

## Contracting skills can seriously affect your financial health

These tough times highlight more than ever how important your non-technical skills are to ensuring you keep winning profitable and fulfilling contracts. For, as all experienced contractors know only too well: it's not the best contractors who win the best contracts; it's the contractors who are best at winning contracts that get the pick of the crop.

So, what are these magical 'non-technical' skills? Well, they include key things like understanding:

- o The timing of contracts
- o Negotiating rates and margins with agents
- o [IR35](#).

Let's take timing, for instance. The [best times to get contracts](#) are in January/February and September/October, when budgets are in place and demand is highest. Anecdotal evidence, confirmed by personal experience over the years, says that rates can drop by up to 10% in the low months of June and December. The lesson: time your contract searches for the peaks of demand, and avoid the troughs.

Margins paid to agents on rates vary, too. In some cases, the agent charges a percentage on top of your day rate. In others, the agent is given a fixed rate by the client and the agent tries to find the cheapest, or most gullible, contractor to fill the gap. Margins can vary from 10% to 40% in some cases. The lesson: [negotiate with agents](#). Even in the current economic times, when you're at the point of negotiating the end-client will already have decided they want you, so the agent is unlikely to ditch you if you negotiate fairly.

And what about the third item on the list, [IR35](#)? We all know that if you find yourself in a contract that is deemed to be within IR35, then that can cost you up to 20% of your net take-home pay. The lesson: make sure you do everything necessary to ensure that your contracts are IR35 'bullet-proof'.

These three issues can have a huge impact on what you earn, and bad timing, poor negotiation and clumsy IR35 management can lead to as much as a 50% reduction in your potential earnings. But look at it the other way: if you get everything right, you can earn almost double, just by being canny.

None of these areas requires your technical skills; they all involve what can loosely be called your 'contracting skills'. And you are in a position to improve on your contracting skills at any time you choose, if you choose to.

Not convinced it's worth the effort? Then let's look at a practical example. Say you have a mortgage on a rate of 5% for 25 years. If you put yourself in the position of being able to overpay, by using your 'contracting skills' to earn more, you can drastically cut the mortgage term and the total amount you pay for your home. So, for example, if you plug the following into a [mortgage overpayment calculator](#) you find that:

- o Overpaying 10% each month decreases the term by 4 years
- o Overpaying by 20% every month decreases the term by 7 years
- o Overpaying by 50% every month almost halves the payments.

So, if the amount you lose by not passing on IR35 costs, by not negotiating better rates or through bad timing prevents you from paying off your mortgage in half the term, is this not sufficient motivation to sharpen up your contracting skills?

Managing agents, timing and IR35 are all topics covered in the [Contractors' Handbook](#). A small investment in time and money now could save you a fortune in years to come – a contractors' fortune, available to you simply by knowing how to play the game.



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