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Where To Find An Extra \$1,000,000 In Your Realtor Business (Part 1)

Rob Drum · January 21, 2020

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A Word Of Warning – The Realtor Red Pill

“This is your last chance. After this, there is no turning back. You take the blue pill – the story ends, you wake up in your bed and believe whatever you want to believe. You take the red pill – you stay in Wonderland and I show you how deep the rabbit-hole goes.” – Morpheus

Building Financial Freedom Through Your Realtor Business

If you ever hope to retire, you'll have to achieve financial freedom. This is defined as the point where your passive income is greater than your living expenses.

To build passive income you'll need business ownership and investments. They're an essential part of the journey to financial freedom.

However, most of us realtors aren't on that journey. We're riding the income roller coaster called self-employment.

Self employment can be a bumpy ride. In order to keep this roller coaster running, we have to work harder and harder. We miss out on parts of life we shouldn't be missing. We've all done it.

It's frustrating. It's scary.

I moved my realtor business to eXp Realty because I saw an unmatched wealth building process.

This process immediately makes it's agents into investors. It presents business building opportunities unlike any other brokerage.

In other words, it puts agents on the path to financial freedom.

The three key components of the program are:

1. Revenue Sharing – A percentage of company revenue that goes back to the agents who sponsored other agents into the company. Put simply, a recruiting incentive.
2. Discounted Stock Purchases – Agents buy shares of our stock (EXPI) at a 10% discount to the market price.
3. Stock Awards – Shares of EXPI are given to agents as performance incentives.

It's easy to let your eyes glaze over when we start throwing around financial terms. But as you'll see, these components will have a life changing impact for our agents.

In this series of posts, I'm going to show you how these three components will build wealth for eXp agents at any level. And as you'll see, I don't even think this is the best reason to join eXp.

Assumptions

First, we have to make some assumptions. I tried to be extremely conservative. Here are the assumptions I made across all simulations.

1. Every realtors business stays at the exact same production level for 10 years. It never grows.
2. The eXp compensation model stays the same for 10 years. We'll have some minor tweaks, but I believe the key parts will stay the same.
3. We'll assume eXp is not the fastest growing real estate company in history. The stock simply grows with the market at 10% per year.
4. Every agent takes advantage of the opportunity to invest 5% of their earned commissions in our stock purchased at a 10% discount. Since they're getting better splits than their old brokerage, they invest the difference.
5. Across all agents in a revenue sharing group, the percentage of commissions paid out will equal 3%. It's a simplification of the model, but should get us close enough

We'll start by looking at a new or part-time agent.

New Or Part Time Agent

About this agent:

- They sell around \$1.2 million of real estate per year.
- Their gross commissions equal 40,000 per year.
- They attract 1 agent to the company every other year.
- Among the agents they attract, one of them attracts another agent each year.
- All the agents in their organization average 40,000 in commissions like they do.

How does revenue share look for them over 10 years?

Revenue Share Model For A New Or Part Time Agent						
Year	Agents Attracted	Attracted GCI	Attracted By Group	Group Total Agents	Rev Share Payout %	Rev Share
2020	1	\$40,000	0	1	3.00%	\$1,200
2021	0	\$40,000	1	2	3.00%	\$2,400
2022	1	\$40,000	1	4	3.00%	\$4,800
2023	0	\$40,000	1	5	3.00%	\$6,000
2024	1	\$40,000	1	7	3.00%	\$8,400
2025	0	\$40,000	1	8	3.00%	\$9,600
2026	1	\$40,000	1	10	3.00%	\$12,000
2027	0	\$40,000	1	11	3.00%	\$13,200
2028	1	\$40,000	1	13	3.00%	\$15,600
2029	0	\$40,000	1	14	3.00%	\$16,800
					10 Year Total	\$90,000

- **\$90,000** in revenue share earned over 10 years
- **\$16,800** in minimum revenue share projected for each year going forward.

How do their discounted share purchases look?

Discount Share Purchases For A New Or Part Time Agent				
Year	Agent Contribution	Value Purchased	Annual ROI	Cumulative Value
2020	\$2,000	\$2,222	10.00%	\$2,444.44
2021	\$2,000	\$2,222	10.00%	\$5,133.33
2022	\$2,000	\$2,222	10.00%	\$8,091.11
2023	\$2,000	\$2,222	10.00%	\$11,344.67
2024	\$2,000	\$2,222	10.00%	\$14,923.58
2025	\$2,000	\$2,222	10.00%	\$18,860.38
2026	\$2,000	\$2,222	10.00%	\$23,190.86
2027	\$2,000	\$2,222	10.00%	\$27,954.39
2028	\$2,000	\$2,222	10.00%	\$33,194.28
2029	\$2,000	\$2,222	10.00%	\$38,958.15

- They now have shares worth **\$38,958**

How do their share awards look?

Stock Awards For New Or Part Time Agent					
Year	First Transaction	Sponsoring New Agent	Total Award	Annual ROI	Cumulative Value
2020	\$200	\$400	\$600	10%	\$660.00
2021	\$200	\$0	\$200	10%	\$946.00
2022	\$200	\$400	\$600	10%	\$1,700.60
2023	\$200	\$0	\$200	10%	\$2,090.66
2024	\$200	\$400	\$600	10%	\$2,959.73
2025	\$200	\$0	\$200	10%	\$3,475.70
2026	\$200	\$400	\$600	10%	\$4,483.27
2027	\$200	\$0	\$200	10%	\$5,151.60
2028	\$200	\$400	\$600	10%	\$6,326.75
2029	\$200	\$0	\$200	10%	\$7,179.43

- They've been awarded **\$7,179** worth of stock.

What's the total effect over 10 years?

- **\$7,179** worth of stock awards
- **\$38,958** worth of stock bought at a discount
- **\$90,000** in revenue share payout


In Total: **\$136,137** in benefits over 10 years

- That's 3 years worth of work for this agent.
- This agent could put 3 kids through of college at the University of Alabama with that money.


But the rabbit-hole goes deeper... In the next post, we'll look at the 10 year numbers for a "capping" agent, and then an "Icon" level agent. [Here's Part 2](#) (<http://robdrum.us/where-to-find-an-extra-1000000-in-your-realtor-business-part-2/>) of this series.

Thanks for reading! [Send me an email with any thoughts or questions \(mailto:robert.h.drum@gmail.com\)](mailto:robert.h.drum@gmail.com)

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