

## CONSULTING TIP OF THE MONTH

### OUT-OF-POCKET EXPENSES

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A typical consultant-client arrangement is to charge for time plus out-of-pocket expenses. This raises the question, what expenses are appropriate to charge, and what might be inappropriate. Below are the author's opinions, based on years of consulting experience.

#### APPROPRIATE:

1. Out of town travel expenses, including mileage (or rental car) and tolls for intercity driving, airline or train expenses, hotels, meals, taxis, etc.
2. Travel time (typically charged at 50% of consulting rate). The rationale for this practice is that this is time when one could be earning a fee on other consulting.
3. Books and other publications needed to carry out the assignment.
4. Literature search charges from commercial services
5. Significant mail and phone expense such as packages or international calls.
6. Laboratory charges, if you paid for them
7. Technical equipment or supplies needed for the assignment
8. Late payment charges if agreed in writing prior to the start of work

#### INAPPROPRIATE:

1. Administrative time, such as time to prepare an invoice.
2. A markup on travel or other out-of-pocket expenses charged.
3. "Nickel and dime" charges, such as mileage for driving to the post office or a dollar or two for letters or phone calls.

Why are these inappropriate? Simple: they may antagonize your client, and they won't increase your income significantly anyway. So why risk losing repeat business and damaging your reputation for just a little more money?

Having said this, one cannot over-emphasize the importance of a written consulting agreement, signed by both parties, that includes some of the items listed above. The agreement might also stipulate that expenses not specifically discussed are subject to prior approval by the client. The written agreement was mentioned in a [previous article](#) and will be discussed in more detail in next month's Tip.

A frequent contributor to The Distillate, Dr. Golton has written and lectured extensively on the subject of consulting. He recently retired as Vice President of [The CECON Group, Inc.](#) Prior to becoming a consultant, he held various positions at DuPont.

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