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## So you want to be a contract programmer?

### Need to like it all - or hire it

- Marketing/sales
- Negotiating
- Bookkeeping
- Support
- Programming

### Setting up - should you incorporate?

- liability protection
- more financial flexibility
  - deductible healthcare
  - depreciation
  - retirement, ...

### Corporate forms

- standard c-corporation
- subchapter s-corp - profits and losses flow back to indiv
- LLC - hybrid partnership/corp

### Taxes - the bane of our existence - lots of paperwork

- estimated quarterly payments
- withholding
- fica, futa, mesc
- in MI - the dreaded SBT (single business tax)
  - screwing up is expensive - learn it, do it right or pay an accountant/bookkeeper to do it

### Insurance

- BOP (business owner's policy) - equipment, premises, liability on physical mishaps
- Healthcare - indiv, through an association (don't overlook self-insurance and a high deductible)
- Long-term disability
- Errors and omissions - (bugs, etc) usually better handled contractually - it's very expensive coverage - per contract usually

Performance bonds are sometimes requested - we were asked to obtain a \$12 million bond on a contract we were bidding (for less than \$500,000 ) in our first 6 months of existence

### Contracts

- You need em
- You may not have much control over their content
- Get a good lawyer who knows computer issues as well as contract law (more in my other session)
  - Thinking about setting up shop as an independent contractor?

### **Getting paid**

Terms - net what?

Discount for prompt payment? (we don't generally - depends some on your clientele)

Invoicing - find out your customer's requirements early and follow them religiously - and always track invoice status - esp w/big companies

Hold source code if necessary (if contractually allowed)

### **Getting work**

Contacts - who do you know

Market niche

Marketing - directories, associations are of limited help - depends on your niche

Keep existing customers happy - it costs a lot to develop new customers and you will have multiple "dings" which don't develop into actual work

### **Retirement**

SEP IRA 15% of your salary

reg IRA - \$2k/year

401k - 25% of salary - more paperwork, more commitment about amount you must save

other ways - annuities, universal life policies, mutual funds (tax sheltered funds)

**savings** - normal recommendation is 1 year's worth to start out - or a good one year contract

### **Misc -**

Be reachable and responsive - by phone, email whatever  
customer service is key to being a successful independent -  
stay current