

Whitepaper

Mastering Your **12-Month Technology** Cost Forecast

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Software Development Project Cost of Your Startup Compared (Among 5 Different Ways)

When you start a new company, one of the first big questions you might have is, "How much money will it take to get my business up and running?" In the early days of a startup, it's hard to know precisely what you'll need to spend. Planning can help you spot potential problems, determine how they might hit your wallet, and decide what to do.

This guide will help you plan for your startup's technology costs. If you're considering setting up a tech team, you can make five main choices, each with its own set of costs to consider.



Your Five Ways for Setting Up a Tech Team in 2024

Wrong Ways with a Full-time CTO

- 1 Software Development Agency (Local):** Hire a full-time Chief Technology Officer (CTO) and work with a **technology agency** based in the US.
- 2 Software Development Agency (Offshore):** Hire a full-time CTO and partner with a technology agency from another country.
- 3 Remote Team (Local):** Hire a full-time CTO and build a team that works remotely from various locations in the US.
- 4 Remote Team (With Independent Freelancers):** Hire a full-time CTO and assemble a remote team worldwide.

The Right 6PM Way With a Fractional CTO

Hire a fractional CTO from a network of pre-vetted tech experts. With the fractional CTO, build your own developer team at a fraction of the cost.

- 1 Forming the Right Technology Stack & Strategy:** 6PM provides you with a tech advisor or a fractional CTO. Whether part-time, full-time, or on-demand, they guide crafting a killer tech strategy.
- 2 Building & Leading a High-velocity Remote Team:** The Fractional CTO will head the engineering team in charge of infrastructure. He'll also create a timeline for development and deployment by connecting you with a high-performing technology team to ensure you build at high velocity.
- 3 Ensuring ROI on Your Technology Investments:** Your fractional CTO will track the technology department's budget and ensure ROI on technology investments by setting up the correct KPI.

How Are the Software Development Costs Calculated?

Months (Followed In The 6PM Way)												
Role	Month 01	Month 02	Month 03	Month 04	Month 05	Month 06	Month 07	Month 08	Month 09	Month 10	Month 11	Month 12
PM	80 Hours	80 Hours	80 Hours	80 Hours	80 Hours	80 Hours	80 Hours	80 Hours	80 Hours	80 Hours	80 Hours	80 Hours
UI/UX	160 Hours	160 Hours	160 Hours	160 Hours	80 Hours	80 Hours	80 Hours	80 Hours	80 Hours	X	X	X
Front End Engineer	X	X	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours
Back End Engineer	X	X	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours
Full Stack Engineer	X	X	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	X	X	X	X
Software Quality Assurance	X	X	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours	160 Hours
DevOps	X	X	X	80 Hours	80 Hours	X	X	X	X	X	X	80 Hours

80 Hours Half Time
 160 Hours Full Time



Tech Team Salary & Agency Bill

If you have a fractional CTO in place, you only need to hire a few team members in the first month. You only need a Product Manager and a UX designer to convert your idea visually. A development team can avoid getting involved at this stage, which keeps the operation cost low.

From the third month, you can get the entire team up and running, as the product roadmap, tech strategy, and visual design will be ready for the developers to start working on. As the months go by, team member requirements will vary monthly, as illustrated in the table.

The critical thing to consider is that any agency you hire will not change its budget and charge based on the above table, as its target is always to increase billable hours. A similar concept applies to a full-time CTO. He'll always want his team to grow and have more control over the development.

However, a fractional CTO will always communicate the expert opinion and help you understand how it works. Isn't that great?



Technical Advisor/CTO

In the 6PM approach, the fractional CTO/ Tech Experts charges as low as \$100 per hour, dedicating five hours per week. However, you get the expertise of a full-time CTO as this fractional CTO comes equipped with the 6PM model, a process that will be followed on your entire product development journey.

However, going with a full-time local CTO at this point may save you time and precious startup funds as they are getting expensive daily. The full-time CTO might spend the first few months trying to get the processes up and running, while the 6PM trailed fractional CTO can get them running from day to day 1.

CEO Opportunity Cost

The 6PM approach has no opportunity cost for the CEO since it requires minimal time commitment. However, if you choose to build your software product using an agency or freelancers, you'll need to dedicate much time alongside your CTO to go through the processes and the buggy delivery.



The Big Picture of Software Development Cost Compared (for 12 Months)



1. Agency (US)	CTO Salary \$200K– \$300K	CEO Opportunity Cost \$0	Tech Team Salary \$800K–900K	Grand Total \$1M–1.2M
2. Agency (Offshore)	CTO Salary \$200K– \$300K	CEO Opportunity Cost \$80K	Tech Team Salary \$400K–500K	Grand Total \$680K–880K
3. Remote Team (US)	CTO Salary \$200K– \$300K	CEO Opportunity Cost \$80K	Tech Team Salary \$800K–900K	Grand Total \$1.4M–1.5M
4. Remote Team (Freelancers)	CTO Salary \$200K– \$300K	CEO Opportunity Cost \$160K	Tech Team Salary \$400K–500K	Grand Total \$760K–960K
5. The 6PM Way	CTO Salary \$50–60K	CEO Opportunity Cost \$0	Tech Team Salary \$200K–\$300K	Grand Total \$250K–360K

Software Development Agency (Local) Cost Forecasting





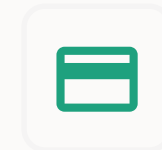
Why You Need a CTO Here

A CTO provides expert oversight, facilitates effective communication between your company and the development agency, and helps integrate new technologies seamlessly into existing systems, optimizing operational efficiency and technological innovation.



CEO Opportunity Cost

The CEO's opportunity cost is considered \$0 because the CEO's time and effort in selecting and working with the agency are not directly monetized or billed.



Agency Bill Per Month

The monthly cost of the agency's services is around \$70K to \$80K in the US. Multiplying this by 12 gives an annual estimate of \$800K to \$900K.



What's the Total?

The total combines the CTO's full-time salary (\$200K-\$300K) and the agency bill (\$800K-\$900K). Overall, it ranges from \$1M to \$1.2M annually.

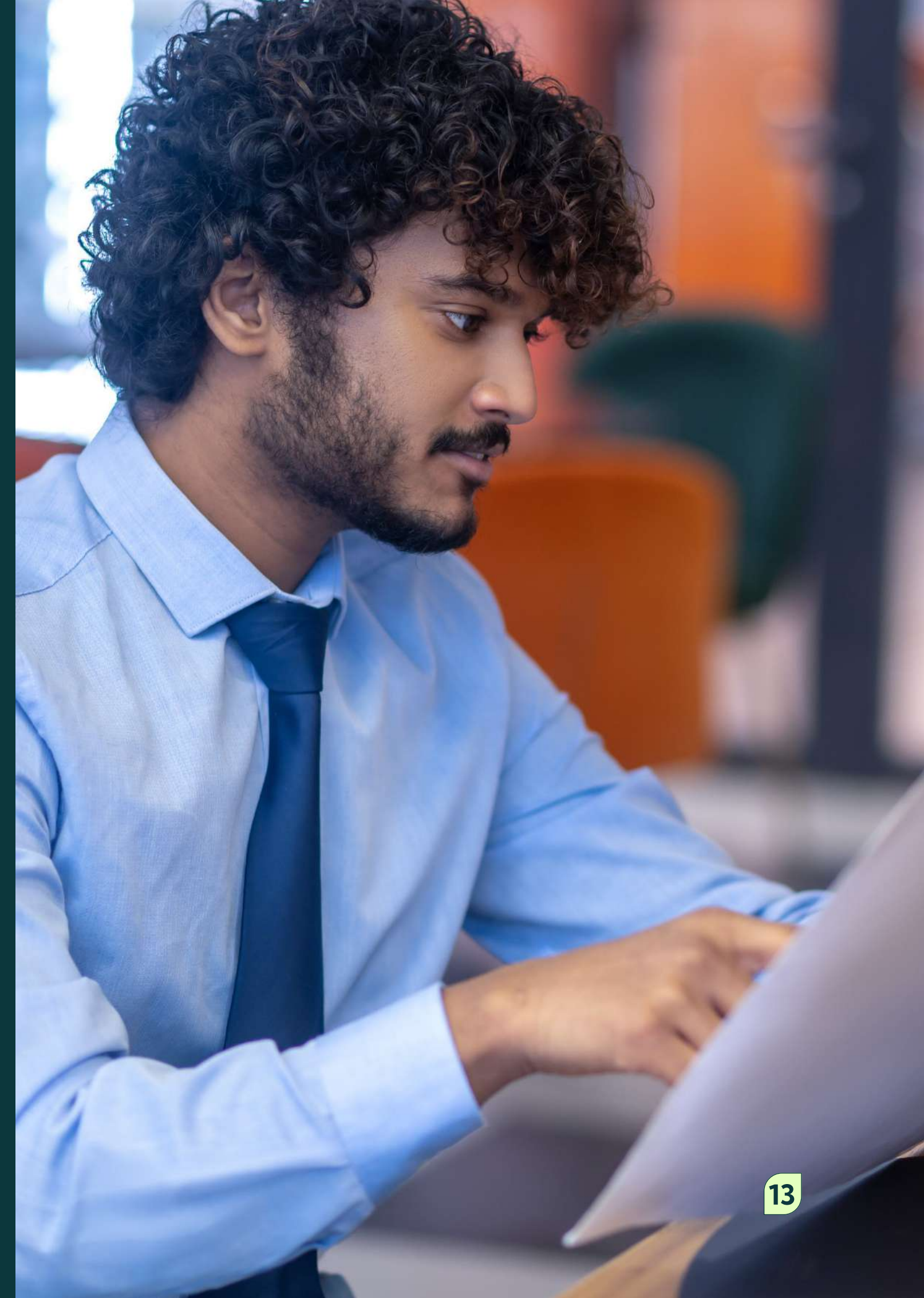
↔ CTO Salary: \$200K- \$300K (Full Time)

🏢 CEO Opportunity Cost (At \$150/ hour): \$0

👥 Agency Bill: \$800K-900K (Avg \$70-80,000 / Month)

💰 Grand Total: \$1M-1.2M

Software Development Agency (Offshore) Cost Forecasting





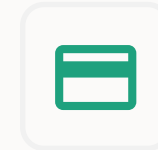
Why You Need a CTO Here

When engaging with an offshore software development agency, the technical jargon and requirements can often be challenging. To facilitate more precise and effective communication, it is advisable to appoint a CTO. This role will bridge your business and the agency, ensuring that technical terms are translated into understandable language and that your project requirements are accurately conveyed. The usual CTO salary in the US is \$200K to \$300K per year.



CEO Opportunity Cost

As the CEO, you must dedicate significant time to fully grasp the ongoing processes, translating to a minimum commitment of 10 hours per week. This investment of your time carries an opportunity cost valued at approximately \$80,000.



Agency Bill Per Month

The offshore agency tends to prioritize increasing billable hours over fulfilling work commitments. Typically, the monthly cost for services from an offshore agency ranges between \$30,000 and \$40,000, accumulating to an annual expenditure of approximately \$400,000 to \$500,000.



What's the Total?

The total cost comprises the CTO's salary, ranging from \$200,000 to \$300,000 annually, the CEO's opportunity cost of \$80,000 per year, and an agency bill averaging \$400,000 to \$500,000 annually. In total, the total cost is \$680,000 to \$880,000 per year.

↔ CTO Salary: \$200K- \$300K (Full Time)

🏢 CEO Opportunity Cost (At \$150/ hour): \$80K (10 hours / week)

👥 Agency Bill: \$400K-500K (Avg \$30K-40K / month)

💰 Grand Total: \$680K - 880K

Remote Team (Local) Cost Forecasting





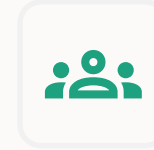
Why You Need a CTO Here

A CTO is required here to assemble a skilled team, lead the team properly, and ensure the team operates cohesively, aligns with the company's strategic goals, and delivers high-quality technological solutions.



CEO Opportunity Cost

When establishing a remote team based in the US, you must work at least 10 hours per week to ensure effective communication, collaboration, and alignment across the team.



Team Salary Per Month

The tech team's salary ranges from \$800,000 to \$900,000 annually, totaling \$1.2 million, with benefits and taxes included. This covers the average US engineer salary of \$120,000 to \$150,000 annually.



What's the Total?

The total, ranging from \$1.4 million to \$1.5 million, includes the combined costs of the CTO salary (\$200,000 to \$300,000 annually), CEO opportunity cost (\$80,000 per year), and tech team salary (\$800,000 to \$900,000 annually, including benefits and taxes). This accounts for the average US engineer salary of \$120,000 to \$150,000 per year.

↔ CTO Salary: \$200K- \$300K (Full Time)

🏢 CEO Opportunity Cost (At \$150/ hour): \$80K (10 hours / week)

👥 Tech Team Salary: \$800K-900K Benefit +Tax = \$1.2M

💰 Grand Total: \$1.4M-1.5M

Remote Team (Freelancer) Cost Forecasting





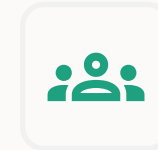
Why You Need a CTO Here

As you hire freelancers, you need someone to lead the team, provide guidance, clarify expectations, and ensure everyone is working towards the same goals.



CEO Opportunity Cost

Though hiring freelancers saves your money, it demands doubling your time investment. You must spend extra hours vetting and onboarding them, managing their work, providing feedback, and ensuring clear communication.



Team Salary Per Month

Hiring freelancers for the tech team might be cost-saving. The total expense ranges from \$400,000 to \$500,000, with each member's monthly salary averaging \$30,000 to \$40,000. This approach provides flexibility and specialized skills without the overhead of full-time salaries and benefits.



What's the Total?

The total ranges from \$760,000 to \$960,000. Despite the seemingly high cost, hiring freelancers has reduced the total expenses compared to previous scenarios. This reduction is due to the flexibility of freelancers, who typically command higher hourly rates but eliminate the need for full-time salaries and benefits, resulting in overall cost savings.

↔ CTO Salary : \$200K- \$300K (Full Time)

🏢 CEO Opportunity Cost (At \$150/ hour) : \$160K (20 hours per week)




👥 Tech Team Salary: \$400K-500K (Avg \$30K-40K per month member)

\$ Grand Total: \$760K-960K

6PM Way (Fractional CTO+ Offshore Remote Team) Cost Forecasting

 Strategic Leader

 Max Results,
Minimal Time

-  Monthly Review
-  Daily meetings
-  Strategy Session

 Reduce IT costs



Why You Need a CTO Here

You do not need to hire a full-time CTO; the fractional CTO will work for you following the 6PM model. They craft a tech strategy and product roadmap, assemble and lead a high-velocity development team, and implement KPIs to ensure efficient progress and cost control. This approach allows startups to benefit from top-tier tech leadership without the commitment and cost of a full-time executive, ensuring their technology scales effectively with their business.



CEO Opportunity Cost

In the 6PM model, the CEO's opportunity cost is minimized as the model provides a fractional CTO who takes on the strategic technology leadership role. This allows the CEO to focus on core business activities without getting bogged down by the complexities of tech development.



Team Salary Per Month

The tech team's salaries remain notably low due to the 6PM model, which offers developers from a vetted talent pool. This allows for flexible utilization of developers, minimizing costs as they are efficient, and only engaged when needed. This approach significantly reduces the overall tech team salary burden.



What's the Total?

The total cost under the 6PM model ranges from \$250K to \$360K. This is kept low due to the fractional CTO arrangement, which reduces CTO salary expenses by providing part-time strategic leadership. The CEO's opportunity cost is minimized, and tech team salaries are kept low through the flexible utilization of efficient developers.

↔ CTO Salary: \$50-60K(5 Hours Per Week)

🏢 CEO Opportunity Cost (At \$150/ hour): \$0

👥 Tech Team Salary: \$200K-300K

💰 Grand Total: \$250K-360K

After 12 Months: Maintenance Mode

After the initial 12 months of development and deployment, the project transitions into a maintenance mode. This phase is critical as it focuses on sustaining the product's operational efficiency, ensuring security, and making necessary updates based on user feedback and technological advancements.





Technical Support and Bug Fixes

Continuous system monitoring to detect and resolve issues before they affect users. I also pay immediate attention to any bugs that emerge, ensuring they are resolved quickly to maintain the integrity and performance of the application.

Security Updates

Conducting periodic security checks to identify and rectify vulnerabilities. Also, the latest security measures should be implemented to protect against new threats.

Performance Optimization

Refining the codebase to improve efficiency and performance. Also, ensuring that the infrastructure is scaled appropriately to handle user load without unnecessary resource expenditure.

Software and Hardware Updates

Regular updates to software components to ensure compatibility with new technologies and to incorporate improvements. Assessing and upgrading hardware as necessary to meet performance demands and technological standards.

Wrapping It Up: The Cost-Effective Edge of The 6PM Model for Startups

In conclusion, the 6PM model offers a transformative approach for startups looking to navigate the complex and often a costly journey of technology development and strategy.

The 6PM model offers startups strategic technology guidance without the full-time CTO expense, preserving equity and enabling rapid team assembly. It controls costs, ensures a scalable tech stack, and optimizes resource use. Risk mitigation allows CEOs to focus on core business, providing flexibility and knowledge transfer for long-term capacity building.



The 6PM Way

So, why settle for the usual struggles when you can step up with the 6PM model? Dive into a world where tech team building is demystified, and every step you take is a step towards success. Ready to revolutionize your approach and truly capitalize on global talent? Let's make it happen with the 6PM model. Your journey to tech excellence starts here!

[Talk to a CTO Now](#)



Forming the Right Technology Stack & Strategy

Our model ensures you get a technical advisor, CTO, or someone equivalent as soon as possible for technical strategy building, either part-time, full-time, or on demand. We'll help define and implement your comprehensive technology strategy by collaborating with stakeholders to identify and address technology needs and opportunities.



Building & Leading a High-velocity Remote Team

We'll head the engineering team in charge of infrastructure while continuing to build out the company's technology backbone. We'll also create a timeline for development and deployment. We'll connect you with a performing technology team to ensure you build at high velocity.



Ensuring ROI on Your Technology Investments

Ensuring ROI on Your Technology Investments By setting up the correct KPI, we'll track the technology department's budget and ensure ROI on technology investments.

6:PM