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Starting out Contracting

– the Complete Guide to Working as a Contractor

IR35, Tax, Insurance,
Company Formation,
Ltd or Umbrella?

**Freelance
Advisor**



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A note from the author

I wrote the original Freelance Advisor guide in December 2008. I'd been freelancing for just 6 months, but had already fallen in love with the freedom and fun that freelancing brings. Now, one year later, Freelance Advisor (with sponsorship from Crunch) have updated the guide for contractors and expanded sections that were previously only skimmed over.

The Starting Out in Contracting guide has nearly doubled in size and includes more how-to tips and links to useful information. We hope you find it helpful. As ever, you can leave feedback on [Freelance Advisor](#) – your ideas and opinions influence future content.

Thanks for reading, and happy contracting!

Leif Kendall

Starting out in Contracting?

So, you're thinking about **starting out in contracting**? Are you feeling excited, terrified or full of adrenaline as you stand on the edge, ready to leap? You probably have lots of questions – lots of areas of uncertainty that you want to address before you begin as a contractor.

Or maybe you're here because you've already made the leap. Maybe you made a rash decision (don't worry!), or were made into a contractor against your wishes (sacked) or maybe you just feel that the time is now.

Or maybe you've been contracting for a while and just need a boost of inspiration or some strategies for finding more work, more clients and more happiness.

Whatever your position, remember that contracting is not an easy way to make a living. Contracting is demanding. It requires **hard work, intelligent perseverance** and the occasional stroke of **good luck**.



Why You Don't Need to Know it All

If you're thinking about becoming a contractor, you may be hearing a little voice saying things like:

- "You will fail"
- "You aren't ready"
- "You aren't confident enough"
- "You don't have enough contacts/skills/clients"

And so on. Little voices can be cruel bastards. But you should ignore all of these voices, for one very good reason:

“ Nobody knows anything until they've done something ”

Don't wait until you've got the skills to be the best contractor ever; start now and learn by doing. Contractors become good at contracting because they learn through experience.

So if, when reading this guide, you think, **"but I can't do that!"** – don't worry. You don't need to have all of these skills now; you will learn by doing, just like every other contractor.



Contracting, For the Win!

Being a contractor

Contractors share many similarities with freelancers, with some contractors freelancing in between contracts, and some freelancers taking on contracts – so it's often difficult to tell the difference. **There is generally more security, and less flexibility for contractors in comparison to freelancers.**

Contractors typically get short or medium term contracts to provide a service to their client. Many contractors work on their client's premises for the duration of the contract.

Contractors are self-employed people with **no entitlement to the usual perks of employment, such as sick or holiday pay.**

Because contractors generally apply for contracts by submitting a CV or going through an agent, it's essential that contractors have excellent CVs that can get past the post-opener and get read by decision makers.

Contractors may spend a period of weeks or months working closely with their client, effectively becoming part of their team. **So it's important that contractors are good at working with new people and assimilating quickly in new groups.**

Making the Leap

What the Hell Are You Doing? — Understanding Your Motivation

Why do you want to be a contractor? If you don't know, consider what is driving you in the direction of contracting. Some motivations are less positive than others, and some motivations suggest that contracting isn't the best option for you.

Good motivations:

- You want to improve your prospects
- You want to pursue your own good ideas
- You want to do the kind of work you love

Bad motivations:

- You hate your boss
- You're keen to work less
- Contracting sounds cool
- Your mates are doing it

Mixed Motivations:

Of course, you probably have a mixture of reasons for wanting to become a contractor. You might want: more control of your work, to explore new fields and to make more money.

By reflecting on your motivation you can be sure that you have good, solid reasons for making such a radical change to the way you work. **Without a foundation of solid motivations, you may struggle when times are hard.**

Knowing When the Time is Right to Start Contracting

Unfortunately, there's no scientific method for assessing whether it's a good time to get into contracting. It seems to be one of those things that you just feel in your blood. And to some extent, you'll never know unless you try.

Minimising Risks

Minimising risks is the best way to think about the things you do prior to making a change. You can take steps to ease your conversion to contracting, and minimise your risk of failure.



Cash Cushion — Absorbing the Financial Shock of becoming a contractor

Contracting might seem like a fast route to easy cash. Day rates like £200, £300 or more can be very tempting. But as with everything in life, it's a bit more complicated than just:

[Working days per month] 20 x [day rate] £200 = £4000!

The reality is more likely to be: in the first month you manage to find 6 days' work. Which seems like a lot, especially after you've spent the other 14 days chasing those jobs. But in reality it means:

6 x £200 = £1200

To comfortably allow for accountant's fees, expenses and tax, you should put aside 25% of your earnings, so you're left with:

£1200 - 25% = £900

But if you land your work near the end of the month, you may struggle to get cash in your bank before the month is out.

Clearly, if you want to make a move towards contracting, start saving! The more cash you can put aside, the better protected you'll be against unexpected hiccups like:

- A slow start
- Slow-paying clients (or delayed payments from agencies)
- Personal injury or illness
- Losing your mojo.

How Much to Save?

Save as much as you can. How much do you need to survive? If you don't know, work it out. Calculate **everything you must spend in a month**. Things like:

- Rent/mortgage
- Bills
- Food
- Debt repayments
- Child support
- Fuel Insurance Travel

The total of these unavoidable expenses will be your **survival budget**. It's the minimum amount of money you'll need to survive each month. **Three month's worth of survival budget is often suggested as an ideal target.**

In reality, it's difficult to save that much money. And you probably want to start contracting before you retire, so a less substantial survival fund may have to suffice.

Save as much as you can, but don't forget to start contracting before you retire!

Choices: Big Decisions for Contractors

Being Broke Can be Very Motivating

Having a big pile of cash behind you may weaken your impetus to search for work. If you have a small amount of cash, perhaps just enough to last you a month or two on basic rations, you're going to be highly motivated to find, and complete, work.

Who are you going to be?

Will you be you, or will you be a brand? Will you be Tom P Quigley or Tompq Ltd? Before you make a decision, consider how a particular identity will affect:

- Website domains – is the domain available?
- Limited company name – check your name is unique
- Branding – how will it look on business cards, etc.?
- Recall – will anyone remember you?
- Longevity – is it a name that can adapt with you?

Contractor Choices

— Limited or Umbrella?

Going Limited

Being your own limited company means more paperwork and more responsibilities, but limited companies typically pay less tax than sole traders (this depends on how much you earn; high earners have more to gain by being a limited company).

Becoming a limited company is cheap, quick and easy, taking just a few days to set up.

Umbrella companies act as your employer, so they invoice your client, pay you a salary and deal with all of your income tax. They pay a fee for this service, which is more than if you were



The pros and cons

Before you make a decision, consider the pros and cons of each, and ask other contractors or an accountant for advice.

The Benefits of Being Limited

- You typically pay less tax than a sole trader
- Many businesses prefer to employ contractors who are Ltd companies
- Ltd status will give you a more professional appearance
- You have limited liability – your business remains distinct and separate from you as an individual.

The Drawbacks of Being Limited

Being a limited company involves more paperwork than being a sole trader. As a limited company you'll need to prepare a full set of accounts each year, which must be submitted to Companies House (they are then publicly available).

If you choose to become a limited company, get a professional to prepare your accounts. Many contractors choose to record their income and expenditure (this is called book keeping) but leave the preparation of accounts (the Profit and Loss Account and a Balance Sheet) to the professionals.

Of course, professional accountants cost money. Expect to pay £800–£1500 for the preparation of your accounts, depending on how well you do your book keeping.



Do you need free financial advice?

If you'd like **free advice** on whether an Umbrella or Limited Company is the best option for you, you can give **Crunch** a call and they'll happily talk through all your options.

Crunch are freelance accounting specialists — you can use their ground-breaking online accountancy system to invoice your customers, track expenses and pay yourself salary and dividends.

Then sit back and relax as the system calculates, prepares and submits your VAT & tax-returns.

Call 0844 500 8000 today to ask for a demo

How to Become a Limited Company

Step 1: Register the formation of your new company. Your new company must be registered with Companies House. Many agencies will do this for you, for fees ranging from £20 - £100. Just Google 'company formation' to find someone near you – or ask an accountant to recommend someone.

Step 2: Create a new bank account for your Ltd company. Limited companies must have new bank accounts. So even if you've been using a business bank account as a sole trader, you must open a new account for your limited company.

Any Umbrella?

Benefits of an Umbrella company

- Income tax and national insurance contributions are done for you
- No need to worry about IR35
- Less hassle

Drawbacks of an Umbrella company

Working through an Umbrella company may simplify your accounting, but **you have to pay for the privilege**. You will also miss out on the potential tax benefits of going limited – leaving you with **less take home pay**. Aside from this, the current coalition government is seeking to simplify IR35 legislation which, if they do so effectively, will make redundant one of the key benefits of working under an Umbrella company.

Check your company name is unique:

www.tinyurl.com/companynamecheck

The dreaded IR35 tax legislation

More about IR35

What is IR35?
www.tinyurl.com/WhatIsIR35

Podcast: Are you IR35 Compliant?
www.tinyurl.com/IR35podcast

IR35: Frequently asked questions
www.hmrc.gov.uk/ir35/faq.htm

General guide to IR35
www.tinyurl.com/IR35generalguide

Guide to starting in self-employment
www.tinyurl.com/StartingSelfEmployment

IR35 Contract Review

If you're concerned about your own contract, and whether it puts you in danger of falling into the IR35 trap, you can pay an IR35 specialist to review your contract.

IR35 — What Does it All Mean?

IR35 is an immensely boring legal nightmare that has implications for contractors.

IR35 legislation exists to prevent employees from being re-hired as contractors, while still being effectively employees.

Why do the government care about this? It's because businesses can benefit by turning their staff from employees into self-employed contractors. Businesses that have contractors instead of employees save money and have less responsibilities toward their employees, and the employees can pay less tax. A great deal for everyone? No, because the government loses out on tax and National Insurance contributions.

So the government came up with IR35, which means that **if you claim to be a contractor, but are really an employee, then you have to pay tax like an employee**. No more crafty rule-bending for pretend contractors.

A big part of the IR35 shenanigans is defining the difference between an employee and a contractor. Contractors must be careful to look like a contractor, and not look like an employee, if they are to keep the benefits of being self-employed.

Factors to Consider

If you choose to be a contractor, it's important that you are honestly a contractor. So don't just leave your employment with Peshpi Cola on Friday, only to return the following Monday as a contractor, working the same hours, sitting at the same desk, and doing the same job.

Don't try to pretend that you're a contractor if you're really just an employee, because then you will fall within IR35, and you could get a big bill for back taxes — one unfortunate freelancer was forced to pay £99,000 in back taxes. [Read more](#)

If the Inland Revenue investigate your contract, they consider your working relationship as a whole, but they are known to look at **a few key factors**:

- Are you 'part and parcel' of your client's organisation?
- Is your contract project-based?
- Can you provide a substitute contractor to do the work?
- Is your contract period fixed?
- Is your contract a service contract rather than a contract for services?
- What is your pay structure (do you get holiday pay)?
- Can you choose the hours you work?
- Do you receive any of the same benefits as employees?
- Do you have more than one client?
- Do you use your own materials?
- Can your business profit from good management in delivering the contract?

Choices – Financial and Legal Details

If you decide to leave your job and become self-employed, you must inform HM Revenue and Customs (if you're in the UK). You may have to pay a fine if you fail to inform HMRC of your change in status.

VAT

Once you start invoicing more than £68,000 per year, you'll need to register for VAT. Being VAT registered means that you collect VAT for the government by adding VAT to every invoice you raise. You're allowed to offset the VAT you pay on supplies, paying the difference to the government each quarter.

Flat-Rate VAT

The flat-rate scheme is a simplified VAT scheme for businesses that invoice less than £68,000 per year. Some contractors choose to register for the VAT flat-rate scheme because they can profit from it.

Contractors are not just the dynamic operatives that they seem to be. Behind every good contractor is a solid organisational foundation.

Invoicing, Payment Terms and Cash-Flow

Why Maintain Records?

Bookkeeping doesn't exist just to provide dull people with jobs. Without accurate bookkeeping you'd struggle to know if you'd made a profit. Without knowing your sales, profit and how your profit compares to sales, you don't know whether your business is profitable.

Doing business without bookkeeping is like painting in the dark. It might feel great but the end product is likely to be a hideous mess.

Invoicing

Finding work is just the first step in your ongoing battle against poverty. But let's assume that you can find work and complete work successfully. You might think it's time to get paid. Well, it is, if you're lucky. Before you get paid you're going to have to invoice.

Tell your clients when you will be invoicing them. And when that time comes, send the invoice. Never delay sending invoices, because it will delay when you get paid. If you raise invoices on project completion, make sure invoicing is on your task list. Always invoice as soon as you can.

If you are working under an Umbrella scheme you may have to complete a weekly time sheet and fax this to your agency – check with your agency for details.



(cc-by-sa)

Insurance

Many freelancers and contractors take out insurance to protect them from legal action in the event of accidents or disputes. Contractors are especially likely to choose professional indemnity and public liability insurance to protect them from the cost of incidents that occur on their client's premises.

Professional Indemnity Insurance

Professional indemnity insurance is intended to cover damages and the costs of defending legal claims made against you. So if, for example, you cost your client £1,000,000 because you accidentally omit a crucial warning on the packaging for a new erectile dysfunction pill, professional indemnity insurance will cover the costs.

If your work frequently puts you in a position where you could totally screw up your client's business, then get professional indemnity insurance.

Public Liability

Public liability insurance covers you if you accidentally damage a person or their property. So if you're striding through a client's office and you stumble into the CEO, breaking his nose and knocking his coffee into a row of new Macs, destroying all of them, you'll be glad you have public liability insurance.

If you're going to regularly work at your client's premises then get public liability insurance.

Tax & VAT Investigation Insurance

If you're worried about being investigated by the tax authorities, get an insurance policy to cover the potential costs.

Employer's Liability Insurance

If your enterprise grows you may need to employ someone to help. If you do take on an employee you are required by the Employers' Liability (Compulsory Insurance) Act 1998 to have insurance cover for a minimum of £5,000,000 to protect you against claims for illness or injury by your employees.

Get Insured
We recommend these **Personal Indemnity (£144)** and **Public Liability (£40)** policies from QDos:
<http://tinyurl.com/PI-for-Freelancers>

Tax defence
A cost effective way to get tax defence cover is to **join the PCG**.
Not only will you be helping an organisation dedicated to helping freelancers but you'll also receive insurance for legal cases up to £75,000 in costs.
<http://www.pcg.org.uk>

HMRC info on Flat-rate scheme for VAT:
<http://tinyurl.com/FlatRateVAT>

How Much Goes in Your Pocket?
Freelancers and contractors with a Ltd Company are likely to take home **75-80% of their rate** after tax, accountancy charges and expenses.
So if your day rate is £200 you can expect to take home £150-£160:

Day rate	Take home pay
£300	£225-£240
£400	£300-£320
£500	£375-£400

Why join the PCG?

If you are a freelancer, consultant or contractor working via a limited company, partnership, umbrella or as a sole-trader, PCG membership can protect you from issues that could damage your business, so that you can get on with what you do best-keeping your clients happy.

PCG is the not-for-profit industry association that looks after the interests of freelancers, consultants and contractors. The association is growing fast – currently over 18,000 members enjoy the benefits from just £120 a year. This equates to an investment of just a few hours earnings per year. In return, members who use the full range of resources find that membership pays for itself, many, many times over. Some of PCG's activities can save you thousands and even tens of thousands!

The benefits of joining PCG

Representation: creating a better working environment for you

PCG advises government on productive ways of incentivising the freelance and contracting workforce. We also investigate cases of bad practice in the industry, collect evidence and follow up with appropriate action, for example www.ictabuse.org.uk. The more members we have, the greater our influence.

Tax defence: professional expenses insurance to rescue you during a tax investigation

Tax rules are like shifting sands and it is possible to make very costly mistakes. Our tax investigation insurance covers eligible cases up to £75,000 in cost but we have gone far further when there is a principle at stake – in some cases all the way to the House of Lords.

Advice & resources: streamline your business to save time and money

When you join, you unlock the full PCG resource, including free tax and legal help-lines, contract templates to mitigate IR35 and other business risks, plus online forums and a regular concise update through our quarterly magazine, fortnightly newsletter and network of workshops.

Promotion: growing the market for freelancing and creating opportunities

We invest your membership subscriptions in educational programmes to create a cultural shift in the market, helping organisations understand the benefits of using freelancers and the correct way to manage the engagement. We also provide a number of resources to help freelancers find work, including the PCG Directory where you can showcase your expertise to potential clients.

Community: exchange knowledge, find work, collaborate

Network, debate and socialise on the forums and at member meetings.

Savings: a supplier network supporting the membership

PCG works with a range of suppliers delivering tailored services and discounts to the membership that can in many cases exceed the actual cost of membership. This includes insurances, accountancy support, contract reviews etc.

PCG's aim is to be the voice of freelancing; to be the ultimate authority on all issues that affect freelancers. PCG wants freelancing to be valued and respected – not only as a legitimate choice for the working professional, but as a vital force for the UK economy.

To join or find out more about PCG membership: <http://www.pcg.org.uk>

PCG



The Voice of Freelancing

Freelance Advisor

Bookkeeping

Without a system for recording your invoices, it's easy to forget that someone hasn't paid you. You will need every penny, so make sure nothing can ever go unpaid. Accounts software can be very cheap, but even a spreadsheet will do the job.

Online systems such as Freshbooks or Crunch.co.uk not only allow you to invoice clients but also provide reminders of who has (and who hasn't) paid you. Crunch has the added benefit of processing your tax and VAT submissions.

Payment Terms

As a freelancer you can decide your payment terms, as a contractor you will have agreed this as part of your contract and, depending on whether you are a Ltd company or under and Umbrella, you will have a procedure to follow. Whether or not your clients accept your terms is another matter. Some companies will insist on paying you 30 days after you invoice them, regardless of what you want. So you may have to be flexible, or change your terms depending on the client.

Freelancers often demand shorter payment windows because they have to protect their cash flow, and many clients are sympathetic to the needs of the freelancers they hire. Contracts usually get less leeway and have to get used to following the processes of the company they are contracting for (or the rules of their Umbrella company).

Cash Flow

Cash flow is a serious issue, so work hard to prevent problems from arising. Weak cash flow kills many businesses every year.

Monitor your cash flow carefully. It's easy to get carried away, working hard, invoicing with abandon... and totally forgetting to pursue your clients for the cash.

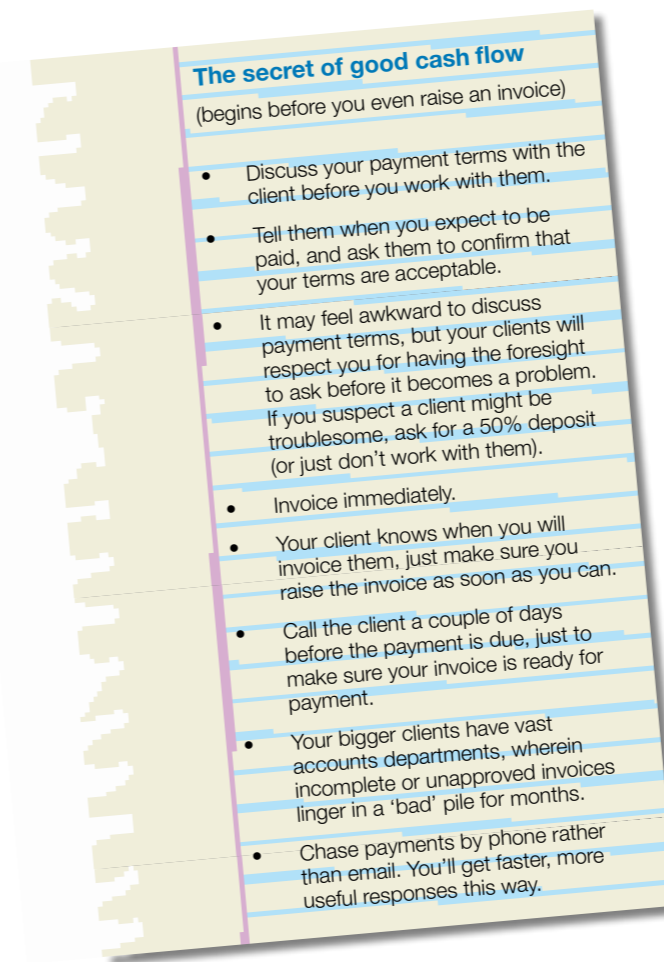
Don't confuse invoices with cash. Outstanding invoices are very different from cash in your bank. Cash is king. Invoices are paper.

Contracts

The best way to avoid disputes with clients is to have a written contract that details every aspect of your working relationship. Contractors get used to this very quickly, the clue is in their name, and they know that with a written contract there is very little room for ambiguity and any disputes that arise will be much easier to settle.

Debt Chasing

If invoices go unpaid, don't be shy about chasing your clients for payment. A polite enquiry will usually be enough to jog their memory.



Finding Freelance Work

Looking for work

Contracting is a constant process of working, finishing work and finding new work. Successful contractors are always aware that their contract is temporary and they look ahead for the next job. [Now where are you going to look?](#)

It's wise to try everything in the hunt for work. Different things work for different contractors. By spreading your supply of work across a variety of sources, you're protected against the threat of one source drying up.

Take Yourself to Market

The process of finding work is also called marketing. Imagine that you're a farmer, and you've got a prize-winning bullock that is ripe for breeding. You can't sell your bull if you don't go to the market. So if you're not getting enough work, think about how you can get your bullocks in front of your clients.

No Thing is a Sure Thing

Having a big, steady source of work might seem like a strong position to operate from, but if that client or project collapses, you'll quickly discover that your castle is made of sand. So the key lesson is to always fear the worst, and never get too comfortable with your current clients and projects – they could all disappear before you know it.

Continue to market yourself even when you're busy, even when you have 'enough' clients and 'enough' work.

So, how do you find clients...?

Cold (or Warm) Calling

Not just the preserve of double-glazing salesmen, cold calling is a great way to start relationships with new clients. You could send emails, telling people that you're available for work, but your email is likely to end up in the Trash folder, unread.

Calling people takes more time, requires more effort, and shows more determination. Many employers prefer a polite, friendly, concise and purposeful phone call to a bland email that you've clearly sent to hundreds of random addresses.

Calling potential clients is one of the most direct ways to find work. If you're ever panicking because you're desperate for work, pick up the phone. Oh, and if you've got a pool of regular clients, it might be worth giving them a call to say 'hello'. You never know, they might need your help!

If the idea of cold calling scares you, don't worry: everyone finds this idea uncomfortable. The best way to conquer your unease is to confront your fears.

So just do it!



Networking

Networking doesn't just mean organised events with people in suits.

Networking: *verb* – to create, develop and utilise the network of friends, colleagues and contacts that you have.

All social engagements are networking opportunities. Always carry business cards and always talk about what you do. But don't just say "I'm a programmer" or "I'm a graphic designer" – give examples of what you do.

Help people to understand what you do. If someone doesn't understand what you do, how can they recommend you?

When you're networking, listen to what people say. Think about what they do, see how it fits with what you do, and look for ways that you might work together. Always look for opportunities to be helpful.

Networking Events

Search for networking events in your area. Try a few. If you feel uncomfortable talking to strangers, or trying to sell yourself, remember that it gets much easier with practice. Before long you'll be an unstoppable schmoozing machine.

Tips for calling potential clients

- **Make a list of potential clients** (call people that are likely to hire you).
- **Smile.** Smiles can be heard.
- **Go for a run before you make calls.**
- **De-stress yourself and your voice.**
- **Stand up.** Your voice sounds better when you stand up.
- **Be brief.** Everyone you call is busy.
- **Don't waste their time.** Know what you're going to say.

- **Write a script** if it helps.
- **Know who you want to talk to** (i.e. 'the head of marketing' rather than a person's name).
- **Be friendly, polite, modest & confident.**
- **Introduce yourself** and explain why you're calling.
- **Listen carefully.** Be prepared to deviate from your script if an opportunity arises.
- **Ask if you can send over an email** with links to your website and portfolio.
- **Ask for an email address.**
- **Keep track of who you call** and what you say to them. (A spreadsheet is advisable).

See also:

[Your Elevator Pitch p20](#)

Freelance Advisor / Podcasts

Experts, interviews & advice to download



The UK's #1 freelancing and contracting podcast!

Featuring industry experts interviews and advice...

www.FreelanceAdvisor.co.uk/Podcasts

Your Website

Marketing Yourself on the Web

If you don't have a website, get one. Having a website allows you to:

- Be discovered by anyone
- Display your portfolio
- Feature evidence of your work
- Demonstrate your skills.

If you can't afford to buy a website, build one yourself using open-source (and free) software such as WordPress. Or use a blog platform like Wordpress.com, Blogger or TypePad to create an instant online presence.

If the thought of making a website is too scary, why not swap skills with a friendly web developer?

If you think a website is overkill as a contractor you can use an online profile on LinkedIn a place for your CV, networking and connecting with clients -- you can also formerly ask past employers to give you feedback on your work, your recommendations show right on your profile and will help future clients and agencies get a sense of who you are and how you work.

Being Found on the Web – Search Engine Optimisation (SEO)

Your website can be a useful way to get new clients, but it's useless if nobody can find it. Search Engine Optimisation is the process of changing your website to make sure that people can find you.

A few SEO tips to get you started:

- Make sure your keywords appear in headings, meta descriptions, meta keywords, meta titles and body copy within your website
- Boost links to your website by joining web directories
- Use your social media accounts (LinkedIn, Twitter, Flickr) to lead people to your website
- If you belong to any online forums, add a link to your website in your signatures.



Social Media – Better Networking for Contractors

There are many different social media websites that allow you to create profiles and to connect to clients, contacts and the people you would like to work with.

Use them, but remember to maintain a professional image because every message, blurb, picture or comment you post can lose you work. Stay positive, professional, polite and friendly.

Try:

- [LinkedIn](#)
- [Twitter](#)
- [Facebook](#)
- [Flickr](#)

For every industry there are websites that unite contractors with employers. It's easy to waste time searching for (and applying for) tiny, badly-paid jobs on the web, so don't put all of your marketing eggs into these particularly inefficient baskets:

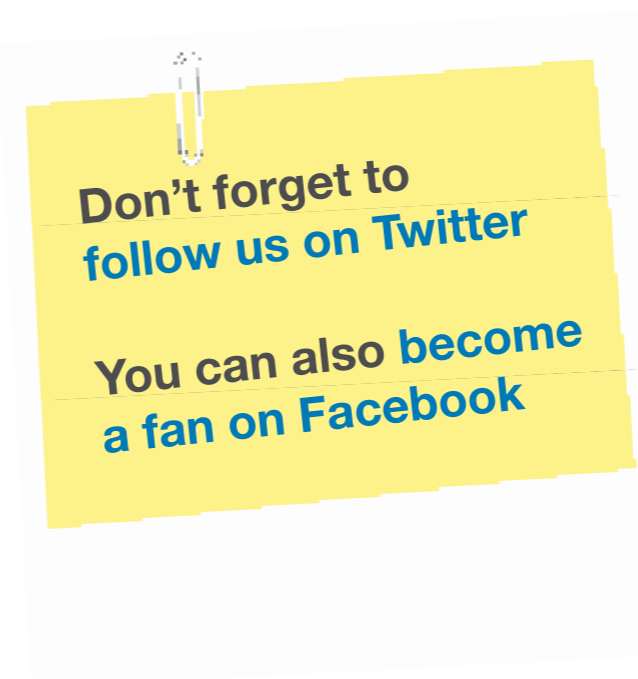
- [elance.com](#)
- [guru.com](#)
- [noagenciesplease.com](#)

Recruitment Agencies

Speak to a recruitment consultant or two. Get on the books of any agency that is relevant. A few suggestions:

- [people4business.com](#)
- [PeoplePerHour](#)
- [profilescreative.com](#)
- [xchangeteam.com](#)

If you do find an agent, don't expect them to do all the work for you. Continue marketing yourself and focus on finding your own clients. If the agency does bring you work, it's an added bonus.



See also:

SEOMoz Beginner's Guide to SEO
www.seomoz.org/article/beginners-guide-to-search-engine-optimization

Google's SEO Starter Guide
googlewebmastercentral.blogspot.com/2008/11/googles-seo-starter-guide.html

Getting Real. And Getting Things Done

So you've made the decision – you've quit your job and are counting down your final days of regular employment. Congratulations!

Now the rewarding business of being a contractor can begin.

So how will you work as a solo professional?

Getting Things Done

For contractors, getting things done is crucial. If you don't finish a job, you can't raise the invoice or fill in the timesheet. And if you're not raising invoices, you definitely aren't getting paid.

To-Do Lists

When you're procrastinating and getting nothing done, return to the humble To Do list.

Use a nice web application, such as:

- [Taskpaper](#)
- [Todobedobedo](#)
- [Rememberthemilk](#)
- [Tadalist](#)

Time-Boxing

Once you've created your to-do list, you need to think about what you're going to do and when. Schedule tasks in your diary. Work in 5 or 10 minute time-bursts. Set a kitchen timer and do nothing but work for a set period of time.

And sometimes it helps to reduce distractions:

- Switch off telephones
- Turn off Google Chat/Skype/Twitter applications
- Turn off your email
- Or even turn off the Internet completely.

Automation

Make your work simpler by automating everything that you can. Set up templates for invoices and common documents, put phone numbers on speed dial and automate back-ups.

Intelligent Scheduling

Being productive doesn't mean you have to work flat-out every hour of every day. Everyone has ups and downs in their energies, and everyone needs to waste a bit of time reading **The Onion**. Don't fight these factors; work with them.

Allow some time for procrastination, and schedule difficult tasks for whenever you feel freshest (probably the morning) and less taxing tasks for when you feel lethargic (probably after lunch).

Trading on Your Portfolio

I have no university degree or professional qualifications, but it does not matter because I'm an experienced, talented copywriter with a portfolio of work and a pool of clients who are happy to say nice things about me.

The most interesting thing you can ever tell a potential client is who you've worked with and what you've done for them. Degrees and qualifications are rarely relevant and almost never discussed.

TIP: If you have a LinkedIn profile you can ask past clients and employers to add a recommendation – a great way to show that you are an established and skilled contractor.

Update, Enhance, Show Off

Because your portfolio is of prime importance, make sure that you update and maintain it.

You may want to display:

- Big projects
- Recognisable clients
- A variety of work in different industries
- Your latest, or best-looking work.

Don't be shy about showing off your work, because your portfolio is your greatest asset.

Your Elevator Pitch

Your Elevator Pitch is a summary of what you do. It's concise enough to be delivered during a short elevator ride. It's the quick way of telling people what you do – this way you'll soon be telling friends, family, acquaintances and business connections about your work.

Have two versions of your elevator pitch: one version for potential employers (because we can assume they have some prior knowledge of your kind of work) and one that's better for people who know nothing about your industry.

A good elevator pitch doesn't just say what you do; it says why you're useful to your clients. Mention the benefits that your clients derive from you.

A bad elevator pitch:

"I'm a graphic designer."

A good elevator pitch:

"I'm a graphic designer – so I help businesses display their professionalism and their brand identity to their clients, and I take care of things like logos, adverts, packaging, posters, signs and anything that needs to look great."





Tools for tracking your time

If you're charging people for your time, it's sensible to monitor the time you spend on projects. Various tools are available online, such as:

- [Slim Timer](#)
- [Bubble Timer](#)

Motivation

When you're lacking motivation and struggling to get things done, what can you do?

- **Remind yourself of your goals:** Being conscious of the reasons for doing something makes the doing easier.
- **Make motivation habitual:** Give yourself a routine. Work set hours, and decide what you will do with those hours. Allow for the dips in your energy and concentration, but stick to your plan.
- **Tell people what you're doing:** You won't want to disappoint people, or get a reputation for being a complete slacker, so this will force you to get things done.
- **Plan tomorrow today:** Each evening, review the next day's to-do list. Mentally brace yourself for what you're going to do.
- **Start small:** Break down big tasks into small steps. This makes them less intimidating.
- **Do it yourself:** Remember that you are the one who is in control of you, so don't depend on other people to motivate you.
- **Never quit:** If you can't face a particular challenge, why not halve it? Rather than skipping the piece of work completely, just do a little bit. It's easy to get into the habit of quitting, but this trick helps you keep moving forward.
- **Say nice things about yourself:** Never say negative things like "I'm rubbish at focusing on work," because you will fulfil your own prophesy.
- **Pretend to be motivated:** Act like the motivated person you want to be, and your true self will follow in time.

“...the moment one commits oneself, then Providence moves too. All sorts of things occur to help one that would never otherwise have occurred. A whole stream of events issues from the decision – **Johann Wolfgang von Goethe**”



Life Vs Work

As much as you might enjoy your work as a contractor, and as much as your work and life may blend into one pleasurable mix, it's going to be important for you to retain some separation of work and life.

Time to Relax

It's worth setting boundaries between your work and home lives – to make sure that both aspects of your life get a chance to breathe. If you don't have rough working hours, you may be tempted to work later and later. And if you don't plan holidays in advance, you may never take them.

Health and Fitness

If you ever find yourself all in a muddle, your head spinning full of ideas, schemes and advertising jingles, unable to concentrate, unable to sleep, unable to get things done – you need exercise.

Exercise resets the body's stress clock, allowing you to release the stress you've accumulated. Whichever exercise you prefer, try to get out of breath (providing your health allows).

IT – Preventing Nightmares

Back-up your data

Stop for a moment and imagine what would happen if your computer died right now.

What would you lose? How much of your data would be lost? How much of it is stored elsewhere? How would you explain to your clients that you hadn't taken back-ups?

In addition to backing up data to an external hard drive, consider stashing a second back up offsite (post some DVDs to a friend?) Even better, use an online service that provides offsite storage and easy file sharing.

There is definitely a knack to managing your clients. Here are a few ideas that will help you have happy, profitable client relationships.

Get a Dropbox

Dropbox storage means you can access your data from any PC – perfect protection against fire and theft. You can also share working files with your clients which is great for getting feedback on your work.

Dropbox will keep old versions of your files, if you've ever saved something else over a different file you'll know how useful that could be!

Best of all it's free: <http://www.dropbox.com>

Charging for Your Time

– Setting Rates

How much are you going to charge? What is the going rate for someone like you? It's easy to find out:

- Check your competitor's websites
- Do they display their rates?
- Ask an agency, they usually have a good understanding of typical rates.
- Look at industry sites
- Call a contractor and ask them

Get an idea of what people are charging, and charge something comparable. If you're starting out, and don't have years of experience, it might be appropriate for you to charge at the lower end of the pay spectrum. Increase your rates as your experience, skills and knowledge grows.

Don't be tempted to under-cut the market. You may think that because you're new you should aim lower than everyone else, but don't. If you get a reputation for being cheap you'll find it hard to raise your standards and your prices.



Flexible Fees

Your rates can be flexible. Sometimes it's worth working for a lower rate if the work is interesting, charitable or good for your portfolio. On the other hand, some projects are unpopular and unappealing – so charge more for the inconvenience.

It often pays to ask a client what their budget is before you discuss rates. Once you know what they can spend, you can decide whether their budget is enough for you.

When to Increase Your Rates

It's difficult to know when you should inflate your rates, but tell-tale signs include:

- You're constantly busy
- Your enhanced skills mean that clients get more bang for their buck
- You're offering clients a better service by investing in better systems
- Your clients are always happy with your work.

How to Increase Your Rates

Tell your clients why you're doing it. Explain your rationale. Don't go into endless detail, but remind them of the benefits that you bring and explain why/how they're getting a better deal.

Understand where your pricing puts you in the market. Remember that new clients may ask you and several other contractors for quotes. If your rates are higher than your peers', make sure you're offering more than them. Be better qualified, better equipped, more professional, friendlier or just plain better to beat your competitors.



(cc-by-nc-nd)

Go Where the Work Is

The sensible contractor focuses not on the skills he wants to sell but on the skills that people want to buy.

If you're fighting over scraps of work with a thousand other contractors, why not leave them to it? Competing in an over-subscribed market is never going to be profitable. So go elsewhere. Specialise in something unusual – something that people need and will pay for.

Look for a niche that is unpopular, unexploited or emerging. Sometimes, being a successful contractor means modifying your ambitions towards something more productive.

Not Getting Paid for the Work You've Done – Avoiding a Cash Flow Crisis

If your clients are delaying payments, get more organised.

One week before invoices are due, call the client to politely remind them that your invoice is nearly due for payment. Ask if the invoice is okay, and if they are happy to pay you on time.

If invoices remain unpaid after the due date, send a statement or a payment reminder. Call your client and politely explain how important prompt payment is to you and your survival.

If your clients continue to give excuses, employ a company like [Creditsafe](#) to send a letter to your client (for a very small fee).

If a formal letter is not sufficient to extract payment, companies like Thomas Higgins & Co can escalate your case to court action. If you are worried about losing a customer, consider the value of a customer that doesn't pay you.

If you have lots of problems with late payment, ask for a 50% deposit (or more) at the start of a project. You may also want to request stage payments if your work is taking many weeks or months.

Consider your invoicing process – is there anything you're doing wrong? Never give clients an excuse to not pay. Make sure you follow clients' invoicing terms and conditions, and include purchase order numbers if they're required.

See also:

[Building a network](#) p17
[The Secret of Good Cash Flow](#) p15

Managing Clients



Manage Client Expectations

Make sure that your understanding of the deliverables is the same as your clients. Do they really understand what you're going to do for them, and how you're going to deliver it?

If you provide something other than what your client is expecting, you'll either have to waste time correcting the work or the client will go elsewhere.

Help the Uninitiated to Get What You Do

Some of your clients don't hire contractors all the time. And you may be the first contractor they've ever hired. Clients who know far less than you will appreciate an explanation of your process. Don't talk down to your clients, but find out how much they know and fill in the gaps in their knowledge.

Clients that don't know much about your industry can be the best clients, because you can give them a clear and correct understanding of what you do.

Say "no"

It's good to say "no" to clients. This might seem contrary to the popular saying that "the customer is always right", but contractors understand that the client is often wrong, and it is your job to delicately show them why they're wrong.

Clients often ask for free or discount work. It is generally a bad idea to accept these deals because they are rarely good for anyone other than the client.

Saying 'no' is also likely to earn you the client's respect, and save you a great deal of hassle.

Never Assume Anything

Assumptions are the gremlins that lurk behind many man-made disasters.

Never assume:

- That your client is going to do something
- That your client does or does not want something
- That your client is happy with your payment terms
- That your client understands how you will deliver work.
- That you both have the same understanding of the brief
- ANYTHING!



Call Clients on the Telephone

Clients appreciate a phone call every now and then, and one phone call can easily save you from wasting hours waiting for a response.

The telephone is also a great way to diffuse disputes. If you find yourself bickering over details by email, pick up the phone. Be friendly – it will disarm your client. Then talk over the issue in a calm, considerate way.

Be prepared to give way, but understand what you want to achieve and how this benefits the client. If you can persuade the client of the benefits of doing things your way, you'll probably win the battle.

Use Email for Important Chats

When agreeing rates, deadlines, deliverables, payment terms and every other important detail of your client work, do it by email. Having these conversations by phone is fine, but make sure you follow up the call with an email that documents every important detail.

Set Boundaries

It's not unusual for clients to expect a great deal from a contractor. Clients may forget that you work with a number of different, equally important people. They may also forget that you have a life outside of work, or other interests beyond completing their project.

So, be polite and firm, but make it clear to clients that your work must remain within certain boundaries, and that you will only step outside that perimeter if cash or benefits are agreed. So – you've made the leap. Things are going well, but everything isn't quite the orgasmic fantasy you had in mind. Let's look at some of the ongoing challenges you face as a contractor.

“...you can't please everybody. Even when I ran my bar I followed the same policy. A lot of customers came to the bar. If one out of ten enjoyed the place and said he'd come again, that was enough. If one out of ten was a repeat customer, then the business would survive.”
- Haruki Murakami

See also:

Managing Risk: Which jobs do you say Yes or No to?

<http://www.tinyurl.com/68ad78g>

See also:

[Motivation and Productivity](#) p21

So, What's it Going to Be Then?

Where's My Motivation?

If you're struggling to do essential tasks, try changing:

- The task
- The way you work:
- Race against a clock
- Work with a partner
- Listen to a new kind of music while you work.

If you can't make yourself get things done, and knowing that if you don't work you will quickly lose everything isn't enough to drive you onwards, it's probably time to ask yourself: [am I in the right job?](#)

Contracting isn't for everyone, and if you can't motivate yourself, you may need a manager and a corporate structure to keep you in line.

We've covered a lot of ground, and considered many aspects of freelancing and contracting, but has it been enough to help you make a decision? Or have we given you some ideas to energise your long-term contracting career?

You should only go into contracting after careful consideration. It's not an easy way to make a living, and there are no guarantees that you'll find work.

If you decide to go into contracting, plan an escape route – an alternative way to make money – just in case it doesn't work out. You can also consider ideas that will generate passive income: photographers, for example, often give photos not used by clients to photo libraries so they can be bought by future clients. Also consider developing multiple profit centres to spread the risk of work drying up in one particular area.

Contracting can be a hugely rewarding way to work, but it only rewards those who work hard. And to be a successful contractor you will need to work hard at many things beyond the thing people pay you for. You're going to become good at marketing, sales, looking after your accounts, management and admin departments.

Contracting is a bit like leaving home; it's a time to stand up as an independent person, responsible for your own life, taking charge of your destiny and creating your own future.

Whatever you choose – be good!

“
...Will you succeed? Yes, you will indeed.
(98 3/4 per cent guaranteed.)
Dr Seuss

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About the images

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About Freelance Advisor

Freelance Advisor opened its doors in 2008. Its purpose was to help its creator Darren Fell make sense of the UK freelance market and to share the knowledge and information that he found useful in his own life and career.

Three years on Freelance Advisor has become many freelance's first port of call for help, advice and news. We now boast a huge backlog of advice from industry experts, downloadable guides, template documents, and a popular monthly podcast.

Freelance Advisor is written by freelancers for freelancers, and features dedicated sections for Financial advice, Legal advice, Technology, Finding Work and Product Reviews.

You can also join the community for discussions and conversation on everything from the Working Time Directive to the best office chairs.

We hope you found this guide useful - if you did you'll find many more like it at FreelanceAdvisor.co.uk and ContractorAdvisor.co.uk. If you have any comments or feedback don't hesitate to get in touch on feedback@freelanceadvisor.co.uk.



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