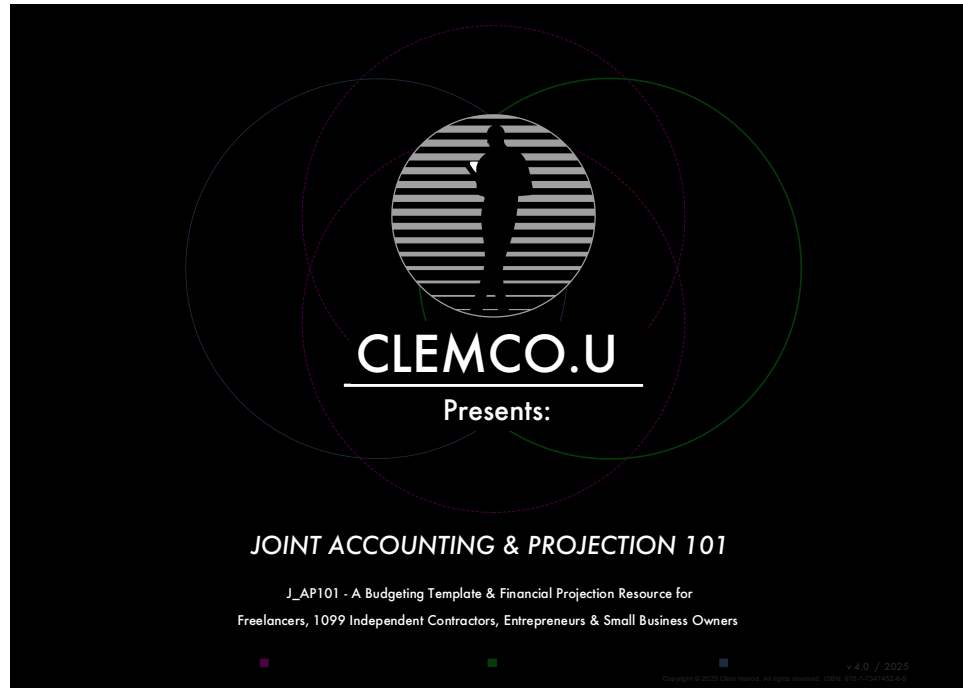


38. **Financial Projection** – Estimating future income, expenses, and profits to make informed business decisions.

Stage 6: Long-Term Wealth – Planning Beyond Today

39. **Retirement Planning** – Preparing financially for your future by setting aside money during working years. Focus not only on reducing taxes now but creating future flexibility and freedom.
- a. **SEP IRA** – High, tax-deductible contributions for the self-employed.
 - b. **Solo 401(k)** – A flexible plan allowing both employee and employer contributions.
 - c. **Traditional IRA** – Tax-deductible now; taxed at withdrawal.
 - d. **ROTH IRA** – Taxed now; tax-free withdrawals in retirement — ideal if future tax rates are higher.
40. **Compound Interest** – The process of earning interest on both your initial investment and previous interest — the foundation of long-term wealth building.





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