



Part of the Washington SBDC Podcast Series

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How Much to Charge per Hour:

Situation: You calculate your salary, and you are earning less than minimum wage. You react by working harder to bill more hours, but become exhausted.

Solution:

- Find someone to help you vent your frustration. Dialog can lead to common sense answers
- Do some math to see if you can “cut it” in the market you serve.

How many hours in the year are available for you to work?

Hours a week you can work X Weeks in a year you will work

Example: 50 hours/week with 3 week vacation = 2,450 hours

Of the total hours available for you to work, what percentage of these will you be able to bill clients? Remember you may have some hours each week in which you are not explicitly making money.

Example: 60% of hours that you can actually bill out to your customer = 1,470 hours

What annual salary would you like to make? What would you have to pay someone else to do what you do?

Example: \$60,000

What are your other annual operating expenses? Telephone? Advertising? Insurance? Rent? Vehicle expense? Office supplies? Travel? Subscriptions? Office space?

Example: Annual expenses are \$15,000.

What profit margin should you earn?

Example: 15% profit margin = \$11,250

Total Annual Expenses + Profit/Total Annual billable hours = what you can charge

Example: \$60,000+\$15,000+\$11,250/1,470 hours

\$86,250/1,470 hours = \$58.67 per hour

Critical question is: Will the market pay \$58.67 an hour for your services?

- ✓ You can increase the number of billable hours in order to close a gap.
- ✓ Improve marketing and advertising.
- ✓ Raising hourly rates so you can meet financial goals will show you quickly whether you can make it in your market.
- ✓ You can create various one time fees for different services to increase the overall average.

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