

The Millionaire Real Estate Agent

Book Club

Session #2: Know Your Numbers

P. 128-132, 152-158, 172-185, 192-195

Discussion Guide:

- Host shares Aha's from the previous session.
- From the reading, emphasize and discuss:
 - The MREA Economic Model.
 - Three key areas
 - The numbers you must hit
 - Appointments
 - Conversion rates
 - The budget of a high-level agent is divided into two broad categories: cost of sales and operating expenses.
 - Operating expenses can be broken down into two primary areas: salaries and lead generation.
 - Use the following model from p. 181 to redo the MREA Economic Model with your local numbers (average sales price and average commission). Work backward to the number of appointments per month.



Note: Prepare these numbers in advance and write them on a whiteboard or flipchart. You can subsequently work the economic model for a big step on the path to MREA, say \$100,000 in net income and the appointments per month to achieve that goal.

- The MREA Budget Model
 - Three key areas
 - Lead with revenue
 - Play red light, green light
 - Stick to the budget
- The fundamental lesson of the MREA Budget Model is to treat yourself like a business! An easy way to keep it simple is the 30-30-40 Rule. Thirty percent of your gross revenue will go to cost of sales, 30 percent will go to expenses, and you can bring 40 percent to the bottom line as net profit. How many businesses can boast a 40 percent bottom line? (Grocery stores operate on a 1 percent margin!)

Questions to Ask:

1. How did you come to the decision about your goal for net income or total gross revenue? What factors played into that number?
2. How often do you check your P&L or budget? Do you have any rituals or habits around reviewing expenses?
3. How do you decide which new expenses to give the “Green Light”?
4. How long is your “Red Light”? How do you give new expenses time to prove their worth?
5. If your number deviates from the 30-30-40 Rule, why do you think that is? Are your fixed expenses too high? Is your split with your buyer agent too generous?
6. How many transactions did it take you to determine your conversion rates? Have they changed over time? Do you revisit these numbers regularly?