

## Start-up: How should the boss's salary be paid?

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According to 2016 American Express OPEN Small Business Monitor - monitoring report for small businesses in 2016 by payment card issuer American Express OPEN, only about 51% of employers pay themselves. However, Alice Bredin - a consultant and entrepreneurship entrepreneur in the B2B market (business market) emphasizes the inclusion of the founder's salary in the budget as well as calculating the affordability. Paying is very important.

In a report with Business News Daily, Bredin said, *"Self-pay for yourself is important to both you and startup. If you do not allocate budget for your salary, the books will not respond. Exactly reflecting on the health situation of the company because the cost item is missing a huge part of it - that's your salary. Without a component, you won't know if you need to raise prices, Increasing the number of goods sold, cutting costs or making other adjustments can help start up operations stably and grow. "*



Meanwhile, Evan Singer - president of SmartBiz - a provider of capital for disaster assistance loans to SMEs of the US Small Business Administration (SBA), said *"many people start their businesses. Unpaid salary for a very long period of time, It is not surprising that personal financial worries and concerns do not bring any benefit to building and running a business. Small companies are important to realize that time is extremely valuable. "*

There is also a practical reason for you to pay yourself when you own a small business: Depending on the structure of the company, you can get a tax reduction if you determine whether your personal salary is not located. in the total income of the enterprise.

*"Suppose, your company has a net income of \$ 100,000 / year and you are the only boss. Taxes for private businesses - including social and medical security expenditures - will be calculated on That \$ 100,000 total, "* said Whitney Delaney, founder of Delaney Tax and Wealth Management. *"In other words, if a startup consists of many people (in the form of shareholders) and you pay yourself, your deduction will only be based on the salary you receive instead of the total net income."*

## **When should you pay yourself?**

When the budget is tight, the boss's salary will often be the last priority on the list. However, when the income from business activities is more stable, you can completely pay yourself.



Based on trends observed by American Express OPEN, Bredin said, *"After a long period of tightening of spending, some employers often give themselves a small increase in income. Startups will cut (their pay). first, even before cutting down on other expenses and letting employees leave their will if the financial situation changes, when the cash flow is restored, optimism helps them to relax. more in restoring things "*.

Delaney advises startups to ask themselves three questions to determine whether they are willing to extract a portion of their budget to pay themselves:

1. Do I have an ongoing income?
2. Do I have a stable estimate of income?
3. Does my company have no debts?

If the answer is "yes" to all three sentences, it means you can pay yourself, Delaney stressed.

# How much should you pay yourself?

According to the IRS, employers should give themselves a "reasonable salary". However, how much is it called "reasonable"?

*"I advise you to make a modest salary and you can afford it , " Delaney said.*

Bredin also recommends that startups should give a specific number, calculate personal expenses, then, based on statistics to carefully review each data and determine how much of the budget they can spend pay wage.



Another method - instead of based on cost, you can pay yourself based on the profit. *"The SBA report also indicated that most small business owners limit their salaries to about 50% of profits,"* Singer said. However, he also noted that even SBA does not have a definitive figure for the remuneration of these startup owners because it depends very much on the current development stage of the business.

To avoid trouble, startups should maintain a database of income-related statistics. However, it should be emphasized that the salary you set must not affect the operation of the organization.

*"Cash flow can promote the development or destruction of a small business".*

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