

## Handling Your Finances

### Setting Fees

Regardless of where you are in developing your business, price yourself in line with your level of experience and expertise and what your target customers will pay. To get coaching experience that will build your confidence and develop you as a coach, you need to coach, coach, coach, and coach some more. While you are in training and learning the skills of coaching, and to encourage plenty of clients, you might start at a fairly low rate such as US\$50 or \$100 a month for half-hour weekly sessions. As you increase your expertise and experience, and complete your training and certification, raise your rates.

A guideline when getting started is to focus on coaching clients more than coaching revenue. First fill your business, even if you are unsure that you have the “right” fee structure.

### An Initial Budget

Here's a secret — a budget does not need to be a complicated, multi-page spreadsheet! You can create your first budget with just pencil and paper. First think about your goal for the number of clients you want each month. When do you want your first client? Second client? How much will you charge these clients each month? Now you can make some broad goals in terms of revenue per month. See — you just created an income projection!

Next, think about your potential expenses — training, travel, telephone, and other startup costs. If you don't know how much you will spend on something, take a guess. Don't let the not-knowing stop you. Just take a guess or estimate and move on.

Put the income with the expenses, and you have an initial budget. See how easy that was! Remember, a budget is a ball-park estimate, it is not meant to be accurate to the dollar. As the months and years roll by, you will gather more information that will make your budgeting easier and easier. It is impossible for your budget to be “right” so don't even go there! Make your best estimates and add information as you learn more.

### The Size of Your Practice

The size of your practice will depend on your personal schedule, desires, needs, and coaching style. Some coaches have been known to work with 60 clients, others with five. In both instances this may represent a “full practice” for the coach — it varies coach to coach.

A very general guideline is allotting one work hour each week per client in your practice. So, if you have 20 hours a week that you can devote to your business, the maximum number of clients you might have would be 20. However, in the beginning, while you are still in training and building your client base, the number of clients would be smaller since your energies are mostly focused on your training. In general, when you have completed your training, you will spend about half of your time coaching clients and the other half on marketing, administration, training, planning, and the like.

On average, it takes about 15 months of consistent and focused work to create a full practice. When you think about it, this is not a very long time to get a business up and running.

Many people find it easier to build a part-time practice first, while they are still employed elsewhere. They work with clients in the evenings, early morning or on weekends until they have enough clients to reduce their hours of employment, ultimately quitting their jobs to be a full-time coach.

## **Invoicing**

Invoices can come in all shapes and sizes. An invoice is any kind of document that lets your client know that he/she owes you money for coaching services. It is important to send invoices (by mail, fax, or email) since that is the only legally recognized way to prove that the person owes you money. If you don't send an invoice, your client can legitimately not pay you.

You can send invoices any day of the month that works for you and your clients. Your invoices can be as simple as an email, or can be a Word or Excel document, or a formal invoice created by an accounting program like Quicken or QuickBooks.

You may want to keep a master list of your clients' names and track the dates you send invoices and receive payment so you can do timely follow-up with them.

## **Collecting Fees**

If you coach in person, you can collect your fee at the time of the appointment (before you begin the session). If you work by phone, ask your clients to pay in advance for the upcoming month. In this way the client will not be "voting" about the coaching with their payment. They will have already paid and will be invested in making the coaching work for them.

Invoice well before the month begins and be clear about the payment due date. If your clients have not paid by the time you have a coaching session, make sure to talk with them about it. If you haven't received payment by your second session of the month, postpone the appointment until you have received payment. Remember, you are running a business. If they are committed to the coaching process, then they will be committed to paying for the services.

While you don't want to be totally focused on payments, you do want to be clear and professional with your clients about money. They need to know that they are expected to pay you a certain amount by a certain date. If there is a problem with making the payment, such as an unexpected expense or an emergency shortage of funds, they need to talk with you about it so you can agree to a new payment date.

When the money aspect of the relationship is clean and clear, it doesn't get in the way of the coaching. If you set clear expectations from the beginning (starting in the discovery session or earlier), you will save yourself (and your client) angst and struggle.

## **Business Bank Accounts**

If you are a sole proprietor, you can use your personal bank accounts for your business finances. However, you may find it easier in the long run if you have a separate checking account and a separate credit card to use solely for your business. This allows you to easily keep your personal and business finances separate, a great help when you want to determine how profitable your business is, and also when tax time rolls around.

Don't use your business checking account or credit card for any personal expenses, use it only for business-related expenses. You can track your income and expenses with paper and pencil, when your business is small, or with a program like Quicken or QuickBooks as you grow.

## **Business Taxes**

Your business taxes are based on your business profit, i.e., your business income less your deductible business expenses. If during a given year you don't have any profit, then you don't pay any business taxes.

All business income is taxable — cash, check, credit card, barter. Your business expenses are deductible only if they are directly related to your business, such as a dedicated business telephone line, rent for an office, coaching and business books, office supplies, and the like.

The topic of taxes is a lengthy one. It is recommended that you research what is appropriate for your own financial situation and geographic location. In addition, software programs such as Turbo Tax or Tax Cut in the U.S. can greatly streamline the process of computing and filing taxes.

**Additional Resource**

- For U.S.-based coaches — IRS website: [www.irs.gov](http://www.irs.gov)