

# EMPLOYEE-2-CONSULTANT...GOT SKILLS?

By Attorney Judy Gedge

**J**im is a project manager for a large insurance company. After 15 years with the company, he's worked his way up to an executive position. Jim used to be excited to come to work but in the last few years all that's changed. With every round of layoffs, more work is added to Jim's job description (without a corresponding pay increase).

Jim is worried his own job may be cut in the next round of down-sizing. On the other hand, maybe that wouldn't be such a bad thing for Jim. He's got excellent project management skills, a tremendous ability to lead teams, fantastic communication skills and a rigorous work ethic. If Jim's company doesn't appreciate what they've got, surely there are other companies that would recognize the value Jim brings to the table. But Jim isn't very keen on changing jobs, going to another big company and ending up in the same situation 6 months or a year from now.

What other options does Jim have? He could set up shop as a 'problem-solver for hire'. As a project management consultant, Jim can put his enormous skills to work for lots of different companies. He can pick and choose who he wants to work with (and who he doesn't want to work with!). He can bring together teams of like-minded consultants if he's working on bigger projects.

Consulting can be a great alternative to employment. If you're considering this option, you'll want to be sure to identify the legal risks arising out of your consulting business. Then you can create a game plan to minimize those risks. Here are a few things to keep in mind.

**BUSINESS ENTITY.** If you operate your business as a sole proprietor, you will have unlimited personal liability for the risks of your consulting business. If you form an LLC (or a corporation), in general your personal assets will be protected from the risks of the business.

**ERRORS & OMISSIONS INSURANCE.** To maximize your protection, you'll also want to obtain appropriate liability insurance. We refer to it as 'malpractice' insurance when dealing with



attorneys, doctors and other licensed professionals. As a consultant, you'll need the same type of insurance which is known as 'errors & omissions' insurance. This will protect you against a claim that you or one of your team members made a costly error on a project. This type of insurance will pay a covered claim and it will pay the cost of defending the claim. Both of these are valuable protections.

**WRITTEN CONTRACTS.** It's important that you use written contracts with your clients. Your contract should contain a detailed description of your services, your fee arrangement and other important provisions. This will provide two distinct benefits: (1) It will help to avoid misunderstandings with your client; and (2) It will protect you legally. Similarly, you'll want to use written contracts with any sub-contractors you use on a project.

If you've been laid off or if you're secretly wishing you would get laid off (with a nice severance package), it's definitely time to look at your options. These include starting your own consulting practice. That way you can make your valuable skills available to clients who need your services and who are prepared to pay for them. Got Skills?? Then why not move from employee-2-consultant?

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