

Recruiting Incentive Policy

Q: Does The Realty Association offer a recruiting bonus if I introduce or sponsor other agents?

A: *No. We have found that recruiting incentives, sponsoring bonuses, overrides, profit sharing, residuals, multi-level plans, single-level plans, etc., have been counter-productive for the following reasons:*

1. Loss of agent income.

The money paid out to the sponsors is coming at the expense of the new recruits in the form of a significantly lower commission split (for example: 70/30 versus 90/10 at The Realty Association). The sponsors themselves are receiving a lower split in exchange for being able to participate in the recruiting incentive program. Some multi-level real estate companies also charge thousands of additional dollars in \$150 transaction fees or 6% franchise fees (versus no transaction fees or franchise fees at The Realty Association). And they typically have higher caps on the maximum commissions paid to the company (\$18,000 to \$30,000 or more, versus a \$9,000 annual cap at The Realty Association).

Agents therefore have *a lot less money* to invest in their own *true* long-term residual income sources (securities, retirement accounts, real estate investments, etc.), and have exchanged it for a short-term return that is based on the performance and loyalty of other agents. Realty Association agents have *total control* over their investment decisions. By investing that extra percentage of their income each year into long-term income producing secure assets, we believe Realty Association agents will come out way ahead of any temporary profit sharing or sponsorship plans.

You can build wealth for others, or you can build wealth for yourself. ***It's your business!***

2. Conflicts of interest.

There is a conflict of interest when:

- the reputation of the office is harmed by the sponsorship of a negative agent.
- the broker refuses to sign in a potential recruit introduced by another agent.
- the broker needs to fire an agent who was sponsored by another agent.
- the broker must decide who will get the credit for recruiting a new agent.
- an agent and one of their own "downline" agents are targeting the same recruit.
- an agent and their own sponsor are targeting the same recruit.
- an agent and their own broker are targeting the same recruit.

Under most of these programs, the broker has a tremendous financial incentive to recruit personally. Brokers usually do this actively and aggressively, putting them in direct competition with their own agents. (This is similar to the conflicts of interest that occur when brokers compete with their own agents by selling real estate.) Not to mention that the broker has a major competitive advantage in recruiting due to the added exposure from the collective advertising that is often paid for by the agents and the franchise. Realty Association brokers are not in competition with their own agents in either selling real estate or recruiting new agents. ***It's your business!***

3. Difficulties in determining "procuring cause"

There may be great difficulties in determining which agent was the procuring cause in the recruitment of a new agent. The recruit is often contacted and influenced by more than one agent. Who will get the credit? Who will get the "lifetime" residual income? Or, do you make the new recruit decide which of their friends will be their sponsor for life? It's easy to see how bad feelings might develop. This can only get worse as a multi-level company grows, and there are more agents vying for a smaller pool of recruits. As competition in the marketplace increases, so does the difficulty in determining procuring cause.

4. Lack of harmony.

Because an agent's total earnings could be affected by the results of their personal recruiting efforts, there are ample opportunities for divisive conflicts of interest (see #2 & #3 above). As a result, these programs often breed resentment, rivalries, and jealousies among agents. There could even be resentment toward your sponsor for taking such a large percentage of your life-long earnings, while at the same time you are receiving a substandard commission split. Animosity between an agent and the broker is also conceivable when there are so many possibilities for misunderstandings and unfairness.

5. Displaced focus.

There is a strong inducement to focus on the "*recruiting*" business versus focusing on the "*real estate*" business. How much will sponsors earn if their recruits are mainly in the recruiting business? In order for any money to change hands, somebody has to actually sell real estate! The Realty Association exists to help agents succeed in the *real estate* business. ***It's your business!***

6. Lack of longevity.

Real estate licensees are typically self-employed independent contractors, free to change company affiliations or even occupations whenever they desire. They can "exit" at anytime.

Attrition - a reduction in numbers usually as a result of resignation, retirement or death.

"The real estate industry suffers from an incredibly high turnover rate. Each year, fifty-five percent of real estate salespeople continue to leave their companies, either to go with other real estate companies or to leave the industry entirely." (*How to Hire and Develop Your Next Top Performer*, by Greenberg, Weinstein, Sweeney)

In a survival rate study done by 3 different boards of Realtors the results were as follows: with survival defined as remaining with the original broker, 72.8 percent survived to the end of the first calendar year, and by the end of the second year survival rate dropped to 54.8, and by the end of the third calendar year to 38.5 percent. No persistent significant difference in survival rates based on licensee gender, firm size, or franchise affiliation was discovered.

And, according to the *National Association of REALTORS®* (2018), **the median tenure for a salesperson to stay with the same company is only four years.**

It has also been estimated that only slightly more than half of the real estate licensees have been in the business for more than five years. That's not much of a life-span for a "perpetual" residual income. This is well below the "example" longevities quoted in most recruiting literature. Real residual income comes from investing your own earnings in income producing assets.

7. Lack of control.

The agent you sponsored could quit the real estate business, transfer to a different firm (even a different multi-level firm), or get fired. You could get fired! The owner could close or sell the office. State law could change, making it illegal to pay commission overrides to non-licensed individuals. This lack of control means there is **very little security** for your "retirement" program. Also, multi-level systems tend to be complex, with complicated rules and requirements. These rules are subject to change, and the changes almost always favor the company (for example: increasing the number of years to be vested, increasing the sales quota or number of transactions to qualify for certain payouts, or increasing the cap on the maximum commission paid to the company). You have been fitted with "golden handcuffs." If a better opportunity were to come along, it would be difficult for you to transfer or quit. At The Realty Association, we don't believe in making it difficult for you to leave should you decide that a change would be best for you. No strings attached. You are in full control. ***It's your business!***

8. Diminishing returns.

As the limited market for sponsoring becomes more and more saturated, recruiting will become increasingly difficult. Potential prospects will get tired of being approached multiple times. Resistance will grow. The initial wave of enthusiasm will pass, and it will become more and more challenging to find fresh converts. Motivation will fade away. The pyramid nature of these plans means that the last in will become the most discouraged and will likely be the first to go. As the base erodes, structural integrity is compromised. Profit sharing and residuals will be threatened. Agents will have less reason to remain in a low split multi-level (or profit sharing) program.

9. Lack of privacy.

In multi-level real estate companies, your sales production becomes public record. Your sponsor knows what you make. You know what your recruits make. At The Realty Association, your financial information is kept confidential, as it should be. *It's your business!*

10. Exploitation of relationships.

Agents can be put into a horrible bind when asked to decide who will be their sponsor for life. Because there is a misconception that a lot of money is at stake, emotions can run high. Which friend do you sign up under? How will your other friends feel when you don't give them a chance to make a fee from every future sale you make? What about your feelings towards a friend who signs up under someone else?

Are you willing to risk being perceived as greedy or pushy? Are you sure you want to be in the business of asking your professional colleagues to give you a large percentage of everything they earn over their entire real estate career, in exchange for their being able to do the same thing to their friends? Friends don't let friends get dunked.

Neither The Realty Association nor our agents are in the business of exploiting the work of others for our own benefit. When you invite your friends to take a look at our company, we want you and them to know that your invitation is not a ploy to profit off of their life-long earnings, but rather an act of true friendship. We believe that *The Realty Association offers the best total package available to any real estate professional, anywhere*, and we will not change our philosophy to suit the latest fad.

Remember the saying, "If something seems too good to be true, it probably is." You deserve more than smoke and mirrors, or exaggerated get-rich-quick promises. No "Kool-Aid" here. We believe that you deserve the truth from us. *It's your business!*

Be sure to visit us at [**https://RealtyAssociation.com**](https://RealtyAssociation.com)

To schedule a confidential interview with our Principal Broker Perry Hamlett,
please call us at (615) **385-90/10**.