

Charging clients a retainer – how they work

Contractors completing a project for a client, or making the transition into becoming a consultant, may find the opportunity to propose that they continue to work for the client but on a retained basis. This typically happens where, for example, a contractor has built a system for their client who wants it maintained, but does not need someone full-time to do that.

There is a considerable range of retainer models and methods of charging. What most have in common is that a contractor is expected to be on hand to deliver on-demand high-value services to their clients for a certain amount of time, often at short or no notice.

Retainers are not like regular contracts, so to create an effective retainer contract will require the services of a legal professional experienced in creating such agreements. It is particularly important to take [legal advice](#) if there was an agency in the loop at the beginning.

Retainers won't suit all contractors and the types of services they offer, because most retainers come with obligations to provide some services to a client. Contractors who intend to continue working on a succession of rolling full-time contracts might find it difficult to be available at short notice for clients who have them on a retainer.

What is a retainer?

A retainer is typically a regular payment by a client to a service provider or an individual to be on 'stand-by'. That payment then enables the client to access the skills and experience of that worker or service provider on demand, or for a set period of time.

Under some retainer models, if the client does not use the time, they pay the retainer nonetheless and 'lose' it. That's like subscribing to a legal helpline for a year and never making a call.

In other scenarios, a retainer is required simply to access the services of highly skilled and specialised individuals or companies, and further fees are charged on top if the client actually exercises their right to access the services.

Publicists, law firms and highly specialised management consultants often adopt this model, but it is unusual in mainstream engineering, IT and business consulting, unless the individual or business is highly specialised and in demand.

In the types of sectors that contractors operate in, such as IT, engineering, energy, oil and gas, media and management, retainers are usually paid monthly. The client is able to pick up the phone, sometimes but not always in a crisis, and ask for advice, or to access the contractor's expertise according to one of the models outlined below.

Different types of retainer models

Retainers have evolved to cover scenarios where the emphasis is on the delivery of 'value', and not time, although time is often a component of a retainer model. For example, a highly skilled and experienced engineer with decades of experience might, in the space of a short phone call, be able to save their client a fortune.

In this scenario, it may not be in the best financial interests of the expert to work on a time basis, so the client pays a retainer each month, and may only ask two questions in a year. But the response and resulting value added to the client's organisation more than justifies the retainer for both parties.

Types of retainer models a contractor could adopt include:

Retained contracting/consultancy services: The client pays a set amount each month and in exchange is guaranteed to be able to access a certain amount of time. If the time is not used, it is rolled over into the next period, and/or the following month's retainer invoice is adjusted – a similar model to classic consultancy or contracting, but guaranteed each month

'Classic' retainers: The client pays a set amount each month and can access the contractor for a certain amount of time. Unused time is 'lost', but if the contractor over delivers there is not normally an additional fee unless the over delivery is significant

Retainers where the deliverable is 'value': Although all retainers emphasise the delivery of value rather than time, in this model the client wants to be able to access an expert when needed. So there is not usually an allocated time budget, but the client does pay for an expert to be available when needed

A retainer to gain access to sought-after services: the client pays a retainer simply for the privilege of being a client of the contractor service provider or expert. The contractor delivers nothing in exchange for the retainer except to be available to provide their fee-charging services if the client wants them. And if the client does want them, it pays. Under this model, the contractor has the potential to generate significant 'passive income', for which little output may be required.

Choosing the right model, or a combination of models, will depend on the nature of the contractor's services, expertise, the client's needs and the relationship

with the client.

Retainer charging mechanisms and setting fees

The charging mechanisms contractors can apply to the above models might include:

A straight retainer, for example a single all-inclusive monthly payment

A retainer for being available, plus fees for completing work

A retainer, plus a call-out charge and fees on top

A retainer adjusted monthly according to how much work has been delivered.

As with mainstream contracting and consultancy, the level of retainer fees will vary hugely. And the basis on which they can be calculated will also vary.

In some instances it may be appropriate for a contractor to base their retainer on a multiple of their market contracting rates.

An alternative fee-setting method is to calculate the value of the advice provided under a retainer. If a contractor is providing advice once or twice a month that is saving the client many tens of thousands of pounds, then a retainer of several thousand pounds would not be unreasonable.

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The pitfalls of retainers

Retainers are not 'contracts', and contractors should beware of common pitfalls. The first is trying to adapt a classic contracting contract for use on a retainer. Contractors should seek expert legal advice from a lawyer with previous experience in creating retainer arrangements.

An experienced retainer contracts lawyer will also be able to create a strategy to manage an agency's interest, which may be the case if a contractor's original contract was via an agency. There will almost certainly be a [restrictive covenant](#) in the original contractor-agency contract. Either the contractor must provide a financial acknowledgement to the agency, or find a way out of the restrictions.

Contractors working on retainers that demand instant availability must also consider their responsibilities to other clients and manage when they take time off. Being unavailable because they are working on an offshore platform in the North Sea working for another client, or on holiday trekking up the Amazon, might cause a contractor problems with clients who are paying a retainer to call in their services on demand.

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