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TRADES AND HOME SERVICES

A playbook for contractors, electricians, plumbers, HVAC, handymen and other trades: licensing, estimating, cash flow and building a crew.

TYPE: PLAYBOOK REVIEWED: NOVEMBER 2026 TIME: 13 MINUTES LEVEL: INTERMEDIATE

AT A GLANCE

- Trades businesses are often **in high demand** and can be started with a truck, tools and a license.
- Profit depends on **accurate estimates, collecting deposits, and keeping crews busy**.
- Many trades need **state or local licenses**, permits for jobs, and the right **insurance and bonding**.

WATCH OUT

Licensing, permit and insurance rules vary by trade, state and city. Working without the required license can void contracts and lead to fines. Check with your state licensing board.

Startup costs (illustrative)

Item	Notes
Vehicle	Truck or van, often financed
Tools and equipment	Start with what you need for your core jobs
Licenses, exams and bonding	Trade license, contractor registration, surety bond where required
Insurance	General liability, commercial auto, workers' compensation, tools coverage
Software	Estimating, scheduling, invoicing and payments
Marketing	Truck wrap, website, Google Business Profile. See **L-04 Getting Found Locally: Google, Maps and Reviews**.

How the money works (illustrative)

Line	Share of revenue
Revenue	100%
Materials	15% to 30%
Field labor (including payroll taxes)	25% to 40%
Gross margin	**Often 35% to 55%**
Vehicles, fuel, tools	5% to 10%
Insurance, office, software, marketing	10% to 15%
Profit before owner pay	**Often 10% to 20%**

Estimating and pricing

1. **Know your true hourly cost** for each worker: wages, taxes, insurance, vehicle and overhead.
2. **Estimate materials** carefully and add a markup for handling and waste.
3. **Add overhead and profit** to every job.
4. **Use clear written estimates** with scope, price, timeline, exclusions and payment terms.
5. **Track actual time and materials** against estimates, and adjust future bids.

> EXAMPLE
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> **Marcus** used to price landscaping jobs by guessing. He calculated his true crew cost at **$95 an hour** including the truck and overhead, and began tracking each job. He found that small jobs under 3 hours were losing money because of travel time, so he set a **minimum charge of $350**. His profit margin rose from 8% to 17% in a year.

Cash flow

- **Collect deposits** before ordering materials.
- **Use progress payments** on larger jobs (for example, 30% upfront, 40% at a midpoint, 30% at completion).
- **Invoice the same day** a job is done, and accept card and digital payments.
- **Watch mechanic's lien rules** in your state that protect your right to be paid on property work.

Numbers to track

KPI	What it tells you
Revenue per technician or crew	Productivity
Estimate close rate	Pricing and sales strength
Gross margin per job	Estimate accuracy
Average job size	Pricing and job mix
Days to get paid	Cash flow
Callbacks or warranty work	Quality
Share of recurring maintenance work	Steady revenue

Funding

- Vehicle and equipment financing. See **R-07 Equipment Financing and Lines of Credit**.
- Lines of credit for materials and payroll timing. See **R-07 Equipment Financing and Lines of Credit**.
- Microloans and community lenders. See **R-05 Microloans and Community Lenders**.
- Bank and SBA loans. See **R-06 Small Business Loans and SBA Loans**.

Ways to grow

- **Maintenance plans** for recurring revenue, like seasonal HVAC tune-ups
- **Commercial and property-management clients** for steady work. See **G-07 Landing Big Customers and Partners**.
- **Government and subcontracting work.** See **G-08 Government Contracts and Supplier Diversity Programs**.
- **Adding crews** with a lead technician running each

Common mistakes

- **Underbidding** to win jobs
- **No written contracts or change orders**
- **Working without the right license or insurance**
- **Paying for materials before collecting deposits**
- **Misclassifying helpers as contractors.** See **O-02 Employees vs. Contractors**.

Launch checklist

- ☐ Get your trade license and any contractor registration or bond
- ☐ Get liability, auto and workers' compensation insurance

- ☐ Calculate your true hourly cost
- ☐ Create estimate and contract templates
- ☐ Set up digital invoicing and deposits
- ☐ Claim your Google Business Profile and gather reviews

Where to go next

- **P-06 Cleaning, Landscaping and Property Services**
- **B-09 Contracts Every New Business Needs**
- **O-02 Employees vs. Contractors**

IMPORTANT
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