

Report #3: Hard Truths about How Much It Costs to Be a Real Estate Agent

If you have never run a business before, you may be surprised when you see what you actually will net once all of your expenses are paid. You can adjust these numbers to fit the commission splits and the average price per transaction in the office where you work.

CAVEAT: Please note the numbers below are estimates and are for illustration purposes only. Check with your tax professional regarding your personal tax situation.

Please note: Commissions are negotiable

The following example is based upon an average sales price of \$150,000. The agent is on a 60-40 split with their broker. This example assumes a six percent commission. Therefore, for each transaction closed, the gross commission income (GCI) on the agent's side of the transaction will be \$4,500. Once the brokerage takes their split, the agent's commission check will be \$2,700. The agent must then deduct all business related costs from this amount to determine his or her net profit. In this example, marketing costs are set at 10 percent of the net commission income. This will include print advertising, cards, web marketing, etc. Please note the numbers in this table are annual numbers.

Taxable Income for a New REALTOR®

Number of Transactions/Year	10	15	20
Gross Commission Income (GCI before brokerage split)	\$45,000	\$67,500	\$90,000
Net annual commission income (after 60-40 split)	\$27,000	\$40,500	\$54,000
Marketing (10% of Net commission income)	\$2,700	\$4,050	\$5,400
Board, Association, and MLS Fees	\$1,300	\$1,300	\$1,300
Vehicle Expense (\$500 per month)	\$6,000	\$6,000	\$6,000

Gas	\$3,000	\$3,000	\$3,000
Insurance (additional auto plus Errors & Omissions)	\$900	\$900	\$900
Mobile Phone	\$1,500	\$1,500	\$1,500
Web hosting	\$720	\$720	\$720
Supplies	\$300	\$300	\$300
Post licensing training	\$300	\$300	\$300
Total Business Expenses	\$16,720	\$18,070	\$19,420
Taxable Income	\$10,280	\$22,430	\$34,580

Please Note: What you will actually spend and net will depend on a host of factors such as the your commission split, average price per transaction, depreciation on your car, mileage, how much you spend on marketing, etc.