



Freelancers Forum: Rate Setting

Joshua Horstman is an independent statistical programming consultant and trainer based in Indianapolis with 25 years of experience using SAS, primarily in the life sciences industry. Josh is a SAS Certified Advanced Programmer who loves coding and presenting at PharmaSUG and other industry conferences. Josh also enjoys travelling and hiking with his family and has been to 47 states and 27 national parks.



How Much Should I Charge?

- ▶ Most contracts are based on an hourly rate.
- ▶ Rates depend on many factors:
 - Type of work
 - Level of expertise required
 - Consultants' prior experience
 - Quantity of work
 - Travel expectations
 - Payment terms
 - Direct or indirect contract
 - Competition
 - Availability
 - Flexibility provided to client
 - Software licensing (e.g. SAS)



Rate Setting: Factor in Benefits

- ▶ Health Insurance – costly, but available
 - ACA premium subsidies are enhanced for 2022
 - Unclear whether favorable changes will be extended
- ▶ Retirement – Solo 401(k) can be very advantageous
 - 2022 employee contribution limit: \$20,500 (or \$27,000 if over age 50)
 - 2022 employer contribution limit: 25% of employee compensation
 - 2022 Combined total limit: \$61,000 (consult tax pro for other rules/limits)
- ▶ Paid Time Off – nope!
 - Factor this into your rate structure
 - Build reserves to even out cash flow



Rate Setting and Benefits Example

With appropriate rate setting, an independent consultant can construct a compensation package like one provided through traditional employment.

	Emily the Employee	Connie the Consultant
Gross Income	\$100,000 annual salary	Bills \$75/hour, 32 hours/week, 46 weeks/year = \$110,400
Time Off	6 weeks (paid by employer)	6 weeks (unpaid)
Health Insurance	Paid by employer	Pays \$5,400 annual premium
Retirement Plan	Employer contributes \$5,000 to 401(k)	Contributes \$5,000 to Solo 401(k)
Taxable Income	\$100,000	\$100,000

Disclaimer: These numbers are arbitrary and should not be considered representative of anything in particular. This example is grossly simplified and omits many details.



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