Just One More Deal

Avoiding the "Just One More Deal" Budgeting Process

Your real estate career is a business and all successful businesses are based upon knowing your numbers and acting accordingly. Too often we see real estate agents rationalizing expenses or setting up a budget with a "just one more deal" will pay for it philosophy. Even worse we work with the occasional agent who "spends money if I have it and don't spend it if I don't." These practices are recipes for disaster. Here's a five-step plan that we suggest as practical budgeting steps for a professional Realtor®.

1) **Know your numbers.** What does it truly cost you to run your business? Include dues, education, supplies, lockboxes, signs, office fees, etc in this figure. Don't be surprised if you are a newer agent and discover these "incidental expenses" add up to $2,000 to $5,000 or more a year. Next know how many transactions you completed and at what average commission percentage. Those two numbers along with sourcing your business (identifying how you and your client came into contact initially) will help you know what to do and plan for in the coming year. For example if you closed 20 sales last year and gross income was $100,000 ($5000 a closing0 and you had $15,000 in expenses you can now begin to budget and plan responsibly. Make one sale a month with two in the months of June, July, August, September and October for your 20 closings.

2) **Keep track of what you actually spend.** Carry a small notebook or use an app for your smartphone to keep daily track of what you spend. Now that you know what you spent and what you should've spent review all your expenses at least monthly. Ask yourself "is this an expense or an investment?" An investment ought to provide a measurable return. An expense should be necessary to run your business. If it doesn't free up time, reduce stress, or increase your production and you don't need it, consider cutting it out.

3) **Plan for Seasonality**. Is your income or production affected by the seasons? Are your expenses weighted towards specific times of the year? Set up 12-month calendar for expected income and expected expenses. Once you have the basic outline now you can budget your time and expenses. We strongly recommend you set up a schedule for the year that maps out your business generation activities, your administrative time, meetings and education time, vacations, and whatever else you need. Make sure at least 25% of your time is budgeted as "business generation." Using the example in step one if you put away $1500 of each closing for taxes you'd have $30,000 in that account come April 15th.

4) **Set up several bank accounts to help you follow your budget.** We recommend at least three. One for taxes (put at least 33% of each commission check away for taxes – we aren't licensed to provide tax information but it's a good starting point) one for expenses (55 to 65%) and one for profit (2 to 10%). If you are in a hole right now we suggest that you complete step 2 with a vengeance and increase your business generation activities to 50% of your workday.

5) **Follow your plan.** Stick to your budget. Be prepared to tell some selling you a "magic pill" or "super website" that will generate you tons of leads that "it's not in your budget this year but that you'd be willing to pay a reasonable referral fee for leads that actually close.' Part of your plan should be a daily schedule that will give you the income you need to reach your goals.

HINT:
This process is easier to develop and follow if you have someone hold you accountable and you check in with that person regularly.
Ask you manager, business coach, or another agent to help you in this process.