

Show Me The Money

Bobbi Howe, CRS

SMART
MONEY
MOVES FOR
REALTORS®

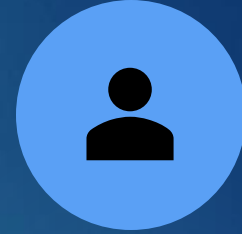
Caveats



BORING VS
EMOTIONAL



ANTI-TRUST



CPA/ATTORNEY



INTERACTIVE



DON'T COME
AT ME, BRO



MATH

Your Numbers Tell A Story

WHAT DO YOURS TELL
ABOUT YOU?



Know Your Numbers

What's the score?

Money – choices

Your numbers, your story

Set it and forget it

You are a business owner

How do you keep score?



What numbers do you
know?



What numbers do you use
to keep score?

Rank 1-5 with 1 being
the most important to you



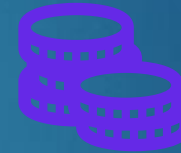
Gross Commissions
Income (GCI)



Volume



Units/Closed
Transactions



Net Income



Money in the Bank

Rank 1-5

1 = the most important to you



Gross
Commissions
Income (GCI)

2



Volume

5

99% of agents



Units/Closed
Transactions

3



Net Income

1+

Top producers



Money in the
Bank

1

Profiting With Profit

Fund

Fund your big life

- Provide for your family
- Reward yourself
- Do something for fun

Grow

Grow your business

- Invest In your business
- Thank your clients

Invest

Invest In your future

- Investment properties
- Build a reserve
- Strengthen your skills

Build

Build a legacy

- Donate to charity
- Create your own charity

Your Big Life



What dreams will you fulfill?



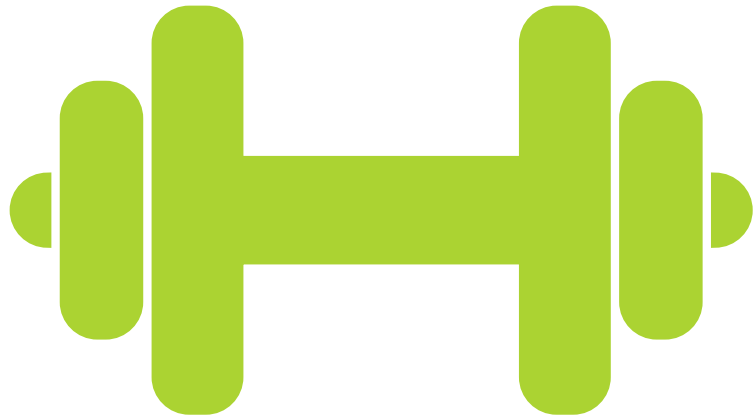
What will you do with your profit?



How much profit will that take?



How do you intend to achieve the profit required?



Financial Fitness Assessment

DO YOU:

YES...NO...SOMETIMES

Do You....



Financial Fitness Assessment

1

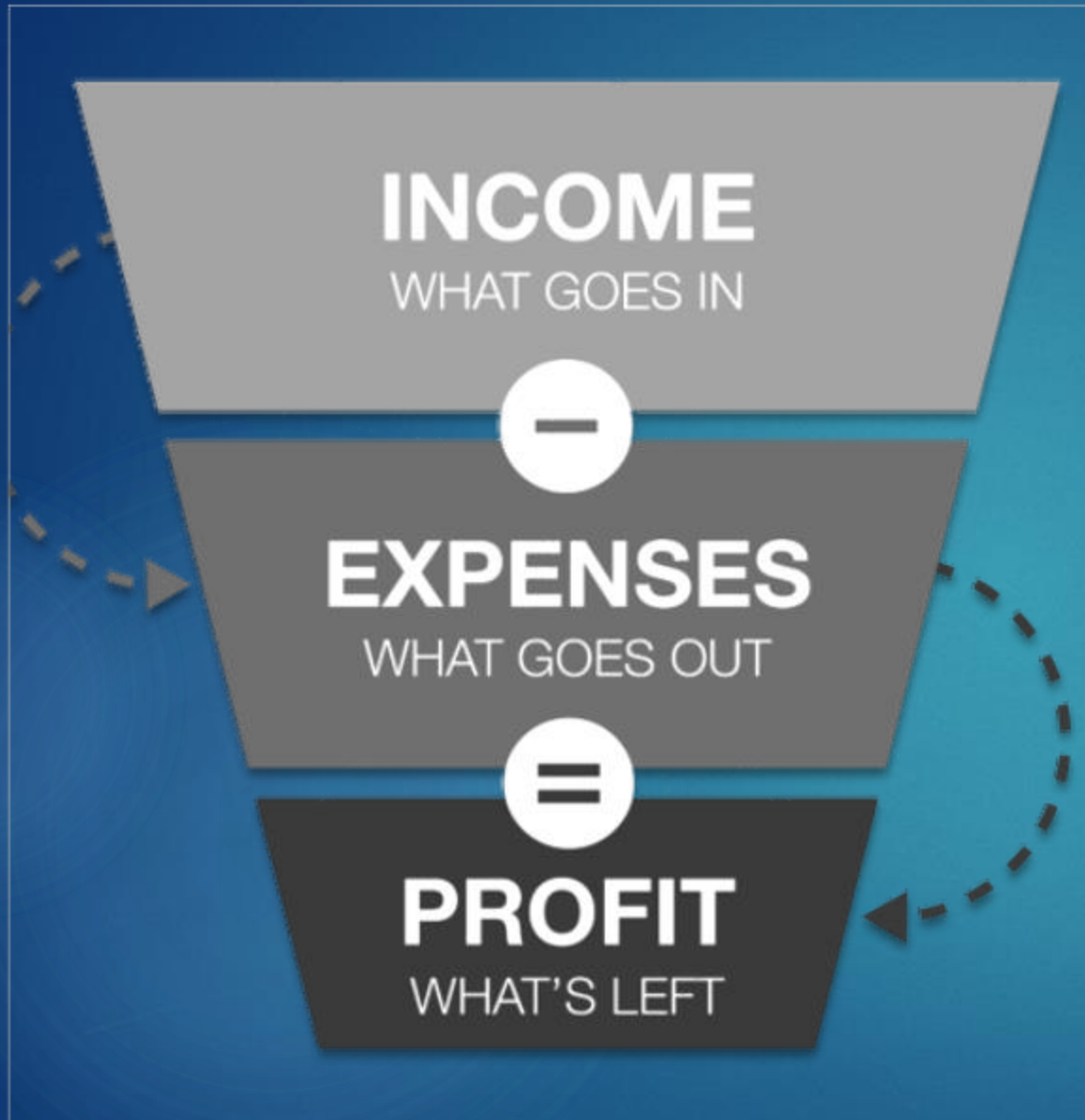
What things stuck out the most to you?

2

What do you plan to achieve from today?

3

What 1 thing would make the rest easier?

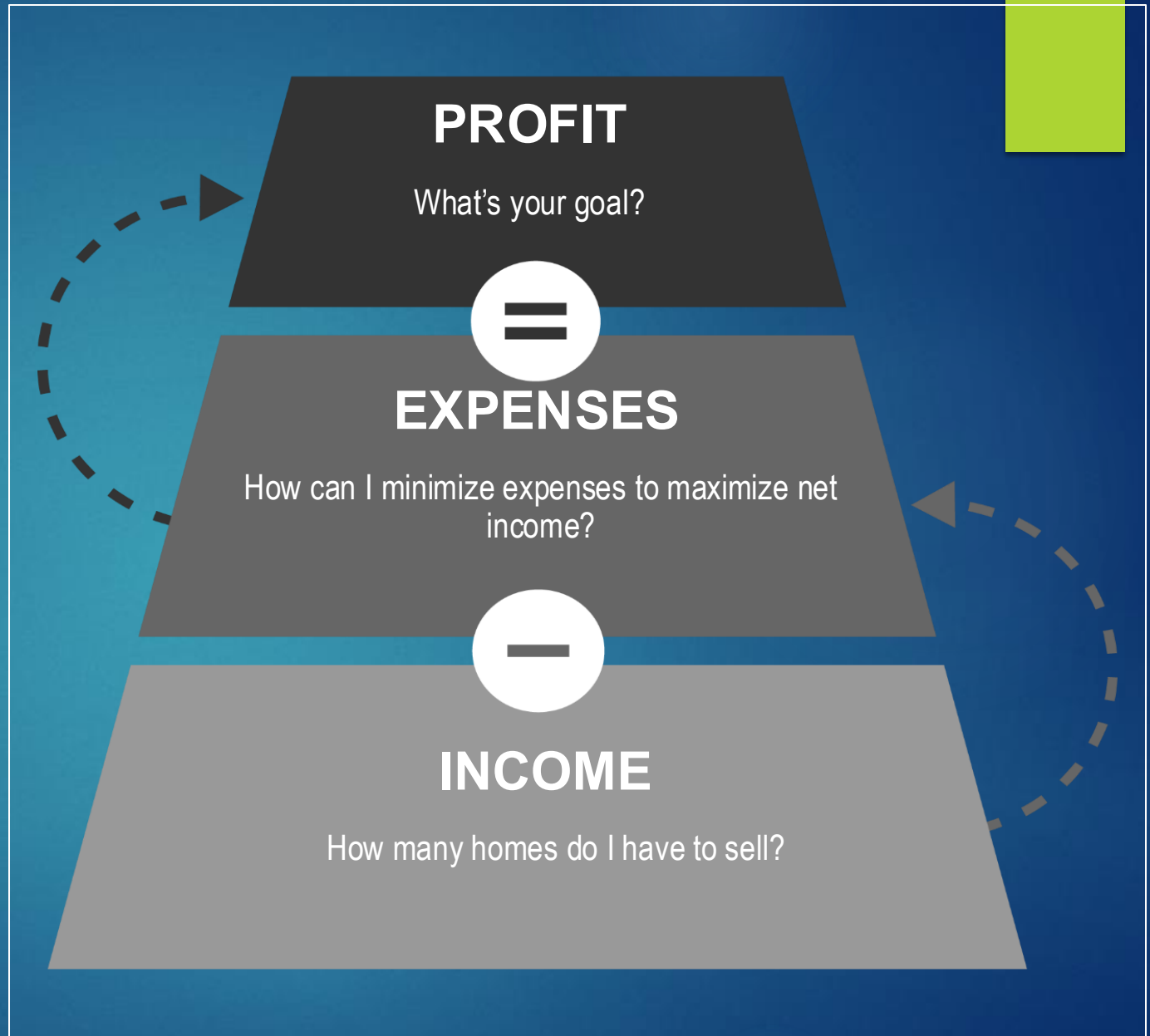


The Flow of Money

WHAT IS THE GOAL OF YOUR REAL ESTATE BUSINESS?

Flip The Formula

Be proactive vs reactive



Ask Yourself...



How much money do I want in my bank account at the end of the year?



How many homes do I need to sell to achieve my profit goal?



How can I minimize my expenses to maximize my income?

Income From Your Real Estate Business

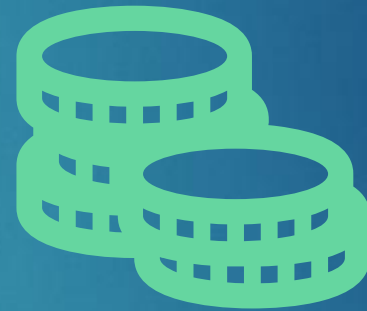
- ▶ Commission
 - ▶ Typically, a certain percentage for each side
- ▶ Includes ...
 - ▶ Listing income
 - ▶ Sales income
 - ▶ Referral income
 - ▶ Leasing income for both residential and commercial transactions



Expenses



Cost of Sales



Operating Expenses

Cost of Sales

Commissions paid to broker

Franchise/Royalty fees

Commissions/splits paid to agents on team

Referral fees

Photography, staging or property specific marketing

Operating Expenses

Rent

Auto

Salaries for
staff

Insurance

Professional
services

Marketing
&
Advertising

Equipment
& Supplies

Education

Profit



What is your profit goal this year?



Is your profit goal big enough to fulfill your dream?



This is the ultimate goal to work backwards from to design your business plan



Ask: If I change the % of any element, how will it effect my net income/profit?

What's Typical To Allocate In Each Category?

Economic Model		Percentage of GCI
Income	GCI – Gross Commission Income	100%
Expense	COS – Cost of Sales	30%
	Operating Expenses	30%
Profit	Net Income/Profit	40%

- Average commission check
- 40% is a large profit margin compared to other businesses

What is your business?

Financially sound:
systems that create
sustainable growth

Unsound:
hit or miss processes
that are unfocused
and inconsistent

Unsound business practices



Inhibits opportunity and growth

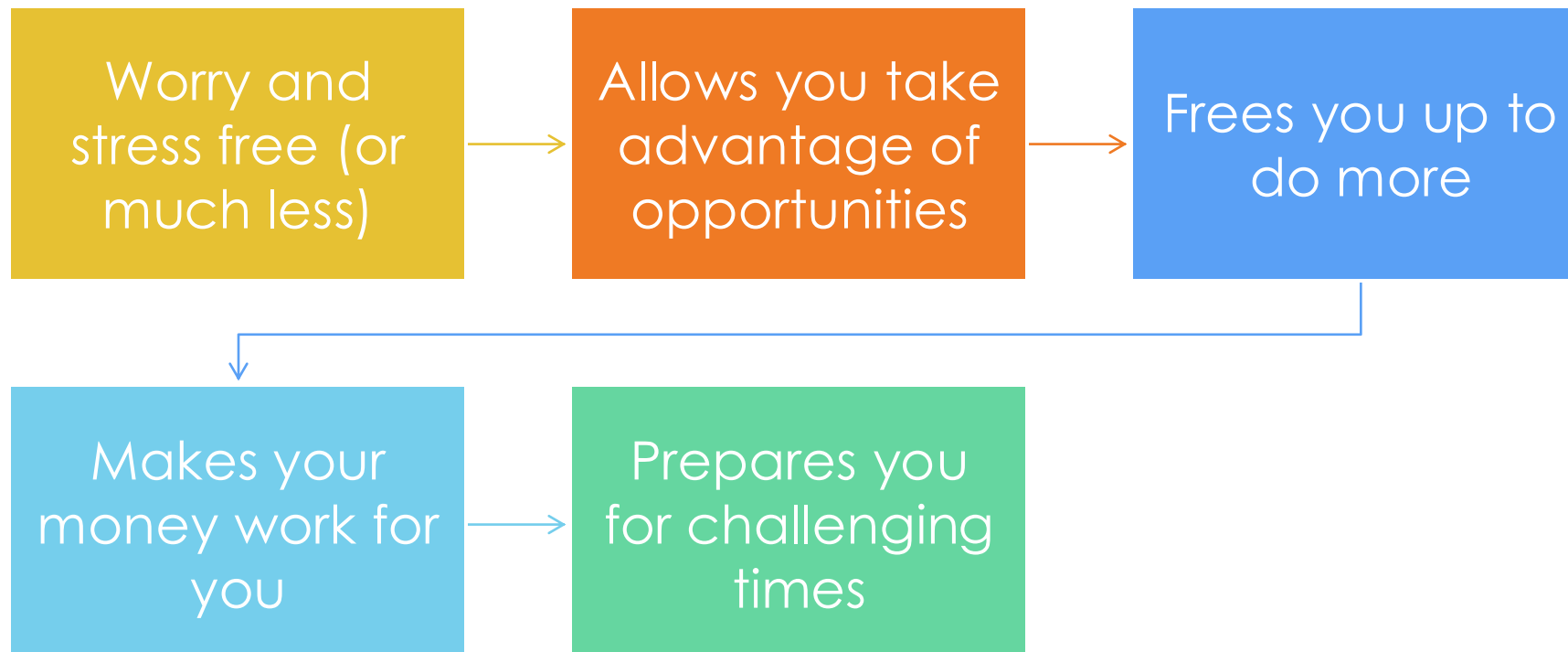
Reduces your effectiveness

Saps time

Creates unneeded stress

Can be expensive

Sound business practices

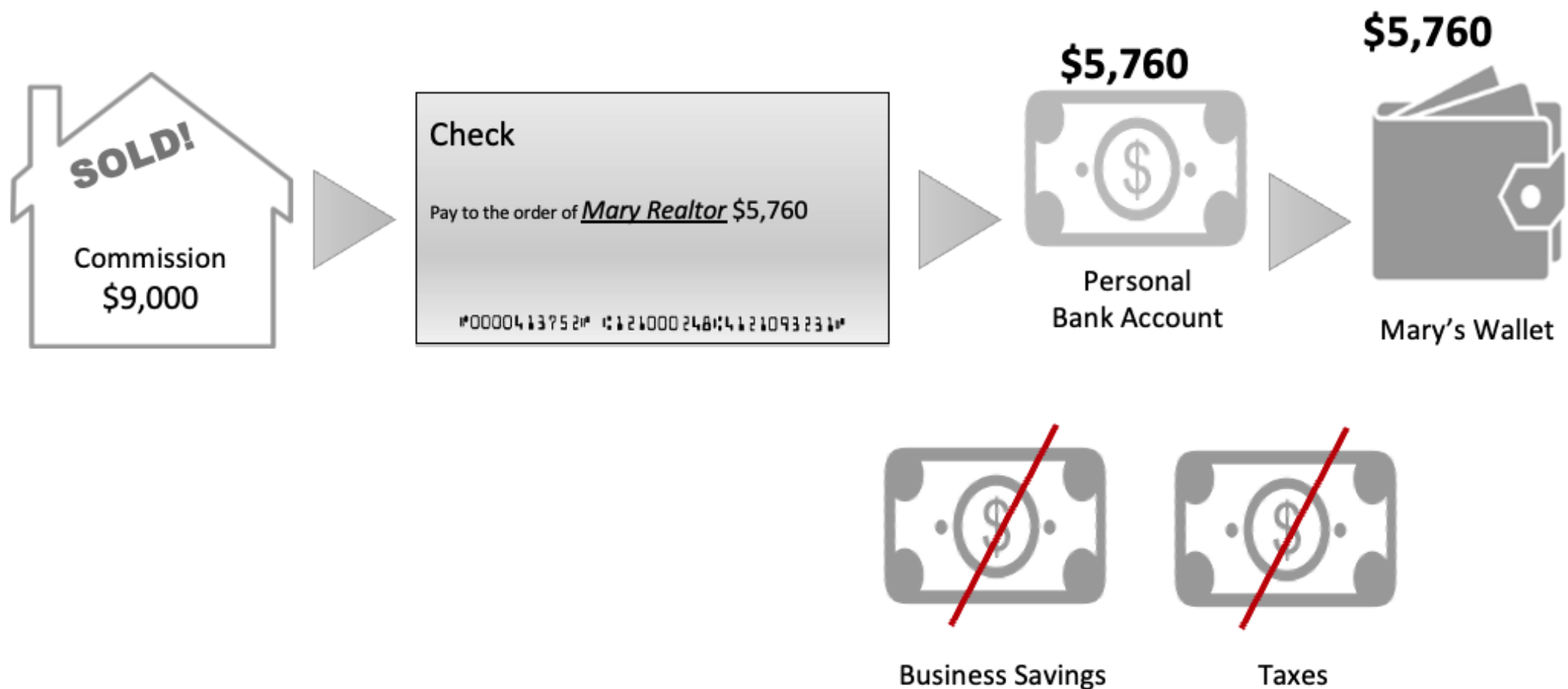


A close-up photograph of a hand holding several coins, overlaid with a semi-transparent blue filter. The hand is positioned in the center, with fingers slightly curled around the coins. The background is dark and out of focus.

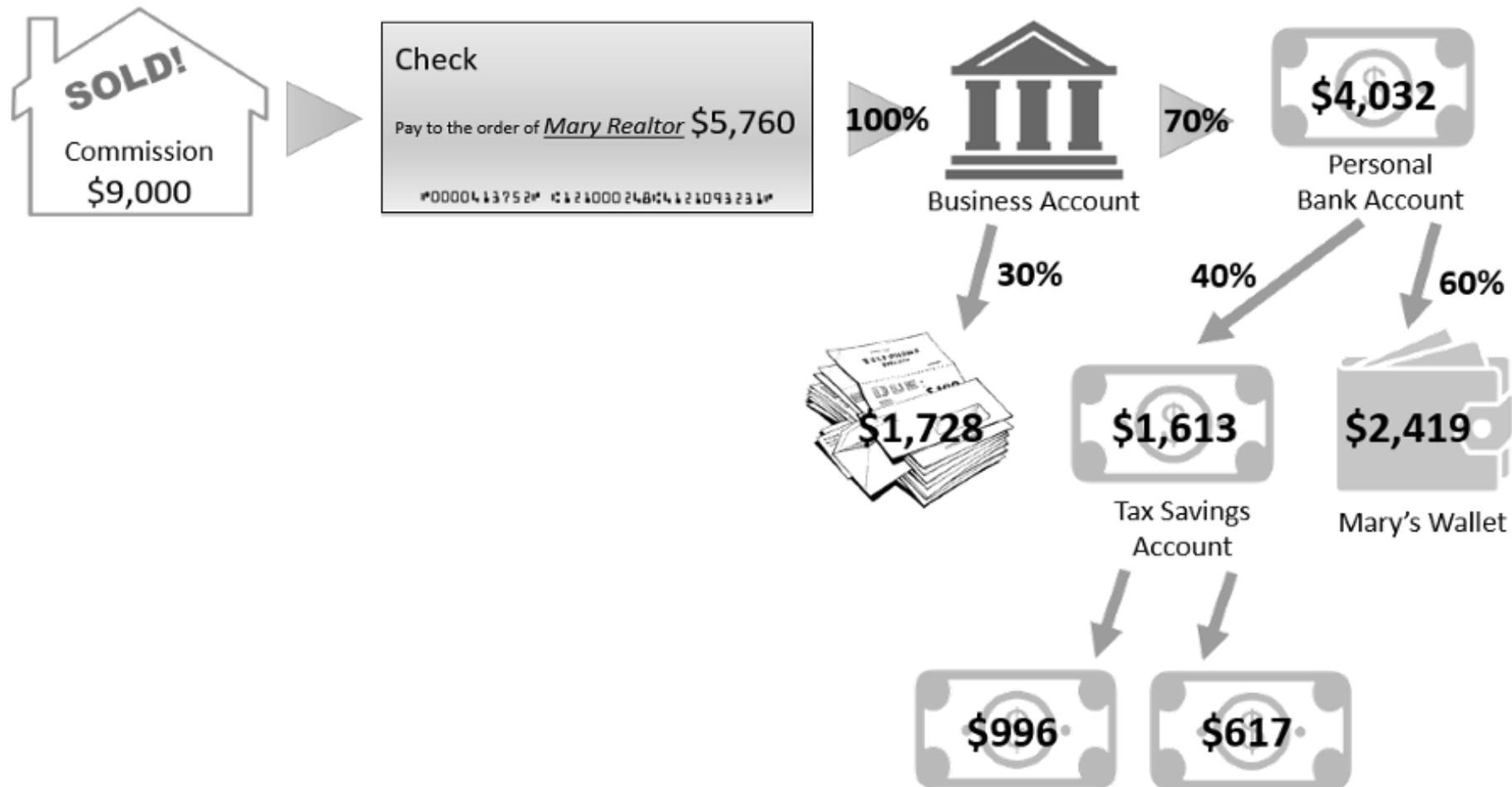
Which one of these
scenarios is more
financially sound?

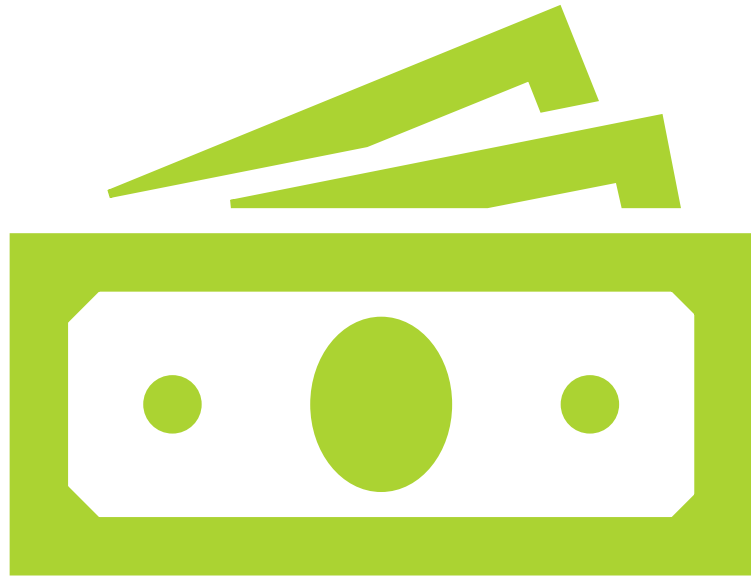


Option 1



Option 2





Is the \$9,000
commission
check income
or profit?

Goal

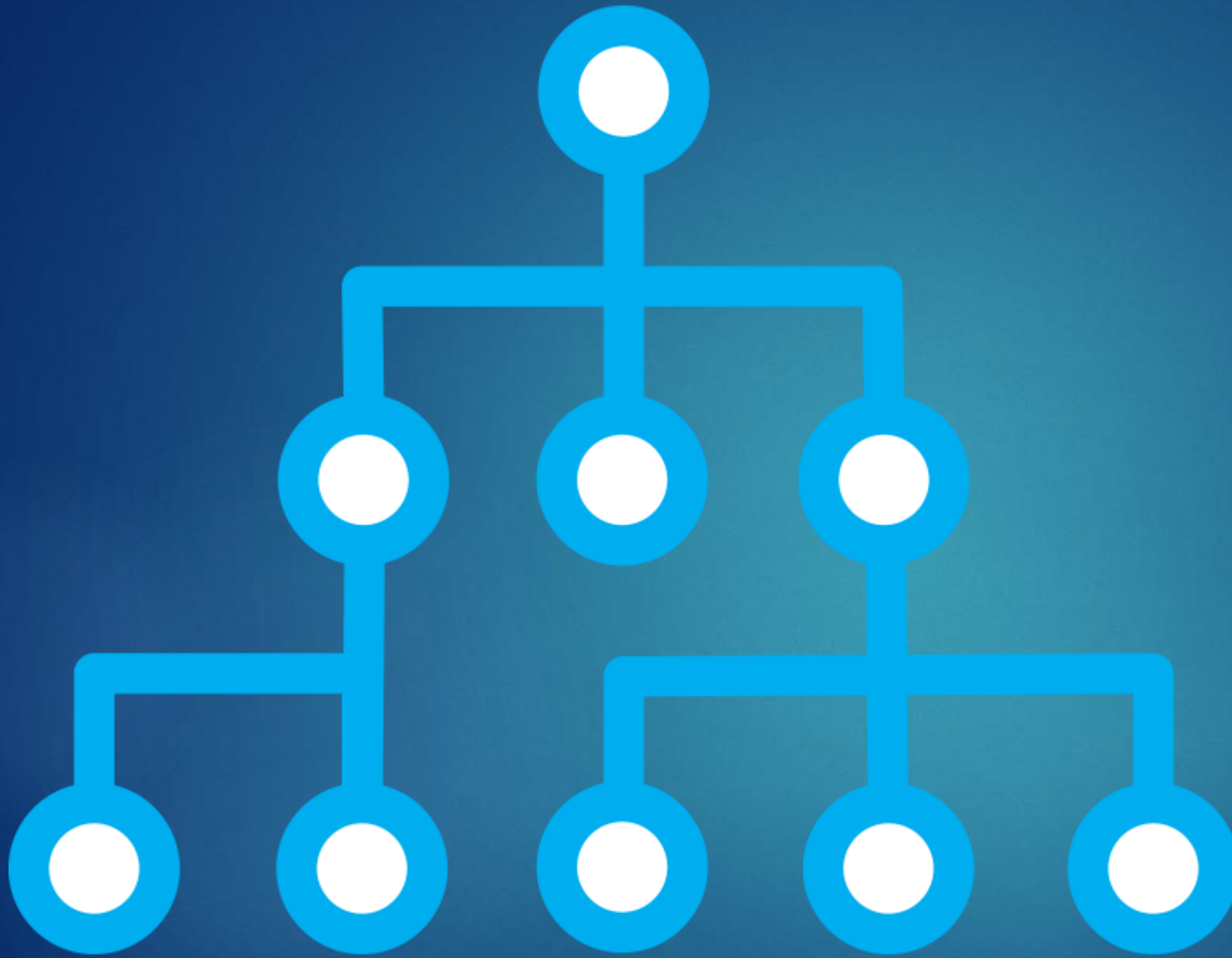


Understand and embrace the budget model that grows your business, pays your taxes and funds your life

Your physical health compared to your financial health



The Power of Focus



SETTING
UP
YOUR
BUSINESS

Strengthen Your Business



Get leverage with tools and advisors
so you can focus on lead generation



Accounting software



Your Financial Team

EVERYONE WHO SHOULD BE
ON YOUR TEAM.

YOU WILL NEED EACH AS
YOUR BUSINESS GROWS.

Accountant/Bookkeeper

You at first!
Earn the right
to hire.

Must have
experience
with real estate

Spend the time
setting up
systems and
reports for you

Identify the
most important
reports

What Your Accountant Does For You

PAYS THE BILLS

RECORDS ALL
PAYMENTS
IMMEDIATELY

FOLLOW CHART
OF ACCOUNTS

USES
ACCOUNTING
SOFTWARE

RECONCILES ALL
BANK ACCOUNTS
AND CREDIT
CARDS MONTHLY

PREPARES
MONTHLY
FINANCIAL
STATEMENTS

CPA/Tax Advisor

Keep

Keep you out fiscal trouble



Help

Help you keep as much of your money as possible



Need

Need someone knowledgeable about the nuances of real estate



Meet

Meet 4 times per year

What Your CPA Does For You



Prepares annual Federal, State and Local tax returns



Reviews and prepares payroll tax returns



Prepares quarterly estimates for income tax purposes



Advises on tax planning proactively

Banker

01

Develop a
relationship

02

Consider a
small local
bank

03

Help set up
recommended
bank accounts

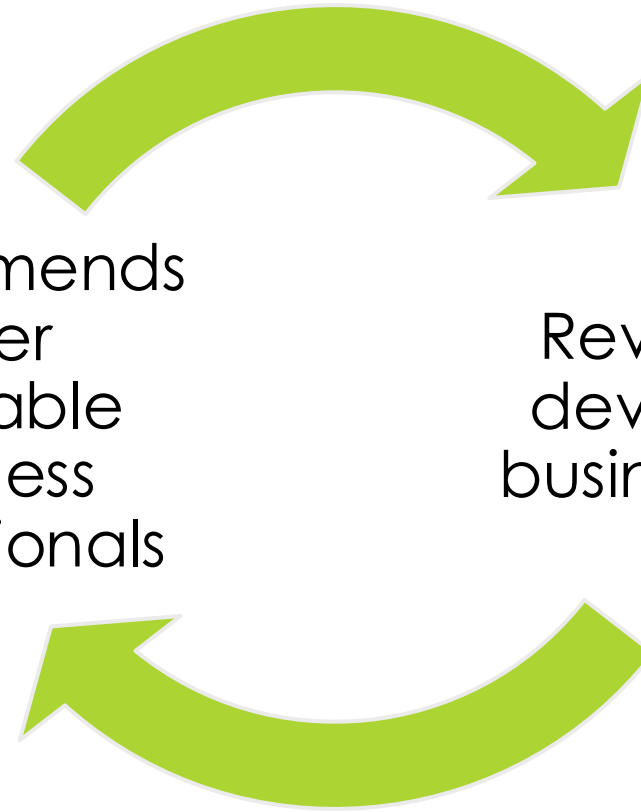
04

Issue
credit/loans as
needed

What Your Banker Does For You

Recommends
other
reputable
business
professionals

Reviews or
develops a
business plan



Attorney

Must specialize in business



Must understand real estate



Have on retainer

What Your Attorney Does For You



Prepare documentation
related to your business entity

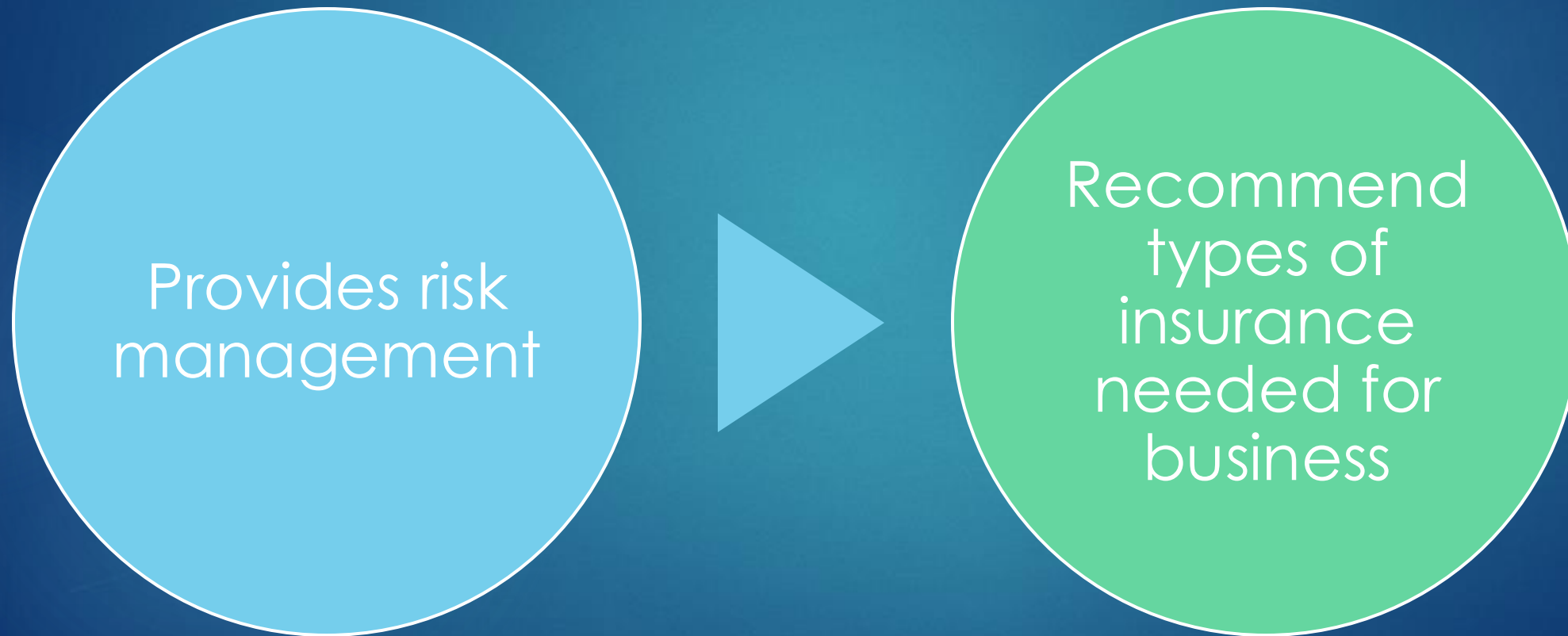


Advise on legal matters
concerning your business



Ready to go to work for you
when you need them

Insurance Agent



Types of Insurance Policies

General liability
insurance
(umbrella)

E&O

Cyber

Auto

Health &
Disability

Life

Worker's
Compensation
(for employees)

Financial Planner



Watch your money and
financial investments



Advise on retirement planning
and estate planning



Allow you to leave a legacy
and build generational wealth

Coach



Holds you accountable to your financial, business and personal goals



Create a positive and encouraging environment



Standard among high level business professionals

WHERE ARE YOU
NOW?

Your Financial Team

Suggested Actions

Call

- Call a professional you know and schedule an appointment

Ask

- Ask a successful agent in your market who they use

Set

- Set a date on your calendar to schedule an appointment

Replace

- Replace a person currently in the position

Bank Account Types



SOUND VS UNSOUND ACTIVITY



SET UP TO MANAGE AND TRACK
INCOME AND EXPENSES



SAVE FOR TAXES, INVESTMENTS
AND RESERVES

Type of Account	Already Have	Will Set Up
1. Business Checking		
2. Business Savings		
3. Business Credit Card		
4. Tax Savings		
5. Other:		
Personal Checking		
Personal Savings		
Personal Credit Card		
Investment Savings		

Choose Your Business Entity



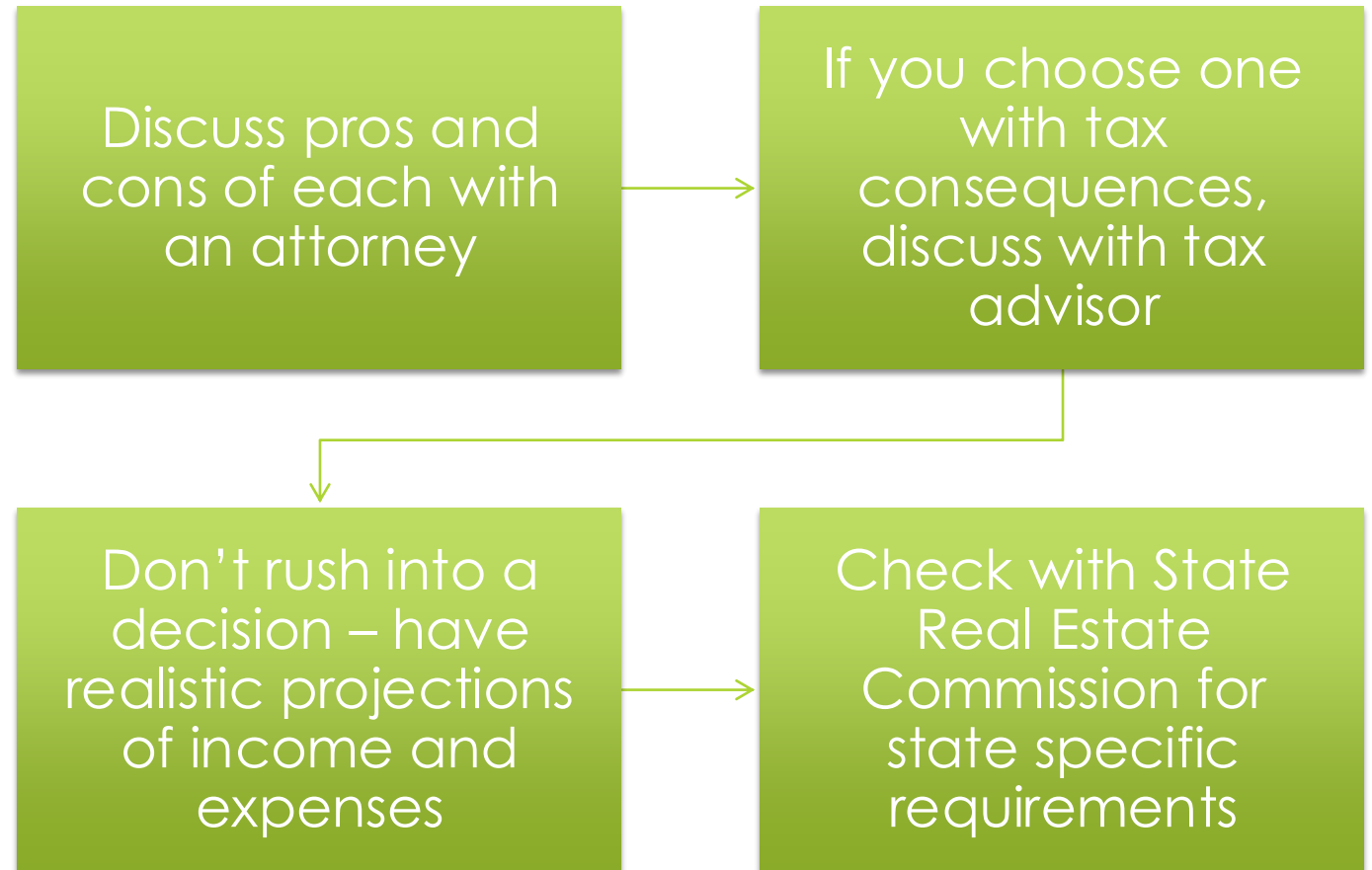
Real estate is a high-risk business

Entity type affects how you account for income, expenses and taxes

Can protect you when things go wrong

How you report and manage money

Consult With A Tax Advisor and/or Attorney



Business Entity Types



Conquer Taxes



Every Day is Tax Day

April 15 = Date of
reconciliation and
documentation

Taxes for sole
proprietors, partners,
LLCs and Corporations
are due 4 times per
year

April 15
June 15
September 15
~~January 15~~
December 31

Tax laws are ever
changing

Quarterly Taxes

Required if you'll
owe at least
\$1,000 in federal
income tax

Use IRS Form
1040-ES

Based on

- Your earnings from last year
- Deductions depending on marital status
- Spouse's income

Different Types of Tax

Income – Federal, State and Local



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graph TD; A[Income – Federal, State and Local] --> B[Self-Employment (FICA)]; B --> C[Employment];
```

Self-Employment (FICA)

Employment

Income

Federal

- All businesses must pay annually
- Based on what is reported on 1040 Tax Form

State

- Most levy a business or corporate tax, based on legal structure

Local

- Cities in 14 states plus DC require city income tax

Self-Employment (FICA)

01

FICA – Federal Insurance Contributions Act

02

Social Security and Medicare tax for individuals who earn \$400+

03

12.4% of business income up to \$168,600 (2025) and 2.9% after (Medicare)

Employment Tax

Must withhold, match and pay

FICA

Federal income tax
withholding

Federal unemployment tax
(FUTA)



Hold taxes in a trust fund and pay weekly, biweekly or monthly
(Trust Fund Taxes)



Lesson on Tax Brackets

2025 Federal Income Tax Brackets for Single Filers

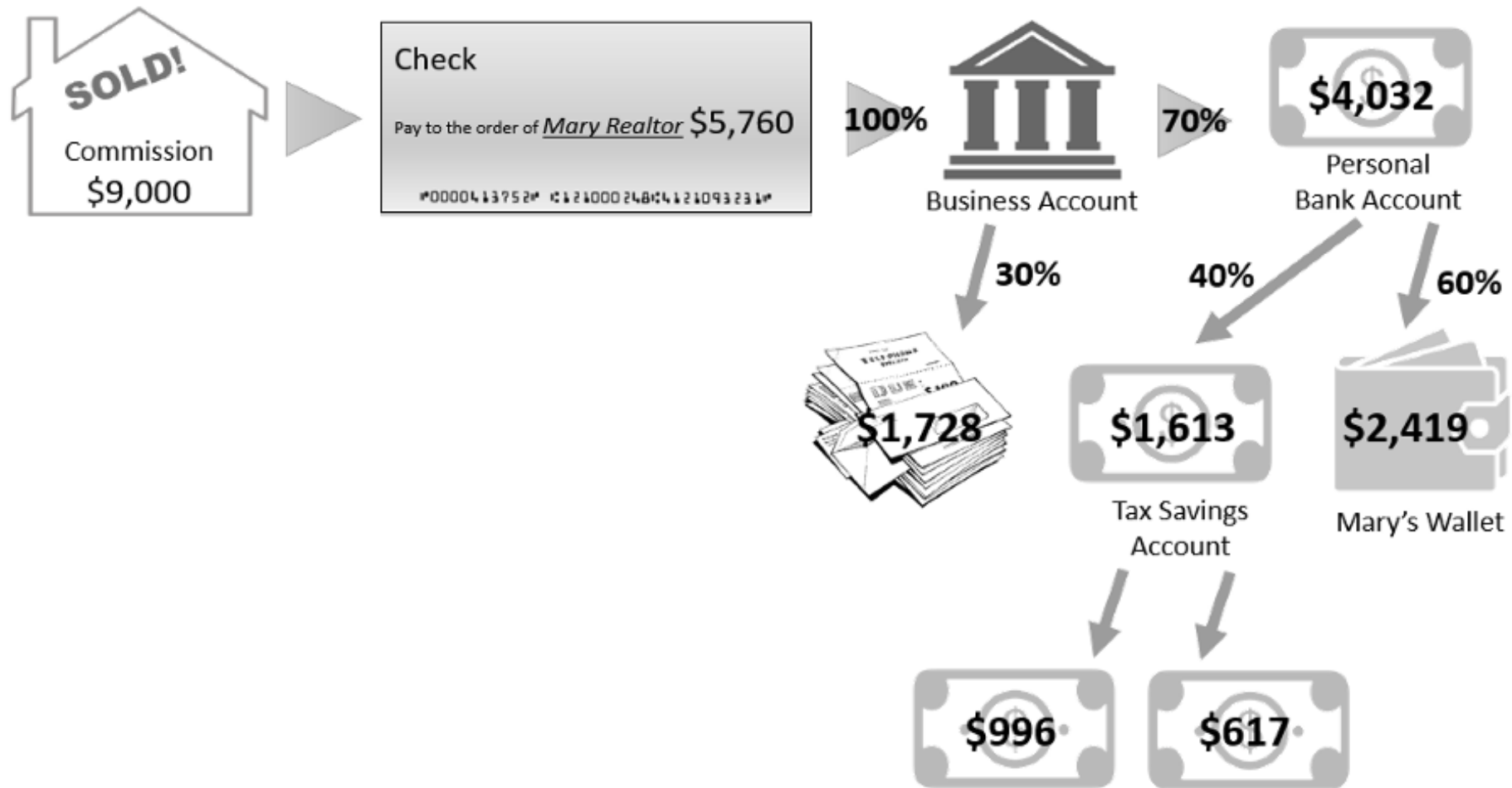
10%	\$0 - \$11,925
12%	\$11,926 - \$48,475
22%	\$48,476 - \$103,350
24%	\$103,351 - \$197,300
32%	\$197,301 - \$250,525
35%	\$250,526 - \$626,350
37%	Over \$626,351



Pay Yourself A Salary

PAY A SET AMOUNT EACH MONTH MAKES FINANCIAL PLANNING AND ESTIMATING TAXES EASIER

Option 2



Deductions & Credits

Protection of your income

Deductions – reduce your taxable income

Credits - reduce your tax directly

Tax Free Wealth: How To Build Massive Wealth by Permanently Lowering Your Taxes by Tom Wheelwright (part of the Rich Dad Advisor series)

Deductions

Legitimate

- Legitimate business expenses

Reduce

- Reduce your taxable income by a certain %

Conform

- Expenses must conform to the rule of “regularly and exclusively” use in business

Maximize

- Maximize deductions with LLC or Corp - no caps on deductions



Personal vs Business Expenses

Personal vs Business Expenses

	Personal	Business	Both
Accountant Fees		X	
Auto/Gas/Insurance			X
Business cards		X	
Cell phone			X
Clothing			X
Computer		X	
Groceries	X		
Health Insurance			X
Home mortgage	X		

Personal vs Business Expenses

	Personal	Business	Both
Home office		X	
Home utilities			X
Meals			X
Org Membership		X	
Gym Membership	X		
Movies/Theater	X		
Travel to Convention		X	
Vacation	X		
Website fees		X	

Auto Deductions

Track all business miles

- Record odometer reading daily
- Calculate percentage of business use

2 Deduction options

- Apply standard deduction
- Track all auto expenses

Checklist for Tax Deductions

- Accounting fees
- Advertising
- Automobile
- Business assets
- Dues/subscription
- Education
- Gifts
- Home office
- Insurance
- Interest Paid
- Legal Fees
- Licenses
- Office Supplies
- Postage
- Print & copy
- Rent
- Repairs
- Salaries
- Software
- Taxes
- Telephone
- Travel
- Utilities
- Website



Other Deductions

- Home Office
- Entertainment and Meals
 - Entertaining clients – 0%
 - Meals with clients – 50%
 - Company Party – 100%
- Business Travel

Record Keeping

- ▶ Accurate and excellent record keeping is essential
- ▶ Apps
- ▶ Shoeboxes
- ▶ Whatever works



Know Your Numbers: Goals vs Actuals

GOALS: WHAT YOU EXPECT
TO HIT

ACTUALS: WHAT YOU
ACTUALLY HIT

GOALS MUST BE NON-
NEGOTIABLE – MUST VS WANT

Two Financial Scorecards

Balance Sheet

Assets	What You Own
Liabilities	What You Owe
Equity	What's Leftover

Profit and Loss

Income	What You Make
Expense	What You Spend
Profit	What's Leftover

Profit and Loss



Mirror of your budget



Snapshot in time of the financial health of your business



Produce and review monthly, quarterly and annually

Your Business Budget

Account	Amount	Total
Lead Generation		
Advertising	\$12,000	
Print/Direct Mail	\$3,000	
Internet Lead Generation	\$4,800	
Entertainment/Other	\$15,000	
Other Lead Generation	\$0	
Total Lead Generation		\$34,800

Account			Monthly	Annually
Income (GCI)				
	Residential/Commercial/Other			
Cost of Sales (30% of GCI)				
	Commissions/Royalties			
Operating Expenses (30% of GCI)				
	Salaries/Benefits	15.5%		
	Lead Generation	9.6%		
	Education and Coaching	1.5%		
	Occupancy	1%		
	Supplies/Office Expenses	1%		
	Communication/Technology	0.7%		
	Auto/Insurance	0.5%		
	Equipment/Furnishings	0.3%		
Profit (40% of GCI)				
	Profit			

Profit and Loss Statement for Period Ending - (month/year)

Income

Residential Income

Listing Income

Sales Income

Referral Income

Leasing Income

\$

Total Residential Income

Commercial Income

Listing Income

Sales Income

Referral Income

Leasing Income

\$

Total Commercial Income

Other Real Estate Income

\$

Total Income (GCI)

Expenses

Salaries/Benefits

Salaries

Management

Administration

Other - Salaries

Total Salaries

\$

Benefits/Processing

Benefits

Payroll Processing

Payroll Taxes

Other - Benefits/Processing

Total Benefits/Processing

\$

Contract Labor

Total Salaries/Benefits

\$

Lead Generation

Advertising

Print/Direct Mail

Internet Lead Generation

Entertainment/Other

Other - Lead Generation

Total Lead Generation

\$

Education/Coaching

Education/Training

Coaching/Consulting

Books/Audio-Visual/Subscriptions

Dues

Other - Education/Dues

Total Education/Coaching

\$

Occupancy

Rent/Desk Fees

Utilities

Repair/Maintenance

Depreciation of Capital
Improvements

Other - Occupancy

Total Occupancy

\$

Supplies/Office Expenses

Banking Charges

Office Supplies (consumables)

Office Operations

Other - Supplies/Office Expenses

Total Supplies/Office Expenses

\$

Personal Budget Planning

Use

- Use online banking tools and reports to classify spending in different categories

Avoid

- Avoid these traps
 - Spending more than you make
 - Spending all that you make

Stick

- Stick to your budget and avoid impulse purchases

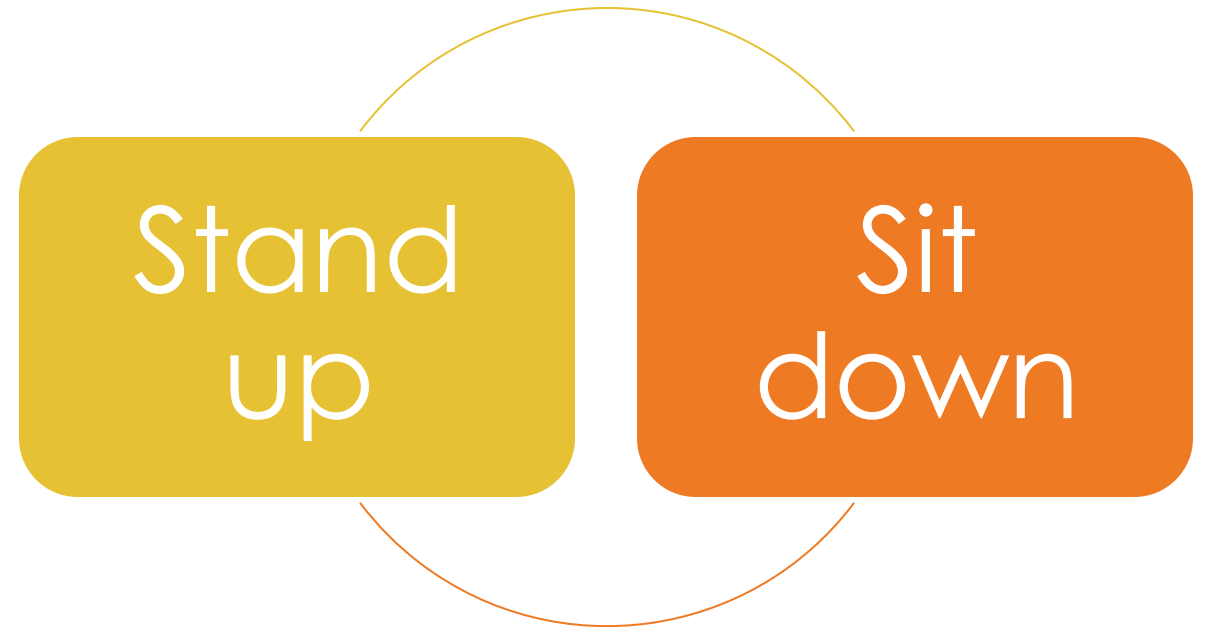
Item	\$	Item	\$		\$
Charitable Giving		Home/Apartment		Retirement	
Child Care		• Mortgage/Rent		• Financial Planning	
Clothing		• Property Taxes		• Investing	
• Adults		• Household Repairs		Savings	
• Children		• HOA Dues		• Emergency Fund	
Debt Reduction		Household Items/Supplies		• Other Savings	
• Mortgage		• Toiletries		Transportation	
• Credit Card		• Cleaning Supplies		• Auto Payment	
• Personal Loan		• Tools		• Fuel	
• Student Loan		Income Taxes - Personal		• Tires	
Education		Insurance		• Oil Changes	
• Children's College		• Health		• Maintenance	
• Your College		• Homeowner's		• Parking Fees	
• Books and School Supplies		• Renter's		• Bus and Train Fares	
• Conferences		• Auto		• Repairs	
Food for Family and Pets		• Life		• DMV Fees	
• Groceries		• Disability		• Vehicle Replacement	
• Restaurants		• Identity Theft Protection		Utilities	
• Pet Food/Treats		• Long-term Care		• Electricity	
Fun Money		Medical		• Water	
• Entertainment		• Primary Care		• Heating	
• Games		• Dental Care		• Garbage	
• Eating Out		• Specialty and Elective Care		• Phones	
• Spontaneous Giving		• Medications		• Cable/Internet	
• Vacations		• Medical Devices		•	
• Subscriptions		Personal		•	
Gifts		• Gym Memberships		•	
• Birthday		• Haircuts		•	
• Anniversary		• Babysitter		•	
• Wedding		• Child Support		•	
• Christmas		• Alimony		•	

Fund Your Personal Life

- Monthly expenses x 12 = Annual
- Net Income Calculation
 - Annual Personal Expense x 2 = Income Needed
 - Covers taxes and allows for profit to expand business or invest in future



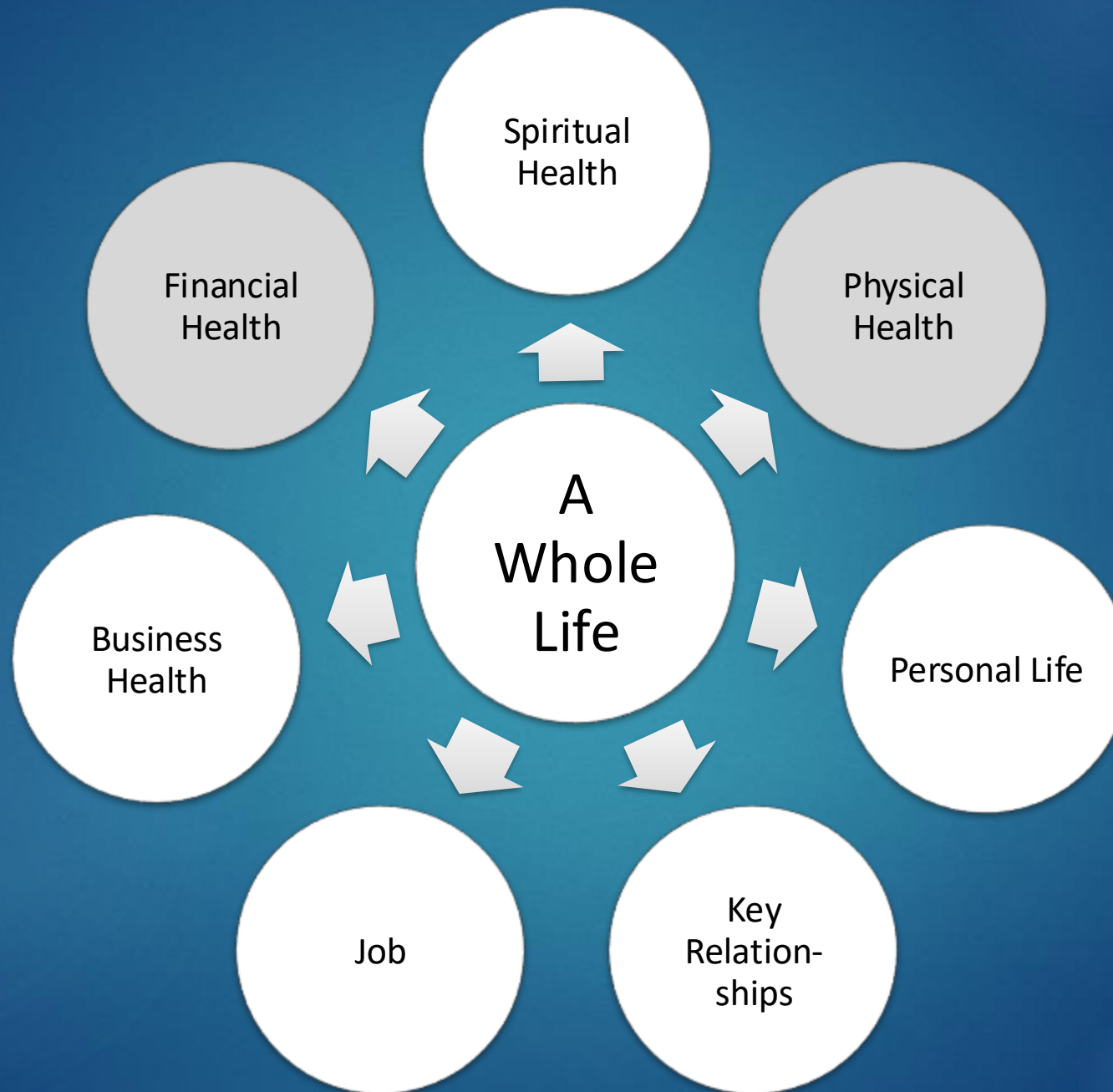
Mind Your
Future



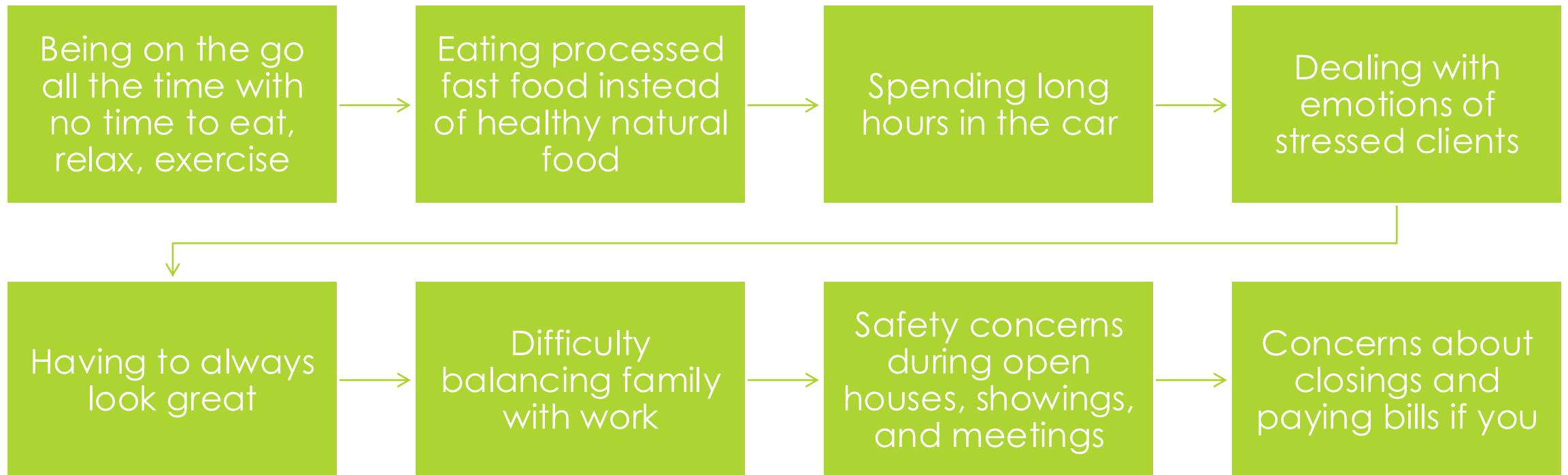


Health Check

- ▶ Financial health is one of the key aspects of a healthy life
- ▶ Meaningless if the rest of your health categories are not in great shape



Physical Health Stressors



What if...
you become
incapacitated
or disaster
strikes...

Who would keep your
business running?

How long could your
family survive with
reduced or no income?

Possible solutions

Purchase

- Purchase disability insurance

Train

- Train your spouse or licensed assistant

Save

- Save a 6-month reserve

Partner

- Partner with another agent in your office

Build

- Build your future now

Establish A Savings Plan

IRA

Self-directed IRA

Pension (SEP IRA)

401K

MSA – Medical Savings Account

HAS – Health Savings Account

529 Plan

	Action Steps	Done	Date of completion
1	Set up your business entity		
2	Open up additional bank accounts for expenses, taxes, and other savings accounts		
3	Download the MREA Chart of Accounts		
4	Purchase/download tax accounting software		
5	Hire an accountant, CPA, attorney		
6	Set up a simple system to track business expenses		
7	Complete your P&L each month		
8	Set aside time each month to review your financials		
9	Set an annual appointment to set up your budget for the upcoming year		
10	Set dates to calculate and pay your estimated taxes		
11	Download IRS Schedule C and review it		

Next Steps

Any
Questions?

