



MONEY PLANNING & BUDGETING COST OF LIVING

'I'll never make this mistake again': how Gopi overcame career crunch

By Emily Chantiri
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Contracting roles are great provided the work is constant, but the down times can be challenging.

Gopi Muramalla, 34, an IT solution architect from Sydney, found this to be the case when a planned overseas trip extended beyond his finances.



Gopi Muramalla realised cash flow was key to coping with a contractor's career.
Photo: James Brickwood

After moving to Australia from India in 2009, he soon fell into full-time roles. However, when the projects ended, so did his job.

"Once the project finished, often, I'd be sitting on the bench with little or no work to do," Muramalla says. "In my last permanent role in 2014, I was asked to move on because there was no work."



Undaunted, he found plenty of contracting roles coming his way. Muramalla set himself up as a sole operator and engaged the services of a tax consultant.

"Contracting is different to being full-time employed; you're given a task and work independently," he says. "I bill my clients and submit my income and expenses each quarter to an accountant who calculates how much tax and super I need to set aside."

The toughest moment hit in 2017, when a two-month vacation to visit family in India, extended to six months and then it took a couple of months to land a role. "This was so tough; I only had two months' of savings," he says.

During this period, he scrutinised all his expenses. "I calculated every dollar, from my internet plans to mortgage repayments on an investment and my rent. I borrowed money from a friend and shared my apartment to help with rent in order to survive," he adds. "I said to myself, I will never make this mistake again. Now, I've got six months' saved."

While job insecurity and increased casualisation is a problem for many workers, contracting roles can be appealing for well-paid professionals with skills in demand. Recruiter Anthony Hannaford, HCM Australia, has witnessed a significant jump towards contracting over the past decade.

"People want contractors faster, on smaller time frames and they need them yesterday," Hannaford says. "Contractors are like hired guns who do a specific job, they're usually high-calibre with a niche skill level. They're paid a premium, sometimes 30 to 40 per cent more."

For his part, Muramalla has no desire to return to a permanent gig. "Aside from having enough savings, what I've learnt is to maintain contacts and work at your best," he says. "We're paid more, so the expectations are high. Companies can get cheaper people or even outsource; it's competitive."

Wealth mentor Jackson Millan says there is a golden rule to have three to six months' salary saved. "Unfortunately, life gets in the way or situations like Gopi's arise," Millan says.

Maintaining a personal profit and loss flow will help contractors know how much they need every single month. "If your living expenses are \$5000 a month and you're out for three months, you'll need to have \$15,000 as a buffer."

"If you just pick a figure out of the sky, you won't stick to your savings. This tends to be the biggest impediment with most as their saving goal is not specific to them."

A 90-day plan can help

"Look 90 days into the future, work out how much you'll have earned and where the opportunities lay," Millan says. "If you're nearing the end of a contract, begin networking and look out for prospects to minimise any gap."

Millan recommends contractors have two accounts: one as an operating account for invoices to be paid into, the other solely for tax and GST payments. "Treat yourself as an employee of your business and pay yourself superannuation. This small amount saved over the years will result in much less pain later on."

Organisational change manager Rose Waterhouse, 43, hadn't intended on becoming a serial contractor. An employee with the NSW Roads and Maritime Services (RMS) for 13 years, she chose voluntary redundancy in 2013. The RMS offered employees a program to help with re-employment.



Rose Waterhouse says the higher pay of contracting roles helps with a Sydney mortgage.

"Once I completed the program, I registered with several agencies; this was my foray into the world of contracting and I have never looked backed," Waterhouse says.

Her first contract, although short, taught her the biggest lesson.

"I had no idea what my hourly rate was," she recalls. "I plucked a figure out of the air. It turned out to be very low and the person jumped and said, 'yes, we'll sign you on.'"

Later Waterhouse realised her true worth when looking for similar roles. "I was grossly underpaid; it taught me a valuable lesson of knowing my worth."

Since then she has had little downtime. "I've had six to 12-month contracts and some rollovers," she says. "Sometimes I think it'd be nice to have a permanent job, but once you start contracting it's hard to stop."

The mortgage is the driver, says the mother-of-one. "I just can't be out of work with a Sydney mortgage; it's hard to take a financial step backwards," she adds.

Her secret to maintaining employment is to take the upper hand and not wait until the contract ends. "Even if you think they may extend it. Start looking as early as possible and register with several recruitment agencies."

The bonus of contracting is that the hiring process is quick. "Unlike permanent roles, usually, if you win the position, nine times out of 10 you start the next week. It's quick," she says.

Hannaford says a common mistake contractors make is to charge excessively, yet under deliver. "If you're constantly finishing a contract early with long lag times, consider going back to full-time. It can be tough being on the market every three or four months," he says.

January and February are traditionally quiet months when decision makers are away. "Of course, it depends on the industry, generally, IT is quite steady. Once in a contract role, make sure you're on top of the job market and know the project's end-date."

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