



‘Teamonomics’

You might not think watching finances is fun, but if you don’t watch them, you will find that updating your resume will be a necessity. 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 the answers to the following questions?

1. How much all your vendors are owed?
2. The team’s monthly fixed expenses?
3. The rate of interest being paid on debts?
4. Where spending can be cut?

A “no” answer for any of these questions 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. If teams aren’t careful with their finances, well, they can actually lose money. Use caution when delegating finances.

One example can be seen 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 often see teams where two, three or more members have signing authority. Inevitably overspending, debt and insolvency result. In the worse case scenario, embezzlement may even occur. Last year I worked with an agent whose team member embezzled \$300,000 in one year – all resulting from lax rules on spending authority.

You can (and should) use more than one team member to check over your bills and profit and loss statements - two or three sets of eyes can catch more mistakes than just one.

Create a budget – This sounds basic but many agents 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 how 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 half a 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. In business, efficiency is a must.

Specifically I like and recommend QuickBooks Pro. It is 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 around \$200.

Develop a chart of accounts – What is a chart of accounts? 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 Chart of Accounts" that has many of those exact items that you can copy from my website at www.CorcoranCoaching.com/Commitment.php

The chart, when set up properly, allows you to see where your money is coming from and where it's going. This enables you to 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. Decide which categories to include in those reports. For example, your chart of accounts should correlate to the categories in your budget so that 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 available 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. 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 that there is no more to cut. This example repeats itself, but usually 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 an agent I am 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. 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 cut what doesn't make sense. Don't hesitate to ask for discounts. There's always a 50% chance you'll get them.

Finally, I have a document on my website titled "Understanding your Financial Situation" that you may find helpful.

Visit www.CorcoranCoaching.com/Commitment.php to read and/or download it.

Make A Commitment: I will check my P&L at least once a month!

Deadline: _____