

WHAT NEW BROKERS NEED TO KNOW...

Brought to you by the Indiana REALTORS® Leadership Academy Class of 2018



Compensation and Income

When starting out in the world of real estate as a new licensee, one of the first thoughts most brokers have is, “**How do I manage my finances as an independent contractor?**” It isn’t as complicated as you might think but there is a system to follow. You will need to set aside money from each commission check to meet your expenses, pay taxes, and fund your retirement account.

How much money will I make?

After teaming up with the managing broker/brokerage you’d like to work for, you will negotiate the commission and fee structure of how you will be compensated. Brokerage companies are generally paid a percentage of each property’s sale price upon the transaction’s closing. The commission fees are typically shared by the listing brokerage and selling brokerage.

What kind of expenses will I have?

Even after a real estate broker receives a commission check, there are still expenses that need to be paid and planned ahead for:

Income Tax

The Internal Revenue Service will definitely want to make sure you are paying income tax. Set aside funds out of every closing transaction’s proceeds for when tax time rolls around. Everyone has a different living situation and you should see an accounting or tax professional to find out the right plan for you.

Membership Fees

Real estate brokers pay annual association dues and membership fees to access the Multiple Listing Service (MLS), or Broker Listing Cooperative® (BLC) if you work in Central Indiana.

Continuing Education

After getting licensed, continuing education is mandatory to keep your license active. Be sure to keep a record of all courses taken and expenses incurred.

Speaking of continuing education, we recommend the Real Estate Certification Program (RECP). RECP develops its courses with the help of IAR attorneys and industry experts and leaders whose focus is on Indiana. IAR attorneys spend their days listening to Indiana REALTORS® via the legal hotline and they know what’s going on in the various local markets. They also work with IAR lobbyists to fix REALTOR® concerns legislatively and to know what’s coming down the pike. This relationship – just like the community relationships that benefit your business and help your clients – positions RECP to provide the most timely and relevant education out there.

Questions? RECP’s school staff can help Monday – Friday from 8:30am to 5:30pm ET. Call 1-800-742-4067 or visit us at www.recp.org. View RECP’s available Online CE here: <http://bit.ly/Online-CE>

Vehicle

If there’s one thing real estate brokers do a lot of, it is driving. Safe, properly maintained, and clean transportation for your clients and yourself must be a priority in your business. Always carrying full coverage car insurance is another must. All your real estate receipts should be saved and documented. Consult with your accounting or tax professional for tips and requirements.