

**September 15, 2005**

## **So You Want to Be a Realtor®?**

**By Richard Stanley**

So you think that a career in real estate sales might be right for you? Join the crowd. Currently, there are about 435,000 people in California with real estate licenses. That's almost 1-1/4% of all the 35,500,000 people in the state! Several factors have swelled the ranks of California's real estate licensees. People enter the real estate sales force when the market is growing, as lately. They leave when the market is contracting. The last ten years have seen phenomenal growth in both unit sales, as well as dollar volume. Net growth in the number of licensees has kept pace—and then some. Never has the competition for business been keener. EVERYBODY seems to want to enter the field.

With all that competition, what's the appeal? Some of the appeal is myth and some of the appeal is reality, I mean, "reality". Here's a reality check on what it takes to make it in real estate:

1. **"My time is my own."** –This notion is perhaps the greatest myth in real estate. It probably arose because people once saw part-timers, school teachers, housewives or whoever, making extra money selling houses. Working in residential real estate is MORE than a full-time job, it's more than a career, it's a LIFESTYLE. Pagers, cell phones, fax machines and the computer have made Realtors available to their clients ALL THE TIME. If you are available to others all the time, how can your time be your own?

Unless you are willing to sacrifice time with family or friends, in the evening, on weekends and on vacations, selling real estate is not for you. True, you can set limits for your clients, but you will probably need to give up business to make time for yourself. In a highly competitive field, lost business can be very painful.

2. **"There's so much money to be made."** –This idea is true, partly, and is the most alluring idea about real estate sales. The real money in real estate is made by OWNING real estate, not by selling it. Working in real estate has allowed me to recognize good opportunities I would not have appreciated otherwise. If part of your long-range financial planning includes real estate investments (and it should) and if you enjoy the constant flux of business, a career in real estate sales could complement these goals.
3. **"You earn a 6% commission on the sale price."** – The naivete of this belief brings tears to my eyes. Assume that a seller is willing to pay you a 6% commission—not likely with all those competitors about, by the way. Expect to split this 6% equally with the broker who represents the buyer. Then the brokerage will take a "split" of the remaining 3% to cover company-paid marketing, office overhead, sometimes legal assistance if needed and company profit. Most "new licensees" get a 50/50 split, or less. They may have to share some of the commission on their first closed deals with their "mentor" who will provide real world training. Experienced agents who achieve higher annual earnings can negotiate 80% splits or more if a company ardently wants to hire them away from a competitor.

You may have to pay referral fees “off the top”. Typically, these fees range from 20% to 25% for broker-to-broker fees, to up to 50% for relocation company fees. The brokerage may deduct fees for other reasons such as errors and omissions insurance, marketing or franchise over-rides, office assistance or bald-faced profit. Local municipalities will deduct taxes.

From what’s left you will have to pay for that special marketing you promised the seller so that you could get the listing. You may have to pay for an assistant—or at least a “transaction coordinator” provided by the brokerage. Be sure to allow for your own overhead such as automobile, gasoline, car maintenance, office equipment and supplies, cell phone, land line, computer costs, wardrobe, Multiple Listing Service fees, entertainment of clients, health and disability insurance and other ancillary costs. Don’t forget to put aside enough dough to pay your quarterly estimated income taxes—and then some on April 15<sup>th</sup>. True, many of these fees are all, or in part, tax-deductible, but YOU are still the one who has to pay out up front. What’s left is yours to enjoy as an “independent contractor” who works affiliated with a brokerage that provides no benefits comparable to salaried or hourly employees. In short, you’re on your own.

4. **“The money is easy, and it’s fun to help people.”** – Several years ago I read a list of the most stressful jobs in America. #1 was: President of the United States. #2 was: air traffic controller. #3 was: REALTOR®! This dubious distinction is no surprise to me. Certainly, you will meet lovely people who may become life-long friends, but stress is ever present. It takes a special temperament to provide personal service to people who rarely enter the real estate market. Emotions will run high. Events will transpire that you will have no control over, and yet, you will be held responsible for the consequences. You will make errors and will be taken to task. You will have to conduct a constant PR campaign to keep your image favorably in the public eye, and you will be rejected often by those whose favor you court. Stock up on emotional band-aids.

Are you ready?

## ## ##