

Title:

Consulting Salary - Are Your Rates Salary Equivalent?

Word Count:

414

Summary:

Consulting salaries are very closely related to the hourly billing rates that you charge. Before you launch your business you need to make sure that your total revenue will allow to pay your self, and any future employees, an attractive and competitive consulting salary.

Keywords:

Consulting Salary, Consulting-Salary

Article Body:

Consulting salaries are very closely related to the hourly billing rates that you charge and the salaried equivalents that you can afford to pay both yourself and others down the road. The consulting salary you expect must be affordable given your hourly billing rates. This consulting salary must also be enough to attract sales and technical staff as your business scales up. If you don't set your rates at an appropriate level then you won't be able to offer competitive salaries to future employees and your business growth will falter.

The Consulting Salary Equivalent of \$75 an hour

\$75 per hour sounds like an attractive rate. Most people will equate it with a yearly consulting salary close to \$150,000. The assumptions are that there is little overhead and people with their own businesses hardly pay any taxes.

Unfortunately, figuring out a consulting salary is not that simple. You need to remember that you'll only be able to bill out about 75% of your week. This takes you from a starting place of a \$150k consulting salary to \$112k per year. That still doesn't sound bad though, right?

There's still something you're missing here. It's called the Triple Billing Rule.

Triple Billing Rule

Your overall revenue is actually split into three. 1/3 goes to sales and

marketing, 1/3 goes to taxes, insurance, fringe benefits and other overhead items. The final 1/3 goes toward a consulting salary. If we take our \$75 per hour scenario, suddenly we have a maximum consulting salary of \$49,500 but we haven't accounted for the other business expenses that come out the final third.

When you look at consulting salaries realistically it is easy to see how setting billing rates is very complex. Your rate has to be high enough to pay yourself or a contractor/employee a decent consulting salary but not so high that it impedes finding clients.

The Bottom Line on Consulting Salaries

Consulting salaries come out of the final third of overall consulting revenue: marketing, sales, taxes, insurance, and administration all take precedence. When you start a computer consulting business it is important that you are able to pay yourself a consulting salary that is equivalent to what you would expect to make working for someone else. You may be an employer someday and you want to make sure the consulting salary you offer will be sufficient to attract the talent you are looking for.

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