

## Contracting mindset tips: save money for sickness, holidays and time out of contract

As a contractor, you are a business-to-business service provider and you will only get paid for the services you deliver to your client. Unlike when you were an employee, you won't get paid if you fail to deliver your services for any reason – be it sickness, time off for holidays or when you're not working between contracts.

### Would you pay £300 to watch daytime TV?

If your gardener, who normally turns up once every week to mow the lawn, breaks a leg and can't work for a month, meaning you have to find a replacement or mow the lawn yourself, would you still expect to pay her?

Do you expect to keep forking out fares to the regular taxi driver who normally takes you to the station each morning and collects you each evening when he takes a two-week holiday on the Costa Brava?

Is spending eight hours watching daytime TV really so important to you that you'll spend £300 for the privilege?

### Clients only expect to pay for services delivered

When you go contracting, you become a service provider, just like your gardener or taxi driver. Once a client hires you, they pay for your specific skills and services to solve a particular problem. If you don't deliver your services, you won't get paid.

When you were an employee, you were paid holidays and sick pay. But as a service provider like your gardener or taxi driver, your client won't pay you to laze on the beach or visit the doctor.

And taking a 'sickie' becomes an expensive habit. If, for example, you are earning £400 per day and decide to take a 'sickie', this is likely to cost you approximately £300 from your own pocket in lost earnings, as employment legislation for sick pay and paid holidays doesn't apply to your relationship with the client.

### Be professional and make financial provision for time off

Taking long holidays is one of the benefits of a contracting lifestyle, as you can plan vacation breaks between contracts and factor the cost into your target earnings. Work out how much time you want to take off in a year, and make sure what you earn in the remainder covers your annual requirements.

Of course, sickness can't be predicted and, if you are genuinely ill and/or infectious, you won't be thanked for turning up. But several hundred pounds of lost income generally proves sufficiently motivating to most contractors to overcome minor ailments. More seriously, though, good financial planning and insurance are essential to ensure a more serious illness doesn't become a financial disaster.

In addition to holidays and sickness, there are times when you are likely to be involuntarily without work, even if it's only for the occasional week between contracts. So, having money saved up will not only provide you with a cash cushion, but will also mean you won't have to take the first offer that comes along. In other words, you should always be able to choose an assignment and rate that suits your requirements, not your bank manager's.

#### Contractor mindset tip:

Contractors don't get paid holidays, sick pay or for time off between contracts by their clients. So plan your finances carefully.

Published: Tuesday, October 19, 2010

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