

WHITE PAPER

In-House IT vs. Managed IT Services:

A Complete Cost Comparison for Growing Businesses

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Executive Summary

Businesses of every size face the same IT question: build an internal team or partner with a managed provider? This white paper breaks down the actual costs of both models across seven categories, from salaries and hardware to cybersecurity and compliance. The data consistently shows that managed IT services deliver broader coverage, stronger protection, and lower total cost of ownership for small and mid-sized businesses.

For a 20-employee company, the annual difference can exceed \$100,000, with the managed model providing deeper expertise and around-the-clock coverage that a one or two-person in-house team simply can't match.

The Full Cost Picture: In-House IT vs. Managed IT

Most businesses compare a salary figure against a monthly service fee and call it a day. That comparison misses at least half the story. Below is every major cost category that affects your real IT spend.

1. Personnel Costs

This is the largest line item and the one where in-house IT costs surprise owners most.

Cost Item	In-House (Annual)	Managed IT (Annual)
Base Salary (IT Admin)	\$65,000 - \$75,000	Included in contract
Employer Taxes (7.65%)	\$4,972 - \$5,737	N/A
Health/Dental/Vision	\$7,000 - \$12,000	N/A
401(k) / Retirement	\$1,950 - \$3,750	N/A
PTO & Sick Leave	\$5,000 - \$5,769	N/A
Recruitment & Onboarding	\$4,000 - \$8,000*	N/A
SUBTOTAL	\$87,922 - \$110,256	\$18,000 - \$48,000

*Amortized annually. IT professionals change jobs every 2-3 years on average.

2. Hardware & Infrastructure

Cost Item	In-House (Annual)	Managed IT (Annual)
Servers & Networking	\$8,000 - \$25,000	Included or guided
Workstation Maintenance	\$2,400 - \$6,000	Included
Backup Hardware/NAS	\$2,000 - \$5,000	Cloud-based, included
Replacement Cycle (3-5yr)	\$3,000 - \$8,000	Provider-managed
SUBTOTAL	\$15,400 - \$44,000	\$0 - \$5,000

Managed providers handle procurement at volume pricing and maintain hardware through their service agreement, shifting capex to predictable monthly opex.

3. Software Licensing & Tools

Cost Item	In-House (Annual)	Managed IT (Annual)
RMM & Monitoring Tools	\$3,000 - \$8,000	Included
Ticketing / PSA Software	\$1,200 - \$3,600	Included
Backup Software	\$1,500 - \$4,000	Included
Patch Management	\$1,000 - \$2,500	Included
Documentation Platform	\$600 - \$1,800	Included
SUBTOTAL	\$7,300 - \$19,900	\$0 (included)

In-house teams must source, license, and maintain each tool independently. Managed providers bundle these into their contract at volume rates.

4. Cybersecurity

This is where the cost gap becomes most significant, and where underspending carries the greatest risk.

Cost Item	In-House (Annual)	Managed IT (Annual)
Endpoint Protection (EDR)	\$3,600 - \$12,000	Included
Firewall / UTM	\$2,000 - \$6,000	Included or guided
Email Security / Anti-Phishing	\$1,200 - \$4,800	Included
SIEM / Threat Monitoring	\$12,000 - \$48,000	Included (24/7 SOC)
Vulnerability Scanning	\$2,000 - \$6,000	Included
Incident Response Planning	\$5,000 - \$15,000	Included
Security Awareness Training	\$2,000 - \$5,000	Included
SUBTOTAL	\$27,800 - \$96,800	\$0 (included)

The average data breach in the financial sector costs \$5.56 million. Even small businesses face breach costs that can threaten operational survival. A single ransomware incident can exceed the entire annual managed IT contract.

Most in-house IT generalists lack the specialized security skills to configure and maintain SIEM platforms, run threat hunting, or develop incident response plans. These are specialist functions that managed providers staff for specifically.

5. Training & Professional Development

Cost Item	In-House (Annual)	Managed IT (Annual)
Technical Certifications	\$2,000 - \$5,000	Provider-managed
Security Training (CISSP, etc.)	\$3,000 - \$8,000	Provider-managed
Conference / Education	\$1,500 - \$4,000	Provider-managed
Lost Productivity (Training)	\$2,000 - \$4,000	N/A
SUBTOTAL	\$8,500 - \$21,000	\$0 (included)

Technology changes fast. Your in-house hire needs constant upskilling to remain effective. With a managed provider, that investment happens on their side, and the benefits flow directly to you.

6. Downtime & Productivity Loss

Gartner estimates unplanned downtime costs US businesses \$5,600 per minute. Even a two-hour outage in a mid-sized company can mean tens of thousands in lost productivity and missed revenue.

Factor	In-House	Managed IT
Response Time	Next business day*	15-60 min SLA
After-Hours Coverage	None (or overtime)	24/7 included
Proactive Monitoring	Limited (manual)	Automated + human
Avg. Annual Downtime	3.6 hours (industry avg)	Under 1 hour (SLA)
Est. Downtime Cost/Year	\$20,000 - \$60,000+	\$1,000 - \$5,600

**When the in-house person is on vacation, sick, or has already left the company, response time becomes undefined.*

7. Compliance & Risk Management

For businesses in regulated industries (healthcare, finance, legal), compliance isn't optional. HIPAA, PCI-DSS, SOC 2, and state-level data protection laws all carry significant penalties for violations.

Cost Item	In-House (Annual)	Managed IT (Annual)
Compliance Audits	\$5,000 - \$15,000	Included or assisted
Policy Documentation	\$3,000 - \$8,000	Included
Gap Assessments	\$2,500 - \$7,500	Included
Audit Preparation	\$2,000 - \$5,000	Included
SUBTOTAL	\$12,500 - \$35,500	\$0 - \$5,000

A single HIPAA violation can result in fines from \$100 to \$50,000 per violation, with annual maximums reaching \$1.5 million per category. One compliance gap can cost more than years of managed IT service fees.

Total Annual Cost Comparison (20-Employee Business)

Category	In-House IT	Managed IT
Personnel	\$87,922 - \$110,256	\$18,000 - \$48,000
Hardware & Infrastructure	\$15,400 - \$44,000	\$0 - \$5,000
Software & Tools	\$7,300 - \$19,900	\$0 (included)
Cybersecurity	\$27,800 - \$96,800	\$0 (included)
Training & Development	\$8,500 - \$21,000	\$0 (included)
Downtime Costs	\$20,000 - \$60,000	\$1,000 - \$5,600
Compliance	\$12,500 - \$35,500	\$0 - \$5,000
TOTAL	\$179,422 - \$387,456	\$19,000 - \$63,600

At the low end, managed IT saves over \$115,000 annually. At the high end, the savings exceed \$320,000, and that's before accounting for the reduced breach risk and operational continuity a full team provides.

Beyond the Numbers: What the Cost Comparison Doesn't Show

The tables above capture the direct, measurable costs. But several factors that are harder to quantify tip the scale even further toward managed IT.

Business Continuity

When an in-house IT person leaves, institutional knowledge walks out the door. Replacement hiring takes 42 days on average, and onboarding takes months. During that gap, your systems are exposed. A managed provider maintains documentation, processes, and protection regardless of any individual personnel change.

Vendor Relationships

Individual businesses, especially smaller ones, rarely get the best pricing on security tools, cloud platforms, or backup solutions. Managed providers work with these vendors at volume and pass better pricing, faster escalation paths, and access to enterprise-grade features directly to their clients.

Scalability

Adding five employees to your company doesn't require hiring another IT person when you work with a managed provider. Your service scales with your headcount. In-house IT creates a staircase effect where every growth milestone forces another expensive hire.

Proactive vs. Reactive

Businesses running reactive IT (fixing things after they break) spend two to three times more than those running proactive monitoring. A managed provider catches issues before they become outages, patches vulnerabilities before attackers exploit them, and tests backup systems before they're needed in a crisis.

What's Your IT Actually Costing You?

If the numbers in this white paper surprised you, you're not alone. Most businesses underestimate their true IT spend by 30% to 50% because the costs are spread across so many line items.

CyberShieldIT works with small businesses and growing companies to build IT programs that protect operations without breaking the budget. Our service lines cover every layer of your IT needs:

- ITShield: Managed IT with access controls, audit logging, and endpoint security
- CyberShield: 24/7 threat monitoring, ransomware defense, and phishing protection

- Cloud Shield: Secure cloud storage and infrastructure meeting regulatory standards
- Comm Shield: Encrypted email and communication channels for sensitive data

Book a free consultation and we'll assess your current environment, identify gaps, and show you exactly what proactive protection would cost for your specific business.

[Schedule Your Free Consultation](#)

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