

## 'Teamonomics'

How Rainmakers can (and must) keep an eye on their bottom line

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By Bob Corcoran

**"If you don't watch your money, someone else will."**

—Anonymous

The bottom line is: To stay in the real estate industry today, you have to operate like a business. To do that, you must know your finances.

A new breed of Realtor is entering the industry—one who knows business. In some markets, this new Realtor is slowly siphoning off business from those Realtors who are like the frog in a pot of water that doesn't know it's getting hotter and hotter—until it's too late.

You might not think watching finances is fun, but if you don't watch them, you'll find updating your resume isn't exactly a party.

But here's a promise: once you get the right system in place, staying on top of your finances is easy.

Let's start with a quick audit. Do you know:

- ▶▶ How much all your vendors are owed?
- ▶▶ The team's monthly fixed expenses?
- ▶▶ The rate of interest being paid on debts?
- ▶▶ Where spending can be cut?

A "no" for any of these could spell trouble. Use these tips to help your team withstand the competitive winds blowing across today's real estate landscape.

**Be a true team with finances.** Teams are a wonderful invention. When they're clicking on all cylinders, they can accomplish great feats. But if teams aren't careful with their finances, well, they can actually lose money. Use caution when delegating finances.

One example is when multiple team members have the ability to make purchases. Let me be very clear: only one person on the team should have signing authority, period. I see all too often a team where two, three even more team members have signing authority and inevitably overspending, debt and insolvency result. And worse, embezzlement. Last year I worked with a Realtor whose team member embezzled \$300,000 in one year—just because of lax rules on spending authority.

However, you can (and should) use more than one team member to check over your bills and profit and loss statements—two or even three sets of eyes can catch more than just one.

**Create a budget.** Sounds basic but many Realtors don't have one, and that makes it mighty tough to operate like a business.

When you prepare a budget, consider the difference between strategic vs. non-strategic costs. Knowing the distinction can help you boost your return on investment because you'll know which expenditures create revenues and what impact cutting expenses will have on your team and clients.

Are you zero-base budgeting? This shows you why your money is helping the organization reach its goals. You need to justify all your expenditures each year instead of explaining the need for money that's in excess of the previous year.

**Get software.** I once had a client who was making a half million dollars a year and he was using—get this—a check register to handle his finances. That's it. A check register. Technology has embedded itself into business for a good reason: it's efficient. And in business, efficiency is a must.

Specifically I like—and recommend—Quickbooks Pro. It's easy to use and it pays bills, prints checks, tracks expenses, manages payroll, creates invoices and even tracks your time. The screens are user-friendly and you can get what you need in just a couple of clicks. The small business version runs for less than \$200.

**Develop a chart of accounts.** What's a chart of accounts you ask? It is a list of all account names and numbers used in a company's general ledger. This is a complete listing of all budgetary line items that relate specifically to real estate and your business. In fact, I have a sample that has many of those exact items that you can copy from my Web site at [www.CorcoranCoaching.com/RISMedia.php](http://www.CorcoranCoaching.com/RISMedia.php)

The chart, when set up properly, allows you to see where your money is coming from and where it's going, so you can keep track of your finances and make effective financial decisions.

One good way to design a chart is to first consider the kinds of reports you'll need to help you manage financial decisions. Then decide which categories to include in those reports. For example, your chart of accounts should correlate to the categories in your budget so you can easily prepare reports comparing budgeted with actual income and expenses.

**Check your profit and loss statement at least once a month.** The profit and loss (P&L) statement will show you how your services are affecting the business and how much money you're really making because of those services.

You have to make a profit to survive and closely scrutinizing the P&L helps you determine the cash you have to pay debt, finance additional debt (to expand) or to reinvest in the company.

Most top producers I know examine their P&L at least once a month. And I recommend this to all my clients. In fact, we do this for our clients.

**Trim expenses.** When I begin working with clients and ask them about trimming expenses they often tell me there's no more to cut. But in the first 12 months of working with them, we are able to cut expenses by an average of 23% (not to mention increasing income an average of 47%).

A good example is a Realtor I'm currently working with who was paying \$750 a month for credit reports. I asked her why and she said (mistakenly) that it was her job. Not true. That's the lender's job—and expense. So multiply \$750 times 12 months and you get \$9,000.

There's always room to trim. Take a close look at your expenses every month, and then pull out your scissors and make that chopping sound on what doesn't make sense. And don't hesitate to ask for discounts. There's always a 50% chance you'll get them.

Finally, I have a brief article on my Web site titled "Tips for Catapulting Yourself Out of the Financial Toilet" that you may find helpful. Visit [www.CorcoranCoaching.com/RISMedia.php](http://www.CorcoranCoaching.com/RISMedia.php) to read and/or download the article. Read, absorb and learn! □

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