

# The Millionaire Real Estate Agent

## 2009 Chart of Accounts

### Keep Your Tracking Simple and Your Definitions Clear

#### Please Read:

This revision represents an update to the original Millionaire Real Estate Agent (MREA) Chart of Accounts. We have reorganized and recategorized the original version into ten revised Budget Model categories. This updated version represents a significant departure from the original Profit and Loss Statement. Our goal is to make it simple and clear so that this chart of accounts can be followed and used by anyone from a new agent to a Mega Agent team. We followed the wisdom of our chief financial officer who advised us to keep our tracking as simple as possible. At the same time, we want to be very clear about what goes in each category. Our hope is that agents will keep their tracking simple and their definitions clear.

As a result, we have carefully chosen only the most important items for you to track on a monthly basis. The beginning agent can begin by tracking the leftmost categories (Income, Cost of Sales, Expenses, and Profit) and as they develop more experience tracking their numbers, they can move further right and into more detail. We understand that there may be a few higher-end users who will customize this chart of accounts at a much deeper level. For these agents, we have created a numbering system that allows for additional tracking. We have also included the suggested items in the notes section of the chart of accounts.

#### Final Note:

This MREA Chart of Accounts is first and foremost a tracking tool to use in tracking your business expenses as they relate to the operation of your real estate sales business. While it should reflect your general financial accounting and general ledger activity, it may not always reflect the way you make your payments or the way you make special adjustments for tax purposes. These of course should be discussed with your CPA or tax adviser. If you follow the definitions and guidelines that are included with each of the accounting categories, you will then have a way to compare your sales business's financial performance with those of other agents and with the models proven in the MREA book and related materials.

# The Millionaire Real Estate Agent

## Chart of Accounts

| Code                             | Categories                      | General Notes and Definitions   |
|----------------------------------|---------------------------------|---|
| <b>Income</b>                    |                                 | Includes residential and commercial listing, sales, lease, customer transaction fees and bonuses, less outside referrals paid or concessions given              |
| 41000                            | Residential Income              | Includes customer transaction fees and bonuses, less outside referrals paid or concessions given.   |
| 41100                            | Listing Income                  |   |
| 41200                            | Sales Income                    |   |
| 41300                            | Referral Income                 |   |
| 41400                            | Leasing Income                  |   |
| 41000                            | <u>Total Residential Income</u> |   |
| 42000                            | Commercial Income               | Includes customer transaction fees and bonuses, less outside referrals paid or concessions given.   |
| 42100                            | Listing Income                  |   |
| 42200                            | Sales Income                    |   |
| 42300                            | Referral Income                 |   |
| 42400                            | Leasing Income                  |   |
| 42000                            | <u>Total Commercial Income</u>  |   |
| 43000                            | Other Real Estate Income        | Sum of all income earned from all transactions by the individual, team or group members. Not the same as taxable income (Gross Profit) used to calculate taxes. |
| <b><u>Total Income (GCI)</u></b> |                                 |   |

\* Skipped number to allow for expansion of all items in the notes section



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| Code                       | Categories                        | General Notes and Definitions  |
|----------------------------|-----------------------------------|--|
| <b>Cost of Sales</b>       |                                   | Includes any wages/splits tied to employees and/or independent contractors   |
| 51000                      | Commissions Paid Out              |  |
| 51100                      | Commissions to Office             | Method of compensation may vary (commission/salary/split)  |
| 51200                      | Royalties Paid                    |  |
| 51300                      | Listing COS                       | Includes compensation for listing specialist(s), lead listing specialist(s)  |
| 51400                      | Buyer COS                         | Includes compensation for buyer specialist(s), lead buyer specialist(s)  |
| 51500                      | Other - Commissions Paid Out      | Includes lead coordinator bonus, compensation for commercial investment specialist   |
| 51000                      | <u>Total Commissions Paid Out</u> |  |
| 52000                      | Other - COS                       |  |
| <b>Total Cost of Sales</b> |                                   | Note: If you want to track specific costs attributable to each of your listings, you will want to set up a project accounting system within your P&L |
| <b>Gross Profit</b>        |                                   | Agent's 1099 Income  |

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| Code            | Categories                       | General Notes and Definitions   |
|-----------------|----------------------------------|---|
| <b>Expenses</b> |                                  |   |
| 61000           | Salaries/Benefits                | Includes compensation to employees, independent contractors, consultants and professional services  |
| 61100           | Salaries                         |   |
| 61110           | Management                       |   |
| 61120           | Administration                   | Includes compensation for administrative manager, listings manager, administration and staff, lead coordinator, transaction coordinator, runners and base compensation for lead buyer specialist, lead listing specialist, lead coordinator |
| 61130           | Other - Salaries                 |   |
| 61100           | <u>Total Salaries</u>            |   |
| 61200           | Benefits/Processing              |   |
| 61210           | Benefits                         | Includes payroll benefits (insurance/unemployment), retirement contributions  |
| 61220           | Payroll Processing               |   |
| 61230           | Payroll Taxes                    | Includes payroll tax (FICA/FUTA/SUTA)   |
| 61240           | Other - Benefits/Processing      |   |
| 61200           | <u>Total Benefits/Processing</u> |   |
| 61300           | Contract Labor                   | Includes administrative support, client services (landscapers, handyman, movers, stagers, etc.), technology support)  |
| 61000           | <u>Total Salaries/Benefits</u>   |   |

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| Code   | Categories                           | General Notes and Definitions  |
|--------|--------------------------------------|--|
| 62000  | Lead Generation                      | Includes direct prospecting and marketing activities   |
| 62100  | Advertising                          | Includes billboards, business cards, magazine ads, newspapers, radio, signs, sponsorship, television, telemarketing services, yellow pages   |
| *62300 | Print/Direct Mail                    | Includes brochures, fliers, newsletters, custom magazines, postcards   |
| 62400  | Internet Lead Generation             | Includes pay per click, search engine optimization (SEO), listing aggregator, advertising on related sites, third-party lead sellers   |
| 62500  | Entertainment/Other                  | Includes catering, client parties, customer awards, events, gifts, meals, photography, promotional items and services, business-related travel. Since there are tax guidelines for gifts and various entertainment expenses, please consult your CPA for tax issues. |
| *62700 | Other - Lead Generation              |  |
| 62000  | <u>Total Lead Generation</u>         |  |
| 63000  | Occupancy                            |  |
| 63100  | Rent/Desk Fees                       | Note: If you own, charge yourself rent   |
| 63200  | Utilities                            |  |
| 63300  | Repair/Maintenance                   | Some repairs and maintenance may qualify as capital improvements. Discuss with your CPA.   |
| 63400  | Depreciation of Capital Improvements |  |
| 63500  | Other - Occupancy                    | Example: security system, etc.   |
| 63000  | <u>Total Occupancy</u>               |  |

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| Code   | Categories                                      | General Notes and Definitions  |
|--------|---|--|
| 64000  | Communication/Technology                        | Includes all Internet-related expenses   |
| 64100  | Telephone Services                              | Includes cell phone, pager, long distance, voice mail, 1-800 number, fax line(s), MLS line, voice lines  |
| 64200  | Answering Services                              |  |
| 64300  | Internet Service Provider/Hosting Charges/Email |  |
| 64400  | IVR Service                                     |  |
| 64500  | Website Creation                                | Includes contact management software, custom site creation, enhanced IDX, podcasts, standard IDX solution, template setup, videos, virtual tours   |
| 64600  | Website Maintenance                             | Includes contact management software, domains, enhanced IDX, hosting, ongoing site development, podcasts, server, standard IDX solution, template renewal, videos, virtual tours, webmetrics |
| *64800 | Other - Communication/Technology                |  |
| 64000  | <u>Total Communication/Technology</u>           |  |
| 65000  | Education/Dues                                  | Includes seminars, dues and subscriptions  |
| 65100  | Education/Training                              | Includes continuing education, educational travel, seminars  |
| 65200  | Coaching/Consulting                             |  |
| 65300  | Books/Audio-Visual/Subscriptions                | Includes audiovisual, books, subscriptions for newsletters, newspapers, magazines.   |
| 65400  | Dues  | Includes MLS dues and charges, Realtor dues and fees   |
| 65500  | Other - Education/Dues                          |  |
| 65000  | <u>Total Education/Dues</u>                     |  |

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| Code  | Categories  | General Notes and Definitions  |
|-------|---|--|
| 66000 | Automobile  | Includes moving truck, personal automobile, other business vehicles. Only portions that is considered business expenses should be placed in this chart of accounts |
| 66100 | Mileage or Interest Portion of Payment or Percentage of Lease | Please consult with your CPA whether you will be taking the IRS mileage allowance or a portion of your leasing cost or a calculation of depreciation               |
| 66200 | Depreciation  |  |
| 66300 | Gas   |  |
| 66400 | Maintenance   |  |
| 66500 | Other - Automobile  | Includes reimbursement for staff business mileage, toll road   |
| 66000 | <u>Total Automobile</u>                                       |  |
| 67000 | Equipment/Furnishings   | Includes furnishings, furniture, computers, faxes, phones  |
| 67100 | Rental  | Includes camera(s), computer(s), copier/printer(s), fax machine(s), portable Internet device(s), printer(s), toner(s), telephone system                            |
| 67200 | Depreciation of Capitalized Equipment/Furnishings             | Please consult with your CPA whether purchases should be recorded as expense or capitalized and then depreciated   |
| 67300 | Repair/Maintenance  | Includes camera(s), computer(s), copier/printer(s), fax machine(s), portable Internet device(s), printer(s), toner(s), telephone system                            |
| 67400 | Property Tax on Equipment/Furnishings                         |  |
| 67500 | Other - Equipment/Furnishings                                 |  |
| 67000 | <u>Total Equipment/Furnishings</u>                            |  |

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## Chart of Accounts

| Code  | Categories                            | General Notes and Definitions  |
|-------|---------------------------------------|--|
| 68000 | Supplies/Office Expenses              | Includes all business and office supplies  |
| 68100 | Banking Charges                       | Includes checks, service charges   |
| 68200 | Office Supplies (consumables)         | Includes copies, closing folders, lockboxes, paper/stationery, nonpromotional postage and printing   |
| 68300 | Office Operations                     | Includes awards, courier, credit reports, employee morale, help wanted ads, hiring - personality assessment(s), office meetings/lunch, storage |
| 68400 | Other - Supplies/Office Expenses      |  |
| 68000 | <u>Total Supplies/Office Expenses</u> |  |
| 69000 | Insurance                             |  |
| 69100 | Automobile                            |  |
| 69200 | Error & Omissions                     |  |
| 69300 | Property/Liability                    | Includes equipment insurance   |
| 69400 | Other - Insurance                     |  |
| 69000 | <u>Total Insurance</u>                |  |
| 69500 | Professional Services                 | Includes all the fiduciary providers of your business  |
| 69510 | Accounting & Tax Preparation          |  |
| 69520 | Legal                                 |  |
| 69530 | Other - Professional Services         | Includes consulting and financial planners   |
| 69500 | <u>Total Professional Services</u>    |  |

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| Code                  | Categories                   | General Notes and Definitions   |
|-----------------------|------------------------------|---|
| 69600                 | Other Expenses               | Includes tax-related consideration before calculating personal income |
| 69610                 | Charitable Contributions     |   |
| 69620                 | Loan/Interest Payment        | Interest paid on loans  |
| 69630                 | Office Transaction Fees Paid |   |
| 69640                 | State Sales/Franchise Taxes  |   |
| 69650                 | Other - Other Expenses       |   |
| 69600                 | <u>Total Other Expenses</u>  |   |
| <b>Total Expenses</b> |                              |   |

**Business Profit**

\* Skipped number to allow for expansion of all items in the notes section



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**Code    Categories**

**General Notes and Definitions**

**Below the Line  
Income**

Includes residual income

|       |                        |
|-------|------------------------|
| 71000 | Interest Income        |
| 72000 | Vendor Supplier Income |
| 73000 | Profit Share Income    |
| 74000 | Other - Other Income   |

**Total Below the  
Line Income**

**Below the Line  
Expenses**

|       |                       |
|-------|-----------------------|
| 81000 | Employee Profit Share |
| 82000 | Other Pretax Expenses |
| 83000 | Income Tax            |

Includes federal and state income tax

**Total Below the  
Line Expenses**

**Net Income**

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