



Contracting & Freelancing

How to be your own boss
straight out of university

Thinking about your first career?

Have you considered freelance contract work?

There is strong demand for knowledge workers in the UK and beyond. Your degree and the experience you have gained at university could help you become a successful freelance contractor.

- Start your own company and be your own boss
- Choose to work with organisations on projects that interest you
- Bolster your CV by working with various clients
- Take control of your work / life balance
- Earn more money

This graduates' guide to becoming a freelancer is brought to you by the UK's leading experts on contracting and freelancing

CONTRACTOR
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Executive Summary

What is contracting & freelancing?

There are many terms used for people who work on a contract or freelance basis, which include:

- Contractor
- Freelancer
- Independent professional
- Consultant
- Self-Employed
- Locum



The terms used tend to depend on which industry is being referred to, but ultimately they all mean the same thing – working for yourself and providing your services to a range of clients.

Throughout this guide we will refer to contractors, which tends to be more commonly used for where you have one client at a time, provide services on a specific project and then when it's completed you move onto another one with another client.

Contracting offers you a great opportunity to enjoy a rewarding and well paid career after university. Unlike traditional work, when you stay with a single employer, contracting means spending a month, three months, six months or more on specific projects with various organisations.

You'll be your own boss, almost certainly start your own company and be in charge of selling your skills to clients and negotiating your own hourly or daily rates. Contracting lets you choose the projects you work on, meaning you can do more of the jobs you like and less of the ones you don't.

You have greater control over your own work / life balance and the opportunity to take more time off. And you'll probably earn much more money too compared with being an employee.



Why should graduates choose contracting / freelancing?

There are several benefits to contracting / freelancing:

- You'll typically be paid more than if you were in a permanent job performing the same role, and you'll pay less tax
- You get much more control over what assignments you perform
- You decide when and how much time you take off for holiday
- You are responsible for your own learning and development, so you choose which skills you develop
- You work on a variety of projects for different companies so you continually add to your CV
- You get to be your own boss!



Who hires contractors and freelancers and why?

The demand for highly skilled knowledge workers continues to rapidly grow in the UK and overseas. You'll find contracting opportunities in most industries and from all kinds of organisations, from companies large and small and in the public, private and not-for-profit sectors. Here are just a few of the reasons your potential contracting clients will choose to hire you:

- You'll have specialist skills and experience that organisations won't have in-house
- You'll be a more flexible alternative to permanent staff, ideal for organisations that work on a project basis

- A client can hire you for a month or 12 months, meaning a life-long commitment isn't required



How will I find work?

Contractors find their own work. That means you get to choose the projects that interest you to work on. After a few years, you'll have built up a large enough network of contacts to source your own work direct with clients. Until then, there are a couple of tried and trusted routes that you can go down:

- Most first time contractors traditionally engage with a recruitment agency, which are also known as employment businesses. Agencies do take a margin out of your fees, but your agency effectively becomes your commission only marketing and sales department, finding you work. Agencies also tend to pay more promptly than many clients!
- Online job boards and business services marketplaces are useful alternatives. There are now many job boards and online marketplaces specifically for contractors where you'll be able to post your CV. Specialist forums and social media also present valuable sources of job adverts.



How to get started – can I start straight out of university?

Yes, you can start contracting straight from university. There is very large demand in many sectors in the UK, such as engineering, IT and new media, and the creative industries.

When you're starting out, the best way to find vacancies and advertise yourself will be online. Browse job boards and take full advantage of social media. LinkedIn is a great way to make

contacts within your industry and keep up-to-date with the latest opportunities.

Alternatively, if you already know somebody in the industry you are targeting, make the most of them. Encourage referrals to other people they think might be helpful, and look out for any industry networking events that you could attend.

Contracting can be a career for people of any age. Providing your skills are in demand and you learn the contracting skills of starting, managing and marketing your business, you can sell your services as a contractor. And there's lots of help out there for newcomers.

What is contracting and freelancing and why should you do it?

Contractors are essentially one-person small businesses who typically work for organisations, rather than direct for consumers. So, when you go contracting you'll be a business-to-business service provider, offering up your skills on a flexible basis to organisations such as companies and public sector bodies. Your contracting business will be hired via short-term contracts on a project to achieve a specific objective, after which point you'll likely move onto another role with another client.

Because you're selling your expertise, you'll be able to charge premium rates for your services, although you are responsible for sourcing your own work. Just remember: if you have the right skills, there will always be demand.



How does contracting/freelancing work?

Contracting works on a project-by-project basis. This is different from employment, where you will be hired on a permanent basis to fulfil a job description and all the roles it entails.

As a contractor you don't get paid a salary by your client. Instead, you'll charge an hourly or daily rate, and each contract will typically last for around three to twelve months – and quite often get extended past that date.

Typically, you will be hired to perform a specific role on a project, such as developing some computer software or website, designing part of an engineering project or deep sea diving to help build an oil rig! Once completed, you'll start looking for another contract. It means you're continually building your CV with new clients at the same time as enhancing and broadening your skills.



What's the difference between a contractor/freelancer and an employee?

Aside from the pay – contractors generally get paid a lot more - the main difference between a contractor and an employee is their employment status. Contractors aren't employed by their clients, meaning they can move from client to client, doing the jobs that interest them.

Some contractors choose to be self-employed sole traders, like many builders, freelance writers or personal trainers. But most highly skilled knowledge workers set up their own limited company and are employed by their own business, not their client.

You don't get the same employee benefits as employees do, such as regular salaries, pensions and sick pay. But that's OK, because you earn more and you run your own business. So you sort this out for yourself, and your business pays for protection such as sickness insurance, life insurance and any pension. There are plenty of professional advisers and financial products dedicated to contractors out there to help you do this. Whilst you are young and/or do not have anyone financially dependent on you these kinds of insurances are probably less of a concern. But they are available as your needs change, and they aren't overly expensive either.



Benefits and possible downsides of contracting/freelancing

Of course, alongside the many benefits of contracting, you may encounter a few downsides, which you can easily overcome with the right preparation and help. If you're a hard-working, career-driven individual, you'll certainly find out that the great positives definitely outweigh the negatives.



The benefits

- **You earn more:** You'll find that you can charge more per hour or per day than an equivalent employee because your skills are in high demand, and if you work via your own limited company you'll also be taxed slightly less.
- **You can be more flexible:** Forget the typical 9-5. You now have greater control over both your working hours and the location you choose to deliver on your contracting assignments.
- **Work is more varied:** Nobody wants to be stuck completing the same role day-in day-out, or be forced to do all the jobs everyone in the office else hates. Contracting allows you to pick and choose the assignments you complete.
- **You are in control:** Once you've completed the assignment, invoiced and banked your fee, what you do next is up to you. You might start another contract, or you might want to spend your extra money on some well-deserved downtime. You can have as much time off as you decide to.



Possible downsides

- **No holiday or sick pay:** Whilst you will be earning more, you won't be earning at all during time off, as you don't receive employment benefits such as these. So you need to plan for these – save during the good times and get the right insurances if necessary to protect any major financial risk.
- **Staying in contract:** Once a contract ends, you're responsible for securing another one. This often means engaging with recruitment agencies or marketing yourself direct to clients before your current contract finishes. But most good contractors can find all the work they need.
- **Admin:** Running your own business will mean some time spent keeping accounting records in order, although there are cloud service providers available that can help automate most of this, making it very easy for you.
- **Upskilling:** You're responsible for ensuring your skills are constantly up-to-date. If you want to go on a training course or learn a new qualification, it's up to you to fund it. But that's not a pitfall for most of us, right, because we love what we do?

Can I start contracting/freelancing when I graduate?

The short answer is yes, if you have the right skills and, critically, the right mindset.



What makes a successful contractor or freelancer?

- Firstly, you need an in-demand skill. When you have a particular area of expertise that you can apply to a wide range of projects, clients are going to want to hire you. Fortunately, you're well on your way to acquiring that skill right now at university.
- You must be passionate about your work and more than happy to work hard, and work long hours if required to meet deadlines. It's one of the factors justifying your higher pay, and remember you're doing what you love!
- Initiative is also essential, as you'll be required to adapt quickly to new projects, work well with new people, acquire new skills and source your own work. If you can do all this, you're already well on your way to becoming a successful contractor.



What skills do I need?

Beyond the skills relevant to your sector, there is a subset of skills you'll need to manage your company and your career.

- Developing business skills is a must. If your existing business knowledge is limited, don't worry, there are plenty of resources available online to help you develop your understanding. But be prepared to learn fast.
- Likewise, you'll need to develop a grasp of marketing, sales, finance and taxation – all of which you'll need to touch upon during your contracting career. Again, these are easy enough to pick up if you work at it and there is plenty of help available.
- Finally, soft skills such as communication and motivational skills are important. Remember, you'll be changing projects and working with new colleagues on a frequent basis, so it's vital that you're able to adapt well and hit the ground running.



Who will I work for?

In short, you will work for any organisation that needs a highly skilled and flexible worker to achieve a task. Traditionally, contracting has been a sector dominated by IT, engineering, finance, management, marketing and media professionals, but its scope is ever-growing.

Now you can find a contract in pretty much any knowledge intensive role. Companies in virtually any skilled sector are now recognising the benefits of contractors, including those engaged in the arts, marketing, media and teaching.

You needn't just think commercial business, as many public sector organisations can't function without contractors. Local authorities, central government departments and the NHS are particularly reliant on the support of contract staff, although rates may not reach the dizzy heights that you can achieve in the private sector.



Do the numbers work?

So, the burning question: “How much money will I make?”

Getting paid as a contractor isn’t quite as simple as receiving a salary as an employee, so you’ll need to calculate what rate you’ll need to charge to cover your expenses and achieve your desired income.

But there’s more to consider. Remember there are also tax advantages to working as a contractor, meaning HMRC won’t be digging into your pockets quite as much. There are loads of free online resources to help you figure out how much you need to be earning.

Fortunately, ContractorCalculator has a selection of [free online finance and tax calculators](#) readily available, so you can easily find out what you need to do to hit your target income.

So, I want to be a contractor/freelancer when I graduate. How do I get started?

If you are attracted to the freedom of being your own boss, then there are some practical things to think about before you start your contracting career.



How will I start 'trading'?

One important decision you'll make when starting up as a contractor is what 'trading vehicle' you will use. As you are starting a new business, you need some way to trade. Self-employed people are typically 'sole traders'. For most contractors there are two realistic options: incorporating your own new limited company; or joining an umbrella company.

Running your own limited company has tax advantages, meaning higher net pay after taxes are paid, and gives you much greater choice about how you pay yourself and when. However, you will also be responsible for managing admin such as invoicing and keeping your company accounts.

Trading via an umbrella company is a simpler way of contracting. However, you do get taxed more, you can't claim much in the way of expenses, it is less flexible and your umbrella company will take a small sum from your fees, meaning it's the less lucrative option.

Main advantages of a limited company

- You pay less tax and claim expenses, meaning higher net pay
- Your earnings are paid directly into the company bank account (no umbrella fees)
- You're in complete control of all transactions

Main advantages of an umbrella company

- Instant on / off
- No process of having to set up and run a company
- Minimum administration, just complete a time sheet and forward it to the umbrella company

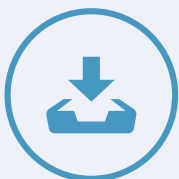


Create and publish your CV and LinkedIn profile

Contracting is a whole other world to employment, and that includes your CV and LinkedIn profile. Creating a CV that is tailored to each individual role you want is vital.

There's plenty of guidance online to help you [create a killer CV](#) and LinkedIn profile. But here's a checklist of the basic CV requirements that should help secure you an interview:

1. **Bespoke:** Tell the client what they want to hear.
2. **Tailored:** Create your profile and skills list on the front page to match the contract.
3. **Relevant:** highlight in bold areas of the CV that are directly relevant.
4. **Value:** explain how you can add value using your skills.
5. **Concise:** Keep it short. Avoid long essays. Two pages maximum.



Sources of contracts

When it comes to finding contracts, one of your first places to go will be a recruitment agency. Agencies will act as an intermediary, being briefed on roles by clients that they advertise. You then apply for the role with the objective of securing an interview, and ultimately a contract. As a new contractor with little experience, you may find it a challenge to get added to an agency's candidate database. But emphasise your specialist skills and any relevant experience and be persistent.

Agencies do take a margin of your fees in return - and it's important to ensure you don't sell yourself short when negotiating a rate – but they are critical to you securing an assignment, often performing sales and marketing tasks that you'd be lost without, even if they aren't immediately obvious to you.

Job boards and online business and freelance marketplaces offer a useful route to market for you and are used by the recruitment agencies too. There are now numerous online job boards specifically targeting contractors in individual sectors. As well as providing a space to post your CV and advertise yourself. Some clients use online marketplaces to advertise roles and specific projects directly without using agencies.



Building your network of business contacts

The bigger your network, the more scope you have for potential contracts. To begin with, you might want to speak to course friends, people you have worked with on placements and anyone else you may know in the industry you plan to work in, including friends and family. On the latter, you'd be amazed at how distant relatives will be delighted to help you get your foot on the contracting ladder, so don't forget them!

It pays to search online. Browse industry websites, reach out to people who you feel could be helpful and encourage referrals. Networking events are another opportunity to look out for.

LinkedIn is the ultimate tool for building up your network and signalling to contacts when you are available for contract work. It's also very handy for keeping up to date with the latest news within your sector by joining relevant groups.



Setting up a limited company and bank accounts

Setting up a limited company can be achieved online and takes less than an hour. The longest part can be trying to work out a company name. For longevity try to use something fairly generic that doesn't include your name.

You may wish to appoint an accountant from the outset, and many offer a free company set up as part of your first year's fees. An accountant is essential – don't attempt filing company accounts and tax returns without professional help. There are plenty of affordable contractor specialists many with cloud based cost effective solutions. Search in Google for "contractor cloud accountant".

Opening a bank account can be straightforward particularly if you avoid the high street banks. Financial solutions tailored for contractors are available, making for a far smoother process. You'll find plenty of advice online about how to start a company and open a bank account.

Enjoy the positives, and overcome the pitfalls

A contracting career is rewarding, providing you with many benefits. There will be the odd pitfall whilst you are learning, but all of them can be overcome.



Contracting/Freelancing – the positives

Take control of your finances

Your contracting career can be highly lucrative. By using a limited company to trade, you choose how much to pay yourself and when. You can also divert your fees into a range of tailored financial products that provide for your future, and also for any times when you may not be able to work. This also involves tax planning – which can save you a lot of money if you're running a limited company.

Take time off to suit your lifestyle

As a contractor, you are your own boss, so there are no set rules when it comes to taking time off. If you are working on a contract, clearly you have to be around to deliver that project. But if you have a break between contracts and you feel like travelling abroad for a couple of months, what's stopping you?

Work/life balance

One of the great advantages is being able to choose which projects you want to work on. Some projects may require a regular on site work pattern, and other projects might enable you to work largely from home where the focus is on what you deliver by set deadlines. The key here though is that you can choose. You are your own boss.



How to overcome some of the hurdles

Seek professional help

After you have chosen this great way of working, you may encounter some challenges. For example, a recruiter may seek to take advantage of your relative inexperience by trying to negotiate an unfavourable rate. You'll learn quickly how to negotiate better next time!

Or a difficult client might decide to hold back payment, in which case you will need to follow the correct process to collect payment.

All these situations are common for business owners and contractors and need to be handled carefully.

Sometimes the best course of action is to seek professional advice. By all means ask your fellow contractors, friends and family. But get professional qualified advice because making the right decisions when it comes to law, finance, tax or accountancy will ensure your contracting career is a success.

Get yourself and your business insured

As a contractor, you will have certain obligations and legal responsibilities. These will include rectifying any costly mistakes you might make. You have a responsibility and duty of care to your client, and your contract may specify that you fix any mistakes.

If you are running a limited company, you will need certain business insurances for this. They are not expensive, but they are in many cases essential and clients will expect you to have them in place.

Is contracting/freelancing a long-term career choice?

The short answer is absolutely. There are hundreds of thousands of contractors in the UK who choose to stay contracting for decades.

Forget the traditional employment option where you join as a graduate trainee, work in different departments until you find your niche and then spend another forty years working towards retirement. That's not what contracting is about.

By staying on top of your skills development, you can stay in contract and gradually increase your earnings. Your surplus income and financial flexibility means you have potentially more investment options than employees.

You may even wish to start growing your business by hiring other contractors and even hiring employees.



Maintaining your skills

Being a contractor, your demand is driven by the fact that you have skills that your clients' employees either don't have or need more of to fill a resource gap. This means you must stay ahead of the curve and continue to upskill throughout your career.

Although you are funding your own development, it's important to consider each qualification or training course in terms of the future value you can provide to your clients. Remember, your skillset is why you win all those lucrative contracts in the first place.

If you can stay just ahead of the curve then often just being that slightly more trained can land you a great contract where you then learn the new skills in more detail whilst on the job. Then each

contract can be considered a stepping stone to the next one.

Training expenses can be claimed as a deductible expense paid for by your company – helping you save tax in the process of developing your skills.



Saving and investment for the future

It's never too early to start planning ahead, especially during cash-rich times. Any savings invested when you are young grow the most and contribute to a large part of your retirement pot.

Once you have started your own limited company, cash can be paid into your pension from your company and is classed as a cost before tax. Why is this important? It means the government subsidises your pension so you can lower your tax bill whilst saving for the future!

Investing in buy-to-let property is also a popular investment for contractors, providing a continuous source of income after retirement. Many contractors have opted to become part-time buy-to-let landlords after a few years have been spent saving up their earnings.

There are many specialist financial service providers who actively want to do business with contractors.



Growing your business

If you've an ambition to become a global billionaire, evolving your one-person contracting business into a larger enterprise could be on the cards.

As a one person contracting company, you'll eventually reach an earnings ceiling – the maximum daily rate you can achieve times the number of days you want to work in a year. Although this ceiling is very high, some like to take it one step further.

The idea is to ultimately build a business of value that doesn't depend on your personal expertise. It means putting to use the business knowledge that you've acquired over the years. Identify your strengths and limitations. If there are any qualities that you lack, surround yourself with people who possess them.

Not everyone is a born entrepreneur, and it's not necessarily the next step up for all, but it does go to show the possibilities that are available to you if you start a contracting career.

OK, I like what I've learnt about contracting & freelancing, so where do I go next?

If you think you've got the skills and determination to become a successful contractor, the first step starts with you. Continue to work hard on your studies and aim to achieve the best result you can.

At the same time, look for opportunities to acquire relevant business skills and work experience – potential clients will be seeking more than just a top degree. They will also want to see evidence that you've put your knowledge into practice.

Talk to your university careers adviser, family and friends to start building your network now. Remember to ask for help from your network – you'll be surprised at how keen everyone will be to help you. And using your network effectively will underpin your future career success.

There is plenty of free support available online, and you can start with:

www.contractorcalculator.co.uk

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