



# EXPERT ADVICE

A Risk Management Guide for Marketing & Management Consultants



## Table of Contents

<b>Introduction</b> . . . . .	<b>3</b>
<b>CHAPTER 1</b>	
<b>Understanding Your Independent Consulting Business’s Risks</b> . . . . .	<b>4</b>
Part 1: What Is Business Risk? . . . . .	.5
Part 2: How to Identify Your Marketing or Management Consultancy Risks . . . . .	.6
<b>CHAPTER 2</b>	
<b>Understanding Small Business Insurance for Independent Consultants</b> . . . . .	<b>9</b>
Part 1: What Is Small Business Insurance? . . . . .	10
Part 2: Basic Insurance Policies for Sole Proprietors & Independent Contractors . . . . .	14
Part 3: Essential Insurance Policies for Marketing and Management Consultants . . . . .	20
Part 4: Small Business Insurance Endorsements for Independent Consultants . . . . .	25
<b>CHAPTER 3</b>	
<b>Tips for Finding Small Business Insurance</b> . . . . .	<b>28</b>
Part 1: Finding Small Business Insurance on Your Own . . . . .	29
Part 2: Finding Small Business Insurance with a Trusted Insurance Agent. . . . .	32
Part 3: When to Update Your Business Insurance Policies . . . . .	34
<b>CHAPTER 4</b>	
<b>Managing Risks as a Marketing or Management Consultant</b> . . . . .	<b>35</b>
Part 1: Risk Management Tips that Keep Your Insurance Rates Low . . . . .	36
Part 2: How to Save Money on Your Quarterly Taxes . . . . .	40
Part 3: What Should Independent Consultants Include in Their Client Contracts? . . . . .	43
<b>Conclusion</b> . . . . .	<b>44</b>

## Introduction

As an independent [marketing or management consultant](#), you help your clients get the most out of what they have, whether that's a marketing budget or a business's organizational structure. Through your analysis and assessment, you are able to recommend new practices that can ultimately boost a business's productivity, revenue, and more.

The future looks bright for independent consultants, too. According to the [U.S. Bureau of Labor Statistics](#), management consultants can look forward to a projected job growth of 22 percent between now and 2020, which is faster than the average for all occupations. As companies continue to grow and develop, they'll need your services to improve efficiency and control costs. But with this promising future comes the potential for hiccups, errors, and unforeseen consequences. Marketing consultants whose campaigns go awry can cost a client big time. In turn, disgruntled clients may turn to the legal system to claim compensation.

Management consultants suffer the same conundrum. If you recommend automation software that fails to perform, for example, it could potentially lead to legal action against your business.

That's why independent consultants need adequate risk management and business continuity planning. With the proper precautions in place, you can rest assured your personal finances are protected, even when the situation seems bleak.

In this handy guide, you'll find a world of valuable business protection information, including...

- ▶ How to identify your consultancy's risks.
- ▶ What types of insurance policies can protect your business.
- ▶ Tips for choosing insurance and mitigating risks.
- ▶ And more.

Keep reading to discover how you can protect your consulting business and ensure its future success.



**Management consultants can expect a 22% increase in job growth through 2020.**

CHAPTER 1

# Understanding Your Independent Consulting Business's Risks



## Understanding Your Independent Consulting Business's Risks

More than **70 percent** of U.S. businesses are owned and operated by sole proprietors or sole traders, according to the [U.S. Small Business Administration's](#) article, "[Sole Proprietorship – Is this Popular Business Structure Right for You?](#)" And according to the 2010 Census, the U.S. was home to [10.1 million self-employed workers](#) – a number that continues to rise each year.

For many, the freedom of being one's own boss far outweighs the risks of independent consulting. However, if your consulting business is going to flourish, you have to plan for the pitfalls that may come along, including potential liability lawsuits and property damage. Plus, being an independent contractor or sole proprietor opens you up to other challenges.

In this chapter, you'll learn about business risk and how to identify potential threats to your consulting business.

**In 2010,  
10.1 million  
Americans were  
self-employed.**



### Part 1: What Is Business Risk?

Running your own business comes with a certain amount of risk. And while most people probably agree with that statement, defining an abstract concept such as "risk" can get a bit tricky. Here's what you need to know about risk.

Every business action you take can result in either a positive outcome or a negative outcome. Some actions have less potential for negative consequences while others have a higher potential. This potential for a negative outcome is what we call "risk."

In business, a negative outcome can be anything that causes your business to lose money, such as bad weather, power outages, fires, thefts, lawsuits, and more.

A business can reduce, or "mitigate," much of its risk by taking steps to prevent financial loss. But you can't control every factor that affects your business. That's why small business insurance was invented: to take financial hits so you don't have to.

## Part 2: How to Identify Your Marketing or Management Consultancy Risks

Now that you understand what business risk is in general, let's talk about the specific risks that affect marketing and management consulting businesses. A solid risk management plan considers all of your business's risks – general and specific. And good risk management begins by objectively taking inventory of these risk exposures.

A “risk management plan” is all the actions your business takes in order to limit the threats to your business. Once you've pinpointed your business's risks, you can take measures to mitigate vulnerabilities. To help you get started, consider the following factors that could financially impact your consulting business.

### Client Contracts

As a consultant, you need a tangible way for clients to measure your services. Client contracts outline project goals so you can demonstrate whether you've held up your end of the bargain. Plus, offering concrete milestones helps manage client expectations, which may reduce the likelihood of a lawsuit over a miscommunication.

If a client does sue your consultancy, your contract acts as proof of your agreement and the terms of your services. Another benefit of client contracts is that they preserve your status as a self-employed individual. Should the IRS question your employment arrangements, you will have a paper trail of client contracts.

In an audit, these provide proof that you work as an independent contractor, not as an employee. If the IRS wrongly categorizes you as an employee, rectifying the mix-up could cost you time, money, and effort. It could land your clients in hot water, too.

For more information about what to include in your client contracts, jump to page 43 of this guide.

**More than 70% of U.S. businesses are sole proprietorships.**



## Compliance

Even if you operate your marketing or management consultancy out of your home, you need to carry the appropriate business licenses or permits. Often, you can accept client fees after completing a brief business license application with your county clerk's office.

If your state collects sales tax on consulting fees, you may need to register your business with the state department. If you don't register your business, you may inadvertently violate federal guidelines that differentiate employees and independent contractors. This can result in your clients being wrongly accused of evading labor laws.

Finally, if your consulting company operates under any name other than your personal name, your county or state may require that you register your [Doing Business As \(DBA\) name](#). This is the legal name of your business and is required on all government forms and applications.

For more information about business licensure, check out the U.S. Small Business Administration's helpful article, "[Find Business Licenses & Permits.](#)"

**Consultants are vulnerable to professional liability claims because the impact of their work can be hard to quantify.**



## Professional Liability

Consulting is often a target for professional liability claims because the financial benefit of your recommendations can be difficult to measure, especially for short-term contracts. After all, it's hard to say whether a new marketing strategy "worked." And if your clients suffer a financial loss as a result of your advice, you could be sued.

For example, imagine you're a [human resources consultant](#), and you miss a deadline for creating new recruiting and hiring practices. Your client could sue you for breaching the terms of your contract. Because claims like these are all too common, you should guard your businesses with adequate Errors & Omissions Insurance.

This coverage can account for your legal defense fees, court-ordered compensation, and other associated costs. For more information about Errors & Omissions Insurance, jump to page 21 of this guide.

## Personal Liability

If you're a sole proprietor or independent consultant, there is no legal distinction between you and your business. While this means you're personally entitled to all the profits your business generates, it also leaves you responsible for your business debts.

For example, let's say a client sues your business because your marketing plan didn't generate the numbers you promised. If you don't have the commercial funds or insurance to cover the damages the judge awards the client, your personal assets can be collected to settle the claim.

One way to differentiate your personal and commercial entities in the eyes of the law is to register your business as a [limited liability company](#) (LLC). If you wish to remain a sole proprietor, though, you should carry adequate small business insurance to cover your potential losses.

## Business Liability

Unfortunately, your business can be sued for more than disappointing your clients. Whether you operate from commercial office space or your home office, clients could be injured on your premises.

For example, say a client trips over your welcome mat and breaks a wrist. You could be sued for the cost of their medical expenses. Without General Liability Insurance, your business would be responsible for handling the cost of the claim.

It's worth noting that your homeowner's insurance probably does not cover business liabilities. And even though your homeowner's insurance covers your house, it doesn't protect your commercial assets. So if a fire destroys your computer equipment, those replacement expenses fall squarely on your shoulders when you don't have Commercial Property Insurance.

As you can see, even seasoned business owners are susceptible to setbacks and potential liabilities. Check out "[We the Plaintiffs](#)," an infographic by [AboveTheLaw.com](#), for an illustration of how much today's reliance on the legal system hurts small-business owners.

In the next chapter, we explore the small business insurance policies that protect independent marketing and management consultants.

**Every year in the U.S., 15 million civil lawsuits are filed.**





CHAPTER 2

# Understanding Small Business Insurance for Independent Consultants



# Understanding Small Business Insurance for Independent Consultants

In the last chapter, we defined “business risk” and helped you identify the threats that commonly affect independent marketing and management consultants. In this chapter, we take a look at the policies that benefit most sole proprietors and independent contractors. Next, we examine the policies and endorsements that benefit independent consultants the most.

But first, let’s take a look at the mechanics of small business insurance: how it works, what factors affect an insurance premium, and why insurance is important to self-employed consultants.

## Part 1: What Is Small Business Insurance?

Small business insurance functions similarly to your personal policies, such as auto insurance. When you purchase a business insurance policy, you enter a contractual agreement with the insurance carrier.

In order to understand how this contract works, you’ll need a basic understanding of the following concepts:

- ✓ **Premium.** Your insurance premium, or “rate,” is the sum of money you pay in order to keep your insurance benefits. You pay your premium in regular installments. Depending on your policy, you might pay every month or once a year. The cost of your premium is based on your likelihood of a filing a claim.
- ✓ **Deductible.** When you file a claim, you’re required to pay a certain amount out of pocket before your benefits kick in. When choosing an insurance policy, you usually have a few options for your deductible. Generally speaking, a higher deductible means a lower premium.
- ✓ **Policy Limit.** Every insurance policy has a limit, the maximum amount of money your insurance provider pays toward a claim. Sometimes small business insurance policies come with two limits: an **individual limit** (how much your insurer pays toward any one claim) and an **aggregate limit** (how much your insurer pays toward all claims during your coverage period).



**Never choose a deductible higher than you can comfortably afford to pay.**

In exchange for a premium, business insurance helps you pay for the kind of unexpected costs that most small-business owners wouldn't be able to afford on their own. These might include lawsuits, property damage, and other incidents that interrupt your business.

Each insurance policy explicitly outlines the conditions and circumstances for which you'll receive financial compensation. It also specifies the limitations of your coverage, called "exclusions," which are events or situations your policy won't cover.

**Every policy has exclusions — events the insurer won't cover.**



## What Determines Your Insurance Premium?

In order to illustrate the factors that affect insurance premium rates, let's start with an example that you're probably familiar with: auto insurance.

When you purchased auto insurance, your agent or provider likely had you complete an application with some basic questions. For example, you may have provided information about the make, model, and year of your car, your driving record, sex, age, and marital status.

Why all this information? Because your insurance provider uses these details to decide how much risk it is taking on by offering you coverage. For example, a sports car costs more to insure than a station wagon because the valuable, eye-catching car is more likely to get stolen. To offset the higher risk, your coverage rate increases.

Business insurance operates in a similar way. To determine your premium and coverage options, your insurance provider assesses...

- ▶ **Your industry** (i.e. [IT consultants](#), [market research analyst](#), etc.).
- ▶ **Where your business operates.**
- ▶ **The number of employees you have.**
- ▶ **Common risks related to your profession.**
- ▶ **The types of policies you purchase.**
- ▶ **The policy limits you choose.**

Though some of these factors can't be controlled, others can. For example, you can take steps to reduce your risk exposures. In turn, you may be able reduce the cost of your coverage. For more information about risk management strategies, jump to page 35 of this guide.

## Do Independent Consultants Really Need Small Business Insurance?

As an independent marketing or management consultant, you may think that you don't have the equipment or overhead to justify purchasing business protection.

But consider what you would do if you were facing a \$500,000 judgment for a professional liability lawsuit. Would you have the means to pay the claim on your own without completely depleting your life's savings?

The unfortunate truth is that not having the funds doesn't absolve your debt. Your personal assets can be collected to settle the claim, especially if your business is not registered as a [limited liability company](#) (LLC).

To protect your commercial and personal finances, you need a plan that accounts for the unexpected turns your consulting business may take. This means planning for possible lawsuits and natural disasters that could strike your office.

After all, almost 40 percent of small businesses fail to reopen after a disaster, according to FEMA's "[Protecting Your Businesses.](#)"

The premiums for business insurance pale in comparison to the losses you could suffer if you decide to take your chances with lawsuits and Mother Nature. That's why it's important to consider business insurance as an investment in your consulting company's continuity, rather than an optional expense.

Now let's take a closer look at what it means to be classified as a sole proprietor or an independent contractor.



**About 40% of businesses fail to reopen after a disaster.**

## What Does It Mean to Be a Sole Proprietor or Independent Contractor?

The IRS defines a sole proprietor as someone who owns an unincorporated business on their own. The benefit of running a sole proprietorship? You don't need much capital to get your business up and running. The arrangement entitles you to all profits your business generates.

However, sole proprietorships also have "unlimited liability" for business debts, which means you're on the hook for whatever losses your business suffers. As we mentioned earlier, if you don't have the commercial funds or business insurance to satisfy a claim, creditors can seize your personal assets.

Like sole proprietors, independent contractors are personally liable for any business debts they incur. According to the IRS, an [independent contractor](#) is a person who has the right to control the manner and production of their work.

This could mean that you...

- ▶ **Set your own schedule.**
- ▶ **Use your own equipment.**
- ▶ **Decide how and where work is done.**
- ▶ **Have the ability to subcontract work.**

Your client has no authority to control how your work is done, only the result of the work you submit. By this definition, freelancers are also considered independent contractors.

**Independent contractors control how, when, & where their work is completed.**



While being a sole proprietor or independent contractor comes with some additional requirements (such as paying quarterly taxes), there are perks, too.

For starters, you have fewer insurance obligations than business owners with employees. Once you have employees, most states mandate that you carry [Workers' Compensation Insurance](#), a coverage that provides benefits for employees who suffer workplace injuries or illnesses.

However, if you hire an assistant or subcontract part of your work, you may be required to purchase Workers' Comp coverage. In some cases, you may be able to cover yourself with your plan, which would

allow you to receive benefits in the event of a work injury or illness.

For more information on your state's requirements, check out our guide, "[Workers' Compensation Laws by State](#)." In the meantime, you can learn more about the insurance policies self-employed consultants **do** need in the next section.

## Part 2: Basic Insurance Policies for Sole Proprietors & Independent Contractors

Most sole proprietors and independent contractors benefit from carrying certain small business insurance policies. In this section, we explore the following types of coverage:

- ▶ **General Liability Insurance.**
- ▶ **Property Insurance.**
- ▶ **The Business Owner's Policy.**
- ▶ **Health Insurance.**

Keep reading to learn why these policies are the building blocks of your consulting business's protection and success.



## General Liability Insurance

General Liability Insurance (GL) is essential for marketing or management consultants who own or rent commercial property. That's because General Liability Insurance protects your independent consultancy from some of the most common third-party liability risks:

- ▶ **Bodily injuries that occur on your property.**
- ▶ **Damage to others' property.**
- ▶ **Non-physical injuries, such as copyright infringement.**

A "third party" can be anyone who doesn't work for your business. If your business is sued for a covered claim, GL can pay for your legal defense, settlements or judgments, and other court expenses up to your policy's stated limits. Most GL policies cover...

- ✓ **Premises Liability.** This is one of the primary functions of a General Liability policy – protecting your property from premises liability. According to the [National Safety Council](#), slips and falls account for approximately 8.9 million trips to the emergency room each year. And if one of these accidents happens on your property, you could be slapped with a lawsuit for the medical expenses. The prevalence of these suits is the reason General Liability Insurance is often called the "slip-and-fall insurance."
- ✓ **Property damage.** As a marketing or management consultant, you probably frequent your clients' offices for consultations to discuss the strategies you've suggested. But what would you do if you accidentally spilled coffee on a client's laptop while reviewing their new leads? You may not have the money on hand to replace their device and reimburse them for the time they lost because of your mistake. With General Liability coverage, you're covered if that client demands compensation for damages.



**You can be sued for someone's bodily injuries that happen on your property.**

- ✓ **Non-physical injuries.** Consultants beware: if you advertise your services, you could be accused of copyright infringement. For instance, if you copy someone else’s advertising or use someone else’s image without consent, you could be sued for damages. If you run a blog, you are responsible for the content you publish. Perhaps another consultant happens upon your blog and decides you plagiarized the ideas on their website. They could sue you for infringement. Additionally, this portion of your GL can cover lawsuits over libel or slander.

If you run your consulting business from home, you may think your homeowner’s insurance protects you from liability suits. However, most homeowner’s policies don’t cover business liabilities. You may be able to add an endorsement to your policy to give you some commercial liability protection, but the limits are typically pretty low.

Your best defense against these common liabilities? General Liability Insurance. That way, when you need the big guns, you’ll have adequate coverage for the claim. The cost of GL depends on your services, how long you’ve been in business, your claims history (if applicable), and your revenue. For specific estimates, [apply for a free insurance quote online.](#)



**Homeowner’s insurance typically doesn’t cover business liabilities.**

## Property Insurance

Property Insurance shields your business from the high price of property loss or damage. Your Property policy can typically cover claims caused by...

- ▶ **Fires.**
- ▶ **Theft.**
- ▶ **Windstorms.**
- ▶ **Power outages.**

Hurricanes, flooding, and earthquakes are usually excluded by standard policies, but you may be able to add specialty coverage (called “endorsements”) for event-specific protection.

When your office and equipment have been destroyed, you miss out on opportunities to serve your clients, generate revenue, and grow your business. And you don’t want your business to be among the 40



percent of small businesses that never reopen after a natural disaster. That's why you'll want to purchase Commercial Property Insurance if you...

- ✔ **Operate a home-based office.** Just as your homeowner's insurance doesn't cover business liabilities, most policies don't cover loss or damage to commercial assets. Some may not even cover your home office. Considering that home-based entrepreneurs typically dedicate 250 square feet of their home to their business, that's a considerable amount of property to leave unprotected. Certain endorsements can extend your homeowner's policy to protect your commercial gear, but you'll receive more coverage with a standalone Commercial Property policy. To learn more about what your homeowner's policy does and doesn't cover, check out our infographic "[Is Your Home-Based Business Covered?](#)"
- ✔ **Own commercial real estate.** If you own commercial real estate, you have plenty of incentive to protect your investment, especially because you're responsible for repairs and replacements. When you have adequate Property Insurance, the cost of repairing your building and replacing its contents after a covered event doesn't have to come from your pocket. Equipment, furnishings, tools, and your building's structure can all be covered by your policy.
- ✔ **Rent an office or building.** Your landlord may have *their* property protected under a personal policy, but it's important to check your lease to be sure. Even if the building is covered, you are likely responsible for replacing the furnishings, fixtures, and your equipment. If that's the case, make sure you look for a plan that protects your gear without charging you for building coverage.

**Home-based businesses typically dedicate 250 square feet of space to their business.**

- ✓ **Own expensive equipment.** As a consultant, you probably rely mostly on your electronic devices to serve your clients. However, electronics can easily be sabotaged by one unexpected power surge. Laptops, smartphones, tablets, and desktop computers are also the target of many robberies. Adequate Property Insurance can spare you the expense of replacing your media devices after they're lost or damaged by a covered event. When choosing your plan, consider whether it's more cost-effective to purchase replacement-value or actual-cash-value coverage. Replacement-value coverage costs more, but it also offers you the amount your items are worth if you buy them new. Actual-cash-value coverage costs less, but it only compensates you for the depreciated value of your items.

When taking inventory of your assets and deciding what to cover with your Property policy, be thorough and ensure your limits allow for breathing room. You can never be too careful when it comes to safeguarding the future of your consultancy business.

**If you rely heavily on technology, consider a replacement-value Property Insurance policy.**



## The Business Owner's Policy

A [Business Owner's Policy](#) (or BOP) is an insurance package designed for the needs and budgets of the small-business owner. If you are eligible for a BOP, you'll receive General Liability Insurance, Property Insurance, and Business Interruption Insurance in one discounted bundle.

In order to qualify for a BOP, your marketing or management consulting business must...

- ✓ **Have small business premises.** The square footage of your space matters when it comes to issuing Business Owner's Policies. Most BOPs also limit the number of employees you can have. Both of these stipulations help your provider ensure your business is a small business.
- ✓ **Have a low risk profile.** Typically, consulting is considered a low-risk profession, but your claims records may affect your carrier's assessment. BOPs are only offered to small businesses with relatively low risks.

- ✓ **Need only a year's worth of Business Interruption Insurance.** [Business Interruption Insurance](#) comes as an endorsement to a Property policy. This coverage compensates you for the income you lose when your business must temporarily close to handle a covered Property claim. The compensation you receive is usually based on past financial records of your consulting business.

To find out whether your business is eligible for a BOP's cost-effective coverage, [talk to one of our insureon agents](#).

## Health Insurance

One of the potential drawbacks of being a sole proprietor or independent contractor is that you don't reap some of the benefits of being an employee, such as access to an employer-based healthcare program. Instead, you must purchase health insurance yourself. With the onset of the [Affordable Care Act](#), health insurance is no longer an option for the self-employed – it's mandatory. The good news? You can no longer be rejected or charged more for pre-existing conditions.

The new health insurance requirements can be met by purchasing a policy from the [Families & Individuals Marketplace](#), which offers a variety of plans with coverage options ranging from bronze to silver to gold to platinum.

As you may have guessed, the platinum plans come with the highest premiums and lowest out-of-pocket spending, while the bronze plans come with lower premiums and higher deductibles. According to [HealthCare.gov](#), [self-employed](#) people may even qualify for lower premiums or tax credits.

## Part 3: Essential Insurance Policies for Marketing and Management Consultants

Now that you have an understanding of the basic insurance policies that protect self-employed small-business owners, let's take a look at the policies that marketing and management consultants cannot do without.

Earlier, we mentioned that one of the challenges of being a marketing or management consultant is that your clients need a way to measure the success of your services. If they don't have hard numbers, such as profits generated from a new campaign or cost reduction from an organizational plan, you could end up facing an Errors & Omissions lawsuit. We discuss this insurance policy first and then provide you with example claims. Next, we explore Umbrella Liability Insurance, which is a cost-effective way for self-employed business owners to receive extra liability protection.



## Errors & Omissions / Professional Liability Insurance

To protect your personal assets and remain self-employed, you'll want to carry [Errors & Omissions Insurance](#) (aka Professional Liability Insurance). E&O coverage protects you in the event that a client is unsatisfied with your work and sues for compensation. E&O policies typically cover legal defense costs, settlements or judgments, expert witness fees, and more.

The best part? Errors and Omissions coverage protects your business even if the claims are unfounded, a situation that happens to small businesses more than you might realize.

According to [a report from the U.S. Chamber Institute for Legal Reform](#), frivolous lawsuits can still cost \$2,000 to \$5,000 (or more) in lawyer's fees before being dismissed. Errors & Omissions Insurance can cover lawsuits alleging your consulting business...

- ▶ **Made mistakes and oversights while rendering services.**
- ▶ **Provided shoddy or incomplete work.**
- ▶ **Was professionally negligent.**
- ▶ **Failed to provide contractually obligated services.**



**Frivolous lawsuits can cost consultants between \$2,000 and \$5,000.**

So what does an E&O claim look like in action? Let's take a look at a couple examples.

### E & O Lawsuits: A Case Study for Management Consultants

An auto parts dealer hires a management consultant to help with staffing, company organization, and budgets. The consultant implements a reorganization strategy that creates new spending controls and a staffing model.

However, after 12 months, the client's bottom line is suffering. To compensate for losses, the client sues the consultant for the "negligent strategy" that caused lost profits. The case was settled but at a substantial cost to the consultant:

- ▶ **Settlement: \$150,000.**
- ▶ **Legal expenses: \$75,000.**
- ▶ **Grand total: \$225,000.**

### E & O Lawsuits: A Case Study for Marketing Consultants

A clothing store hires a marketing consultant to assist with advertising sales on its website – specifically, the promotion of an upcoming annual sale. The marketing consultant agrees to complete the marketing materials by a specific date and to send out emails about the sale through the new website.

Unfortunately, the marketing consultant forgets to send out the email on time, which results in thousands of dollars in lost profits for the storeowner. As a result, the storeowner sends out a demand letter for compensation because of the consultant's negligence, which results in these expenses:

- ▶ **Settlement: \$64,000.**
- ▶ **Legal expenses: \$30,000.**
- ▶ **Grand total: \$94,000.**

For both of these cases, the silver lining is that the defendants had sufficient Professional Liability / E&O Insurance to cover the high cost of the settlements and their legal defense. Without the coverage, these independent consultants could have ended up in severe debt or with liens for their private property.

Professional Liability Insurance gives you an extra layer of protection against the unexpected turns your projects take. And even if a claim doesn't hold water in court, you have coverage for legal expenses, which can be enough to jeopardize the future of a small consultancy.

## What Is Claims-Made Coverage?

Errors and Omissions Insurance is typically written as “claims-made” coverage. This means you can only receive the benefits of your coverage if you meet two conditions:

- ▶ **Your policy is in force at the time of the alleged incident.**
- ▶ **The same policy (or appropriate endorsement) is active when the claim is reported.**

Your insurer specifies which actions constitute a claim. For some, a conversation with a client about your negligence constitutes a claim. For others, legal action must be taken before something is considered a claim. As a rule, you'll want to inform your insurance provider as soon as you receive notification about an incident that could be covered by your E&O Insurance.

So let's say, for example, you forgot to send out the annual sale email to your client's customers on December 1, 2008. However, the client waited until February 1, 2009 to notify you that your error cost them \$64,000 in lost profits and marketing expenses. Finally, the storeowner files a suit against your consulting business on July 1, 2010. This claim would be covered by...

- ▶ **A claims-made policy covering 2009, IF the policy covers potential claim notices AND the policy's retroactive date is no later than December 1, 2008.**
- ▶ **A claims-made policy covering 2010, IF the policy defines claims as those initiated by a third party with a demand for money, AND the policy's retroactive date is no later than December 1, 2008.**

**For a Professional Liability policy to work, it must be in force continuously.**



As the icing on this many-layered cake, there are two types of claims-made coverage: pure claims-made policies and claims-made and reported (CMR) policies. Here's the skinny on both:

- ✓ **Pure claims-made policies.** This is the more lenient of the two options. As long as the claim happens during the life of your Professional Liability policy, you're covered if it's a pure claims-made policy. You don't have to report the claim during your policy term to receive coverage, but you must notify your provider as soon as you catch word about a possible claim.
- ✓ **Claims made and reported policies.** These policies require you to report claims within the timeframe of your policy's term. If you fail to report the claim within this timeframe, you won't receive coverage for the incident.

No matter which kind of policy you ultimately choose, the important thing to remember is that you must carry Professional Liability Insurance continuously. If you start and stop coverage, you risk paying for these lawsuits out of pocket.

Claims-made coverage can be pretty confusing. That's why our agents are happy to answer your questions about how a claims-made status affects your E&O benefits. Just give us a call at **800-688-1984**.

## What Do E & O Policy Limits Look Like?

Your E&O policy uses two terms to discuss your coverage amounts: the individual limit and the aggregate limit. Here's what these terms mean:

▶ **Individual limit.**

The maximum amount your policy pays for any one claim.

▶ **Aggregate limit.**

The most that your provider pays in any policy term for all claims combined.

Your policy will likely list the individual limit first, followed by the aggregate. It may look like this:

**\$1,000,000 / \$2,000,000.** For this particular policy, you receive a maximum of \$1 million per any one claim. You cannot receive any more than \$2 million during the term of your policy.

## Umbrella Liability Insurance

When you're a sole proprietor or independent contractor, the stakes are high because you're personally liable for any debts or liens leveled against your business. At the same time, it might not make financial sense to increase your primary policy limits. Umbrella Insurance is your cost-effective alternative.

Umbrella Liability Insurance (aka Excess Liability Insurance) isn't like the other insurance policies we've explored because it's neither a standalone policy nor an endorsement. Instead, Umbrella Insurance works with your other insurance policies to provide you with extra liability protection.

You may consider this policy if you want to...

- ✓ **Increase your protection against certain exposures.** You can put Umbrella coverage toward your General Liability Insurance, Hired & Non-Owned Auto Insurance, and Employer's Liability Insurance (part of most Workers' Compensation plans).
- ✓ **Cut costs, not corners.** An Excess Liability policy often costs as little as a few hundred dollars a year for millions more in coverage.
- ✓ **Strengthen your business protection plan.** More protection means more security if you are ever tangled up in a General Liability or Employer's Liability lawsuit.

So how does Umbrella Insurance work? Consider this scenario.

Let's say that a potential (and wealthy) client enters your management consulting office and trips over the small step down to your lobby. Upon impact, the client breaks his hand and sues your business for \$200,000 worth of medical costs, \$250,000 in lost wages, and another \$50,000 for pain and suffering. Somehow, his lawyer convinced the jury to find you liable for it all.



**\$1 million in Umbrella protection  
can be purchased for a few  
hundred dollars per year.**



But with \$100,000 in legal fees on top of the settlement amount, the claim has long surpassed your General Liability Insurance's limit (\$500,000). When you have Umbrella Insurance, you can file a claim with that policy, which covers the additional \$100,000 you need to settle the claim. Though Umbrella Insurance is a versatile coverage, it cannot be used to finance Errors & Omissions claims. Be sure to get in touch with your insureon agent if you're interested in cost-effective options for raising your E&O limits.



## Part 4: Small Business Insurance Endorsements for Independent Consultants

Though you can purchase a robust business insurance policy, it's important to know that no single policy can cover every event, situation, or circumstance. Each plan has its limits and exclusions.

For instance, we discussed that standard Property Insurance policies don't cover hurricanes, flooding, and earthquakes. So what's a business owner on the coast supposed to do when faced with these coverage gaps?

This answer is to purchase an endorsement (aka a "rider"). An endorsement is an added provision to an insurance policy – a kind of "mini" policy that fills in the coverage gaps in your plan.

Endorsements allow you the flexibility to tailor your insurance plan to your needs and industry-specific risks. That way you won't pay extra for bells and whistles that your business may not require. And because riders are designed to fill a specific need (as opposed to casting a wide coverage net), they are generally pretty inexpensive.

Read on to learn about some riders that you may consider including in your business protection plan.

## Extended Reporting Period (ERP) Endorsement / Tail Coverage

Earlier, we examined the inner workings of E&O Insurance and claims-made coverage. As you now know, the “claims-made” caveat means that a continuous policy is a must. (For a refresher, jump to page 22 of this guide.)

But what happens if you want to switch providers without exposing your business to liability suits? Extended Reporting Period coverage (aka “tail coverage”) can help you avoid coverage gaps between your past policy and your new E&O policy.

Your previous insurance provider issues this policy. If you have this endorsement and you must file an E&O Insurance claim for an event that happened under your previous policy, you’ll receive coverage benefits.

**Endorsements let  
you customize your  
insurance policies.**



## Prior Acts Endorsement / Nose Coverage

Prior Acts coverage (aka “nose coverage”) is another endorsement that fills potential gaps in your E&O Insurance if you’re transitioning between plans. Whereas ERP coverage is issued by your former insurance provider, Prior Acts coverage is purchased from your new insurance provider. This rider covers your business for incidents that haven’t been reported, but that happened under your former E&O policy.

## Why Starting and Stopping Insurance Coverage Never Pays Off

As an independent contractor or sole proprietor, you probably perform a delicate balancing act with your finances. If you’re like most small-business owners, you often have to mix your personal and business finances just to make ends meet. So it’s understandable that you don’t want to take on any unnecessary expenses.

But as you know, business insurance isn’t an unnecessary expense. While you may be tempted to drop an insurance policy after a contract is completed, the risk is hardly worth the few bucks you’ll save month to month.

And if money is tight enough to consider this as an option, imagine the devastation a liability suit would cause. You could end up hundreds of thousands of dollars in debt if you're found guilty of wrongdoing. Even hiring an attorney can cost a small fortune.

Errors and Omissions Insurance is especially important to keep in force. Without an active policy or the appropriate endorsements, you may not be able to receive your insurance benefits.

And when you're dealing with client projects, you can never be too sure that the end of your contract means you're in the clear. After all, each state has a different statute of limitations. So depending on where you live, a past client may be able to file a lawsuit against your consulting business months after you complete your work.

To learn more about each state's statutes of limitations, check out [Nolo.com's](#) chart, "[Statutes of Limitations in All 50 States.](#)"

**Clients may file lawsuits  
months after you complete  
a project.**



CHAPTER 3

# Tips for Finding Small Business Insurance



## Tips for Finding Small Business Insurance

Now that you know how business insurance can protect your consultancy, you're ready for one of the final phases of your risk management journey: finding insurance. But for anyone just beginning their foray into the world of business insurance, this step can seem daunting.

Before you dive down the Internet rabbit hole, let's take a look at the process. There are two options for buying small business coverage:

- ▶ **You can venture out on your own to find insurance policies.**
- ▶ **You can team up with an insurance agent and let them vet, compile, and tailor your policies.**

**Save time by working with an agent to buy small business insurance.**



## Part 1: Finding Small Business Insurance on Your Own

Some small-business owners can find effective insurance coverage on their own, but they must be willing to put in the time and energy to complete the task properly. Below, we discuss the steps you should take when choosing the solo route.

### Evaluating Your Risks

Though we've already delved into the common risks marketing and management consultants face, leave no stone unturned. Consider your work environment, where your business is located, and the people you work with. Contemplate all worst-case scenarios – the ones that could financially devastate your business. These are the instances where you need your insurance policies to shine.

Then, you'll want to seek out insurance providers that specialize in providing insurance to professionals like you. Not all providers have experience in all markets. You'll want to make a list of providers that can prove they can find insurance for...

- ▶ **Small-business owners.**
- ▶ **Sole proprietors or independent contractors.**
- ▶ **Marketing or management consultants.**

## Consulting Your State Insurance Department

As you're scoping out possible insurance providers, you want to ensure you're selecting from trusted companies. One way to determine if the company is trustworthy is to see if it is licensed and covered by your state's guaranty fund.

Why? If such a company defaults, your claims can still be paid. You can contact your state insurance department for this information. Not sure where to look? Check out the [National Association of Insurance Commissioners](#)' resource, "[Map of NAIC States & Jurisdictions](#)."

## Checking Insurance Company Ratings

In addition to checking for proper licensing, you'll also want to find the insurance ratings for the companies you're considering. If the provider carries an "A" rating, then you can trust the offer. A-rated carriers are known for their industry-tailored products, reliable terms, and quick payouts. To begin checking insurance companies' ratings, visit the [A.M. Best website](#).

## Requesting Rates & Comparing Coverage Offerings

Once you've identified top-rated insurance carriers, it's time to request quotes. Be sure to ask several different companies for estimates so you can compare the premiums. Though premium prices are important, they should not be the only factor you consider when selecting an insurance policy.

You'll also want to consider each policy's...

- ▶ **Limits.**
- ▶ **Covered claims.**
- ▶ **Exclusions.**

Remember: the limits must be high enough to cover a disastrous liability suit or extensive property damage. You'll want to ensure that the claims you are most concerned about are explicitly covered by your plan. Also, be sure to read the fine print so you don't accidentally take on a policy with serious coverage gaps or too many extras that you don't need.



**Read the fine print to avoid buying too much insurance.**

## Considering the Deductible

The last phase of choosing a policy is to consider the deductible. The deductible is the amount you pay out of pocket before you can receive benefits. Generally, higher deductibles are paired with lower premiums, and vice versa.

Though it may be tempting to take on a high deductible, consider the financial situation you'll be in if you ever need to use your policy. Can you spare the cost of the deductible at a moment's notice without hurting your own finances?

If not, the deductible is too high. When selecting your policy, never choose a deductible that's more than you can comfortably spare without risking your own financial wellbeing.

As you can see, this process is far from quick and easy. And as an independent consultant or sole proprietor, you likely don't have the time to spare for all this extra work. If that's the case, you may be better suited working with an insurance agent. Let's take a look at what this process entails.

**Never choose a deductible that's higher than you can comfortably afford.**



## Part 2: Finding Small Business Insurance with a Trusted Insurance Agent

Now that you've read about what it takes to secure small business insurance on your own, we'll explore an alternative: working with a trusted insurance agent. There are several perks to working with a licensed insurance agent, and we walk you through the benefits below.

### Streamlining the Application Process

On your own, you have to hunt down insurance companies and ask for quotes. When you work with an agent, he or she takes care of that for you. Insureon's experts compile quotes for you to review at your leisure. All that's required of you is to complete a single online insurance application with a few details about your business.

Once you submit your application, our agents (real people – not automated systems!) round up quotes for policies that fit your needs. And because we have relationships with leading insurance providers, you can count on your policy to have reliable terms and quick payouts.

### Getting Expert Answers

Is there anything more frustrating than calling a company for help, only to get an endless automated menu? At insureon, we have a team of insurance agents who are here to help you throughout the life of your policy – and not just when it's time to renew.

We understand that buying insurance or handling a claim can be complicated, and we take pride in giving each client the time and attention their business deserves. So if you ever have a question about your policy, a type of coverage, or a claim, just give us a call and ask.

**Working with an agent means getting your insurance questions answered fast.**





## Working with an Industry Specialist Agent

The agent assigned to work with you throughout the life of your policy is also an expert in insuring marketing and management consultants. That's right – no more trying to explain what it is you do or the risks you face. Our licensed agents already know what makes your business tick, which allows them to tailor plans to your needs. That means your policy will have the appropriate coverages you need – no more, no less.



## Avoiding Insurance Industry Jargon

As you may already know, insurance comes with a metric ton of industry terms and legal speak. But something our clients appreciate is the fact that we don't expect them to be insurance experts – that's what we're here for! It's part of our mission to help small-business owners understand their insurance policies so they can make informed, confident decisions.

So if you have any questions about how insurance works or what a term in your policy means, our insureon agents are happy to explain it in plain English.

Ready to buy business insurance the easy way? Let insureon handle the heavy lifting! To get going, [complete our online insurance application](#). We may be able to send you competitive quotes in as little as 24 hours.

## Part 3: When to Update Your Business Insurance Policies

As your marketing or management consulting business grows and changes, you may need to amend your insurance policies so they can keep up. Most small business insurance policies come with a clause that allows you to alter your coverage when a “significant event” occurs, even if it’s in the middle of your coverage year.

That way, you don’t have to worry about insufficient coverage. Here are some instances when you’ll want to revisit your insurance policies and adjust them to your business’s new needs:

- ✓ **When you get more clients.** When you take on more clients, you take on more opportunities for E&O or General Liability lawsuits. So if you’re taking on double the amount of work than you were in previous years, it may be time to reevaluate these plans and increase their limits.
- ✓ **When you change premises.** If you relocate to a bigger commercial space, you may need to assess a few of your plans. Your General Liability and Property Insurance plan must cover your new location. Be sure that your Property plan also accounts for your new building’s contents, fixtures, and furnishings.
- ✓ **When you offer new services.** Check your Professional Liability policy to make sure it covers your new services. If your policy doesn’t cover your new offerings, be sure to talk to your insurance agent about options for tailoring your plan.
- ✓ **When your revenue significantly increases or decreases.** As we’ve mentioned before, your insurance premiums and limits are based on several factors, including your business’s revenue. If your income makes a steep incline or decline, your insurance needs will inevitably change. For instance, more revenue means you have more financial assets that need protection. That means you may want to raise your coverage limits for more security.
- ✓ **When you hire employees.** A sure sign that your business is taking off is when you can hire staff members. However, when you have employees, you’re responsible for protecting them. For instance, most states require employers to carry Workers’ Compensation Insurance, even if you only have one or two employees.

If you have any questions about changing your policies or about small business insurance, talk to an [insureon agent](#). We’re happy to get your business on the fast-track to success!

CHAPTER 4

# Managing Risks as a Marketing or Management Consultant



## Managing Risks as a Marketing or Management Consultant

By now, you understand how business insurance works and the types of policies that benefit independent marketing and management consultants. But it's important to realize that risk management does not begin and end with small business insurance.

The most effective risk management plans try their best to avoid claims by preventing loss. Why? Well, just because we sell insurance doesn't mean we don't understand that insurance claims can take up time and energy that business owners are better off using elsewhere. Additionally, a clean claims record keeps your insurance rates as low as possible.

That way, your insurance can act as a safety net for those times where your business faces **unavoidable** loss. Below, we provide you with some risk management tips that might be able to save you money on your insurance premiums. Next, we discuss how you can save money on your quarterly taxes. Finally, we outline the most important, risk-mitigating parts of an effective contract.

### Part 1: Risk Management Tips that Keep Your Insurance Rates Low

Did you know that some insurance providers can offer you "credit" for enforcing certain risk management techniques? It's true! Below, we summarize some of the easiest, most cost-effective strategies around.

But before you invest any time or money, make sure you speak with your insurance provider first. Sometimes, insurance policies require very specific measures in order to qualify for a credit.



## Putting Safety First

Be sure your commercial office space is clear of clutter. Media cords should be stored and walkways should be clear of obstructions. If you own your commercial property, be sure that you shovel and salt the sidewalk in winter months.

You'll also want to ensure your entrance has a slip-proof mat for traction on rainy days. That way, you reduce the risk of visitors slipping inside your building and hurting themselves. Also, if your place of business has stairs, be sure that you have enforced railings to reduce the risk of falls.

Some insurance providers offer credit to businesses that install certain fire and security systems, which helps reduce the likelihood of property loss. Ask your insurance agent for more details.



**Ask your insurance agent how you can lower your premiums through risk management.**

## Securing Your Digital Life

To keep up in today's fast-paced world, you probably conduct a substantial amount of your business online. But if you handle sensitive client information, such as their customers' email addresses or credit card information, it's imperative that your anti-virus and malware protection software is up to date. Otherwise, your business may be the next victim of a data breach.

A secure Wi-Fi network also reduces your risk of cyber attacks and thefts. Though you may rely on the cloud to secure your digital files, you should also have a physical backup of your important e-records.

## Protecting Your Paper Files

Just as your digital files need safeguarding, your paper files should be secured, too. If there's a fire in your office, you'll want the peace of mind that your important records will survive. You may want to keep the following information in a fireproof safe:

- ▶ **Insurance information.**
- ▶ **Client contracts.**
- ▶ **Invoices.**
- ▶ **External hard drives.**
- ▶ **Client contact information.**
- ▶ **Other important data.**

You may even consider making copies of these vital documents. There is a general rule that states each important record should be copied three times and kept in at least two separate physical locations. That way, if something happens to the document in the first location, the second copy is still safe.

## Communicating with Your Clients

One of the most effective ways to reduce the likelihood of a professional liability lawsuit is to keep the lines of communication with clients wide open.

If you haven't heard from your client in a while, reach out and follow up on your strategy's progress. Touch base with them between project milestones every now and then, just to ensure that they feel like part of the process.

And if something comes up or you need more time to finish a project, inform your client and update your contract to reflect any changes.

**Keep important documents in two separate secure locations.**



## Complying with the Affordable Care Act / Obamacare

As of January 1, 2014, all Americans must carry [health insurance](#). As a sole proprietor or independent contractor, you can't rely on an employer to furnish those health benefits. However, there are a variety of plans available on the [Individuals & Families Marketplace](#) exchanges where you can find a plan to fit your budget.

Your premium varies depending on...

- ▶ **The plan you choose.**
- ▶ **Where you live.**
- ▶ **The size of your household.**
- ▶ **Your income.**

All plans must include free preventative care, and you can no longer be barred from coverage based on preexisting conditions (such as pregnancy or disability).

If you don't have coverage by the time you file your annual tax return, you will be assessed a fee of one percent of your yearly income. That fee increases each year. To learn more about the ACA (Obamacare), check out [WebMD's](#) easy-to-follow primer, "[Health Care Reform: Health Insurance & Affordable Care Act.](#)"

## Paying Your Quarterly Taxes

Your [quarterly taxes](#) are not optional – you must pay them throughout the year (April, June, September, and January). If you owe more than \$1,000 at the time you file your annual return, you may owe penalties and interest in addition to your back taxes.

**Self-employed people must pay 15.3% of their income for the self-employment tax.**



To avoid giving Uncle Sam more than you have to, try to pay your estimated taxes in equal installments throughout the year. You can file and mail Form 1040-ES vouchers to the IRS, or use the [IRS Electronic Federal Tax Payment System](#).

In the next section, we discuss your quarterly tax obligations in more detail.



**50% of client entertainment expenses are tax-deductible.**

## Part 2: How to Save Money on Your Quarterly Taxes

As a self-employed marketing or management consultant, you enjoy the freedom to run your business your way. But being your own boss comes with some additional tax responsibilities. In addition to filing your annual return, you also have to pay quarterly taxes.

### What Is the Self-Employment Tax?

The federal government requires that self-employed individuals pay an estimate each quarter for the following two kinds of taxes:

- ▶ **Self-employment tax.**
- ▶ **Income tax.**

A [self-employment tax](#) (SE tax) is a Social Security and Medicare tax. Most W2 employees have part of this tax withheld from their pay, and their employer pays the other half of the tax. Roughly, that means each pays 7.65 percent of their wages to cover payroll taxes.

However, because you are a sole proprietor or independent contractor, the IRS considers you to be both employer and employee – so you owe both halves of the payroll tax. As of 2013, this amount is 15.3 percent of your net self-employment income.



Your income tax is the amount you owe the federal government for your business revenue. Your income bracket determines the amount you owe in taxes. Also, most states require that you pay quarterly income taxes, too. To learn what your state's tax laws require, check out the [U.S. Small Business Administration's](#) guide, "[Determine Your State Tax Obligations.](#)"

If your earnings from self-employment are \$400 or more, you are legally required to file an income tax return. You can determine your taxable revenue by subtracting business expenses from your total revenue. Whatever amount is left over is the amount subject to taxes.

**If you earn \$400 or more, you're required to file an income tax return.**



## Common Tax-Deductible Expenses for Sole Proprietors and Independent Consultants

Taxes are notoriously stressful, but when you know what to expect, you can start planning ahead and setting money aside for your quarterly payments. You can also start saving receipts for business expenses so you can reduce the amount of taxable income you generate.

A word to the wise: this deduction guide is only a point of reference. If you're looking for comprehensive and specific guidance on tax deductions, please consult your tax advisor.

Here are some tax deductions you may want to ask your tax professional about:

- ✓ **Self-employment tax deduction.** While you must pay 15.3 percent of your net earnings for your self-employment tax, you can deduct half of that percentage as a business expense. It counts as a business expense because it's the cost of being self-employed.
- ✓ **Home office deduction.** If you work from a home-based office, a portion of your mortgage, rent, property taxes, and utilities is eligible for deduction. To qualify for this deduction, the workspace must be used exclusively for your consulting business. If you're audited, you'll need to be able to defend the home office deductions you take, so be sure to prioritize accuracy. It may even be helpful to keep a map of your workspace with correct measurements on file. Lastly, be sure you include your restroom in your calculations – the IRS expects that your home office needs facilities just like any other business.

- ✓ **Health insurance premium deduction.** We mentioned that the Affordable Care Act mandates that everyone must have health insurance. The good news is that you can deduct the full cost of your health and dental insurance premiums if you pay them yourself and you are not eligible for your spouse's coverage.
- ✓ **Meals and entertainment deduction.** Chasing leads and landing contracts may require some wining and dining. Fortunately, you can deduct 50 percent of these entertainment expenses from your taxable earnings. Be sure to keep receipts and records of these expenses, though – a big deduction is a red flag for audits.
- ✓ **Internet and phone deduction.** If you keep a second cell phone or phone line for business purposes only, you can deduct the full cost of the service. You can deduct your monthly Internet expenses based on the online time you use for business purposes.
- ✓ **Travel deduction.** Business trips can be expensive, and fortunately, they count as a deductible expense (with limits). Your trip must be overnight and outside your city limits. You must also have a business purpose or activity planned before you take off. For example, meeting with clients or attending a conference to develop your professional skills would count as business-related activities. If your trip meets these requirements, you can deduct the cost of transportation (such as gas or air fare) and lodging.
- ✓ **Retirement plan contribution deduction.** [Self-employed retirement plans](#) can reduce your tax bill while creating a nest egg for your future. You can contribute to both a self-employed retirement plan and an IRA (depending on your income).

There may be even more deductions to take; this list is just to get your wheels turning. To make sure you can take advantage of the deductions you qualify for, be sure to keep precise records of your business expenses and bring them to your tax specialist.

**Many business expenses are tax-deductible. Ask your tax specialist for details.**



## Part 3: What Should Independent Consultants Include in Their Client Contracts?

Earlier, we discussed how contracts can spare you legal woes if a client alleges you didn't deliver on your promises or refuses to compensate you for your services. To create a document that helps preempt these issues and can hold up in a court of law, include the following points in your contract template:

- ✓ **Contact information.** Get the basics in place, including your and your client's name and business address, phone numbers, and e-mail addresses. This acts as a point of reference for your records.
- ✓ **Project description.** This is perhaps the most important piece of information you can include in your contract, especially if you are worried about professional liability lawsuits. Take your time to describe your deliverables. Give your client bullet points of the services you will (and won't) perform. This is also a good place to specify how success will be measured (e.g., lead generation or reduced costs). The goal here is to manage client expectations and keep you both focused on the goals you want to accomplish.
- ✓ **Project timeline.** You'll also want to include dates when the contract goes into effect and when the contract expires. In this section, be sure to document milestone dates for phase completions, strategy reviews, and the final deadline. Of course, you'll want to leave yourself some cushion just in case the stages take longer than you anticipate. Otherwise, your client may have the grounds to sue you for a breach of contract when you miss a tight deadline.
- ✓ **Communication.** Specify your and your client's preferred methods of getting in touch. This is also a good place to note the frequency of project updates and how your client prefers to receive them.



**Review a boilerplate contract with your lawyer to ensure it holds up in court.**

- ✓ **Rates and fees.** In this section, dictate your rate. If it's a flat rate for a consulting package, specify as much. If it's an hourly rate, state the hourly amount. Consider including travel costs, too, if applicable. You'll also want to include your invoicing procedures, including payment due dates, late payment fees, etc.
- ✓ **Cancellation clauses and revisions.** If your client is unhappy with the way the project is going, the two of you can rely on this section of your contract for the next steps. If your client wants to outright call it quits, your cancellation clause will specify the compensation you are owed. However, if the client wants a revision of your proposed strategy, your revision clause outlines that process. On the other hand, if you don't offer revisions, explicitly state that in the contract.

Each client contract will differ depending on the scope of the project and client needs, but you can create a basic template with these points in mind. When you meet with new clients, you can discuss the terms of the contract point by point and fill out the document with their details. This saves you time and a sticky negotiating process.



## Conclusion

Many marketing and management consults are self-employed, working as contractors with different clients. This allows you certain benefits, such as a flexible schedule, the ability to pick and choose the types of projects you want to tackle, and a relatively low business risk profile.

However, that doesn't mean your consulting business should do without insurance. Consultants face many of the same risks as other types of businesses. In particular, consultants should be sure to choose a solid Errors & Omissions policy to address the cost of professional liabilities. You can also mitigate your risks with safety and security strategies, good communication, and detailed client contracts.

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- ▶ [A.M. Best](#)
- ▶ [Entrepreneur.com, Doing Business As \(DBA\)](#)
- ▶ [FEMA.gov, Protecting Your Business](#)
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  - ▶ [Business Interruption Insurance video](#)
  - ▶ [Is Your Home-Based Business Covered?](#)
  - ▶ [What Is Claims-Made Insurance Coverage?](#)
  - ▶ [Workers' Compensation Insurance Laws by State](#)
  
- ▶ **IRS**
  - ▶ [Independent Contractor Defined](#)
  - ▶ [Limited Liability Company \(LLC\)](#)
  - ▶ [Retirement Plans for Self-Employed People](#)
  - ▶ [Self Employed Individuals Tax Center](#)
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  - ▶ [Find Business Licenses & Permits](#)
  - ▶ [Limited Liability Company \(LLC\)](#)
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