

Will You Cut Your Commission?

First of all, thank you very much for asking because it gives me the opportunity for you to see how I get paid. Many people just pay the real estate commission and feel like it's a lot of money... maybe feeling bad about it even... and they have a total misconception about what commission pays for. Let's go over that now.

The commission our Brokerage charges is 5,6,7,8% and this is what happens to that money if and when your property sells. You do realize that you pay nothing unless the home sells, right?

First off, when your commission is paid, the first thing that happens is the closing company follows instructions from the Brokerage as to how much of the commission goes to the cooperating Broker. In our company, we generally offer 2, 2.25, 2.5, 2.75, 3, 3.25, 3.5, 3.75, 4 to the Buyers Broker. We do this via our marketing in the MLS system so that Agents have incentive to bring their buyers to see your house.

99.9% of Buyers pay no commission at all to their agent. That is simply the way the system is set up right now. In reality, they actually pay all the commission, but they pay it through the sales price of the home you see... If they don't buy the home at a price acceptable to you INCLUDING the commission, then there is no commission paid. So technically, they actually pay ALL the commission, but it's going to be on your side of the closing statement.

So let's use our contract as an example. We charge 6% and offer 3% to the Buyers agent who will spend Zero dollars and little time marketing your home. In fact, in most cases, they have no Agency relationship with you at all. We are fortunate if they are a Realtor, because at least we know they subscribe to our industry's code of ethics, yet we have no control over who that agent could be.

So, our Brokerage is left with 3%. (It's OK to start talking real \$\$ in here too)

Now from the top of that figure our National company takes 6% for national marketing of the Brokerage, setting up and maintaining the National branding, website, commercials and so on.

From the remaining 94% of the 3%, our Company here locally takes X% for the local advertising and marketing and expenses like maintaining an office, staff, phones, website, etc. This is before anything else I pay them to be part of the company, which we'll get to in a minute.

In addition to that, I pay expenses like E&O insurance which runs about \$1000/year if I keep a \$2500 deductible that wouldn't put me out of business in case of a lawsuit, signs at \$150 each that last about 2 houses if I'm lucky, a Supra lockbox, which is \$90, fact sheets, advertising, my staff, gas, many many other tools that you'd have to see my business tax return to get the full picture. Speaking of taxes, of course I pay independent contractor - 1099 taxes which means I pay the full 15% rather than splitting that with an employer, so my taxes are double what a W2 employee pays. — Trust me, when it all boils down, my actual POTENTIAL PROFIT on your home is right about 1% of the commission if all goes well and I

don't have to do extra marketing or put over-normal time into it. And I pay my taxes on that, so my actual net to spend is a bit less. (You are welcome to go into how you spend it, for example, some people tithe on that, give to charity out of it etc.)

And here's something else most people don't really understand.... IF your home doesn't sell. If we've priced it too high or if the market just starts dropping off... or if you change your mind about selling... MOST of those expenses will have already been spent out of my and my company's pocket. Which means if your home does NOT sell, we are out of pocket about \$XX (1500-3000). Now, that doesn't happen very often, because I'm a pretty darn good Agent, which you believe or you wouldn't be hiring me. And I believe you have a salable property and are serious about selling, or I wouldn't be taking your listing... right? I mean, who would take on expensive inventory if it wasn't salable!

Yet, the fact is, that part of every Profit I DO make on homes that sell goes to cover the lost expenses on those that didn't sell.

So, that was a very detailed way of showing you that I simply can't cut my commission and have any chance of making a profit on the sale of your home.

What we can do instead if you like is to pay me 1% whether the house sells or not up front... and then pay for all the expenses associated with the sale like my broker, the cooperating broker, marketing, E&O insurance and all the proportional amount of the other expenses as they come up.... but I'd guess you don't want to do that since you don't have to pay anything at all if I don't sell your home.

You see, I take that gamble on when I list your home for sale. I invest time and real money... hard cash out of pocket. If your home doesn't sell and I don't get paid, it's a loss. If it does sell and close, then I get paid and can reimburse myself for all those expenses out of pocket, pay the Broker, the cooperating Broker, and National, taxes, etc... and end up with a profit.

So, now that you understand it clearly, did you want to pay 6, 7, or 8% if and when we sell the home? I always offer more to the Selling office, which is a HUGE marketing benefit to you when you pay over our standard minimum. I mean, think about it... if you are Buyers Broker and you could sell any of 3 comparable homes... and 1 of them is offering a higher commission... it's just human nature... which one are you going to be talking up and pointing out the positives on, right?? With a bit higher potential profit, I also have more potential income to invest in additional marketing.

Which commission did you want to go with today?