

# Hourly rate formula:

"How much should I charge?"

Please be aware that this is a guide only.

**(Annual wage)+(super)**

+

**(Total expenses)**

+

**(Profit)**

÷

**(Billable hours)**

= \$ P/H

## Annual wage:

Start with the gross weekly income that you want/ need or would like to earn, but don't be greedy here yet, the money will come with time and experience, you could compare your income from your last full time job - weekly income x 52 weeks =

(annual wage) + (add super if you are going to pay yourself super)

Annual wage- \$

## Total expenses:

Total expenses- 12 months of expenses. Include everything possible - phone bill, fuel, GST, accounting fees, repairs and maintenance, advertising etc and include estimates of any purchases or costs you can foresee – for example: you might want to upgrade your ride on mower in two years for \$8k so add in \$4k for the 12 months. Be as accurate as possible. (total expenses)

Total expenses- \$

Profit:

You need to make profit on top of your income and expenses, so decide what percentage to add on top of the total : 10-30 % of annual income and total expenses combined = (profit)

Profit- \$

Billable hours:

Billable hours- how many hours per day on average are you actually on the job making money? Don't include driving, bookwork, or maintenance etc. Allow for the seasons and get an average. Try to be as accurate as possible. Average work hours.

Decide how many days per week you are working and x it by 52 weeks = total workdays(example 5 x 52=260 , don't take off holidays yet)

Now you need to decide how many days off you will have per year including holidays, sick days, public holidays, etc. (example 4 weeks holidays, 8 sick days, 4 rain or heat days and 2 public holidays = 34 days) . Total days off.

Now take off the total days off from total workdays(260- 34 = 226)

226 x your average work hours per day = (billable hours)

Billable hours-

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**Example:**

(Annual wage + super)  $\$1250 \times 52 = \$65,000 + 9.5\% = \$71,175$

+

(Total expenses)  $\$36,400$

+

(Profit)  $\$71,175 + \$36,400 = \$107,575 + 15\% \text{ profit} = \$123,711$

÷

(Billable hours) average 7hrs x 226 days = 1582 billable hours

$\$123,711 \div 1582 = 78.199$  round up to  $\$80.00$

**= \$ 80.00 P/H**

Please note that there are many, many variables that are up to you to decide, such as how experienced you are, weather conditions, what machinery you are using etc and the list goes on and on.

Just use some common sense and learn through experience and you should be able to use this formula as a starting point.