



## HOW IS A REAL ESTATE SALESPERSON COMPENSATED?

The typical real estate salesperson is an independent contractor, or self-employed individual, and is compensated on a straight commission basis. There is no set “payday”, nor is there any salary or draw against future commissions. The sales agent is paid by the company, usually within a short period of time following the closing and funding of a real estate transaction in which the agent is involved. Once the closing of the sale takes place, usually at a Title Company, a commission check will be written to the brokerage firm. The broker will in turn pay the salesperson based on an agreed-upon commission arrangement with the agent, and usually based on a company commission schedule.

While there is no *base income* to the commissioned salesperson, there is also *no limit* to the total income that the agent can earn. Real estate sales agents are compensated in direct proportion to their productivity in the marketplace; their ability to list, sell and service the needs of their customers and clients.

Commission compensation plans may vary greatly from office to office. The commission plan offered by a given real estate company will depend upon services provided to the agent, expenses shared by the agent, office overhead, competition from other real estate companies and many other factors. It is very important to look at the **total** compensation, including all benefits and services provided by the company when selecting a real estate firm with which to associate.

Although commission plans are very important to most agents, a great deal of research has been conducted over the years by national organizations to determine why prospective salespeople join certain real estate firms, why they stay and why they leave. Almost all surveys indicate that, although important, commission “splits” do not rank as the most important factor to most agents, especially those who are new to the business. Other high-ranking factors in the decision to affiliate with a real estate company include training, company image and reputation, supportive environment, office atmosphere, professionalism and quality of agents and staff.