Profit targets for a solo financial planning business

Understanding profit targets in a solo practice

When you run a solo financial planning business, profit is not just a number you hope to see at year-end. It is a deliberate target you set, plan for, and measure against. Many planners start with a strong sense of the advice they want to deliver but give less thought to the financial mechanics that keep the practice viable. A profit target gives you a clear line between covering costs and earning a return for your own work and risk.

Profit targets are closely tied to the concept of a breakeven point. Your breakeven is the revenue level where total income exactly covers total costs - no profit, no loss. Everything above that line is owner profit. Setting a profit target means deciding how far above breakeven you need to operate. That decision shapes your pricing, your client count, and the structure of your service model.

For a solo adviser, the financial planning practice numbers matter because they translate abstract goals into concrete decisions. A target of, say, a certain income after expenses tells you how many clients you need at a given fee level. It also tells you what happens if a client leaves or if a fixed overhead rises. The numbers become a map, not just a record.

What goes into the breakeven calculation

Every practice has fixed overhead. These are costs that stay the same whether you see ten clients or fifty. Rent, software subscriptions, professional indemnity insurance, compliance costs, and membership fees for industry bodies all fall into this category. Fixed overhead does not change with client volume, so it creates a baseline that must be covered before any profit appears.

Variable costs move with the number of clients. Payment processing fees, some forms of client communication tools, and time spent on administration that scales with client numbers are examples. In a solo practice, your own time is a variable cost in a different sense - the more clients you take on, the more hours you work. But for profit targeting, you treat your desired draw as part of the profit target, not a cost.

Operating expenses include both fixed and variable categories. To find your breakeven point, you add up all the fixed overhead, estimate variable costs per client, and then calculate the revenue needed to cover both. Once you know that number, you can add your profit target to find the total revenue goal for the year.

From breakeven to profit target

Breakeven analysis is often taught as a static exercise - a single number that tells you when you stop losing money. In practice, it is a dynamic tool. Your breakeven point shifts as costs change, as you adjust your fee structure, and as you refine your service model. A solo planner who knows their current breakeven can test what happens if software costs rise by a certain percentage, or if they decide to take on fewer clients at a higher fee.

Profit targets add a layer of intention. Instead of asking "what do I need to survive?" you ask "what do I need to thrive?" That might mean a specific owner profit figure that covers your living expenses, savings, and a buffer for lean months. It might also include a margin for reinvestment - new software, professional development, or marketing. Whatever the target, it becomes the driver of your pricing and capacity decisions.

The financial planning practice numbers for a solo business often reveal a tension between capacity and profitability. A planner who charges low fees needs many clients to reach a modest profit target. That creates a high client load, which can reduce the quality of advice and increase burnout. A planner who charges higher fees needs fewer clients, which leaves more time for each relationship and for running the business. The trade-off is central to designing a practice that works for you.

How profit targets shape pricing and capacity

Once you have a profit target in mind, you can work backward to pricing. Suppose your fixed overhead is a known amount, your variable costs per client are estimated, and your profit target is set. Dividing the total required revenue by the number of clients you want to serve gives you an average fee per client. That figure is a starting point for setting your service packages and hourly rates.

Capacity is the other side of the equation. A solo planner has a finite number of hours and a finite amount of mental energy. You cannot serve an unlimited number of clients well. By linking your profit target to a realistic client count, you avoid the trap of designing a fee that works on paper but leaves you overworked. The numbers force you to be honest about what is sustainable.

Many planners in an advice-only model - where they do not sell products or earn commissions - find that the economics are different from a traditional practice. Without product revenue, every dollar comes from the client's fee. That makes the breakeven point more visible and the profit target more direct. It also makes efficiency more important. A small change in client count or fee level has a large effect on the bottom line.

Common pitfalls when setting profit targets

One mistake is setting a profit target without accounting for your own time properly. If you treat your labour as a cost but set your target based only on what you want to take home, you can end up working for less than a fair wage. The better approach is to separate your desired owner profit from the time you spend delivering advice. Your fee should reflect the value of that time, not just the leftover after costs.

Another pitfall is ignoring the effect of payment processing and other small variable costs. A few dollars per transaction may seem trivial, but across a hundred clients it adds up. If you do not include them in your breakeven calculation, your actual profit will be lower than you planned. The same applies to subscription services that tier up as you add more clients. Small variable costs matter.

A third issue is mistaking gross revenue for net profit. A practice that brings in a healthy top line can still be unprofitable if costs are high. Knowing your breakeven point helps you see through the revenue figure to what you actually keep. That clarity is especially important when you are considering adding a new service or raising fees. You can model the impact before making a change.

Using profit targets to make better decisions

Profit targets are not set-and-forget numbers. They are benchmarks you revisit as your practice evolves. When you start out, your fixed overhead may be low because you work from home and use basic software. As you grow, you might move to a co-working space, add compliance tools, or hire a part-time administrator. Each change shifts your breakeven point and changes what your profit target requires.

Revisiting the numbers regularly helps you stay ahead of cost creep. It also helps you recognise when a fee increase is necessary. If your costs have risen but your fees have stayed the same, your profit target becomes harder to reach. The numbers will tell you that before your bank account does.

For a solo planner, the discipline of working with profit targets is also a way to separate the business from personal finances. When you know what the practice needs to earn, you can draw a clear line between business income and personal spending. That separation makes tax time simpler and gives you a clearer picture of whether the practice is working for you.

Practical steps to get started

Begin by listing every fixed cost you pay for the practice. Include annual items divided by twelve to get a monthly figure. Then estimate your variable costs per client. If you are not sure, use a conservative estimate and adjust later. Add your desired owner profit to the total. That gives you the monthly revenue target.

Divide that target by the number of clients you realistically want to serve. The result is the average monthly revenue per client you need. Compare that to your current or planned fee structure. If there is a gap, you have options: raise fees, reduce costs, or increase client count. The numbers show you the trade-offs clearly.

Once you have a plan, track your actual revenue and costs against the target each month. A simple spreadsheet is enough. The goal is not perfect accuracy from the start. It is building the habit of using your financial planning practice numbers to guide decisions. Over time, the habit becomes second nature, and the practice becomes more predictable.