

Practice Management:
**Income Strategies &
Planning**

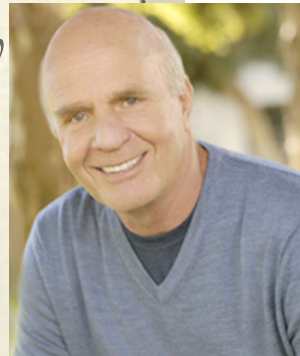


Creating a Professional Practice

How do I view Money?

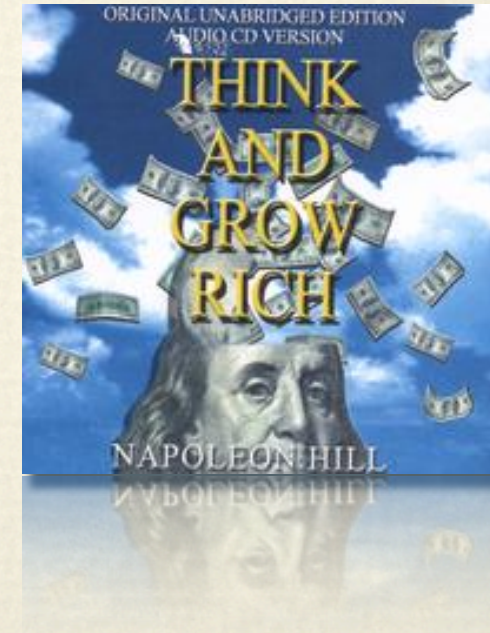


*“Successful people make money.
It's not that people who make
money become successful, but that
successful people attract money.
They bring success to what they
do.” — Dr. Wayne Dyer*



Money: The Reality

- ❖ **Money = Energy**
- ❖ Convenient form of exchange for product/service
- ❖ Energy-moving techniques learned elsewhere apply here
- ❖ *“Technique follows perception”*
- ❖ Net worth vs. self worth



Budgeting and Forecasting

Income derived from business must accommodate personal and business expenses.

1. Business expenses (part of forecast)

2. Fees

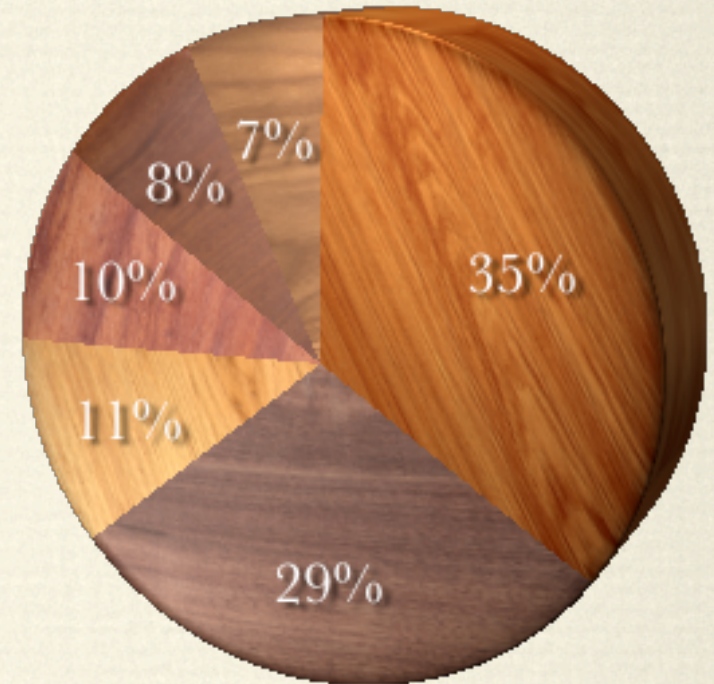
3. Income projections

4. Personal expenses (part of forecast)

5. Forecast

Expenses: Business & Personal

- ❖ **Start-up/initial**
 - ❖ Furniture, signage, equipment
- ❖ **On-Going** (e.g. monthly)
 - ❖ Rent, utilities, communications, vehicle
- ❖ **Periodic** (e.g. quarterly or yearly)
 - ❖ Dues/memberships, licensing, education/CEUs, tax preparation, business cards, brochures, and flyers
- ❖ **Taxes**
 - ❖ Estimated quarterly payments (SE + state/federal income tax)



Setting Fees: Initial considerations

- ❖ **Must** cover business & personal expenses
 - ❖ Practice setup/choices
 - ❖ Personal life style choices
- ❖ **Reasonable** market value
- ❖ **Differentiation** of your service
 - ❖ Experience/setting
 - ❖ Specialization

Setting Fees: Value Alignment

- ❖ **Worthiness** of self, value-added to client
- ❖ Standard of living, or **quality of life**
- ❖ Meet expenses; which expenses?
- ❖ Time **freedom**
- ❖ Work yourself out of a job
- ❖ Whom you **support** (or would like to support)



Setting Fees: Time and Income

From *Business Mastery, 4th Ed.*,
Cherie Sohnen-Moe, p. 213

Time/Income Factor Analysis

- One Year = 365 days - 104 days (weekends)
- = 261 days - 8 days (holidays)
- = 253 days - 10 days (health)
- = 243 days - 10 days (vacation)
- = 233 days x 8 hours per day
- = 1,864 hours per year
- 30% (promotion, operations, professional development)
- = approximately 1,300 hours
- = approximately 25 billable hours per week

Annual Income*	50% 12.5 hrs/week (650 hrs)	70% 17.5 hrs/week (910 hrs)	90% 22.5 hrs/week (1170 hrs)	100% 25 hrs/week (1300 hrs)
\$25,000	38.50	27.50	21.50	19.25
\$30,000	46.00	33.00	25.75	23.00
\$35,000	54.00	38.50	30.00	27.00
\$40,000	61.50	44.00	34.00	31.00
\$50,000	77.00	55.00	42.75	38.50
\$60,000	92.00	66.00	51.25	46.00
\$75,000	115.50	82.50	64.00	58.00
\$100,000	154.00	110.00	85.50	77.00

* Does not include allowance for overhead and taxes



Setting Fees: Increasing Revenues

❖ Why increase profits?

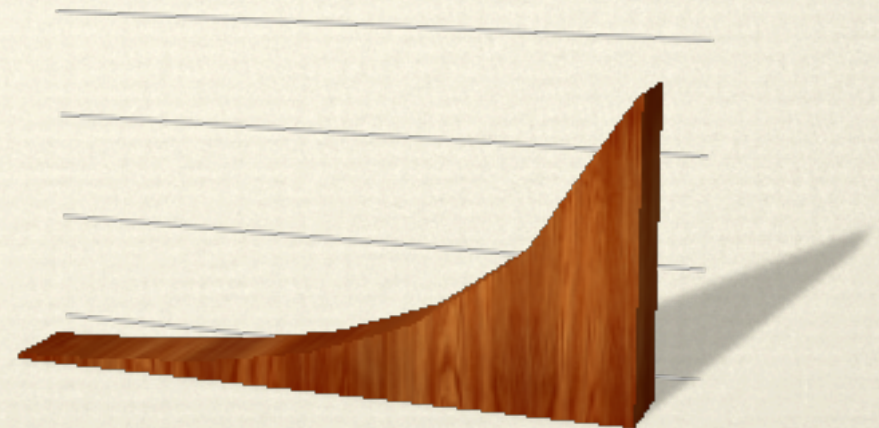
- ❖ Inflation
- ❖ Life style change or value/belief shift

❖ Raising fees

- ❖ Timing
- ❖ Amount
- ❖ Communication
- ❖ Selectivity: who is impacted?

❖ *Exponential* revenue increase gained by

- ❖ Increasing unit cost (hourly rate)
- ❖ Increasing # of units per sale (length of session)
- ❖ Increasing frequency of client purchase



Setting Fees: Incentives

❖ Think from the end

- ❖ Determine long-term anticipated fee
- ❖ Set initial fee to long-term value and offer initial discounts
- ❖ Easier to provide initial incentives than to raise rates in future



❖ Prepaid packages are a win-win option

- ❖ Customer saves money
- ❖ Customer may get tax break
- ❖ Better facilitation of work (e.g. series of SI sessions)
- ❖ TVM advantage of up-front collection
- ❖ Guaranteed pre-booked (pre-paid) sales

Setting Fees: Incentives (2)

❖ **Networking/referral discounts**

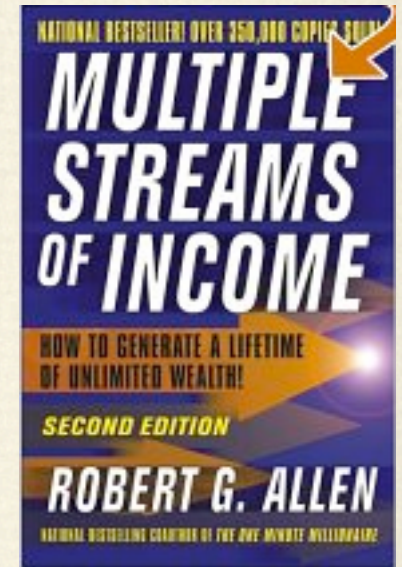
- ❖ Never pay for advertising, only pay for sales
- ❖ Regular clients
- ❖ Other professionals
- ❖ Introductory offers or promotions

❖ **Sliding scales**

- ❖ Not recommended
- ❖ Prone to generate future resentment
- ❖ How is need determined?
- ❖ Charity has many forms; incentivize to maintain pragmatic requirements of your business

Complementary Income Streams

- ❖ Diversify source and type of income
 - ❖ Ebb and flow of client revenue
 - ❖ Self-insurance
- ❖ Reduce client hours, eliminate burnout
- ❖ **Leverage** your own business resources/expertise and ideally that of others



Complementary Income Streams (2)

❖ Considerations

- ❖ Linear vs. residual
- ❖ Startup capital required
- ❖ Risk: susceptibility/amortization
- ❖ Potential yield: reasonable expected ROI
- ❖ Passivity: earn while you sleep?
- ❖ Value alignment



Complementary Income Streams (3)

❖ Examples

- ❖ Products incorporated into practice
- ❖ Hiring/contracting other practitioners
- ❖ Network marketing
- ❖ Investments: Dividend/interest distributions
- ❖ Real estate: flip (linear) vs. rent (residual)