

Your Time Is Money — Set the Right Rate as a Consultant with Elka Vera hosted by LifeMoxie

Four Ways to Set the Right Rate

Figure your rate using each of these four methods. Are the results the same, similar, or different? Which one empowers you the most to excel in your business?

1 Know Your Bottom Line

Calculate your overhead (what it costs to do business) and your owner's draw (this is what sole-proprietors get instead of a salary), then divide the sum by the number of hours you can reasonably expect to bill in a month. This rate gives you what you need to stay in the game. Add a little more for profit (so you ensure you continue to stay in the game), and that's your hourly rate! Download a helpful spreadsheet at www.elkavera.com/moxie.xls.

2 Know Your Market

What are others charging for the same or similar service in your industry? What is the lowest rate in your field? What is the highest? Where do you fit in the spectrum, comparing yourself in terms of skills, wisdom, experience, and effectiveness? What are your customers willing to pay? Answers to these questions let you confidently set a rate that's right, so start your research! Web searches, customer surveys, conversations with colleagues and competitors will get you the information you need... starting tonight!

3 Convert Your Salary

Recruiting companies use proprietary software to convert an employee's salary and benefits package to a commensurate contractor's rate. The simplified version works like this: Divide your salary by 26 (the number of bi-weekly pay periods in a year), then divide by 80 (the number of work hours in two weeks), then multiply by 1.33 to compensate for the lost benefits.

For example: $(\$95,000 \text{ per year} / 26 \text{ pay periods} / 80 \text{ hours}) \times 1.33 = \60.74

This might be a fine rate if you were billing 40 hours per week. But unless you have a long-term contract, you're probably billing only 20 hours per week, in which case, double the result for your appropriate consulting fee. Keep in mind, though, if a client balks at the doubled number AND is offering you certain, substantial and consistent work, then consider returning to the original number or somewhere in between.

4 Trust Your Gut

A wise colleague once said to me: your real rate is the highest number you can say out loud without choking. If the number makes you a little nervous, that could signify that you're stretching, which is fine. However, if the number creates resistance in your body (for example, it makes you want to choke), it's a sign that you're significantly out of alignment with it. Try lowering it... or get the cognitive back-up to convince your subconscious you can handle it.