ZAZEN TAX

Retainers That Do Not Eat You

The steadiest revenue in the agency and the politest leak: scoped, measured, reported and renewed so the retainer stays a business.

Eight chapters, one worked retainer, and every figure checkable on the free tools.

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The worked retainer is Kestrel Works' Fernwell account: £4,500 a month for 45 scoped hours, 62 delivered. £100 an hour on paper, £72.58 in fact, £11,832 of cost given away a year, and a £6,200 renewal that fixes it. The book is that story, generalised.

1 Why agencies love retainers

Recurring fees smooth the lumpy project year, fund the payroll and make the agency saleable. Everything good about retainers is real, which is why the leak hides so well.

A retainer is sold as outcomes and delivered in hours, and the gap between those two sentences is where the economics live. The Fernwell account pays £54,000 a year, the steadiest money Kestrel has, and quietly eats seventeen unpaid hours a month.

The book's argument is simple: keep the steadiness, price the hours, and let the ledger, not the relationship, carry the renewal.

2 The over-servicing mechanism

Nobody decides to over-service. It accretes, one small yes at a time, at the speed of politeness.

The mechanism: the scoped 45 hours anchor the fee, the extra requests arrive singly and small, each too minor to invoice, and by spring the account runs at 62 hours with the fee unchanged. The effective rate slides from £100 to £72.58, a 37.8 per cent over-service, and at the £58 cost rate the giveaway is £11,832 a year on one account.

Multiply across a retainer book and over-servicing explains more tired agencies than any lost pitch. The Retainer Over-Servicing Calculator prices any account in a minute; the workbook prices the book.

3 Scoping a retainer properly

A retainer scope is a menu with a meter, not a promise of infinite affection.

The scope names the recurring deliverables, the hours they represent, what sits outside, and the rate at which outside work is charged. Rollover rules are stated: unused hours expiring monthly keeps the meter honest, a one-month rollover is the generous version, and unlimited banking rebuilds the leak with extra steps.

Include the review clause at signature: hours revisited quarterly against the meter, fee revisited at renewal. Scopes agreed when everyone is friendly are enforced without drama when someone is not.

4 The hours report

One page, monthly, with the invoice: hours scoped, hours used, what they built. The single highest-leverage habit in retainer management.

The report does three jobs at once. It makes generosity visible, so the extra five hours in a heavy month land as service rather than disappearing. It normalises the meter, so scope conversations are routine rather than confrontational. And it builds the renewal file all year, so the pricing conversation starts from twelve months of shared facts.

Clients respect measured generosity and renegotiate unmeasured entitlement. The difference is one page a month.

5 Boundaries that keep clients

Boundaries are not the opposite of service; they are what make service sustainable enough to keep.

The workable set: requests beyond scope get a cheerful this-sits-outside note with a price, heavy months borrow from light ones inside the quarter, genuine emergencies are served and then priced, and the account lead owns the meter rather than the most polite person in the room.

The tone is the craft: the meter is presented as fairness to the client's budget, which it genuinely is, since unmetered work eventually gets clawed back through quality, speed or a surprise re-price. Boundaries deliver the bad news in pennies instead of one awful renewal.

6 The renewal conversation

Renewal is where the year's meter becomes money. With the ledger in hand it is a pricing exercise; without it, a plea.

The Fernwell renewal, worked: twelve months of reports show 62 hours a month against 45 scoped. The options are stated plainly: the fee moves to £6,200 to match the real service, or the scope returns to 45 hours with the meter enforced, or something in between is chosen deliberately. All three are honest; the current arrangement is the only dishonest option on the table.

Renewals priced this way land far more often than agencies fear, because the twelve hours reports already did the persuading. The calculator produces the renewal figure; the reports produce the consent.

7 Retainers in the accounts

Retainers look simple in the books and mislead in two specific ways worth naming.

First, billing ahead: the monthly fee invoiced on the first is deferred income until the month is served, which matters at year end when a December invoice sits against January work. Second, profitability: a retainer measured only by its fee looks wonderful, and only the delivered-hours ledger shows the £72.58 truth. The WIP and Revenue Recognition Workbook holds the first; the retainer workbook holds the second.

At year end the retainer book gets the same honesty as projects: fees deferred where unearned, over-service priced into the renewal plan, and the book's total giveaway reported as the management number it is.

8 The healthy book

A healthy retainer book is boring on purpose: metered, reported, renewed on facts, and diversified enough that no single meter runs the agency.

The worked book of four retainers gives away £21,576 a year at cost, ninety per cent of it on two accounts. The fix is not heroic: reports on all four from this month, the two heavy accounts repriced at their renewals, and the meter enforced gently everywhere. Half the giveaway returns within two renewal cycles.

That is the whole book: keep the steadiness, meter the hours, report monthly, renew on the ledger. Retainers that do not eat you are retainers you can keep forever, which is what everyone wanted in the first place.

Where to go next

Run the Retainer Over-Servicing Calculator on your heaviest account today, and send the first hours report with the next invoice. The renewal ledger starts the month you start it.

Every calculator and workbook mentioned in this book is free on zazentax.com, with no email form. They use the same figures, the same conventions and the same worked agency as the chapters here.

Zazen Tax

Accountants for agencies and studios. If you would rather someone ran the numbers with you, that is what we are for.

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