How to Calculate

How to Calculate Your Hourly Rate

To calculate how much you should pay yourself per hour, follow these steps:

1. Set Your Annual Income Goal

Determine how much you want to earn in a year. This is typically your target income from your real estate business, before taxes and business expenses.

Example: Let’s say you want to earn $150,000 annually.

2. Estimate the Number of Hours You Work

Calculate the number of hours you plan to work in a year. Consider your work schedule, factoring in full-time hours and any vacations, breaks, or holidays.

Example: If you work 40 hours a week for 50 weeks a year, that’s:

$$40 \, \text{hours/week} \times 50 \, \text{weeks} = 2,000 \, \text{hours/year}$$

3. Divide Your Annual Income Goal by the Number of Work Hours

Once you have both your income goal and the total number of hours worked, divide the total income by the total hours worked to get your effective hourly rate.

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So, in this example, you would pay yourself $75 per hour.

4. Evaluate and Adjust

Once you know your hourly rate, assess if it’s realistic based on your target income and work hours. If it’s too low, you might need to adjust your annual income target or work fewer hours. If it’s

too high, you may need to increase the number of hours you work, optimize your tasks, or find ways to generate more income.

5. Use This Hourly Rate to Prioritize Tasks

This calculation helps you assess the value of tasks you're doing. If a task you're working on is valued lower than your hourly rate, it's a sign you might want to outsource or delegate that task to someone else.

This exercise ultimately helps you focus on the highest-value activities for your business and allows you to make smarter decisions about what you can outsource or delegate, ensuring you're working efficiently toward your income goals.

Revision #1
Created 30 March 2025 23:49:25 by Eryn Richardson
Updated 30 March 2025 23:52:39 by Eryn Richardson