

Fixed Rate vs. Hourly Rate: Which Pricing Model Is Best for Your Business?

Budgeting for your solutions should be simple. You want a pricing option that aligns with your needs and keeps surprises at bay. Get answers to your pricing questions in order to determine which model delivers the most value for your business.

	FIXED RATE	HOURLY RATE
When is it optimal?	Recurring services	One-time projects with defined scope
Sample engagements	Ongoing bookkeeping, financial planning, 18-month cash flow forecasting	Bookkeeping clean up, software setup, CFO consultation
What are the pros?	<ul style="list-style-type: none">- No runaway train invoices- Based on value, not running meter- Ability to ask questions or follow up without extra billing	<ul style="list-style-type: none">- Easy for short-term projects or lower commitment- Only pay for the work completed
What are the cons?	<ul style="list-style-type: none">- Upfront pricing challenges- Difficulty in changing scope	<ul style="list-style-type: none">- Spiky cash flow- Line item billing

FAQS

Can I change the type of rate I use later in an engagement?

Yes. Businesses may opt to start with an hourly rate while establishing the scope of the project before switching to a fixed rate.

Can a fixed rate still be beneficial for projects with seasonal peaks & valleys?

Yes. Costs are leveled month-to-month, and cash flow is stabilized. Imagine a rate of \$2K/month. During a slow period, your costs won't drop despite a decreased workload. However, once you hit a busy month with \$5K worth of hourly work, you'll still only pay your rate. Your fixed fee smooths these swings while remaining fair.

My business is growing quickly. Which pricing model is best for me?

Have more predictable needs or want to backfill a role? Fixed pricing lets you keep it simple and pay a monthly salary as you'd pay otherwise (without the benefits costs). For newer businesses or startups that need to scale up or down more carefully, an hourly rate may be more effective.

How can I trust that I'm not overpaying with a fixed rate model?

At Paro, we accept only the top 2% of finance and accounting professionals. We combine that quality expertise with data-driven pricing recommendations and ongoing project management to ensure work and expectations are fulfilled, so you get the best value for your business.