



How to Structure (and Land!) Profitable Retainer Agreements

Summary Handout

Introduction

A retainer agreement, in its most basic form, is simply an agreement whereby a client pays you a fixed sum of money every month in order to retain your services. It's very common in professions that are very hourly-rate driven, such as law, business consulting and public relations.

Traditionally, what it allows the client to do is to “reserve you” for a fixed amount of time or for a certain amount of work every month. They know they can count on you to deliver on time because you’ve agreed to be available.

1. As a freelance writer, it can be a great arrangement because it adds predictability and stability to your income.
2. Because of the recurring nature of the work, it gives you an opportunity to get really, really good at delivering quality work for the client—and to do it more and more efficiently every month.
3. And that, in turn, increases your **internal** hourly rate on your work for that client!

For instance, a white paper that may have taken you 30 hours to complete when you first began working with that client on a retainer basis could end up taking you just 20 hours to complete 3 or 4 months later, when writing a similar piece of about the same length. And if you structure your agreement correctly (as we’ll talk about in a few minutes), that can mean a bunch more money in your pocket.

The Traditional Approach to Retainers (and Why It Doesn't Work)

Let's talk about the **traditional** retainer-agreement approach and why I don't like it. Your traditional retainer agreement goes like this:

You agree to give the client X number of hours at a specific rate (e.g., 20 hours/month @ \$100/hour). There are a number of problems with this model.

Problems with this model:

1. It forces you to become a time tracker.
2. And it places too much focus on TIME and not value—on effort and not on deliverables.

So, on months where you didn't spend your full 20 hours, then the question becomes whether or not you carry over those hours. And even if your agreement states that those hours are lost when not used, it creates an environment where some clients start obsessing over this and become disappointed in what they're getting from you. They feel like they're wasting their money on months where they didn't use all their hours.

3. The other problem is that it places way too much emphasis on an hourly rate. And if you're like me and don't like quoting by the hour, this can be a problem. It forces you to reveal an internal hourly rate you may not want others to see. (If I told some prospects that I strive to earn \$250 an hour they would laugh or run—or both!)

Qualities of a Winning Retainer Agreement

The best retainer agreements are those that:

- Focus on exclusivity and availability for the client
- Take the focus away from hours and puts it into getting good things done
- Give the client budgeting predictability
- Take out most of the risk for the client
- Are hassle-free for both parties
- Give you income predictability
- Boost your internal hourly rate

- Make you even more valuable to your client (and “locks you in”)
- Give you more leverage when negotiating with new clients

How to Structure a Winning Retainer Agreement

First, make these agreements exclusive, and not something you offer everyone. The key to making retainers work really well is having a high trust level with the client. You both need to trust that the amount or value of work paid for is what will be delivered each month.

So don't offer retainer agreements (or even mention them) on your website. **Reserve these arrangements for clients you've been working with for a while—or for those you know well.**

That *doesn't* mean that when you do land a retainer agreement you can't occasionally have a discussion about the agreement and whether or not the numbers and effort level are still aligned. In fact, I encourage that (more on this soon).

What it means is that you offer these arrangements only to clients who are not "clock watchers" or "hour counters" and they trust you to be the gatekeeper of what (or how much) gets done each month. This ultimately benefits them as well, because the high level of trust they place in you will inevitably make you want to deliver as much value as possible each month.

Can it work for a new client? Yes, it could. But it's too risky to start the relationship that way. It's like proposing marriage on the first date (or at least the equivalent of asking someone you just met to be your roommate for a year). That can be perceived as pushy and aggressive.

Specific Steps to Follow

So, when I've been working with a client for some time and I start seeing that there's a high trust level there AND a need for a steady amount of work from me over the next few months (or longer), I simply approach the client with the idea. I ask them if they'd be interested in working out a mutually beneficial retainer arrangement (or a longer-term “work agreement” if I feel that language may be better received). If they're intrigued by the idea, here are the steps I recommend you follow:

1. Jointly come up with a (rough) list of deliverables or projects they'll need completed over a specified period (three months, six months, 1 year, etc.).

I've found that a minimum of six months is usually best. And more than 12 months is typically not a good idea, because so much can change when you're looking so far into the future that this unpredictability could become a deterrent to getting the client to entertain the retainer idea. But try to get that list of deliverables to be as accurate and complete as possible.

This is key. And if the client can't figure out a list, help them. For this to work it's very important that you have something to work from, even if you're making educated guesses on some of the projects and quantities.

Make sure that the list of projects to be delivered is realistic based on the timeframe you and the client are discussing. So, make sure you're not trying to do 9 months' worth of work in a 6-month period.

2. List all the deliverables or projects in a spreadsheet, put your standard fee (for this client) next to each one, and extend all amounts.
3. Add up all extended amounts to come up with the total value of that work. Then, discount that total by a percentage that feels right to you. As a starting point, I would suggest a 10% to 20% discount.

Why the discount? You're getting economies of scale in such an arrangement – you'll be able to get the work done faster AND you'll have a guaranteed stream of income coming in, so you should give some of those savings back to the client as an incentive. Again, this is still a good deal for you because you will HAVE those economies of scale AND you'll be benefiting from a steady income stream every month, so it's worth it.

Deliverable	Quantity	Unit Cost	Total Fees
Abstract	8	\$200	\$1,600
Blog post	30	\$300	\$9,000
Exec brief	6	\$2,500	\$15,000
Bylined article	4	\$1,500	\$6,000
White paper or buyer's guide	3	\$4,000	\$12,000
Case studies	4	\$1,500	\$6,000
Partner briefs	2	\$1,500	\$3,000
Help develop key messages w/ AD & CL	1	\$1,500	\$1,500
Product briefs - rework	6	\$500	\$3,000
Product briefs - new	8	\$1,000	\$8,000
Solution briefs - rework	18	\$1,250	\$22,500
Solution briefs - new	2	\$1,500	\$3,000
STEP brochure - rework	1	\$1,750	\$1,750
Misc editing work	15	\$150	\$2,250
Total:			\$94,600
Less 20% retainer & content-repurposing discount			(\$18,920)
Total adjusted annual retainer:			\$75,680
Total monthly amount:			\$6,307

4. Finally, take the discounted amount and divide it by the number of months the agreement will be for. That's your monthly retainer amount.

Key point: You are NOT sharing this spreadsheet with the client. This is for your eyes only. It's an easy way to make these calculations. I've included a sample Schedule A and B so you can see how I present these deliverables.

Making It Work (and Making It Stick)

Again, a critical element to making these agreements work well for both parties is to **focus on exclusivity and responsiveness (and results, when appropriate) as the biggest selling point**. Let the client know that the biggest benefit to them is that you'll put them first in line. You'll actually block out time every week for their work, and they'll always get on the "express" lane. This "velvet rope" selling point is absolutely key—and it's much stronger than the "volume discount" argument.

Other Terms and Conditions to Include

As I mentioned, this arrangement will only work if your relationship with the client is viewed as a partnership by both sides and is based on trust. The client has to feel that you have their best interests in mind. And they have to trust and respect you.

With that in mind, here are a few additional terms and conditions you should include in your agreement and discuss with the client (*see my sample Schedules A and B in the handouts section of this Execution Plan*).

- Your monthly amount is fixed. It's based on delivering a list of projects or deliverables. My agreement states that I will invoice on the first day of the month, and the invoice is due within 30 days.
- If the client wants to front-end-load the work (meaning, they will want most of the work done in the first half of the retainer agreement period—for example, they want 50% of the deliverables completed in the first 2 months of a 6-month agreement), then I would recommend that you adjust your monthly retainer accordingly so that the fee paid is somewhat proportionate with the pace of the work being delivered.

So if your monthly retainer would normally be \$2,900 for six months, you may want to ask for, say, \$4,500 a month for the first two months, then \$2,200 a month for the remaining four months.

- The client can make substitutions, but it's a give and take. For example, if they want to add something big, they have to take a big item off the original list (or a couple of smaller items). You have to be flexible. But this

is all based on trust. You can (and should) make exceptions – within reason.

- Add a clause to your retainer agreement stating that you and the client schedule a quarterly (or monthly) phone call to review the following:
 - Status of all work completed and pending
 - Future deliverables still in the queue
 - Workload vs. fees paid

The reason for that last item is to ensure that both you and the client agree that there is a fair balance between fees paid and work performed, and to review whether pending deliverables need to be altered in any way. This helps keep the agreement alive and prevents misunderstandings.

I even like to submit a weekly status report every Friday to the client that details:

- Deliverables submitted over the past week
- Deliverables in progress
- Items needed from client
- Other items or questions for client

This gives you a paper trail of what's happening week to week, provides greater transparency to the client, and it keeps everyone on track. (*I've included a sample weekly report with the handouts for this execution plan.*)

- Itemize everything else you're including in the scope of work. That will remind them that there's more to delivering these projects than may appear (*see my sample Schedule A*). For example:
 - All other meetings, interviews and calls related to deliverables listed above.
 - Biweekly public relations conference call with client's public relations firm.
 - Weekly status calls with client.
 - Studying any background materials needed for writing copy and content.
 - Further research as necessary to draft copy and content.
 - Up to two rounds of requested copy revisions per deliverable (flexible)
- Specify any exclusions such as graphic design and layout work. And be clear about things such as travel expenses, if applicable.

- State that you will reserve a block of hours every week for the client. However, even though they take priority, everything **can't** be urgent and "I need it yesterday." I like to state that approximate time to completion is usually one to two weeks of getting a go-ahead on the project.
- Finally, include a clear termination clause.

Mine states that either party can cancel the agreement at any time with 30 days' written notice. However, in the event that the retainer relationship is cancelled by either party, Client agrees to submit the full monthly retainer to me and I also agree to perform and deliver an equitable amount of work during the 30-day cancellation period. WHY: because I'll need some time to find a client to fill the gap. And if YOU are the one who's cancelling, you can't just leave them hanging dry.

This clause is there just in case your main contact leaves the company halfway through your agreement and their replacement doesn't want to keep you. Also, if you don't want to work for this person, it gives you a way out and protects both parties. (*See my sample Schedule B.*)

Key Benefits for You:

I've done four of these agreements over the years. Most have been a year or longer. They've ranged from as low as \$2,000 a month and as high as \$6,300 a month. For me, the biggest benefits have been:

- Income stability and predictability.
- Ability to boost your overall internal hourly rate by 50% or more!
- Deeper knowledge and experience in very specific industries and technologies within my target market.
- These agreements tend to "lock you in" with a client. It puts you in a position where it doesn't make sense for them to let you go. You're too valuable to them!
- Income stability enables you to be choosier about the other clients you take on.
- The ability to reuse and repurpose parts/pieces of work for that client.
- Getting the work done faster allows you to have more freedom and flexibility in your personal life, because you're now earning more in less time.

Key benefits for Your Client:

- They get a dedicated resource they can count on—someone they trust and want to keep.
- It gives them cost and budget predictability—they know what they're going to spend every month.
- They don't have to wait for you to have availability. You're guaranteeing them that availability every week or every month.
- The more you do for them, the more valuable you are to them—and the more ideas and winning approaches you can bring to the table.
- It's like having an employee – without having to pay them benefits. And in this economy, it's better, less risky and more cost-effective for many clients to hire a freelancer in this capacity than to hire a full-time or even a part-time employee.

Make sure to Listen to the field case studies included with this Execution Plan. And don't forget to go through the handouts and tools.