

Five-Year Trend Tracker

	Last year	±*	Year -2	±*	Year -3	±*	Year -4	±*	Year -5
Business									
Billable efficiency	_____	_____	_____	_____	_____	_____	_____	_____	_____
Quick ratio	_____	_____	_____	_____	_____	_____	_____	_____	_____
Income per employee	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____
Percentage of business from one client	_____	_____	_____	_____	_____	_____	_____	_____	_____
Average hourly rate	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____
Debt-to-assets ratio	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____
Agency Gross Income	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____
Profitability	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____
Equity	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Personal									
Weekly work hours	_____	_____	_____	_____	_____	_____	_____	_____	_____
Yearly vacation days	_____	_____	_____	_____	_____	_____	_____	_____	_____
Retirement funds	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____
Net worth	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Other									

*Increase/decrease from previous year.

Calculating Trend Indicators

Business

Billable efficiency. Divide the actual (not estimated) billable hours by total payroll hours (all employees). The acceptable range for creative services companies is 50% to 75%.

Quick ratio. Divide short-term assets (receivables) by short-term liabilities (payables). Because assets and liabilities can fluctuate considerably, averaging is best. The acceptable range for creative services companies is 1.25 to 2.0.

Income per employee. Divide AGI (see below) by total number of employees, including principals. (For part-time employees use fractions; freelancers divide by 1.) \$118,000 yearly or \$9,000 monthly or higher is recommended.

Percentage of business from one client. Divide total income by number of clients in the same reporting period. 25% for more from one client is risky. Generally, the lower the percentage the better.

Average hourly rate. Divide AGI (see below) by total billable hours. There is no “right” rate, but *Creative Business* surveys show that \$75 an hour is often the minimum needed to cover expenses and make a small profit. Most firms need to charge substantially more.

Debt-to-assets ratio. Divide company assets by its long-term debt. The figure should be in the range of .20 to .60.

Agency Gross Income (AGI). Subtract any pass-through expenses from total receipts. (Common examples: printing bills that were marked up, net media bills.) What remains—AGI—is primarily creative fees and markup income, a creative business’ spendable revenue.

Profitability. For these purposes (only) include the value of all disbursements to owners/shareowners—salaries, bonuses, monetary benefits (e.g., company car)—as well as any retained earnings. (Traditional profit measures—e.g., ROI—are usually inappropriate for privately-held companies because the owners affect profitability by how much they take out in salary and benefits.)

Equity. In the absence of professional valuations, only Net Asset Value (NAV) should be calculated. The worth of a company’s reputation (“good will”) is not only subjective, but it may not have any dollar value because it may not be transferrable to a new owner. NAV is determined by adding all tangible assets and subtracting all tangible liabilities. Freelancers should take care to keep company and personal assets separate.

Personal

Weekly work hours. Estimate a weekly average.

Yearly vacation days. Count total taken.

Retirement funds. Total the amounts in your 401k, Keogh, IRA, or other tax-advantaged accounts.

Net worth. Add all personal assets (home, auto, money in bank, etc.) then subtract all personal liabilities (mortgages, loans, etc.). For this calculation exclude tax-advantaged retirement accounts.

Other

Use this space to enter factors which may have an effect on trends.