



REALTY EXECUTIVES INTERNATIONAL

Business Planning for Executives

Business Planning

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“Cheshire Puss, . . . Would you tell me, please, which way I ought to go from here?” asked Alice.

“That depends a good deal on where you want to get to,” said the Cat.



“I don't much care where—” said Alice.

“Then it doesn't matter which way you go,” said the Cat.

“--so long as I get somewhere,” Alice added as an explanation.

“Oh, you're sure to do that,” said the Cat, “if you only walk long enough.”

If you are like Alice and don't care where you go, maybe business planning isn't necessary for you. On the other hand, business planning is important if you are trying to get to a specific point. As you set goals, make sure that they are specific, measurable, attainable, and have a specific time frame.

“To be a successful listing agent,” does not meet these criteria because it isn't certain when you become one. However, to become the top listing agent in the company for this year is easily identifiable and meets these guidelines. Whether or not it is attainable depends on your skills and the competition in your company.

Real estate is a great business and provides an incredible opportunity to earn lots of money. Good salespeople can earn money but it takes a good business person to have profits.

There are agents who close a large number of transactions, but the expenses to make those sales is out of proportion. Which person is better off: the person who earned \$100,000 and whose expenses were \$65,000 or the person who earned \$80,000 with expenses of \$25,000? It is the net profit, after expenses, that is important - not the gross.

People work for reasons other than money, but in many cases, it is the money that allows them to do the things they want. They should be concerned about the money after expenses, not the gross. If your expenses are too high, you may be helping lots of other people reach their goals, but may be doing little to reach yours.

Business professor and management author, Peter Drucker defines business planning like this, "The continuous process of making present entrepreneurial decisions systematically and with the greatest knowledge of their futurity."

Business planning isn't something that we do once. We must be continuously trying to make the best decisions and with the best information to maximize our productivity. As individuals we are often focused on our immediate standard of living, but there are things that we need to be concerned with for our future.

If we have children, we might need to consider higher education. We need to plan for our retirement or at least the years we won't be able to work. This takes a lot more money than most people can even imagine.

A REALTOR® at age 54 with earning assets of \$200,000 who would like to retire at age 65 with an income of \$75,000 per year would need to have a net worth at retirement of \$1,158,000. If the \$200,000 grows at 7%, it would be worth \$343,000 in 11 years. Unfortunately, that would leave the agent short by over \$800,000 which would mean that they need to save \$57,000 each year until they retire.

Even though this is a depressing scenario, it is one that lots of agents face and it isn't going to get better by ignoring it. A long-term benefit of business planning is to identify these issues, develop strategies and achieve them.

Business planning involves a collection of activities, including setting goals, identifying personal strengths, weaknesses, the competition, developing strategies and tactics, creating marketing plans, and producing budgets.

A beginning step might be to ask yourself some questions.

How much do you want to make this year?
What area of real estate do you want to work?
What is your unique selling position?
How is it going to make money?
Do you have a budget? And how does it compare to your actual expenses?
What types of marketing are you going to do?
What training do you need and where will you get it?
Will you need help such as an assistant or a buyer's agent?

Objectives can be broken down into four areas other than business: personal, family, spiritual, and social. In order to lead a balanced life, attention needs to be focused on all of these areas. However, for this article, let's focus on business objectives only.

Business objectives need to be short-term, one year or less, and long-term objectives are five years or more. A series of five one-year goals will get us to the five year goal if it is identified in the beginning.

As an example:

Short-term (due in 45 days)

- Put your sphere of influence mailing list together on a computer
- Develop a monthly mailing for the next 12 months
- Create a listing and buyer presentation package
- Develop a customer loyalty program

One-year

- List two houses per month and sell two houses per month for a total of 48 in the next twelve months.
- Have an average inventory of 24 listings
- Be in the top five highest producing agents in the office
- Purchase one rental property in the next 12 months
- Obtain CRS designation

Five-year

- Be the highest producing agent in the office
- Have six months cash reserves available
- Have your home mortgage-free
- Own five rental properties

An assessment of your talents and abilities can help you determine if you have the capabilities of achieving your goals. If there is something necessary to achieving a goal that you don't have, you'll need to acquire it. If you are going to sell resort and recreation property, taking classes and earning the RRS designation would be helpful.

If you wanted to have enough rental property to support you within 20 years, but you don't have any experience now, you'll need to acquire it. You'll need to know about property analysis to estimate the projected rate of return the tax laws that will affect the operation, property management, and non-owner occupied financing. One place to get started is with the CRS 204 class – “Creating Wealth Through Residential Real Estate Investments.”

Competition in your marketplace could significantly impair your ability to succeed at the level you are expecting. You should know who the best agents are and what their unique selling positions are so that you can develop a strategy to overcome this impediment. Sometimes the competition is in another office and sometimes it is in yours. It may take additional finesse to accentuate your particular strengths without diminishing your fellow workers.

BUDGETS balance the income and expenses necessary for us to live our lives and run our business. Besides income, they are comprised of personal, operating, and marketing expenses. The reason the operating and marketing expenses are separated is because some expenses are fixed and others are in proportion to the amount of transactions we hope to do.

A personal budget is necessary to see what it takes to run your household. In addition to the ordinary expenses, children's education and retirement should be considered. “Pay you first” is advice given by a multitude of financial planning experts. If you pay yourself first and then, there isn't enough money to pay all of your bills, you'll either find a way to make more money or alter your lifestyle. It becomes a matter of priorities.

Next consider regular payments being made such as home, cars, student loans, other loans, and payments necessary to retire credit card debt. After that, an estimate of what will be spent on food including groceries and restaurants is needed.

Medical expenses include health and life insurance, prescription and over-the-counter drugs, and non-reimbursed medical care including dental, eyes, and other specialties.

Education can include children's private school, day care, and special lessons such as for music, gymnastics, etc. Clothing includes not only new purchases but dry cleaning or laundry, and alterations.

Charities should be budgeted for, such as church, United Way, and Homes from the Heart.

All work and no play makes a dull person and possibly a dull family. Entertainment like movies, concerts, sports, hobbies, and vacations are normal and should be budgeted.

One last personal expense that cannot be overlooked is taxes. Everyone must consider Federal income tax, possibly state income tax, and personal property tax.

Let's assume the combination of the personal expenses is \$125,000. If your spouse earns \$75,000 a year, there is a \$50,000 shortage. However, much more must be earned because of expenses from the real estate business and the cost of marketing.

ACTION PLAN

The last step in this process is to develop an action plan. This is a series of events necessary to accomplish a task, objective, or goal. It states what needs to be done, when it needs to be done and by whom. The reason an action plan is so critical is that goals set without action plans are nothing more than dreams.

Simply put, if your objective is to cross a stream without getting your feet wet. Your assessment is that at the deepest point the stream is only eight inches deep. You determine to put stones in the stream to step on. The stones are the action plans that will help you reach your objective.

Business planning is a process of helping you maximize your potential. It is something that must be considered on a regular basis. The document is not permanent; it changes as the business environment changes.

RESOURCES

To learn more about business planning, consider taking the Council of Residential Specialists' course. CRS 200 – Introduction to Business Planning and Marketing for the Residential Specialist

A strong foundation is the key to building a successful real estate career. The Business Planning and Marketing course helps students learn the fundamentals of business planning. After taking this course, they will be able to identify the benefits of a business plan, develop income goals using the budgeting process, and create a marketing plan to meet their goals and objectives. These business essentials will generate increased profit and productivity.

Course Content:

- Business plan development
- Budgeting and cost analysis
- Prospecting techniques
- Personal promotion techniques

For a class schedule, go to www.CRS.com.

*The following work sheet are prepared by and shared with permission from Pat Zaby. PatZaby is an author and national instructor who has spoken at every NAR convention since 1979 as well as numerous times for **REALTY EXECUTIVES**. He offers marketing and business planning content for Microsoft Office in a product called the Marketing Library. You can contact him at Pat@PatZaby.com or www.PatZaby.com.*

Income Goals

Desired Income		\$
	Listings	Sales
Percent of Total Income	%	%
Annual Income	\$①	\$③
Average Sales Price	\$	\$
Average Commission – Percent	%	%
Average Commission – Dollars	\$	\$
Agent’s Share of Commission	%	%
Agent’s Average Commission	\$②	\$④
Annual # of Units Closed	①÷②	③÷④
Percent that Actually Close – ÷	%	%
Annual Units to be Taken		
Monthly Units to be Taken – ÷12		
Closed Volume	\$	\$
Combined Volume		\$

Mission Statement

Example (Your Name) will offer superior personalized service on an individual basis in order to develop a customer base. This customer base will not only consider him/her their personal real estate professional but will have the confidence to refer him/her to their friends, relatives, and neighbors.

Career Path

Activities Designed to Meet People

- Expand Sphere of Influence
- Establish a Geographic Farm
- Establish an Out of Town Agent List
- Establish a For Sale by Owner System
- Establish an Expired Listing System
- Develop Buyer/Seller Seminars
- Conduct Open Houses
- Consistent Cold Calling

Personal Marketing Activities

- Web site
- Personal Brochure
- Personal Advertising
- Newspaper
- Magazine
- Billboard
- Advertising Specialties
- Photo Business Cards
- Postcard Mailing System
- Newsletter Subscription
- Identity Slogan
- Change marketing areas
- Sign Riders
- Brochure Boxes

Professional Development

- Pre-license course(s)
- License – Salesperson's
- Post-licensure course(s)
- Basic training, company level
- GRI, Graduate REALTORS® Institute
- License, Broker's
- CRS, Certified Residential Specialist
- e-PRO Certification
- Other designations _____
- Focus on time management
- Focus on time in front of prospects

- Attend all (more) office meetings
- Tour office listings
- Attend broker's tour
- Read four business books per year
- Read business periodicals monthly
- Attend training courses on computers
- Attend one sales conference annually
- Attend **REALTY EXECUTIVES** convention
- Attend State/National convention
- Totally automate all activities
- Purchase/Update computer equipment
- Invest in new software/updates
- Hire a personal assistant
- Written business plan
- Annual Income Goal
- Track and monitor goals regularly
- \$1,000,000 in lifetime commissions
- Return something worthwhile to business
- Board/committee work
- Teaching
- Writing articles/books
- Creating tools for others to use
- Financial independence by age 50
- Fully funded retirement by age 55
- Sufficient life insurance
- Home, mortgage free
- Vacation home, mortgage free
- Totally debt free
- Net Worth of \$_____
- Succession plan for business
- Personal Strengths and Weaknesses

Personal Objectives

Personal

Family

Spiritual

Social

Business Objectives

For the year ending December 31, 200__

Put an e-Marketing strategy in place

Mid-term, for completion by July 1

Long-term, for completion in five years

Competition in Marketplace

Company	Advantage	Advantage

Agent	Company	Advantage

Qualifications

Skills

Name Identification

Personal Promotion

Personal Marketing Plan

Sphere of Influence

- Continual monthly contact system _____
- Personal service letter four times a year _____
- Personal phone call four times a year _____
- Birthdays and anniversaries _____

Prospecting Sources

- Geographic Farms _____ Investment Properties
- For Sale by Owner _____ Vacation Properties
- Expired Listings _____
- Out of Town Agents _____
- First-time Homebuyers _____

E-Marketing

- Consciously collect e-mail addresses _____
- Return e-mail in a timely fashion _____
- _____
- _____
- _____
- _____
- _____

Web site

- Maintain destination web site _____
- Add up to eight pictures on each listing _____
- Publish open houses weekly _____
- Publish Featured Property _____
- Use auto-responders _____
- _____
- _____
- _____

Other

- Read four business books this year
- Attend a minimum of four seminars locally this year
- Attend annual **REALTY EXECUTIVES** convention and annual NAR convention

Personal Expense Budget - Worksheet

SAVINGS	MONTHLY	QUARTERLY	YEARLY TOTALS
Increasing Mortgage Payoff			
Dream Project Savings:			
SUB-TOTAL			

INSTALLMENT LOANS	MONTHLY	QUARTERLY	YEARLY TOTALS
SUB-TOTAL			

FOOD	MONTHLY	QUARTERLY	YEARLY TOTALS
Groceries			
Restaurant			
Other			
SUB-TOTAL			

MEDICAL	MONTHLY	QUARTERLY	YEARLY TOTALS
Health Insurance			
Health Care			
Dental Care			
Life Insurance			
Pharmacy			
Other			
SUB-TOTAL			

EDUCATION	MONTHLY	QUARTERLY	YEARLY TOTALS
Seminars			
Books, Tapes, etc.			
College Fund			
Subscriptions			
Other			
SUB-TOTAL			

CLOTHING	MONTHLY	QUARTERLY	YEARLY TOTALS
New			
Dry Cleaning/Laundry			
Repair/Alteration			
SUB-TOTAL			

CHARITIES	MONTHLY	QUARTERLY	YEARLY TOTALS
SUB-TOTAL			

RECREATION	MONTHLY	QUARTERLY	YEARLY TOTALS
Theater/Movies			
Sports Tickets			
Subscriptions			
Club Memberships			
Vacations			
Airfare			
Meals			
Car Rentals/Taxi			
Hobbies			
Other:			
SUB-TOTAL			

FINANCE	MONTHLY	QUARTERLY	YEARLY TOTALS
Real Estate Tax			
State Income Tax			
Federal Income Tax			
Tax Preparation			
Other:			
SUB-TOTAL			

TOTAL PERSONAL EXPENSES: \$ _____

Action Planning Worksheet

ITEM: _____

STEPS FOR COMPLETION:

ACTION STEP	COMPLETION DATE	PERFORMED BY
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
21.		
22.		
23.		
24.		
25.		

LISTING EXPENSES	MONTHLY	QUARTERLY	YEARLY TOTALS
Signs			
Riders			
Brochure Boxes			
Magazine Ads			
Just Listed Cards			
Just Sold Cards			
Door Hangers			
Open Cards			
Open Hangers			
Postage			
Highlight Sheets			
Printing			
Photography			
Other:			
SUB-TOTAL			

BUYER EXPENSES	MONTHLY	QUARTERLY	YEARLY TOTALS
Thank You Cards			
Postage			
Photos			
Copies			
Meals			
Other:			
SUB-TOTAL			

GIFTS & THANK YOUS	MONTHLY	QUARTERLY	YEARLY TOTALS
Thank You Cards			
Referrals			
Closing			
Anniversary			
Shipping			
Lunch/Dinner			
Other:			
SUB-TOTAL			

SPECIAL EVENTS	MONTHLY	QUARTERLY	YEARLY TOTALS
Annual Event			
Customer/Client Party			
Invitations			
Other:			
SUB-TOTAL			

PRESENTATION MATERIALS	MONTHLY	QUARTERLY	YEARLY TOTALS
Letters, FSBO			
Letters, Expired			
Cards, FSBO			
Cards, Expired			
Buyer's Guide			
Listing Kit			
Videos			
Postage			
Delivery			
Web-site Development			
Other:			
SUB-TOTAL			

TOTAL MARKETING EXPENSES \$ _____

Market Expense/Net Worksheet

MARKETING OPTION	GROSS INCOME	COST	NET INCOME
DIRECT MAIL			
Post Cards			
Newsletters			
Service Letters			
Calendars			
Direct Mail Sub-Total			
TELEMARKETING			
Telemarketing, Sub-Total			
FACE-TO-FACE			
Annual Appreciation Party			
Buyer Seminars			
Seller Seminars			
Open Houses			
Cold Calling Contacts			
FSBO's Contacts			
Expired Listings Contacts			
Agent Referral Network			
Face-To-Face, Sub-Total			
INSTITUTIONAL			
Personal Web-sites			
Newspaper Ads			
Magazine Ads			
Business Cards			
Personal Brochure			
Bill Boards/Shopping Carts			
Radio/TV			
INSTITUTIONAL, Sub-Total			
TOTAL			

Total Expense - Worksheet

BUSINESS PLAN	YEARLY TOTAL
PERSONAL EXPENSES BUDGET SUB-TOTAL	
BUSINESS OPERATING EXPENSES BUDGET SUB-TOTAL	
MARKETING EXPENSES BUDGET SUB-TOTAL	
GRAND TOTAL BUDGET	\$