

Want to Become a Realtor? You'll Find NAR's Member Profile Discouraging

Every year the National Association of Realtors (NAR) surveys its membership and comes up with a "Member Profile." The organization just released its 2011 member profile, and the data aren't much different from previous years, but I'm sure they will shock those who look at successful Realtors and think that obtaining a real estate license is all that stands between them and financial freedom.

The average member of NAR had a net annual income in 2010 of \$24,600, up \$1,200 from 2009. The average agent had expenses of \$5,480, so the gross annual income was about \$30,000. Less than half of them (43%) said that real estate was their primary income source, yet 75% said it was their sole occupation, so it can be deduced that a large percentage of them depended on a spouse or other family member to supplement their

income from practicing real estate. Even so, the typical Realtor had a total *household* income of just \$91,700. The typical Realtor, especially here in Colorado is an "independent contractor," not a W-2 employee, and less than 2% of them had any kind of medical benefits or paid vacation or sick days.

REAL ESTATE TODAY



By JIM SMITH, Realtor®

Other interesting demographics include the fact that 57% of Realtors are women, and that the average age is 56. That's because for most of us, real estate is our second or third career. (I entered real estate as a third career just nine years ago, at the age of 54.)

The statistics of our industry should absolutely discourage anyone from entering the profession if they have a pressing need to make more money. That average net annual income of \$24,600 is for *all* NAR members, including the most

seasoned ones. The average "sales agent" (typically the newer NAR member) made \$18,800 last year — and that's before taxes. My first year in real estate, my gross income was \$7,000 — and I was considered a successful "newbie." Most of my "classmates" lacked my reserves and had to quit that year. The typical new Realtor can expect to go up to a year before his first paycheck. It can be said that the barriers to *enter* real estate are very low, but the barriers to *succeed* in it are very high. I've also observed that the more financially needy the agent, the less successful he or she is likely to be. That neediness makes them poor counselors for buyers and sellers, because their advice is so easily colored by their need to make a commission. Clients can tell when you are putting your own interest before theirs. You'll be more successful when you don't *need* to be successful.

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The Cost of Success in Real Estate

What, you may ask, does it cost to be successful in real estate?

I can only answer that question by telling you what it costs *me* to be successful in real estate.

Becoming licensed is the least expensive part. Maybe \$1,000 for real estate school and \$500 for the state exam and the license fee, fingerprint fee, etc.

Agents need to be mobile, so you'll need a laptop with the right software (\$1,000 minimum), a smart phone with unlimited minutes and email (\$100 per month), a car suitable for carrying buyers, and a good all-in-one printer/scanner/fax/copier for your home office.

You'll spend a lot of money on

software and online services. If you're going to list — and it's a truism that "listers last" — you'll need to buy yard signs (\$50 each) and open house signs. To be a good listing agent, you ought to buy "showcase" service on realtor.com so that your listings stand out (\$500 to \$1,000 per year). You also ought to have your own website. You'll need to attend continuing education courses throughout the year to satisfy license renewal requirements. Realtor association dues are about \$450/year. Errors and omissions insurance is another \$300/year. Lastly, you'll split your commissions with your brokerage and/or pay a desk/transaction fee.



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