

The Overhead and Owner Income Guide

Covering overhead is not the same as paying yourself. This guide shows both numbers side by side, and how far apart they usually are.

A business that covers its overhead is not yet paying its owner anything. Those are two different numbers, and confusing them is a common way owners end up working full-time for a business that only just breaks even.

Overhead break-even, first

Take \$60,000 in annual overhead (insurance, shop rent, admin, equipment payments not tied to a specific job) at a 35% gross margin target. Overhead per billable hour, across 1,600 billable hours a year, is \$37.50. Annual revenue needed just to cover that overhead: $\$60,000 / 0.35 = \$171,428.57$, about \$14,285.71 a month.

That is the floor. At exactly that revenue, overhead is covered and gross margin is on target, but the owner has not been paid anything yet.

Adding the owner's actual pay

Add an \$80,000 target owner income to the same \$60,000 overhead: required revenue becomes $(\$60,000 + \$80,000) / 0.35 = \$400,000$ a year, more than double the break-even figure. The gap, \$228,571.43, is the real cost of actually paying the owner a specific income, not a rounding error or a stretch goal, the literal revenue required.

Seeing both numbers side by side is the point. A business quoting jobs to hit \$171,428.57 a year is running at break-even for the owner personally, even while every job looks individually profitable.

Why this gap surprises owners

Overhead and gross margin get tracked. Owner income often does not, it is treated as "whatever is left" rather than a line item the pricing has to clear. Treating desired owner income as a required cost, the same way overhead is treated, is what closes that gap instead of hoping it closes on its own.

Key takeaway. Covering overhead and paying the owner are two different revenue targets, often more than double apart. Price to the owner-income number, not just the break-even number.

Assumptions

- The worked example uses \$60,000 annual overhead, 1,600 billable hours a year, a 35% gross margin, and an \$80,000 owner income target, all illustrative round numbers.

Frequently asked questions

Is owner income the same as profit?

In this model, owner income is a target the business prices toward, similar to how a wage is a target for an employee. Profit beyond that target is a separate question, this guide is specifically about ensuring the owner's desired pay is actually built into required revenue, not left as a hoped-for leftover.

What if the gap between break-even and required revenue looks impossibly large?

That is useful information, not a discouragement, it means the current pricing, volume, or overhead structure cannot support the target income as stated. The honest next step is adjusting one of those three levers (price, volume, or overhead), not ignoring the number.

Does billable hours or gross margin matter more to this gap?

Both move it directly. More billable hours spreads overhead thinner (lower overhead-per-hour), and a higher gross margin shrinks the denominator in the required-revenue formula, either lever narrows the gap, the calculator's scenario table shows the effect of each.

Should I use this instead of Markup vs. Margin for pricing individual jobs?

No, this is a whole-business annual target, not a per-job price. Markup vs. Margin and Job Profit Check answer the individual-job question, this guide answers whether enough of those jobs, at the current numbers, actually add up to what the owner needs to earn.

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