

How Much Should The Owner Make?

This is a tough question and a difficult one to answer because of all the variables such as the size of your business, good years vs. bad years , whether you sell commodity lawn and garden products or high margin niche ones to name only a few. The answer is also different today than it was four years ago but here it is for a company owner who generates gross sales of under \$5million the average owner's salary is between \$235k to \$300k. This is not a scientific study but is based on all the company financials we review and all the entrepreneurs we talk to. It does not include perks such as health insurance, transportation, 401k's or IRA contributions or other benefits the owners pay themselves. The entrepreneurs income is relatively low at the \$5million or less in gross revenue numbers because most companies within our industry struggle to be profitable at all when their sales are \$3million or less so it is difficult for them to start drawing income until they hit \$3million The struggle at the \$1million level is to pay yourself or stay in business.. People who own manufacturers or distributors or importers of lawn & garden products that generate over \$5million usually have discretionary income of about 12%-15% of gross sales and still remain healthy as a company. They usually have a choice of keeping all or part of the money or reinvest all or part of it back into their company for growth. That's why they call it discretionary income.

Here are three tips to help you determine how you should pay yourself;

Pay yourself first:

Give yourself a paycheck, even if it is just one that will cover your minimum bills to live at first. You can always give yourself a raise later, but you have to live, so take enough to get your bills paid.

Pick a percentage

It is difficult to determine how much to pull out of your ongoing business and still meet the minimum needs of your business. Once you hit \$1million in sales you can pick a percentage about 8% to 10% of gross revenues and pay yourself as a percentage of receivables. The hard part is understanding in advance your pay will fluctuate with your receivable stream

Understand Your Value.

Another way to determine how much to pay yourself is to take a look at JOBS.com and other employment web sites to determine what other companies are paying the top executive for the same size company in your geographic location within the lawn & garden industry.

If your lawn & garden product business is not making any money, or enough money, for you to take a salary, you need to ask yourself why that is. What is it that you need to do in order to generate profitable sales so you can pay your bills and pay yourself?