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The Entrepreneur's Paycheck

As business owners, we may be so busy making sure the bills get paid and the product gets out the door that we may not be quite as proactive about our own compensation. To pay themselves, many new business owners take what's left after employees and vendors have been paid, and that ends up being their paycheck.

I'd like to propose a whole new way: entrepreneurs should be paid three times, once for what they do, second for the risk they take, and third for the going concern they've built. If you're not getting paid three times, here's how it can work.

First: Your Services

Just like the employees and contractors we work with, we should get paid for the actual work we perform in our business. Most of us wear many hats in our business, and we should get paid for all those hats!

As your business grows, the tasks you initially performed will be delegated to employees. They would never go without a paycheck, and you shouldn't either.

The amount you pay yourself should be similar to the market rate you would have to pay someone if you hired someone else to do the jobs you are doing. As your company grows, you will be going up the management ladder and your salary should increase accordingly.

Here's an aha for some new business owners just starting out: If you have cash flow problems paying yourself or others, then you might have one of two problems: The goods and services you sell may not be priced correctly, or the number of clients you have may need to increase so that you reach an acceptable volume in your business.

Second: Your Risk

After you've paid yourself for the jobs you are doing in your own company, there should be something left over: profit. As a business owner, you have earned that profit; it's your reward for taking the risks that go with business ownership.

If there's no profit left over, then there could be a number of problems. This is where accounting professionals can help you review the revenues and expenses in your business and see where

things are not adding up.

So far, your paycheck and your profits get you paid twice as an entrepreneur, and that's the way it should be. But there's also a third way.

Third: Your Going Concern

A third way to get paid is when you sell your business. There are many things you can do throughout the years to boost your business valuation, and the more you can do that, the higher the proceeds will be from your business.

Financial Success

One of the factors that can increase all three forms of compensation is your financial skillset. Building your financial skills by working with accounting professionals can help you price your goods and services accurately, improve your cash flow, hire employees at the right pay rates, and implement many more financial success factors in your business.

When you're ready to review your entrepreneur's paycheck, feel free to call on us for expert financial assistance.

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