

DIRECTOR'S INCOME

During an analysis of your industry, the correct wage for the directors of the company was attained. That is, the income that the owner of the business would make if he/she were to occupy the same role as an employee in another company. This should be considered the absolute minimum 'fair market value' rate paid as director's salaries.

Hourly Rate

In the majority of small businesses around Australia, the owner works the hardest and the longest. But is that the best use of your time? Below is a comparison of the proprietor's current hourly rate and that of various common industries. This is based upon the usual 40 hour week.

	Average Annual Income	Hourly Rate
Your hourly rate		\$ 13.74
Taxi Driver	Unknown	\$12
Fruit Picker	Unknown	\$17 - \$19
McDonalds Manager	Varies between stores	\$18 - \$19
Retail Sales	\$ 48,690.00	\$25.36
Administration	\$ 48,383.00	\$25.20
Sales	\$ 78,924.00	\$41.11
Engineer	\$ 104,659.00	\$54.51
Accountant	\$ 73,651.00	\$38.36
Solicitor	\$ 71,092.00	\$37.03
General Practitioner	\$ 157,000.00	\$81.77

*Information acquired from various industry resources.

According to the information provided, \$50,000.00 was paid in director's salaries. Your current level of remuneration to yourself appears to be inadequate. During an analysis of your industry, it was revealed that the correct salaries for individuals with your level of experience in your position should earn in excess of \$65,000.00 per annum if working as an employee for another organisation. Therefore this should be considered the absolute minimum 'fair market value' rate paid as director's salaries.

The proprietor's salaries should be increased by \$15,000.00 to provide for a fair market value of remuneration. This may not be possible at the moment, however this amount should be considered when assessing the true performance of the business. When considering the "profit" of a business, too often small business owners combine their income and profits as one. That is, their income is whatever is left over after all the expenses have been paid... and the net profit is the exact same figure.

When considering the true performance of the business it's important to separate the owner's income for performing a job within the business and the net profit. Without taking this into account the business loses its value as it is the business owners who are sacrificing an investment of their own time to keep the business profitable.