

How to Calculate Your Overhead Costs

What are Overhead Costs?

Overhead expenses are the general costs of running your business. These can include:

- Accounting & bookkeeping fees
- Advertising & marketing fees
- Business insurance
- Freelance help*
- General supplies (i.e. stationery)
- Studio rent
- Taxes
- Utilities (i.e. internet, phone bill, electricity)

**If you have a set annual budget for external freelance help, you can include it here. Some people prefer to keep these costs separate - it's up to you!*

Your personal expenses (home rent, health insurance, etc. are not included in your overhead costs. These should be calculated in your annual salary. Keeping these separate help you keep track of how much it costs to run your business and to separate it from your personal life.

Set Your Holiday

Before you start calculating your overhead rates, you need to know how many weeks of paid holiday you would like to take per year. In this example, we are taking **4 weeks** of paid holiday.

*Remember: you work hard and run a professional business, and you deserve a paid holiday as much as anyone! People often forget to factor time off into their salary calculations, but **you deserve it!***

Annual Overhead

- Calculate your annual overhead costs by adding up the total amount you spend on expenses per year.
 - Example: **€5.000 per year**

Monthly Overhead

- Divide your annual overhead by 11 months to calculate your monthly overhead
 - Example: $€5.000 \div 11 = €455$ per month
- *(Why 11 months and not 12? Because 4 weeks (1 month) is your paid holiday, where your business isn't running!)*

Weekly Overhead

- Divide your annual overhead by 48 weeks to calculate your weekly overhead
 - Example: $€5.000 \div 48 = €105$ per week
- *(Why 48 weeks and not 52? Because 4 weeks is your paid holiday, remember?!)*

Daily Overhead

- Divide your annual overhead by the number of working weeks times 5 to calculate your daily overhead
 - Example: $€5.000 \div (48 \times 5) = €21$ per day
- *(Why multiply the working weeks by 5? Because in each working week, there are 5 working days. It's true that when running a small business we often have to work on weekends, but the goal should be to work 5 days a week, maximum. Can't work full-time? Replace the number 5 with the number of days per week you can work.)*

Hourly Overhead

- Divide your daily overhead by the number of working hours in a day (in this example we are using 8 hours per day) to calculate your hourly salary
 - Example: $€21 \div 8 = €2,63$ per hour

When do I need to use these different salary rates?

- Your **annual** overhead can be added to your annual salary and used as an overall sales target



- Your **monthly**, **weekly** and **daily** overhead can be included when calculating quotes for freelance projects and commission pieces
- Your **hourly** overhead can be used included when calculating your product costs

Note: This template is only a guideline. Each person has unique conditions, and it's up to you to find what works best for you. Hopefully this will help you find the right path!

(Created for you by Emma Wood)