

# What are you paying yourself?



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Lawn care and Landscape professionals speak out

Bunton Guy: "This year my accountant said I need to really concentrate on taking a 30 percent salary (30 percent of company gross). At times it's worked fine, but more often than not lately it's been a struggle.

"For those of you that take a salary, what percentage has worked for you? I'm sure that depends on net/gross.

"Just in September we had to do brakes all the way around on one cabover (pads, dual calipers and rotors), \$3,000, eight tires on truck & trailer, \$1,600, engine took a dump on our chemical spraying unit, \$450, mower went in for repair, \$750, tie rods, ball joints etc., on another pickup, \$1,250.

"So on top of all of this, it's aeration time and I'm fronting seed and fertilizer money for 30 to 45 days.

"(This) month I haven't paid myself yet. I'm wondering how many others go through this and is 30 percent too high to pay myself?"

Kelly's Landscaping: "Twenty to 25 percent here, and that's a struggle to make that happen. And it's even worse than that 'cause there's two owners so that gets split. There are 200,000 fewer businesses than there was four years ago, be happy you can pay yourself at all. My dream would be to be able to collect my salary 52 weeks a year."

ringahding: "I pay 98 percent of my household bills and all of the overhead for my business; I just simply take \$1,000 per month and set it aside for myself in another account, basically for just-in-case reasons.

"Plus, I know how this will sound, but I also save my change and \$1 bills all season. In this economy you never know what is around the corner.

"It is very difficult to put a percentage on the owner income, unless you have an ideal situation."

Bunton Guy: "I'm very happy that I have a chance to take 'owners draw'. I feel great when I can take a draw weekly, but feel like a failure sometimes when I can't take a draw. I knew there would be drawbacks to doing this and I told my accountant it would be easier to just let me do it the way I was. She explained that we would never know the company's true cost of operation if I constantly used the company's accounts to pay for my family's living expenses. Which I know she is 100 percent right; just a long rocky road I'm trying to figure out."

Mike Versace Landscaping: "Get in the habit of always paying yourself before anything."

Bunton Guy: "Is this a practice you have always followed? Paying yourself before anything?"

"I usually try to keep a \$10,000 cushion in the bank, but months like this where our repair bills were over \$7,000 plus materials for aeration/overseeding was in excess of \$4,000, it kills the bank account for 30 to 45 days."

Mike Versace Landscaping: "I always make sure I pay myself and my employees before anything and anyone. Everyone makes you wait for your money, so why not do it yourself, too? I always keep a cushion in the bank, too, but I always have a credit card for unexpected costs like repairs and miscellaneous material and other products. If you get in the habit of doing this, you will always make a profit as long as your company has good cash flow. I pay off the credit card as the month goes on. As for the seed and fertilizer, if you don't want to put it on a credit card, just buy as you go. I buy my seed and fertilizer as I need it. I have 210 customers and I aerate, overseed and fert all of them, and I physically can't do them all in one week ... and I send the invoices out the day we do the job. It seems to work for me."

32vld: "You don't make it clear if \$10,000 is enough cushion. Killing the bank account does not indicate the size of the balance left. Simple solution: have a bigger cushion."

"Have customers pay for material before you start the job. You just eased your cash flow problems."

"Also, \$4,000 for seeding is a lot. Not meaning you are not getting a good price, but is \$4,000 to be used in one week or six weeks?"

"Buy a weeks worth of material at a time, less cash flow strain. Have money coming in from seeding work done while you are buying more seed for the next week."

"Obviously you can't pay yourself 30 percent every week because there are weeks that you can't pay yourself, so you are paying yourself too much. Take 20 percent weekly."

"Not knowing business expenses? That statement scares me because it indicates that you handle your personal finances and business finances from the same accounts.

"If you and your accountant can't separate money that is used to buy parts and groceries, there are multiple problems beyond what you need to do and what your accountant is capable of."

Efficiency: "Why 30 percent? What is your annual volume? I have to believe that you're pulling too much out for yourself."

Bunton Guy: "I think so. Twenty percent is doable; 30 percent is starting to push it. I think my accountant is too old school. She will tell everyone the same thing even though what works for a concrete company does not work for me!"

NicolasMWhite: "Every company is different. I as a solo operator take 38.4 percent, but a multimillion-dollar company with six crews could only dream of taking that much. And more likely take something like 5 to 10 percent if they are lucky.

"I don't take my salary as a percentage of each month's income. At the beginning of spring, I decide what I can take as a salary per month over the course of the next 12 months and I draw that much. During the summer I make money hand over fist, but I have to save that money to get through winter. At the beginning of winter I determine how much money I need to pay my salary and all expenses until next spring. Then whatever is left above and beyond that amount, I take as a bonus. So if I determine I need \$20,000 to make it through winter and the business account has \$22,000 at the beginning of winter, I get a \$2,000 bonus in November. I don't rely on plowing income at all, any plowing income I have is just added to the business account so if I have a good winter and a good summer back to back, my bonus will be larger. If it doesn't snow at all, I'm still just fine.

"I don't merge any personal and business expenses at all. So I always know if the business is or is not making money on any given month.

"This is what works for me to keep me sane as far as my personal finances go."