



How to Pay Yourself

Sole Proprietor or Single-Member LLC

- You don't take a "salary" — you take an owner's draw.
 - Draws aren't taxed directly, but you pay self-employment tax on net profit.
 - Use a separate bank account and track all transfers to yourself.
- 📌 Plan ahead: Set aside 30–35% of profits for self-employment and income taxes.

S Corporation (or LLC taxed as S Corp)

- You must pay yourself a reasonable salary through payroll (subject to payroll and income tax).
 - Extra profits can be taken as distributions (not subject to self-employment tax).
- ⚠️ Work with a tax professional (like us!) to avoid misclassifying payments — this is an audit risk.

How Much Should You Pay Yourself?

Start with a monthly draw or salary that feels sustainable and reflects your business income.

Use these guidelines:

- Cover your personal needs and financial goals
- Leave room for business reinvestment
- Set aside money regularly for:
 - Estimated taxes
 - Sick/vacation time (like a personal benefits fund!)
 - Business emergency savings (aim for 3-6 months of expenses)



How to Pay Yourself

Tracking is Key

- Keep business and personal money separate.
 - Document all payments — draws, salary, reimbursements, etc.
 - Use accounting software or a simple spreadsheet for clarity.
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Avoid These Mistakes

- Taking *too much* too soon
 - Skipping tax savings
 - Not setting up a cushion for slow months or time off
 - Not paying yourself at all — you deserve to be paid!
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Need Help?

We can help you come up with a custom strategy that suits your needs and lifestyle goals.

 [Book a Discovery Call](#) or  [Send a Message](#)

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