

How much  
is  
my time  
really  
worth?





# What Are You Worth?

## Pricing Your Services

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**P**ricing a service is a real puzzle for most people. Because there are few hard costs associated with services, it is hard to determine a price. So most people just go with the market rate.

If you are like others, you just throw a number out and hope it meets your client's expectation. As a result, you either desperately undervalue your service or wildly overprice it. Or maybe you completely cop out by saying, "I just want to give it away." (If you prefer to give away your service, please consider reading "The Money Side of Your Practice: It's All Energy" in the May/June issue of *Energy Magazine*.)

I recently got a call from a client who formerly held the top position at a prestigious European automobile manufacturer. Because of her expertise and knowledge, a group wanted to hire her as a consultant. She had no idea how to set her rate.

So how do you determine what you are really worth?

Determining your value is an incredibly scary proposition for oh, so many people—especially for women (who often tend to undervalue their work), for people who have deep compassion for the human condition and those in nonprofit organizations where salaries do not reflect true market value. Such scenarios can set off the internal dialogue of worthiness, "enoughness"

and relevant experience. To charge a livable rate, we tend to believe we need to know more, take another class, get a certification, have a degree and so on.

Pricing can become especially puzzling when we switch from one profession to another. Sometimes we feel like we need to start at the bottom of the pay scale when we begin a new venture until we gain the experience to charge the going rate for our service.

For example, I remember when I completed my coaching certification. The coaching technique I had learned was new and still somewhat unfamiliar to me. During the certification process, I felt like I bumbled through practice coaching sessions with test clients, trying to implement the framework. It felt messy, and I felt completely unskilled. My confidence was shaky. So how could I possibly charge for my new service?

To start, I decided to charge \$35 a session. I did not get any takers. I mean really, would you go to a coach who charged \$35 per session? It is important to remember that price signals quality, experience and expertise. So my \$35 price point did not give potential clients much confidence in my ability to deliver the results they expected to receive.

Then a friend recommended that I double my rate. That seemed really scary to me. But when I did, I



got some clients. As I got more clients and gained more coaching experience, I realized that everything I had done in my career had led me to that point and contributed to the knowledge base that I used with my clients. Every client session seemed to draw from my many years of experience and not just the one year I spent in the coaching certification process. So I doubled my rates again. And as I got even more clients, I increased my rate again.

The point is that while you may be gaining experience in a new field, chances are that every twist and turn on the Road of Life has led you to this moment

you want to work 40 hours a week? Or is your practice more physically demanding and 24 hours a week is your limit? Maybe you are trying to schedule around your children's school routine and you can only work 16 hours a week. Maybe you want a lighter schedule when your kids are off during the summer.

3. **Weeks per year**—How many weeks per year do you want to work? How much time off do you want to take? Do you need a week off each quarter to rejuvenate?

*Determining your value is an incredibly scary proposition for, oh so many people.*

of doing what you are now doing. And while doing this new thing may feel messy and awkward, you are providing a great benefit to the clients you serve.

Could it be true that some people who choose to give away their services have never come to terms with their worthiness, "enoughness" and the real benefit they provide clients? It may just be easier to give themselves away rather than attach a price to their service. Is that you? Is it time to rethink your value?

### Pricing Your Service

There are five important things to consider when setting your rate:

1. **Annual salary**—How much money do you need to make? If you played along with the May/June article about cash flow, then you have a good idea of how much it costs to maintain your lifestyle and how much it takes to operate your business. Those two numbers are essential in determining your base rate.
2. **Hours per week**—How many hours per week do you want to work? Is your practice the kind that allows you to work 40 hours a week? Do

4. **Target client**—What type of client do you want to serve? Determining your perfect client helps you determine your rate. If you choose to serve clients with more disposable income, you can charge higher prices and make a higher profit margin. If you choose to work with underserved people, you will want to price closer to your base price.

5. **Market rate**—What is the market rate? What do other people who do what you do charge? Are your prices in line with those rates? If your rates are too low or too high for your target customer, you may not get any takers. Remember to price within the range of your competition to engage your target client.

Plug your numbers into this equation to determine your hourly rate:

$$\text{Annual salary} / (\text{hours per week} \times \text{number of weeks per year})$$

### Example:

Let's say you know you need to make \$50,000 a year to cover your living and business expenses, you want



to work five hours a day/five days a week (25 hours) and you want to take four weeks off during the year (working 48 weeks during the year).

$$\begin{aligned} \$50,000 / (25 \times 48) = \\ \$50,000 / 1200 = \$41.67 \text{ per hour} \end{aligned}$$

It looks like \$41.67 is your base hourly rate. How does that number work for the target client you want to serve? Too high? Too low? Do you need to adjust that price to fall within the range of the market price for your service? If you need to adjust your rate down, I would suggest having a tiered pricing system that will cover the rate that dips below \$41.67. For example: \$35 and \$50. Whatever two or three prices you choose, the average needs to come to \$41.67 or above. And then, of course, you want to make sure you only schedule a limited number of sessions at the lowest price point.

### When to Increase Prices

There are two opportunities to raise your prices substantially:

1. When you are starting out and testing your pricing and target market acceptance (e.g. my coaching example above). As you test and refine your offering, you can play with pricing. The key, however, is never change horses in the middle of a stream! If you offer packages for your service, never ever change prices on a client in the middle of a package.
2. As your practice fills, you can raise your prices. For example, if your schedule is 85-90 percent booked on a continuous basis, you can think about a price increase for all new clients. That is for all new clients, not existing clients.

Finally, as you settle into a rate that is comfortable for you and your target client, remember to increase your prices regularly. You want to keep up with inflation and “train” your client to expect incremental increases. It is best to raise your prices incrementally every one to two years. Many people do not bother to raise

their prices for years and then their long time clients experience “sticker shock” when the increase is substantial. If you choose to increase your prices each year, two to three percent is a fair rate. If you raise prices every two years, four to six percent is reasonable. A good time to raise prices is at the beginning of the calendar year (January 1).

While your true worth in this lifetime is far beyond any amount of earthly money, here's to bringing your gift forward into the world and knowing your value! €



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