

92.4 WRITING YOUR RETAINER AGREEMENT

Many clients won't be familiar with retainer-based contracts, so the first task is to define them. Here's how an agreement starts for a freelancer in the creative sector.

RETAINER AGREEMENT EXAMPLE

Retainer agreement for [client name]

This is a proposed Retainer Agreement between [freelancer] and [client]. A retainer is a single, simple, monthly fee covering an agreed volume of tasks, each with a deliverable and outcome. The advantages of a retainer are fourfold:

Your flow of work is managed, leading to terrific deadline discipline and availability; your work is delivered at fixed cost, without worrying about costed time increasing; you enjoy increased value for money, with a large discount applied to your monthly fee; and you enjoy competitive costs on additional work, with a further discount on out-of-scope.

SUMMARY

This plan books resource of 0.4 FTE (Full Time Equivalent persons) including 0.1 FTE of content planning, 0.1 FTE of campaign development, and 0.2 FTE of collateral creation.

The plan is divided into contract and non-contract work. Contract work is delivered for a single fixed monthly fee. Non-contract work is anything you ask for outside this scope, and includes a large discount as an additional benefit of this retainer agreement.

Your 0.4 FTE of resource is equal to 8 days each month. In recognition of your importance, fees within this retainer agreement are discounted by 50% from rate card and non-contract fees by 25%.

92.4.1 Explain what a retainer is

This part can be standard for most retainer agreements: definitions of FTE and the five sections of the scope of work, with a broad statement of the value you'll deliver.

92.4.2 Set out the benefits

To back up your definition of a retainer, it's useful to include a list of key benefits. At its heart must be a clear statement that the client is being offered a **large discount** and **greater value**. One way is to compare the monthly cost of a retainer with the monthly cost of the same services at your straight up-and-down rate card, and demonstrate the saving.

Again, this part can be largely standard, with some customisation for the work you do for that client. While a retainer agreement should be for one year, state that the initial agreement is for three months; it's a short enough time for your client to relax and not feel he's committing too much just yet.

92.4.3 Sum up your retainer offer

Your pricing model probably comes down to costing your **time** in some way. The total time you work equals one FTE: **1.0 Full Time Equivalent**. The term FTE is recognised by every procurement officer, every human resources person, and every financial director on the planet.

So a great way to sum up your retainer offer is by noting the total fraction of your full-time effort you'll devote to that client's work each month. For instance, 0.33 FTE is a third of your time.

Further down, you'll split your offered FTE into fractions: a single FTE can be 5 chunks of 0.2 FTE, 2 chunks of 0.5 FTE, and so on. It's an easy way to calculate the return on the time you allocate to each client.

92.4.4 Stating what's covered . . .

Contract work is the core of any retainer agreement: the tasks you perform each month under the agreement. Always remember to separate contract and non-contract: you charge for it differently. Here's how the retainer agreement continues.

RETAINER AGREEMENT EXAMPLE
WHAT'S COVERED IN CONTRACT WORK
All time agreed in contract, all equipment and software needed to execute, all project management resource plus any outside expertise on a per-project basis if needed as part of a contract deliverable.

92.4.5 . . . and what isn't covered

Non-contract work needs to appear on a retainer agreement because it defines what's *not* covered by the retainer fee. This helps keep your client and you on the same page. More on contract and non-contract tomorrow on **Day 93**, but here's how you put it in your retainer agreement.

RETAINER AGREEMENT EXAMPLE
WHAT'S NOT COVERED IN CONTRACT WORK
Non-contract work is any work outside contract scope. Examples of non-contract items are: [A], [B], [C].
Also not covered in contract work are variable third party costs such as changed quantities, media, and materials. These items will be agreed upfront to avoid surprises.
NON-CONTRACT WORK (25% DISCOUNT OFFERED)
[Client] shall enjoy a 25% discount on day rates for non-contract work if the retainer is taken.

There's a plus: with a retainer agreement signed, you can offer competitive pricing on any non-contract work . . . with the goal of moving that work into the retainer agreement at next renewal.

92.4.6 List your retainer deliverables

The core of your retainer agreement is a list of agreed actions, or a **scope of work**. Today, concentrate on listing *all* deliverables you can imagine your client ever asking for; you'll split them in the Tasks. Each deliverable row needs 5 columns.

RETAINER AGREEMENT EXAMPLE				
Deliverable	Output	Resource	Date	Cost

92.4.6.1 Deliverable

A **deliverable** is some discrete piece of work you do for the client as part of your monthly scope. However many steps it takes you to create, take a critical view on how large or small each deliverable should be. Ideally, the smallest project you'd charge a client for is one deliverable.

92.4.6.2 Output

The **output** column is where you quantify that deliverable. How many of them do you work on each month? Of what size? In what depth? Depending on what you plan to do for the client, put it in numbers here.

92.4.6.3 Resource

Resourcing links the deliverable and output, by demonstrating the fraction of your human resource (in fractions of an FTE) you'll put into that part of the retainer agreement.

It's an estimate at this stage, but since it deals with your area of expertise, you should be able to make it very accurate. You met resource allocation on **Day 89**.

92.4.6.4 Date

A monthly scope of work isn't delivered all at once: it's a series of outputs over the month. To give your client a clear idea of when he or she can expect contact from you, insert some ballpark catch-up dates or project deadlines showing when in each calendar month you'll deliver.

92.4.6.5 Cost

The last column comes to the crunch: how much you'll charge. It's based on your rate card (like everything else) but includes the visible discount you

learned about on **Day 82**. This is the value of retainer agreements: in many cases, the guarantee of repeat work in a retainer fee enables you to discount competitively without selling yourself short.

92.4.7 A total monthly fee

Finally, add your total fee—including, of course, visible discounting from **Day 68** to demonstrate the value you’re delivering each month.

RETAINER AGREEMENT EXAMPLE
Total base cost per month: [amount]
Retainer discount at 50%: [-amount]
Total: [total]

92.4.8 Adding your Terms and Conditions

At the foot, remind your client all your work, from project proposal to retainer agreement, operate within the **Terms and Conditions** you created on **Day 79**; your retainer agreement should include a reference.

RETAINER AGREEMENT EXAMPLE
Retainer fees to be billed first day of the month with client remittance by the last working day of the month. We propose a 12 month initial contract period.
Retainer fees and non-contract are both subject to our Terms of Business as attached. We propose an immediate start date. All costs are subject to applicable taxes.

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92.5 WHY RETAINERS WORK

Most freelancers work project-by-project, even those who work with a few clients time and again. Retainers are a **guarantee of future work**: you’re booking additional projects of the same type up to a year in advance!

The six-figure freelancer lives and breathes retainer clients because you want customers to *buy again*. And the simplest way to let them buy again is to agree a set of actions they’ll pay for each month in writing.

92.5.1 Retainers bring in more projects

This looking ahead lets you *plan* ahead. With a guaranteed revenue stream from that client, you can start looking for ways to deliver greater value—so you can increase your retainer fee next year. The main method is to move non-contract billings into the contract: you’ll see how this works on **Day 93**.

92.5.2 Retainers make the most of your time

Not all time you reserve for a retainer client is taken, every month. And not all time taken is exclusive to them. There'll also be actions you can perform once but which return value to more than one client at the same time. Just as airlines can overbook and voucher campaigns can overissue without fear of bursting their capacity, your single FTE of 40 hours per week can stretch to 60-80 hours of billable time—and beyond.

And typically part of that expanded capacity will never be used: in some cases your actual capacity may hit 100 hours a week. You'll see how to use this for fun and profit on **Day 94**.

92.5.3 Retainers smooth your delivery

The discounts you'll see on **Day 94** may *sound* high. But in many cases, up to 70% of the fee from a retainer drops straight to your bottom line, making it more profitable than day-by-day project work. How so?

Because of synergies. There's less juggling involved with retainer agreements. You can allocate work in different slots, for different retainer clients, at different times of the month. No pick-up / put-down problems, and a lot of benefits from batching work together.

Retainer agreements let you use the hours between sunrise and sunset far more effectively. And that adds up to an easier route to your £100,000 target. On **Day 95** you'll see a sample **work plan** that hones your capacity management ruthlessly.

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That's your introduction to retainer agreements. On to today's Tasks.