

# Module 1

## SECTION TWO



### OPERATING A STRONG FAMILY CHILD CARE BUSINESS Feasibility



### Section 2.3 Establishing Rates & Fees

## Learning Outcomes

After each activity, participants will be able to:

### Activity 1

- Define terminology: rates, fees
- Give examples of rates and fees that apply to family child care businesses

### Activity 2

- Explain what to consider when setting rates and fees
- Discuss the impact that rates and fees may have on business viability, sustainability, and profitability

### Activity 3

- Understand strategies to use when talking with parents about rates and fees
- Explain the value of the strategies when talking with families about rates and fees

## Handouts

9. Rates and fees - Considerations
10. Rates and fees - Strategies

### Key Points

- A provider needs to earn enough to meet and sustain the needs of the family child care business (which includes making sure the owner earns wages).
- Exceedingly high rates and fees will price most potential clients out of the market. Very low rates and fees may lead some families to question the quality of the services provided or the ability of the provider to remain open.
- Potential clients are more likely to agree with and accept a provider's rates if the amount is comparable to similar services available in the community; if they find the services valuable; if the services are greatly needed and hard to substitute; and if they seem reasonable.
- Utilizing certain business practices with all clients (including family and friends), such as written contracts, can facilitate dealing with money issues.
- Talking about value (what clients get) is more effective than talking about price (what clients pay).
- Incorporating additional fees when calculating regular rates is more effective and simpler than charging additional fees.
- Raising rates annually in September (when school traditionally begins) works better than in April (when taxes are due) or November/December/January (when many families are paying for holiday spending).

## Activity #1

### Learning Outcomes

- Define terminology: rates, fees
- Give examples of rates and fees that apply to a family child care businesses

### Materials Needed

Plain white paper and markers

**Methodology:** Teaching Others

### Activity

Read the definitions of rate and fee to the group. Give each participant a sheet of paper, ask them to create two signs, one that reads “Rate” another that reads “Fee.” Ask participants to lift up the sign that matches the examples you read aloud.

Examples:

- *The chair massage is \$15/ hour.*
- *I cancelled my appointment so they charged me \$25*
- *To get registered for the course I paid \$50*
- *Each week I pay my personal trainer \$100*
- *My medical copay is \$35*
- *Our gardener charges \$20/hour*
- *I paid \$60 extra for an extended warranty*

Have a general conversation with the participants. Then, shift the focus to family child care business.

Invite participants to think of examples of specific fees and rates that are relevant to operating a family child care business.

Offer possible suggestions to get the conversation going:

- Rates: \$ per week for infant care; \$ per month for before and after school care; \$ per hour for late pick-up; \$ per week for transportation; \$ discounts for additional sibling(s) in care.
- Fees: Initial enrollment, late payment

### Key Points

- **Rate:** The amount of money charged per unit, e.g. per hour or per week, for a service
- **Fee:** A payment for professional services. A charge made by an business, e.g. for diapers, late pick up
- A provider needs to earn enough to meet and sustain the needs of the family child care business (which includes making sure the owner earns wages).

## Activity #2

### Learning Outcomes

- Explain what to consider when establishing rates and fees
- Discuss the impact that rates and fees may have on business viability, sustainability, and profitability

### Materials Needed

Handout 9: Rates and Fees – Considerations

**Methodology:** Discussion

### Activity

Distribute Handout 9 and facilitate a discussion incorporating the Key Talking Points and information on Handout 9. Start the conversation with the following opening statement:

Maria Lopez is deciding how much to charge families for her services as a licensed family child care provider. She thinks \$1000/month per child is a reasonable amount. Will this work? Why? Why not? What does it depend on?

Incorporate scenarios that may impact the feasibility of her plan. For example: What if...

- *She is the sole wage earner in her household?*
- *There are other sources of income in the household?*
- *Monthly household expenses are \$5,000?*
- *She will be working 12-hour days, M-F?*
- *The going rate for similar services is \$600/month?*
- *The going rate for similar services is \$1,500/month?*
- *The average family in her neighborhood has two young children?*
- *There are many families with young children in her neighborhood with minimum wage incomes?*
- *She wants to make sure she has two weeks of paid vacation each year?*

### Key Points

- Providers need to charge enough to meet and sustain the needs of the business, including earning wages.
- Families are more likely to accept rates that are comparable to similar services in the community. Their willingness to accept rates will be based on whether or not the services provided are perceived to be valuable; needed; unique; and reasonable.
- Exceedingly high rates and fees will price most families out of the market.
- Exceedingly low rates and fees may lead some to question the quality of the services provided.

**Activity #3**

**Learning Outcomes**

Understand, give examples and explain the value of strategies to use when talking with families about rates and fees

**Materials Needed**

Large poster paper and markers  
Handout 10: Rates and Fees – Strategies

**Methodology:** Reading, teaching others, discussion

**Activity**

Brainstorm with the large group common problems family child care providers may face when collecting rates and fees from families. Compile the list on large poster paper.

After you have compiled a list of 5-6 items on another sheet of poster paper, ask the group to share strategies to handle collection problems.

Distribute Handout 10 and ask participants to read it. (Keep a copy for yourself)

Then ask the participants to go over the information with a seat partner. Ask why these strategies make sense and compare them to the ones the group created.

Facilitate a discussion with the large group that incorporates the ideas and thoughts generated in the smaller groups. Compare notes.

Encourage the participants to approach the discussion from a provider's perspective and a family's perspective, and to share examples that illustrate their thoughts and ideas, drawing on their own experiences where possible.



## HANDOUT #9: RATES AND FEES - CONSIDERATIONS

Decision	Considerations
<b>How much to charge</b>	<ul style="list-style-type: none"><li>• Desired net income</li><li>• Going rates*</li><li>• Ability of families to pay</li><li>• Including paid vacation time</li><li>• Paying according to slot rather than attendance</li></ul>
<b>How often to charge</b>	<ul style="list-style-type: none"><li>• Monthly, bi-weekly, weekly, daily, hourly, as needed</li></ul>
<b>What services to provide</b>	<ul style="list-style-type: none"><li>• Regular hours</li><li>• Before/after school care</li><li>• Evening or weekend care</li><li>• Infant/toddler care</li><li>• Substitutes, or referrals to potential substitutes</li><li>• Provider paid/unpaid vacation</li><li>• Paid/unpaid child absences due to illness or vacation</li><li>• Transportation of children</li></ul>

\*It is illegal for competitors to discuss rates among themselves!  
Doing so can lead to price fixing, which is in violation of the federal antitrust law.

For more information about price fixing and collecting information about other people's rates, read Chapter Nine of Tom Copeland's book *Family Child Care Marketing Guide*.



## HANDOUT #10: RATES AND FEES - STRATEGIES

### Did you know that...?

- Utilizing certain business practices with all clients (including family and friends), such as written contracts, can facilitate dealing with money issues?
  - Talking about value (what clients get) is more effective than talking about price (what clients pay)?
  - Incorporating additional fees when calculating regular rates is preferable to charging additional fees.
- Raising rates annually in September (when school traditionally begins) works better than in April (when taxes are due) or November/December/January (when many families are paying for holiday spending).

For more information about how to set rates and talking with families about rates, read Chapter Eight of Tom Copeland's book *Family Child Care Marketing Guide*.