



CARTEL MANAGEMENT AUSTRALIA

## **Understanding Finances.**

*Creating a pathway to create a financially viable project.*

Gaining an understanding of financials and developing pathways to create a financially sustainable project is certainly not the sexiest part of creating an artist project. In fact, there are barely any conversations being had openly around the thought, processes and structures needed to develop. The topic of the article is to inform artists of the things they should consider or implement in order to gain sustainable income from their artform.

As always, we understand that financial gain is not the most important part of creating a meaningful artist project, and for the artists who have no intention of creating financial stability for themselves, then this article is not for you. Our intention with this is not to sugar coat, but provide factual information and insight around what artists should be expecting moving forward.

It's important to note that creating a career out of anything requires a certain kind of mindset. Viewing an artist project as a job sets a tone, not only for artists to keep themselves accountable to certain tasks. Viewing an artform as a career is often a bitter pill for artists to swallow, as creativity is derived to depict freedom in its purest form, more often than not, creatives cannot cross this mindset barrier as they feel it limits their imagination. In reality though, not being able to curate a career mindset is a direct result of a lack of motivation to grow other areas of the project that are deemed 'difficult' including administration tasks, emails, financial, ABN and business set-ups etc.

*"If you are an artist that wants to create longevity in your project, you will have to dedicate time to other things rather than just creating music." - Anthony Agostino (Cartel Management Australia)*

Let's start by addressing the elephant in the room that every independent artist will address at some point in their career, loss. Most, if not all independent artists at some point have made a decision that would leave them out of pocket. This happens for a number of reasons, whether it be to grow an audience, a fantastic opportunity, or even a service that didn't quite work. It is incredibly difficult to make profit in any creative endeavor let alone create sustainability, so for the majority of independent artists, who pour thousands of their personal money into their artist project, loss is just a part of the game. The trick as projects grow is to minimize loss by budgeting / understanding your expenses, and learning new skills that allow you to cut back (i.e not outsourcing mixing and learning to complete that task yourself).

Below are some things to consider regarding money in the music industry, both to create, sustain but also where to spend.

### **What strengths do you have as an artist that can help you monetise the project:**

A career as a creative is not a one size fits all method. There are multiple ways to achieve sustainability, depending on a number of things including: your project, the genre and style, where your strengths and weaknesses lie, the time with which you allow yourself to develop and grow, your commitment to all facets (touring, production, constant learning, relationship building, social media etc.). The main factor separating those who are creating a career (and therefore, sustainability as an artist) are the measurable actions for every aspect of the project.

Everyone has different strengths & weaknesses and understanding how to double down and leverage on strengths can be potentially a good way to earn a more stable income.

### Some examples of this are:

- if your strength is in production, there may be room to produce for artists that aren't so strong for a negotiated fee, or potentially creating things like beat / sample packs to sell via websites like Splice.
- if your songwriting / vocal work is your strength, creating toplines for other artists for a negotiated fee.

- If you have a loyal fanbase and want to lean into the fashion world, creating and selling merchandise when there is demand.

Ultimately, your strengths and passions can dictate which parts of the project to monetise. This is not an overnight build, artists still need to develop strong networking relationships + trust in these areas to build this side of the project.

### **Get An Accountant:**

As an artist, or even artist representative you are not, and should not be expected to be a financial guru. Understanding what to claim, tax, GST, an invoicing process and profit and loss are all things there is support for and in the spirit of creating processes in every area of the 'business', an accountant can help for multiple reasons.

Getting an accountant can take a lot of the pressure of the above tasks and can actually implement strategies with you or at the very least help you understand the roadmap to create sustainability. Accountants are absolutely the last thing a lot of artists think of when creating an artist project, but are precisely the mechanism to help the project become financially fruitful. As experts in their field, it allows the artist to still have control, but be able to prioritize other parts of the project.

### **Have A Project Specific Bank Account:**

Most grass roots level artists invest a lot of their own finances into the project, but for tax and recording purposes, it is always a smart move to set up a bank account specifically for the artist project. Any payments going into the project (show fees, APRA AMCOS / PPCA payments, merch sales, distribution royalties etc) and anything going out (production expenses, flights, accommodation etc) can all be recorded and tracked in one spot.

When it comes to budgeting and organizing finances within the bank account the process is individual to the person / team. For us and our management clients, we have found that keeping a float of money in the account at all times is the best way to move forward, and have reminders in our calendars for payment dates (i.e. APRA AMCOS quarterly payments etc). Off the back of this we can work out the rough release / touring plans based on the money we have in the account + our projections of what could possibly be going in and out.

### **Outsourcing:**

Being financially equipped enough to be able to outsource areas of the project is fantastic, it allows you to deal with someone in a specific area who is an expert in what they do. Artists & label services such as- publicity, photography, design, marketing, mixing & mastering etc. are however not free services offered to artists. Most of these businesses (ourselves included) operate as not just a hobby, but as a career with which we support ourselves. So haggling around price points etc is something that we view as strongly disrespectful. If you haven't got the budget, don't outsource the service.

As the project begins to grow and money created from the project is beginning to come back into the project, there will also be an understanding of what artist services will cost, so each release you have a base understanding of what you need to spend if you wish to outsource.

For more tips on what to consider re outsourcing roles for your project read our [Stop Expecting Work For Free Article](#).

### **Royalties (AU / NZ Artists only)**

In a perfect world, artists would earn adequate money from streaming & royalties, but in reality, artists earn very little from both at the grassroots level. When it comes to royalties, artists receive roughly between \$0.003 and \$0.0084 distribution royalties per stream on average in Australia through Spotify alone. They also receive mechanical royalties through APRA / AMCOS (AUS only) which doesn't equate to much more than what they are earning through distribution.

To break the mechanics down in the most simple way possible, music royalties are payments that go to recording artists, songwriters, composers, publishers, and other copyright holders for the right to use their intellectual property.

Copyright laws give artists these exclusive rights to their work. Music Royalties are also generated for various types of licensing and usage. The four main royalty types include **mechanical**, **public performance** and **synchronization**.

Mechanical royalties generate music income for the physical or digital reproduction and distribution of copyrighted works. This applies to all music formats such as vinyl, CD, cassette, digital downloads, and streaming services.

Public performance royalties generate music income for copyrighted works performed, recorded, played, or streamed in public. This includes terrestrial radio, television, bars, restaurants, clubs, live concerts, music streaming services, and anywhere else your music plays in public. APRA AMCOS collects and distributes the royalties generated to the rights holders.

Synchronization royalties generate income for copyrighted music paired or 'synced' with visual media. Sync licenses grant the right to use copyrighted songs in films, television, commercials, video games, online streaming, advertisements, music videos, and any other visual media.

Music copyrights have two components: **master rights** and **publishing rights**.

- **Master rights** belong to the owner of a master sound recording. A master recording is an original song or sound used for reproduction and distribution. Master rights typically belong to either the artist(s), record label, recording studio, or any other party who financed the recording.
- **Publishing (or composition) rights** belong to the owner of the actual music composition. The publishing side of music refers to the notes, melodies, chords, rhythms, lyrics, and any other piece of original music.

### **Touring**

Not all independent artists have the luxury of touring. Whether it be demand for their project, not quite having the network or industry support to do so, or even just being affected by things like COVID-19 etc. For those that do consistently tour, it can generally be a very integral part of creating sustainability streams for their projects.

What is not spoken about in terms of touring, is the cost that artist projects need to incur prior to actually being paid for their shows.

Flights, accommodation, transfers, food, drinks, front and back of house, venue hire, band or DJ, photography, visuals and a tour manager are just a fraction of the amount an artist will have to take into account before getting paid. So yes, for a major international and national touring act there is certainly money to be made from touring, but as the stakes rise so does the risk of being able to make back the expenses you outlay. Depending on the deal for performance, artists do not always have to fork out money for things like flights, accommodation or transfers, and can be included in the fee. This is often negotiated between the artist or an artist representative (booking agent) and the promoter of the event.

### **Percentages / Splits:**

Once an artist has an inbuilt team around them internally that perform specific roles that benefit the artist project, generally payment comes on a percentage basis. Generally in Australia and New Zealand a stock standard percentage deal can vary from 15%-25% of artist earnings over a specific area of the project. This excludes label and distribution deals that are generally more explicit to the artists.

Management takes an agreed upon percentage fee for each of the areas of the artists earnings. Each manager / artist relationship is different, although the earnings can be from things like; mechanical / master royalties, publishing, live performances, brand alignments etc. The incentive for a manager to be as productive as possible (apart from wanting to be a part of the artist development journey) is that they only receive payment, if the artist is also getting paid. As a manager works across multiple areas of the project they would be entitled to a wider spread of the artist earnings than a member of the team who works in one specific area of the project. The deal normally indicates whether management is taking their percentage from the gross income (amount before expenses) or whether they

take it from the net income (after expenses). Remember each management deal is different so there are pros and cons to each approach depending on the deal.

Booking Agents are responsible for the facilitation of live performances. They only take their percentage from shows, no other part of the project earnings. The deal normally indicates whether an agent is taking their percentage from the gross income (amount before expenses) or whether they take it from the net income (after expenses). Remember each management deal is different so there are pros and cons to each approach depending on the deal. Artists do need to be aware of whether their representatives are taking gross or net, as it does affect what they earn at the end.

Recording splits occur when multiple artists co-write, co-produce, feature or collaborate on a project together. There are multiple ways artists get paid for these that include but are not limited to; upfront payment, a percentage split of the master recording, a percentage split of publishing, a combination of all. Again, this is a case by case situation, depending on the deal, the amount of work another artist has put into the piece of music etc.

**Advances:**

A music advance is a payment given to artists to fund their career or to be used as early income while creating or promoting an EP or album. However, the money is not free. While not technically a loan, an advance works in a similar way. It's a purchase of a limited portion of your revenues until it is paid off by the royalties generated from the music.

Historically, advances were only available for major label artists and established acts although this has now changed as private music investors are now offering advances to many more artists. It is extremely important for artists to understand that although a large sum of money looks appealing, it can often lead to them being stuck in a deal that they are not particularly happy with, due to the fact they still need to recoup a certain amount. Artists need to ensure when entering a deal where they receive an upfront advance, that they are absolutely sure it's something that they want / need to do for their development.

When an artist, band, or project thinks about creating a career out of their passion, their thoughts delve straight into the creative sector, and all of the above are either not considered or brushed over. It is VITAL that if you are someone who is looking to create financial freedom from your project then you need to at least have processes in place that allow you to monetise the project. As each project is different it is difficult to put into specific details what artists need to think about when financing a project. The above is a very brief snapshot of what artists need to be across in order to have a base understanding of financial sustainability.