Setting a Sustainable Hourly Rate

This worksheet offers a simple approach for writers to determine a sustainable hourly rate.

Part 1: What is your financial goal?

How much disposable income do you want? Disposable income (i.e., how much money you have available to save or spend) determines your potential lifestyle. There is no right or wrong answer about how much you "should" make; it is your choice. Then it is simply a matter of arithmetic to determine what it takes to get there.

Based on the disposable income you want, how much business revenue do you need? The following table offers an example of the relationship between the two figures, using drastically simplified dollar amounts. (Talk to your CPA for numbers appropriate to your situation.)

Item	Amount
Business Revenue	$75,000
minus Business Expenses	10,000
equals Business Net Income aka Personal Gross Income	65,000
minus Taxes (using 15% here, but get the right % for your situation)	10,000
equals Disposable Income	$55,000

You can calculate your targets either direction.

> *If I want $55k in disposable income, how much do I need to earn in my business?*
> > OR
> *If I make $75k in business revenue, how much disposable income will I have?*

You may find it easier to track your business revenue (top line) on an ongoing basis, even though the disposable income (bottom line) is what you end up with.

(Note: For simplicity, we're ignoring other income from a spouse, part-time job, etc. Of course, those amounts would have to be taken into account in your personal gross income and would then flow down to disposable income.)

Part 2: What is your capacity?

How much time do you have available to deliver your services? While you may not price your services hourly (and often it is better not to), it is important to understand how many hours each offering takes in order to manage your capacity.

One way to look at this:

- How many months per year do you want to work? Let's say you want to work the equivalent of 11 months, with 1 month for vacation.
- How many days do you want to work each month? Let's assume 5 days a week for 4 weeks so 20 days per month, for a total of 44 weeks or 220 days per year.
- How much overhead time does it take to run your business (marketing, admin, etc.)? For many solopreneurs, roughly half of their time is on overhead. If you use that assumption, that means you have 110 of your working days (or about 880 hours) available for service delivery to your clients (a.k.a. "billable hours").

Want to make it simpler? Figure there are about 2000 hours in a fulltime working year and you can make about half of those (~1000) billable hours.

Part 3: What is your sustainable hourly rate?

If your business revenue goal is $75,000 and you have 880 hours available, you need to make about $85/hour.

Even if you don't price your services hourly, you can use this figure to make sure you are charging a sustainable amount. For example, if you charge a flat rate for a project that typically takes 20 hours, your project price ought to be in the $1700 range (20 hours x $85/hour = $1700).

Sustainable Hourly Rate Worksheet

Part 1: What is your financial goal?

Use the following table to develop an estimate of the business revenue needed to support your disposable income goal. Don't get tangled up in details; just get materially correct.

Item	Amount
Business Revenue	$
minus Business Expenses	$
equals Business Net Income aka Personal Gross Income	$
minus Taxes	$
equals Disposable Income	$

Part 2: What is your capacity?

Use this table to determine how many billable hours you have available.

Item	Amount
Working weeks each year	
times Hours of work per week	
equals Total work hours available	
minus Time needed for overhead tasks (business development, admin, etc.)	
equals Time available for clients, a.k.a., billable hours	

Part 3: What is your sustainable hourly rate?

Using the numbers you've identified, calculate your sustainable hourly rate.

Item	Amount
Business Revenue Target (top line in Part 1)	$
divided by Billable Hours (last line from Part 2)	
equals Target Sustainable Hourly Rate	$