

How To Instantly

Save money with a VA



Now, more than ever, we have to be able to justify everything that we do in business and make sure that each and every expense is warranted. We simply cannot afford to "waste" any money that we have available, as it is extraordinarily difficult to maintain a competitive advantage as it is. Let's face it, it has always been tough to succeed in business, but in recent years we have seen so many more additional pressures arrive that it sometimes makes us stop and think about the future.

While we are looking for ways to make money and ways to eke out an advantage in our marketplace, we are certainly concerned with our costs. We are not going to



spend a penny unless it is fully justified. If we're not careful we will have a tendency to become very insular, in an attempt to hang on to what we have without actually realising that we're doing so. Certainly, we believe that we always have expansion in mind but our actions speak louder than words.

In short, we are so worried about controlling costs and saving resources that we are unable to see the wood for the trees.

You are losing money!

If we break it down into bite sized chunks, it's really not difficult to work out what we need to do to move forward in business. Assuming that we are good at what we do, we simply need to make sure that the amount that we charge is greater than the sum of all our costs. The balance is our profit and we need to aim for as high a percentage as possible. Now, sometimes we have to look at these costs in a somewhat unconventional light. Let's take administrative costs first. As a business owner there is a tendency to think that you can handle some of these relatively mundane tasks yourself and save money by not delegating to somebody else. You cannot justify outsourcing it to anybody else, or so you think. Before you know it the number of hours that you actually work expands to such a point that you are ignoring your family, your friends think that you have left the country and your social life is in tatters.

As a business owner or entrepreneur you have got to calculate
the worth of your own time.

You have to look at these tasks sensibly. You have got to understand that you represent a definite and quantifiable value to your business and you have to make sure that you are justifying that value during every hour of your business day. Now, understand how much it would cost you to outsource those administrative tasks and you can see that, effectively, you are losing money by doing these tasks yourself.

When you calculate the value of an hour of your time, be honest. Do you actually bill clients as a consultant? Do you spend your time soliciting new clients or developing new projects? Either way, you can – and should – calculate the effective value of an hour of your time. When you do so, you will immediately see how you are, any way you cut it, losing money by devoting your valuable time to many of those simple, administrative tasks.

Let's introduce some figures here. For example, as a consultant, you are able to charge \$100 per hour whenever you bill a client for your advice. Let's imagine that your business has a multitude of different clients, each of which engages you for a variety of different services that your organisation provides and that each of the services needs a specific set of actions, which must be backed up by provable data. In other words, somebody has to account for all the work done, prove that it has been done and put it together in a form that can be understood and can be forwarded to the client for justification. This is an administrative task that could be outsourced and handled by somebody else for, let's say, \$35 per hour. If you take on this work yourself in the mistaken belief that you can save that \$35 per hour charge, you are effectively losing \$65 per hour for every hour that you devote. In other words, you're not able to make your time available at your billable rate.



Some up-and-coming entrepreneurs mistakenly believe that they can still justify taking on all this administrative work, as they do not have enough clients as yet who will pay them enough, at their billable rate of \$100 per hour or whatever it is, to "fill up" all the time. This is a common misperception and we hear it all the time. Remember, that as the person who is essentially in charge of business development you cannot afford to tread water at any time. If you are not actively involved in actual billable work, you must devote your valuable time to new business solicitation and development. Surely, it may be a little tricky to place a quantifiable value on the cost of hours spent against business development.

However, you can be very sure that your
time in this regard is worth a lot more than
you would spend to outsource that
administrative work.



Real Costs Of An Employee

Outsourcing is still a relatively new phenomenon in the business world. It is still a relatively misunderstood concept, as well. Quite apart from the inability of some entrepreneurs to let go of the reins, many businessmen and women mistakenly believe that outsourcing is just way too expensive. Surely, it is easier to take on somebody as a full or part-time employee? After all, you exercise "full control" then as well, don't you?

Once again, it's very important to take a good look at the costs involved on both sides of the equation and to blast through some of these popular misconceptions. There are many different areas of concern and we should take them one by one.

Let's just imagine the situation where you have quite a large variety of administrative tasks within your growing organisation. You may want to take on an employee, either part-time or full-time – or are you going to consider outsourcing all of this work to a VA?

One of the biggest misconceptions of all is that the virtual assistant is basically a secretary, or a personal assistant. Some mistakenly believe that the VA can only perform the roles that a conventional secretary might take on, but in reality the VA can perform an astonishing array of different tasks. It would be far better to consider the VA as an extension of yourself.

Don't underestimate the work that can be outsourced effectively.

Now, if you take on the employee then you will expect to pay a certain amount per hour as a salary. Let's imagine that this is \$15 per hour, a middle-of-the-road figure that is typical of this area. Initially, the entrepreneur may raise his or her eyebrows in amazement to hear that the virtual assistant is going to cost somewhere in the region of \$35 per hour. There really is no comparison, is there? It's far better to take on the employee at less than half the cost of the VA!!



This is where we start to break down the time and all the other costs associated with an employee, versus the virtual assistant. This is quite an interesting and eye-opening exercise for those who are new to this arena.

First of all let's talk about productivity.

A recent survey by the website *salary.com* revealed that the average worker loses about two hours per day to non-productive time. This is as a consequence of many factors – a lack of engagement, lack of motivation, demoralisation and any number of external influences. There's that time spent surfing the Internet, chatting with colleagues, taking a potty break, hanging out by the water cooler or drinking a coffee and so on. Note well, that this doesn't take into account the fact that you may well not have an exact amount of work to fill the employee's exact work roster; after all, this is more often the case than not. Taking all these factors into account, you could end up paying twice as much, or getting effectively half an hour's work for an hour's worth of pay.

Benefits

Of course the real cost of an employee does not stop at the salary level line. These days, employees are responsible for all manner of benefits. For example, in order to attract a good employee these days you have to contribute to the cost of the health insurance or a private plan. You have to make sure that you contribute to their retirement savings account. There are payroll taxes and national insurance contributions that you have to make. You have to allow for annual holidays, pay them for bank holidays and give them allowance for sick pay. Add all these together and it can easily add 35% on top of the actual salary cost. Let's go on.

Overhead Costs

Now we need to consider overhead costs. You have to provide a workstation. You have to provide the computer, office ancillaries, the cost of phone lines, Internet access. You have to allocate a portion of the general office overhead costs to each employee station, including utilities and electricity and so on. Taking everything into consideration here, it's not uncommon for this allocation to equal approximately 50% of the actual cost of the employee's salary by itself. As we can see, it's all adding up. But there's more.



Training Costs

You might have been lucky enough to find a talented and skilled employee. However, nothing stands still in technological terms as we know. As the months go by you will find that you have to account for training in one form or another to make sure that the employee is able to keep up with the demands of your business world. Maybe this involves special online classes, purchase of educational books, even attendance at a class or two outside the office. Factor in at least a 10% "premium" to add to the actual value of the base salary.

Actual Costs

At this point, it's worth taking a breath and adding up the costs here. Here is a table which does just that. We've added up all these figures to come up with an actual, real-world value for the cost of that employee over the space of a month and you can now compare it with the cost of the virtual assistant that we talked about earlier on.

	Employee	Virtual Assistant
Base Cost	\$15 per hour	\$35 per hour
Benefits**	\$5.25 per hour	zero
Overheads***	\$7.50 per hour	zero
Training****	\$1.50 per hour	zero
TOTAL	\$29.25 per hour	\$35 per hour
Productive hours per month	80	
Billable hours per month (productivity!)*****		40
ACTUAL COSTS PER MONTH	\$2340	\$1400

Advantages Of A Virtual Assistant

Let's talk about that VA. Specifically, let's handle all those additional costs that you become "eligible" for when you take on a new employee.

No additional Costs

- You don't have to pay a virtual assistant any of those benefits^{**}. The VA is an independent contractor and will pay all relevant taxes. There are no health plans to consider, no retirement funds to pay for, no vacation time to build in and no sick pay to worry about.
- The virtual assistant works independently and not at your office^{***}. You don't have to take into account the office furniture/workstation, computer, the Internet connection, the cost of office sundries. You don't have to allocate part of your business overhead costs to each employee workstation in this case and you don't have to worry about electricity that the employee consumes as they do their work.

- The virtual assistant is responsible for keeping on top of developments in the industry and looks after their own training*** and skill development. Remember that they are highly engaged in providing their clients with top-of-the-line services and it is in their best interest to make sure that they are on the cutting edge of any business skills.
- Now let's talk about productivity!***** When you hire a virtual assistant you pay by the hour. You don't have to worry about a lack of motivation, any distractions, the fact that you might not have an adequate amount of work to fully justify each and every hour of the employee's time. You don't have to worry about those minutes by the water cooler which add up over the space of a month to become a significant consideration. You only pay for the work that you get.



A Virtual Assistant understands you

Yet there is even more to help you justify taking on the services of a virtual assistant. The VA is, in short, more like you than an employee is. The virtual assistant is very business-oriented and is entrepreneurial in nature and spirit. They are enthusiastic about "making things happen." She or he is likely to empathise with your business issues and problems, to fully understand where you're coming from and to be able to provide a level of enthusiasm that you could, quite simply, be hard-pressed to find in many an employee today.

The virtual assistant is far more likely to be on your level and is definitely going to be a lot more flexible. As a business owner him or herself, they will understand some of the intricacies associated with the business world and many an employee might not. This element should not be underestimated and in fact is one of the strongest reasons to consider taking on a virtual assistant to help.

We H ave To Be F lexible

Now that the initial sticker shock has worn off and we can see how a virtual assistant represents far greater value for money than a conventional employee, we can see how we can save money and be in a far more flexible position if we consider outsourcing to a VA.



If there's one thing we have learned from the economic downturn it is that we need to be as flexible as possible and as able to respond to market forces and motivators as we possibly can be. The beauty of outsourcing is that you can ramp down or ramp up requirements without many of the drawbacks associated with taking on employees. It's never easy to find a good employee to supplement when new business comes along.

The successful entrepreneur is never the "head cook and bottle washer." The entrepreneur must take full advantage of every available hour and not devote their time to tasks which could and should be outsourced. It's time to fully focus on billable hours and business development and not on balancing spreadsheets or filing reports.

Next time you wonder about the costs involved with taking on a new project, or feel under pressure to consider expenses at any time, make sure that you have a copy of the table included in this document to help you make the right decision the first time!