

Contractor doctor: how much income should I save for holidays and sickness?

Dear Contractor Doctor,

Firstly, thank you for your articles. They have proved invaluable for helping me to secure my first contract which I signed last week - yippie!

The money is pretty good, certainly better than before. I'm just wondering how much I should put by for holidays and gaps between contracts. What would you advise?

Thanks

Catherine Frampton

Contractor Doctor says:

Thanks for your kind words about the site and well done for getting your first contract!

You appear to one of those rare breed of contractors that actually thinks about saving the money they earn!

Many contractors work out the cost of their holidays by adding in the cost of the money they would have earned by not going. This is a scary route to go down indeed which could stop you from ever going on holiday!

To plan accordingly here's a few points to consider:

- o There are eight public holidays in each year
- o You will probably take less days off sick than when you were permanent.
- o You'll want to take the same (or more) holidays than your entitlement when permanent
- o If you play your cards right you should have little or no gaps between contracts

With the above in mind it is typical to account for 44 earning weeks per year.

It is sensible to estimate your annual revenue for 44 weeks work and then pay yourself monthly an amount that takes that into account. Don't forget to take into account savings for personal taxation. Your accountant or umbrella company will be able to advise on an exact to take each month.

To get a rough figure you can use the [Contractor Calculators](#)

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