TOOLHUT
TRADE SCHOOL



Why the busiest truck in town still goes broke

The money side of a trades business, in the order it actually matters — pricing, markup, deposits, and the four numbers that tell you the truth.

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There is a particular kind of broke that only happens to busy contractors.

The phone rings. The schedule is full six weeks out. The work is good enough that people ask for you by name. And there is no money in the account, because every dollar you have is sitting in somebody else's house as copper and labor you already paid for.

If that is familiar, nothing in this guide will be about working harder. You are already working hard. This is about four decisions that sit underneath the work — what you charge, what you mark up, when money arrives, and what you measure — and about the fact that getting any one of them wrong is survivable while getting three wrong is not.

We will follow one business through it. Not a composite of success stories: an ordinary one-truck operation doing about $14,000 a month, run by someone good at the trade who has never had anyone explain the office side. Most of what goes wrong for them goes wrong quietly, which is the hardest kind to fix.

The year that looked fine

Start with the numbers our contractor would give you if you asked.

Revenue last year: **$168,000**. Material and subs: about **$61,000**. One part-time helper: **$19,000**. That leaves roughly **$88,000** before overhead, which sounds like a decent living for one person with a truck.

They would also tell you, if pressed, that the business credit card has about $9,000 on it that never seems to come down, that they have not taken a real holiday in two years, and that February was frightening.

Both of those things are true at once, and the gap between them is where this guide lives.

Where the money actually goes

Follow a single job through the calendar rather than through the ledger.

Monday, buy material — **$1,800** on the card. Tuesday and Wednesday, work, and the helper's **$600** goes out Friday whether or not anybody has paid you. Thursday, finish and send the invoice. Then wait.

The customer is not difficult. They are a person who pays bills on the weekend, or a builder whose accounts run on the 30th. Say eighteen days.

So for eighteen days you are out **$2,400** of somebody else's money. That is one job. Run four at once — an ordinary week when you are busy — and you are financing **$9,600** for two and a half weeks out of an account that does not have $9,600 spare.

That is the card balance. It is not overspending and it is not bad luck. You are lending money to your customers at 22% interest, and you are doing it on every job.

Hold that thought, because the fix is cheap and it comes later. First, the deeper problem: the number on the invoice may be wrong before any of this starts.

What an hour actually costs

Ask a working contractor their hourly rate and you will hear a round number. Sixty-five. Eighty-five. A hundred and twenty-five. Round numbers are a tell — nothing in a business lands on a round number by itself.

The question that matters is not what you charge. It is **what an hour costs you before you earn a cent.** Most people have never worked it out, and the gap between those two numbers is the business.

There are three pieces.

What you need to pay yourself. Not what is left over — what you need. Your household as a year: housing, the truck, groceries, insurance, the kids, something for a bad month. Say **$72,000**. That is not a target. It is a cost, and it belongs in the price the same way copper does.

What it costs to be open. Overhead: truck payment and fuel, general liability, workers' comp if you have anyone, phone, software, the accountant, licenses, tools that wear out, the shop or storage. For a solo operator running one truck, **$18,000 to $30,000** a year is normal. Say **$24,000**.

How many hours you can actually bill. This is where it breaks.

There are 2,080 working hours in a year at forty a week. You will not bill 2,080 and you will not come close. Take out two weeks of holiday and a week of public holidays — 120 hours, and you should take them. Take out sick days and the days weather kills. Then take out the part nobody counts: quoting, driving, picking up material, chasing invoices, answering the phone under a sink, the callback you did not charge for.

A solo contractor who works hard and stays busy bills **1,200 to 1,400 hours a year**. If your figure is above 1,500 you are either working far more than forty hours or you have not counted the driving.

Use 1,300 and be honest.

$72,000 plus $24,000 is **$96,000**. Divided by 1,300 hours: **$73.85 an hour.**

What the year has to cover, before a single hour is billed

One truck, one part-time helper, 1,300 billable hours.



What you need to pay yourself	$72,000
What it costs to be open	$24,000
What the business has to earn	**$96,000**

Divide that by the 1,300 hours you can actually bill and you get **$73.85** — the number below which every hour you work costs you money.

That is not your rate. That is **break-even** — the number where you have paid yourself, kept the lights on, and made exactly nothing. Charge it and you have a job with extra paperwork and all the risk.

Profit is a separate line and sits on top. Profit buys the truck you have not bought yet, the slow February, the customer who does not pay, and the day you want to hire. Ten per cent is thin; twenty is healthy for a small shop.

At twenty: $73.85 ÷ 0.8 = **$92.31 an hour.** Call it $92.

Our contractor was charging $70, chosen four years ago because the established shop across town charged $75 and they wanted to be the cheaper call.

The gap, in a year

$22 an hour does not sound like much. Across 1,300 billable hours it is **$28,600**.

$28,600

The gap, in one year

1,300 billable hours at $22 under what the hour costs. Nothing changed about the work — only the number on the quote.

That is the whole difference between the year they had and the year they thought they were having. It is also, almost exactly, the amount they would need to take a holiday, clear the card and stop being frightened in February.

Nothing about the work would change. Same jobs, same hours, same quality. Only the number on the quote.

Why the number feels impossible

When people first run this, the figure that comes out is higher than what they have been charging, and how much higher depends on how wrong the old rate was — there is no honest average to quote at you. The reaction is always the same: *nobody around here will pay that.*

Two things are true at once.

Some of them will not, and that is information. If your honest break-even sits above what your market pays, you do not have a pricing problem — you have a positioning problem or a cost problem. Charging less than it costs you fixes neither; it just moves the loss onto you and calls it being competitive.

And the number is usually less frightening than it looks, because customers do not buy hours. They buy the job. $92 an hour on a four-hour job is **$368** of labor. Very few people flinch at $368. They flinch at "ninety-two an hour" because it sounds enormous next to a wage — and it is not a wage. It is a business carrying a truck, insurance, and a quiet season.

The markup nobody takes



Every fitting here was selected, bought, hauled, stored and warrantied by somebody. On most invoices it appears as one line, at cost.

Your rate covers your time. It does not cover material, and this is where a second quiet loss lives.

If you buy **$2,400** of material, deliver it, store it, handle the returns and stand behind it when something fails, you have done work and carried risk. Passing it through at cost means you did that for free.

Markups vary by trade and by item more than most owners expect: standard stock commonly **15% to 30%**, fixtures nearer **35%**, special-order up to **50%**, and small service parts often **100% or more**, because there the markup is paying for carrying the part rather than for the part. Take 25% as a middle example on stock material. That $2,400 becomes **$3,000** — six hundred dollars that was previously a gift.

Two things to get right:

- **Quote material and labor as separate lines.** If you have been quoting one number with "a bit extra for material in there," you have been quoting two

numbers as one and you cannot tell which is wrong.

- **Subs are a job cost like copper.** If you carry a sub, their cost takes a margin, because you are standing behind their work.

Our contractor ran roughly $61,000 of material and subs. At 25% rather than nothing, that is **$15,250**.

The same year, with two numbers corrected

No extra jobs, no longer days, no new truck.



Charging what the hour costs	**$28,600**
Marking up material at 25%	**$15,250**
Difference in one year	**$43,850**

Put it together and the same year is **$43,850** different. Same trucks, same hands, same hours.

Now fix when the money arrives

Pricing fixes how much. It does nothing about *when* — and when is what makes a profitable business feel broke.

Go back to the card. The fix is a deposit, and it is not a favor the customer does you. It is the customer funding the part of the job that has to be bought before it can be built.

A third up front covers material on most jobs with a little over. It means you stop buying other people's copper at 22%.

It also filters. Someone who will not put a third down on a $6,000 job is telling you something in advance — not certain, or short of money, or still shopping. All three are better learned before you have bought the material than after you have installed it. Jobs rarely go bad at the end. They go bad at the start, quietly.

How to ask without it being a conversation. Put it in the quote, every quote, same place: *"$2,000 to schedule, $4,000 on completion."* By the time it comes up they have already read it, and you are confirming rather than asking. Tie it to

scheduling, not to trust — *"I order material and hold the date once the deposit is in"* is a sentence about logistics. *"I need a deposit because people don't pay me"* is a sentence about your problems, and it invites a debate.

Then the rule that makes it real: **never start without it.** The first time you order material for someone who has not paid, you have taught them what your terms actually mean.

Two lines in the template protect both of you, written once and never thought about again:

The deposit is applied to the total, not in addition to it.

If you cancel before we start, it is returned less any material already bought for you that cannot be returned.

Getting paid for the rest

Most late payments are not refusals. The customer is not avoiding you and is not broke. The invoice arrived on a Thursday, they meant to deal with it on the weekend, and it went under a pile.

Three things fix most of it.

Invoice the same day. This is entirely yours and it is the single biggest lever. An invoice nine days late takes the urgency with it — the work is over, the memory has faded, paying feels like reopening something closed. An invoice that arrives the evening you finish lands while they are still standing in a finished bathroom feeling pleased. Write it in the truck before you drive away.

Make paying a two-tap job. A link they can press on a phone. The card fee on a $4,000 invoice is about **$120** — weigh that against eighteen days of waiting and a follow-up you did not want to send. For most one-truck businesses the fee is cheaper than the float.

Put a date, not a duration. "Net 30" tells a homeowner who would have paid Saturday that they have a month. *"Due October 28"* is a date, and people respond to dates.

Then a follow-up sequence decided in advance, so that chasing is not an emotional decision made when you are already annoyed: a friendly note at day

three, a **phone call** at day ten, something formal at day twenty-one. The call is the one nobody enjoys and the one that works, because a conversation surfaces the real reason — usually "I forgot," occasionally something you needed to know.

And stop giving work away mid-job

Nobody loses money on the job they quoted. They lose it on what gets added afterwards, one favor at a time, by someone standing right there being perfectly pleasant about it.

While you're in there, could you just...

The requests are small on purpose, and the fifteen minutes is never only the fifteen minutes. Moving one outlet means opening drywall, running cable, patching, and coming back to paint: forty-five minutes of labor and a second visit.

The rule is simple and it has no exceptions for small ones, because it is never the first $80 favor that hurts — it is the fourth, and the only place to draw a line that holds is the first.

Anything not on the quote gets written down and priced before it gets done. A text message counts:

Change 1 — move the outlet to the far wall. Adds drywall work, new cable, reinstall. Paint not included. Adds $180 and half a day. OK to proceed?

And the sentence to practice, which contains no "no" anywhere in it:

"Yes, I can do that — let me price it and send it over, then you can tell me if you want it."

On one kitchen job, four such requests came to about six hours and $140 of material: roughly **$690** of work done for nothing, plus half a day of schedule absorbed. Priced instead, the customer approved three, dropped the fourth

when they saw what it cost, and was *happier* — because they got to choose, and nothing on the final bill was a surprise.

The four numbers that tell you the truth

Most people check one number — what is in the bank — and it is the least useful one, because it describes the past and lies about the present. It looks healthy when three customers happen to pay in the same week and terrible the day before you buy material.

Four numbers, once a week, twenty minutes. Friday, while you still remember.

What you are owed, by age. Three buckets: under 30 days, 30–60, over 60. The over-60 bucket is the one that matters, and anything in it gets a phone call this week. Money gets harder to collect the older it is and does not get younger on its own.

What you owe. Suppliers, card, finance. Then the number that actually means something: bank, plus what you are owed, minus what you owe. That is roughly what the business is worth today — as opposed to the balance, which is an accident of timing.

Work sold but not yet done. Your backlog, measured in *weeks* rather than dollars: at your normal pace, how long would agreed work keep you busy? Three weeks is comfortable. Under two and you start quoting harder. Over six and you are losing work to availability. This moves before revenue does, which is the point — by the time a bad month shows up in revenue, the quiet stretch that caused it was six weeks ago.

What you actually paid yourself. Not what the business earned. What landed in your personal account. It is entirely possible to run a busy, growing, profitable-on-paper business and take home less than you earned as an employee, because the money is real but it is all in vans, material and unpaid invoices.

What this adds up to

Our contractor changed four things over about three months. Not the work — the paperwork around it.

They worked out their rate properly and moved from $70 to $92. They started marking material at 25% and quoting it on its own line. They took a third up front on anything with real material in it. And they began invoicing the day they finished, with a payment link and a date.

A year later the business did about the same volume with slightly fewer jobs, because a handful of price-shoppers went elsewhere and the schedule had room for better work. The card was clear. February was a quiet month rather than a frightening one. And they took a week off in August, which had not happened in three years.

None of that came from being busier. The truck was already busy. It came from the business finally charging what it costs to run, and from the money arriving in the right order.

That is the whole thing. If you only do one of them this month, do the first — sit down for forty-five minutes and work out what your hour actually costs. Almost nobody knows, and the ones who do quote differently. Not louder. Steadier, because they know exactly where the floor is and they stop negotiating when they reach it.

Keep going.

The full curriculum — pricing, getting paid, winning the work and running the business side — is free with any ToolHut account at toolhutworks.com.

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