

# Pricing Your Child Care Services

## Overhead Costs

**Overhead Costs** are expenses related to the overall running of your business (e.g. rent or mortgage, owner's draw, marketing, licensing fees, insurance, etc.). Overhead costs occur regardless of how many children you care for. Shown below is an example of what some of the overhead costs might be for your business for one month. There is space for you to estimate your overhead costs.

Categories	Home facility (8 children)	Your facility (_ children)
<b>Salary and Wages</b>		
Owner's draw.....	\$1,955	\$ _____
Benefits (retirement savings).....	196	_____
<b>Administrative Costs</b>		
Accounting/legal.....	\$ 20	\$ _____
Dues.....	6	_____
Equipment.....	29	_____
Insurance.....	35	_____
Licensing fees (fire inspection, business, etc.).....	8	_____
Loan payments .....	173	_____
Marketing/advertising.....	6	_____
Mortgage/rent.....	137	_____
Office supplies.....	12	_____
Professional development.....	12	_____
Subscriptions to publications.....	6	_____
Repairs/maintenance.....	29	_____
Business phone.....	40	_____
Transportation/mileage.....	35	_____
Utilities.....	59	_____
Reserve (for unplanned expenses).....	58	_____
Other.....	0	_____
<b>TOTAL Monthly Overhead Costs</b>	<b>\$2,816</b>	\$ _____
Divide by 4.3 (average number of weeks in a month)		
<b>TOTAL Overhead Costs per Week</b>	<b>\$ 655</b>	\$ _____

In this example, the family child care home facility costs are based on a one shift license for five preschool children and three school-aged children.

The owner's draw is the "salary" paid to the owner of the business – how much she needs to earn each month.

In this example, the facility costs include 15% of actual costs for home facility rent/mortgage and utilities. Use the exercise on the next page to determine what percentage your family child care home facility should pay.

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**Business Use of Home Facility:** If you are running a child care business in your home, you can include a designated portion of your home expenses under business expenses. These expenses are part of the overhead costs of your business and should be included in your projections. You may be able to deduct these expenses on your taxes. (Chapter 10 will discuss the tax implications. Your expenses for tax purposes may be different.) Below is an exercise to help you get an estimate of your business use of home facility expenses.

**Example:** Mrs. Harris' home mortgage is \$700 a month. She uses approximately half (50%) of her home for her child care business when it is in session. Her child care is open 55 hours per week. There are 168 hours in a week (7 days a week x 24 hours a day).

To calculate her business expenses, she completed the following information:

**Step 1:** Her child care is open 55 hours per week.

$$\frac{55 \text{ hours per week open}}{168 \text{ total hours in a week}} = .33$$

Therefore, her child care is open 33% of the hours in a week (A).

**Step 2:** She uses 50% of her house for the child care (B)

**Step 3:** 33% (A) x 50% (B) = 17% of her expenses are child care expenses

**Step 4:** 17% of \$700 (mortgage) = \$119

Mrs. Harris can show \$119 as a business expense for rent/mortgage. Expenses that can be allocated to your child care business include mortgage/rent, utilities, and phone.

### Exercise 4-4: Business Use of Your Home

**Step 1:** My child care is open \_\_\_\_\_ hours per week.

$$\frac{\text{_____ hours per week}}{168 \text{ total hours in week}} = \text{_____}$$

Therefore, my child care is open \_\_\_\_\_% of the hours in a week (A).

**Step 2:** I use \_\_\_\_\_% of my house for the child care (B).

**Step 3:** \_\_\_\_\_% (A) x \_\_\_\_\_% (B) = \_\_\_\_\_% of my expenses for my home facility

are child care expenses.

**Step 4:** ( \_\_\_\_\_ ) x \_\_\_\_\_% = \_\_\_\_\_  
Rent/Mortgage      % Expense allocated to child care      Expense allocated to child care

( \_\_\_\_\_ ) x \_\_\_\_\_% = \_\_\_\_\_  
Utilities      % Expense allocated to child care      Expense allocated to child care

( \_\_\_\_\_ ) x \_\_\_\_\_% = \_\_\_\_\_  
Phone\*      % Expense allocated to child care      Expense allocated to child care

If you have a separate phone line that is used only for the child care, you should count all expenses for that line as a child care expense. If your phone line is both for child care and personal use, use this formula to determine what % of your telephone expenses to allocate to the child care.