

Originally published on "Don't Risk IT" blog by



3 Ways Contracts Can Protect IT Moonlighters

If you only do IT work as a side hustle, you may not think you need to draft a contract when you book a job. However, contracts can be a lifesaver if you ever get into a dispute with a client or when a client refuses to pay their bill.

Let's look at three different ways a written contract can protect you, even if you only moonlight as an IT contractor.

1. Contracts Establish the Terms of a Project

When you create a contract, you are setting expectations with clients about:

- The terms and scope of the project.
- How the business relationship will work.

This ensures both sides agree on what your work will entail. Ideally, you shouldn't begin work until you have a signed contract in hand.

"It's important to have a contract because it defines the relationship between yourself and your clients," says Charles Vethan, founder and CEO of Vethan Law Firm. "No matter how impatient a client gets, you shouldn't start the work until you have a written agreement that clearly defines the terms of the assignment that is signed by both parties."

A contract may feel overly formal, especially if you're doing the work for a friend or family member. But a contract protects both interests by clearly laying out the terms in advance. That way you may avoid misunderstandings or disagreements down the road.

You may want your contract to define...

- What the deliverables will be.
- Project timelines.
- Payment terms.
- How changes requests / scope creep will be handled.

Contracts don't need to be long. They just need to state what each party can expect during the project. If you need help figuring out what to include in a contract, we have several free sample contracts you can use for inspiration.

2. Contracts Ensure You Get Paid

In an ideal world, you would complete an IT project, hand your client an invoice, and walk away with a check in hand. But how often does that happen? Talk to any IT contractor and you'll probably hear horror stories about hours spent chasing after clients for payment. Or worse – never getting paid at all. By having a contract, you decrease your chances that clients will try to weasel out of paying you.

"Contracts stop employers from cheating freelancers out of their hard-earned money after the fact," says Benjamin Weisenberg, associate attorney at the Ottinger Firm.

"Short pay and no pay are less of a risk when a clear, easy-to-read contract describes the payment terms and scope of work."

If you have a contract that states exactly how much you expect to be paid, and when, it may make clients think twice about trying to stiff you.

"You want to make sure you are getting paid, you are getting paid the right amount, and you are getting paid in a timely way," says [David Leffler](#), a partner at [Culhane Meadows \(@CulhaneMeadows\)](#). "Contracts can do that."

3. Contracts May Help You Spend Less Time in Court

Let's say a client refuses to pay after you've completed a project. If all you have to go on is a verbal agreement and a handshake, it can be tough to ever get them to cough up the money you're owed. Even if you sue, it may come down to your word against theirs – unless you have a contract.

"Contracts can drastically shorten the time it takes to win a judgment against a deadbeat employer," says Weisenberg. "A case with a contract can often be resolved in a matter of months, where a case without a contract can get bogged down in court for years."

As an IT contractor, your goal should be to write a contract agreement that's iron-clad enough that your client will have no choice but to pay because they would probably lose if you sue for nonpayment.

"A contract will help freelancers avoid going to court," says Shawn Toor, associate attorney at Williams Kastner. "If you take the time at the beginning of the project to ensure the pertinent provisions are included and the contract is well-written, the breaching party will have less of a leg to stand on."

Pro tip: If you have a client who won't pay, see if you can work out a compromise before taking them to court. For example, if they are experiencing cash-flow issues, try putting them on a payment plan. Avoiding a lawsuit can save you time – and money – in the long run.

"When you go to court, that's the last alternative," says Leffler. "You want to avoid that as much as possible because it's so expensive. But if you end up there, the contract will be the key exhibit."

For more tips on how to protect your freelance IT business, you may want to check out our eBook [Protection for Tech Pros: Insurance to Help Your IT Business Thrive](#).

About the Contributors



David J. Leffler guides entrepreneurs and small businesses through some of the most critical moments in the life of their business operations. As a partner at [Culhane Meadows](#), he specializes in providing relevant, timely legal advice to small businesses across a variety of industries, with a special focus on growing web-based companies. Mr. Leffler has been rated by Super Lawyer Magazine in the fields of corporate, intellectual property, and real estate law.



Shawn Toor is an associate in Williams Kastner & Gibbs Seattle office where he specializes in corporate matters relating to corporate governance and shareholder disputes. Shawn also advises real estate clients on purchases, leverage financing, and post-closing issues for residential and commercial properties.



Charles Vethan is the founder and CEO of Vethan Law Firm. For more than 20 years, Vethan Law Firm has delivered top-tier legal counsel to private businesses and professional practices of all sizes, including their founders, investors, partners, and management teams.



Benjamin Weisenberg is an employment attorney at the Ottinger Firm. He specializes in employment law, with a focus on representing executives in the negotiation of employment contracts and severance agreements. Mr. Weisenberg also represents executives in connection with disputes concerning bonuses, commissions, and non-compete agreements.