

Contractor & Freelance Business Management — Workbook

This workbook turns the course into the operating system of your freelance business. Work through one section per module, using your own clients, numbers, and rates rather than the examples. By the end you will have an audited contract, an invoicing and collections workflow, a tight statement-of-work template, and a complete income-smoothing and tax plan you can run every month.

Contracts That Protect You

Audit your current agreement against the clauses that actually decide disputes, and build a reusable, signable contract template.

Checklist: Seven-Clause Contract Audit

- Scope of work lists exact deliverables AND an explicit exclusions list
- Payment terms state the total fee, deposit, schedule, due dates, and methods
- A late-payment clause sets interest (e.g. 1.5% per month) and the right to pause work
- Revisions are capped at a set number, with extra rounds billed at a named rate
- A kill fee or cancellation clause says what the client owes if they cancel
- Intellectual property transfers to the client ONLY on full and final payment
- Liability is capped at the fees paid under the contract

Worksheet: Contract Terms Builder

Fill in your own standard terms for each field below. These become the defaults in your reusable contract template, so decide them once, calmly, instead of improvising under deadline pressure on each new deal. Standard deposit percentage required before work begins

Payment schedule (deposit / milestones / balance)

Net terms (e.g. Net 7, Net 15, due on receipt)

Late-payment interest rate per month

Number of revision rounds included

Rate for additional revision rounds

Kill fee / cancellation terms

IP transfer trigger (default: on full final payment)

Liability cap wording

Exercise: Stress-Test One Past Project

Pick a real project that went sideways (late payment, scope blowup, a difficult exit) and replay it against the contract you had at the time. The gaps you find are exactly the clauses your template must close.

- What went wrong, and which contract clause would have prevented or resolved it?
 - Was the term that would have helped actually in your agreement, or missing?
 - If you had to enforce your terms today, do you have a signed document and a paper trail?
 - What ONE clause are you adding to your template because of this project?
-

Invoicing and Getting Paid

Design a payment structure, a complete invoice, and an escalation sequence so cash arrives quickly and late payers get chased on autopilot.

Worksheet: Payment Structure Designer

Choose the payment structure for your typical project and map the actual dollar amounts. The goal is to keep the amount of unpaid work you are carrying at any moment as low as the client will accept.

Typical project total fee

Deposit percentage and dollar amount (collected before work starts)

Milestone 1 trigger and amount

Milestone 2 trigger and amount

Final payment trigger and amount

Net terms applied to each invoice

Maximum unpaid work carried at any point (largest gap between payments)

Checklist: Invoice Completeness Checklist

- Unique invoice number is present
- Your business name, contact, and any required tax/business number are shown
- The correct billing contact (the person who actually pays) is named
- Line items reference the contract or statement of work
- A specific calendar DUE DATE is stated, not just Net 30
- At least one one-click online payment option is offered
- The contract's late fee is referenced on the invoice

Exercise: Write Your Four-Step Collections Sequence

Draft the actual wording of each follow-up message so it is ready to send (or automate) the moment an invoice goes overdue. Keep the early messages warm and assume good faith; save firmness for genuine lateness.

- Due-date reminder: write the friendly one-line message with the payment link.
- 3-7 days late: write the short direct follow-up asking when to expect payment.
- ~14 days late: write the firmer notice that cites your late-fee clause and right to pause work.
- 30+ days late: write the final notice with a deadline and the next step (collections / small claims).

Worksheet: Invoicing Tool Decision

Pick the tool you will actually use and confirm it does the three things that matter most: professional invoices, one-click online payment, and automatic reminders.

Tool chosen (e.g. FreshBooks, Wave, QuickBooks Self-Employed, Bonsai)

Does it accept online card / bank payment? (Y/N)

Does it send automatic overdue reminders? (Y/N)

Monthly cost

Date your first invoice template is set up

Scope, Clients, and Boundaries

Build a reusable statement of work, a change-order routine, and a client-screening filter that protect the margin you priced for.

Worksheet: Statement of Work Template Builder

Draft the reusable skeleton of your statement of work. The exclusions list and the revision cap do most of the protective work, so make those genuinely specific rather than generic.

Deliverables (exact list, with formats and quantities)

Exclusions (what is explicitly NOT included)

Revision rounds included and rate for extra rounds

Client assumptions and dependencies (what they must provide, and by when)

Timeline and milestone dates

Change-order process and rate wording

Exercise: Run a Change Order

Take a real out-of-scope request you have received (or expect to receive) and run it through the change-order routine end to end, including the exact language you will use with the client.

- Write the friendly acknowledgement that names the request as outside current scope.

- What is the additional fee, and how did you price it (same value logic as the original work)?

- What is the timeline impact, if any?

- Draft the one-paragraph change order you would send for written approval before starting.

Checklist: Client Red-Flag Screen

- Budget is realistic for the work requested
- Timeline is sane rather than urgent-and-underfunded
- Client communicates clearly and respectfully during the friendly sales stage
- Client accepts a contract and a deposit without resistance
- Requirements are reasonably defined rather than vague or constantly shifting
- Client appears to value expertise, not only the lowest price

Worksheet: Boundaries Statement

Write the boundaries you will state up front with every client, so off-hours availability and unlimited revisions never become silent expectations.

Working hours you communicate to clients

Expected response time for messages

Single agreed communication channel

Revision limit you will hold to

Weekly time protected for sales and admin

Money: Smoothing Income and Taxes

Set your owner-pay rule, design your purpose-based allocation percentages, and build a tax plan with quarterly dates and tracked deductions.

Worksheet: Owner-Pay and Buffer Plan

Use your last 12 months of income to set a conservative, steady salary based on your reliable baseline, not your best months. The buffer is the reservoir that keeps that salary flat while revenue bounces.

Average monthly income (last 12 months)

Lowest and highest monthly income in that period

Conservative monthly owner pay (based on baseline, not peak)

Owner-pay schedule (e.g. 1st and 15th)

Target business buffer (1-3 months of operating expenses, in dollars)

Current business buffer balance

Personal emergency fund target (3-6 months of living costs)

Exercise: Set Your Allocation Percentages

Design the Profit First style split you will apply to every payment the moment it lands. The tax account is the most important one, because nobody is withholding for you.

- Tax percentage you will move to a separate account on every payment (often 25-35%)?
 - What percentage goes to owner pay, and on what schedule?
 - What profit percentage will you set aside, even if it is just 5%?
 - How often will you run the allocation (e.g. twice a month), and from which account to which?
-

Worksheet: Quarterly Tax and Deduction Tracker Setup

Lock in the dates and the deduction categories now, so quarterly tax becomes a calendar event funded by your tax account rather than a spring emergency. Adjust dates to your country if you are not in the United States.

Estimated total tax rate to reserve (income tax + ~15.3% self-employment tax)

Q1 estimated payment date (US: mid-April)

Q2 estimated payment date (US: mid-June)

Q3 estimated payment date (US: mid-September)

Q4 estimated payment date (US: mid-January)

Deduction categories you will track (home office, equipment, software, mileage, insurance, etc.)

Accountant engaged? (name / date / fee)

Checklist: Money System Done-Right Checklist

- A dedicated business checking account exists and all client payments go into it
- A separate, untouchable tax account exists and is funded on every payment
- Owner pay is a fixed amount on fixed dates, set from baseline income
- A business buffer of 1-3 months of expenses is being built or is in place
- Quarterly estimated tax dates are on the calendar
- Deductions are tracked throughout the year, not reconstructed each spring
- Entity choice (sole proprietor vs LLC) has been reviewed for current income and risk

Your Action Plan

1. Audit your current contract against the seven core clauses and rewrite it into one reusable, signable template.
2. Set up an e-signature or all-in-one tool and make contract-then-deposit-then-work your unbreakable onboarding rule.
3. Choose your standard payment structure (deposit, milestones, short net terms) and apply it to your next proposal.
4. Build an invoice template with a unique number, a specific calendar due date, and one-click online payment.
5. Write and load your four-step collections sequence into your invoicing tool so reminders go out automatically.
6. Draft a reusable statement of work with a real exclusions list and a revision cap, and adopt the change-order routine.
7. Open a dedicated business checking account and a separate tax account, and route all income through the business.
8. Set your allocation percentages (tax, owner pay, profit, operating) and run the split twice a month.
9. Fix a conservative owner-pay amount and a buffer target, and pay yourself the same amount on the same dates.
10. Put your quarterly estimated tax dates on the calendar, start a deduction tracker, and book an accountant if income is real.

