

InvestingInTheBusiness

The following question came in response to my article about Before Marketing Comes Business.

Q: What do you mean by money spend as investment in your business?

A: Other than get rich quick schemes and gambling (including lottery tickets) all businesses must invest in the infrastructure and maintenance of their business as well as expansion efforts. Coaching is not a get rich quick despite what some disreputable adult ed classes might say.

Coaching is in many respects like any other business, though because many coaches coach from home there are differences in overhead costs.

So lets start with Start Up Costs (investment into the business). For any venture there are start up costs. a sampling:

- High Quality phone (\$100-\$500) with headset and mute
- Up to date computer (\$1000-\$2500) If your computer is 2yrs old or older, you need a newer one, consider a laptop.
- Business Cards 2000 (\$100) The idea here is to pass them out, don't horde them.
- Internet hookup (\$75-\$250 or free depending on plan) (if you are in an office, you will be paying business rates not home rates for phone and internet service which is usually 2x what home owners pay)
- Furniture (adequate desk, comfortable chair or two, lamps, lightbox (for those who live up north), filing cabinet, bookshelves, etc)
- Office equipment (computer peripherals, printer, scanner, fax machine (combo))
- Software (remember it is illegal to take software from your previous employer or current employer. Open Source has some wonderful options i.e. <http://www.OpenOffice.org>)
- Business License - does your state, county, or city require you to register your business and if so what fees are associated with it \$10-\$250
- Incorporation Fees - Sole Proprietor \$Free, SCorp or CCorp or LLP \$200-\$1000

Q: What kind of stuff is that money being spent on?

A: Multipart Answer

Maintenance:

- rent (even in your own home, the portion of the home that is dedicated to your home office can be considered rent)
And having an physical office does send a different message to local clientel.

- utilities
- internet service (even if you are using your home dsl/cable it is still an expense)
- business phone
- cell phone
- webhost (for your website)
- insurance (at a minimum office coverage added to your home policy + umbrella liability coverage. If clients come to your home, you'll need more)
- health insurance \$100-\$500/mth
- self-employment tax (yes that's right, now granted it is based on profit which is income minus expenses and all of the things on this list count as expenses and as such are tax write-offs).
- income tax (see above)
- state & local ordinance taxes
- sales tax if you sell product

Support Staff:

- Virtual Assistant/Book-keeper (\$35-65/hr)
- Business & or Mentor Coach \$250-\$1000/mth
- Life Coach \$250-\$500/mth (yes I did list two coaches here at times I've had 4)
- Professional Organizer
- tax accountant (\$300/yr)

Self Care/Reserve Buildup:

- massage 2x a month or more (\$150)
- house cleaner 1-4x a month
- baby sitter

Professional Development

- Membership Fees (Yearly ICF \$200, chapter activity fees \$240, ASTD \$250, BNI \$900) $\$1500/12 = \$125/\text{mth}$
- Conference Fees (ICF Registration + travel & expenses \$1500-\$1800/yr) \$150/mth
- Continued Coach Training or program costs (ave \$395x 4x a year=\$1600) \$135/mth
- BOOKS - say 1 a month at \$15/piece or 3 used ones for the same price (but don't forget shipping)

Marketing:

- Designers for logos, brochures etc \$50/hr-\$250/hr
- Printing Costs \$20/mth even if you print from your computer you've got the per sheet cost of the ink you use and the paper which for a color printer ends up being about \$0.30-\$0.50 per page and often looks amateurish vs \$0.45 color copies at Sir Speedy.
- Webdesign/webmaster if you are not computer savvy - \$50-\$250/mth
- Networking event fees 2x a month at say \$20 -\$40 per event (may include meals)
- Meals/Coffee for meeting potential clients
- Newsletter Service \$15-\$50/mth
- Autoresponder Service \$18-50/mth
- Shopping cart service for the web \$FREE-\$100/mth
- Trademark Costs (if you plan to register for a trademark expect to pay \$1200-\$2500 and 18-36 months to get it registered)

Client Costs:

- Visa/MC fees 10clients $\$300 = \$3000 \times .029\% (\$87) + \$0.30 \text{ per transaction fees } (\$3) + \text{monthly fees } (\$30) = \$120/\text{mth}$
- Mailings
- Gifts (I give gifts to my clients, not every month but maybe once a quarter or semester, often a book or tool they can use)
- Folder/Binders/etc
- Cell phone minutes or 1-800 minutes if you have an 800 line

There are lots more things to add. It could start to feel like being pecked to death by ducks if you don't have a business plan and budget to account for these things. All those extraneous costs are all costs related to the business quasi known as OVERHEAD.

My intention is not to frighten, but rather to inform.

This is more a reality check for the industry.

You might say, "Well I can do with out this or that."

To which I'll respond, "For how long? and what is the opportunity cost for not doing certain things?"