



## COLA

### Not just a refreshing sparkly beverage—and how it affects your business

By Sean Jones

**For a viable business, ensure that you are not only charging enough for your knowledge, expertise and experience—but also to account for inflation!**

Many horse professionals get overwhelmed when they consider doing anything that can possibly compromise the relationship they have established with their clients. This predominantly includes rate increases.

Here is an easily digestible strategy that can accomplish this for you. And by the way, the business (non-equine) world is already doing this.

COLA is an acronym for **Cost of Living Adjustment**. Many components of our economy are impacted by COLA. Including most “real world” salaries, Canada Pension Plan, older defined benefit pension plans, etc. What this means, is that these income sources are correlated with the rate of inflation and adjusted up accordingly.

You’ve heard the word inflation before. It’s a variable rate that measures the purchasing power of your current dollars in the future. As a financial advisor, I build financial plans for clients, factoring in a 2% rate of inflation. This means that the cost

of goods and services you purchase will essentially increase by 2% every year. In the simplest terms, you buy a hoof pick for a \$1.00 in 2021. That hoof pick will cost you \$1.02 in 2022.

You understand inflation all too well if your horses have kicked down some fence boards in the last 18 months. The replacement cost for the lumber was ridiculously impacted by inflation. Recently, inflation has skyrocketed as a result of supply and demand factors that were the direct by-product of the global pandemic. We won’t bother discussing the irrationality of the real estate market.

To avoid going too far into the weeds with Macroeconomics here, let’s determine what this means for you.

You have no doubt experienced inflation in the cost of goods that you have purchased in your business and personal life – even before Covid. Check the grocery store prices compared to the year prior. Gas prices. Hay, feed, shavings etc. In normal circumstances, inflation is constantly running in the background. However, because the increases are so frequent, they almost feel inconsequential.



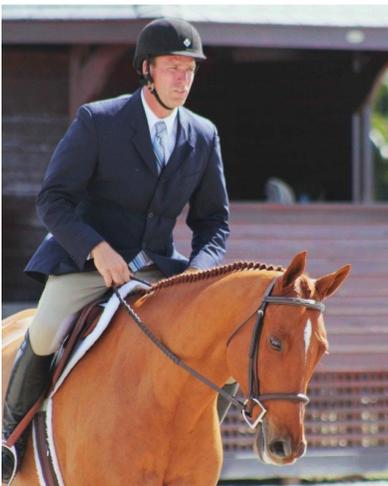
This is your first step to increasing your rates and therefore your income. On January 1st of every year, I want you to revise your price list to reflect COLA – or CMHMHA “Cost to Manage Your High Maintenance Horse Adjustment”. If the average rate of inflation is 2%, I would like you to increase all your rates by 3%. I like that little extra buffer for you. You can see how these little increases every year, will not result in client sticker shock. \$100 service this year, becomes a \$103 service next year.

Now, if you haven't raised your rates in 10 years, we're just going to use a simple interest formula to determine where you need to be. At 3% per year for the last 10 years, you'll need to increase everything 30%. That means, your \$100 service needs to be \$130.

This increase is going to require a little finessing on your part when it comes to relaying this message to your clients. You can't just slap this figure on their next statement. But for now, factor inflation and COLA into your business. And celebrate with the beverage variety of cola – which goes well with coconut rum (or so I've heard).



**Want to learn more about starting your own equine business or growing your existing business? Check out Equine Guelph's On-Demand course [Equine Business 101!](#)**



***Sean Jones*** is not only an advisor for Sun Life Financial, he is also an avid equestrian and past facility owner. He understands the challenges equine professionals face. Sean's role at Sun Life involves advising and educating clients on all aspects of financial planning including owning a home, starting a family, education planning, managing your career and preparing for retirement. Sean develops economical, efficient and client-driven plans that are manageable and tailored to meet individual goals.