RightAlly

The Revenue Share Starter Kit

Everything You Need to Launch Your Program in 60 Days

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Why This Matters Now

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Today, the U.S. brokerage industry is at an interesting crossroads. While traditional brokerages get strapped for cash, cloud-based revenue share brokerages are thriving.

The Reality: eXp Realty grew from 8,000 to 89,000+ agents in 7 years using revenue share. The Real Brokerage added 21,000 agents in 3 years. Meanwhile, traditional brokerages are losing agents to these models.

What's Changed: Agents under 35 expect ownership-style incentives. They want to be paid for building your brokerage, not just selling homes.

Your Window: Most traditional brokerages haven't adopted this yet. You have 12-18 months before it becomes table stakes in your market.

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Part 1

Understanding the Model

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If you don't know already, the revenue sharing model involves sharing revenue with your sponsoring agents who were directly or indirectly involved in the recruitment of the producing agent. Here, you share company dollars and not the agent's commission with the sponsoring agents.

For instance, if your agent sells a property worth $500,000, your Gross Commission Income (GCI) at 3% is $15,000. If you operate at an 85/15 split ratio, the company dollar will be $2,250. Now, if you share 5% with direct recruiters, they will get $750 on this deal.

• How the Money Actually Flows

Revenue share works by paying sponsoring agents a percentage of **GCI (Gross Commission Income)** generated by their recruits, funded from your company dollar (the split you retain).

Revenue share percentages apply to the full GCI, not just the company dollar. This is critical for te math to work.

Note

The Anatomy of a Deal

Scenario: Agent C (your recruit via Agent B) closes a $10,000 GCI deal.

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	Amount	Who Gets It
Total Commission (GCI)	$10,000	Split between you and the producing agent
Agent C's share (85%)	$8,500	Agent C keeps this; unaffected by revenue share
Your company dollar (15%)	$1,500	This is what funds revenue share payouts
Agent B gets (5% Tier 1)	$500	5% of $10,000 GCI (if Agent B qualifies)
Agent A gets (4% Tier 2)	$400	4% of $10,000 GCI (if Agent A qualifies & unlocked)
You retain	$600	What's left after payouts ($1,500 - $500 - $400)

You still retain $600 on this deal after paying the two sponsors. This is your margin. Scaled across thousands of transactions, this becomes significant, especially when you add per-transaction fees, annual brokerage fees, and fees from capped agents.

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Why This Model Doesn't Drain Your Economics

Three reasons this works without destroying your margins:

1. Not all tiers unlock on every deal: Most sponsors won't have Tier 2+ unlocked, especially during early phases. So, you're paying 5% (Tier 1 only) instead of 15% (all tiers). This protects early-stage margins. Even later, when you have elite and capping agents, your brokerage retains between 30% and 50% of the net company dollars.

2. Post-cap deals generate pure fees: Once an agent hits their annual cap ($12,000 company dollar), they keep 100% of commissions for the rest of the year. But you charge a per-transaction fee ($200-$350 depending on tier). These fees have no revenue share. They're pure margin.

3. Producing thresholds filter for quality: You only pay revenue share on agents who actually close deals and hit the "producing" threshold. Signups that don't produce don't trigger payouts, keeping costs tied to real growth.

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Part 2

Your Design Workbook

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Use this section to customize the model for your brokerage. Your answers here will become the addendum language.

Step 0: Set Your Baseline

0.1 Choose Your Payout Basis

Option A (Recommended / REAL-style): Pay tiers as % of GCI, funded from the company dollar.

- **Pros:** More attractive to recruiter agents and aligns with how revenue share is marketed
- **Cons:** Requires careful caps to protect margins

Option B (Conservative): Pay tiers as % of company dollar only.

- **Pros:** Smaller payouts and simpler mental math
- **Cons:** Less competitive and harder to recruit

Your choice: ☐ % of GCI | ☐ % of Company Dollar

0.2 Set Your Commission Split & Agent Cap

Standard: 85/15 split; $12,000 annual company dollar cap

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Agent commission split

____ % (norm: **85%**)

Agent company dollar cap

$____ (norm: **$12,000**)

What this means: Agents keep their percentage of every deal until their personal company dollar reaches the cap. After that, they keep 100% of commission for the rest of the calendar year. You still charge per-transaction fees post-cap.

Trade-off: Lower split (e.g., 80/20) gives you more company dollars but makes recruiting harder. Higher split (90/10) is more competitive but leaves less to fund revenue share.

0.3 Set Your Average Commission Rate

Use this to estimate deal volumes and payouts in your market.

Your average commission rate: ____ % (norm: 2.5-3.0%)

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Step 1: Tier Structure

Pick Your Tiers (and Rates)

Standard norm: 5 tiers with rates of 5/4/3/2/1

Tier	Your Rate	Trigger
Tier 1	____%	Direct recruits close deals
Tier 2	____%	Your recruits recruit
Tier 3	____%	Their recruits recruit
Tier 4	____%	Fourth generation
Tier 5	____%	Fifth generation

Note

If paying % of GCI, the **sum of all tier rates must not exceed your broker split** on a worst-case deal where all tiers unlock.

For instance, 5+4+3+2+1 = 15% total. At an 85/15 split, your broker split is 15%. So, this works perfectly. You keep $0 from that specific deal, but portfolio margins still hold because:

- Many deals don't have all tiers unlocked
- Post-cap deals generate fees only (no revenue share)
- You earn company dollar on deals without full downline participation

Sanity check: Sum (Tier Rates) ≤ Broker Split? ☐ Yes ☐ No (If no, reduce tier rates or increase caps)

Step 2: Define "Producing" - Who Triggers Payouts

You pay revenue share only on agents who actively produce. Choose one definition:

Option A (REAL-style, inclusive): $450 company dollar in rolling 6 months (~$3,000 GCI at 15%)

- **Pros:** Wider net; more agents qualify; faster momentum
- **Cons:** Includes part-time agents; higher payout costs

Option B (Traditional, conservative): $8,000 company dollar in rolling 6 months

- **Pros:** Filters for serious producers; protects margins
- **Cons:** Slower growth; excludes newer agents ramping up

Option C (Custom): ☐ Transaction count | ☐ GCI threshold | ☐ Company dollar threshold

Your producing definition:

Rule type: ☐ Rolling 6-month Company Dollar | ☐ Rolling 6-month GCI | ☐ # of Transactions

Threshold: ____ (e.g., 450 company dollar OR $3,000 GCI OR 2 transactions)

Impact on margin: Lower threshold will have more agents "producing". Hence, more payouts. It leads to faster growth but thinner margin. Higher threshold, on the other hand, has a stricter filter, which then leads to healthier margin but slower payouts. Balance it right.

Step 3: Unlock Requirements - Who Gets Paid Beyond Tier 1

Tier 1 pays automatically when agents hit the producing threshold. Tiers 2-5 must be "unlocked" by meeting specific criteria.

Attraction Path (Primary - fill these in)

Agents unlock deeper tiers by recruiting and supporting a growing number of producing Tier-1 agents.

Tier	To Unlock, You Need This Many Producing Tier-1 Agents	Your Setting
Tier 1	Always unlocked	-
Tier 2	____ (norm: 3-5)	____
Tier 3	____ (norm: 6-10)	____
Tier 4	____ (norm: 10-15)	____
Tier 5	____ (norm: 15-25)	____

Why this works: Unlock requirements force sponsors to build depth, not just breadth. An agent who signs up 20 people but only 3 produce can unlock Tier 2 but can't touch Tier 3 until they mentor 6 to success. This aligns incentives with mentorship.

Production Path (Optional - check if using)

Agents can also unlock tiers through personal production or elite status.

☐ Capping unlocks to Tier: ____ (norm: 3)

- When an agent hits their annual $12K company dollar cap, they unlock up to this tier level automatically.

☐ Elite status unlocks to Tier: ____ (norm: 5)

- Agents who reach "Elite" status (high production + recruitment) unlock all tiers.

☐ Grace period: ☐ Yes ☐ No - Length: ____ months (norm: 6)

- New sponsors get all tiers unlocked for their first X months, then must qualify based on attraction/production.

Step 4: Cap Strategy

Caps prevent worst-case scenarios from draining your margins.

Use one or both:

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1. Per-Referred-Agent Cap (Recommended)

"Payouts on any single referred agent are capped at $____ per calendar year."

Norm: $800-$4,000 (depends on tier/rates/split/market)

Tier	Per Agent Cap	Your Setting
Tier 1	____ (norm: $4,000)	____
Tier 2	____ (norm: $3,200)	____
Tier 3	____ (norm: $2,400)	____
Tier 4	____ (norm: $1,600)	____
Tier 5	____ (norm: $800)	____

Example: If Ashley recruits Michael and Michael recruits Tom, Ashley cannot earn more than her capped amount ($3,200) from Tom's production. This helps the topline members coach their downline more uniformly. On the other hand, anything above the capped amount goes back to your margins.

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Step 5: Fees

Fees are separate from revenue share. They apply on every transaction and become pure margin, especially post-cap.

Fee Type	Your Setting	Notes
Annual brokerage fee	$____	Norm: $500-$1,000 (collected on first few transactions)
Per-transaction compliance/E&O fee	$____	Norm: $25-$75 (every deal, pre- and post-cap)
Post-cap fee (standard agent)	$____	Norm: $200-$350 (agent no longer gets revenue share, only fee)
Post-cap fee (elite agent)	$____	Norm: $99-$199 (reduced; elite agents earn more)
Est. % of agents who reach Elite status	$____	Norm: 10-20%

Why fees matter: On a standard pre-cap deal at 85/15, you might pay 15% in revenue share and keep 0% company dollar. But you keep 100% of the fees. If you have 50 agents closing 300 deals/year at $200 fees each, that's $60K pure margin, independent of commission splits.

Step 6: Payout Timing & Clawbacks

Fees are separate from revenue share. They apply on every transaction and become pure margin, especially post-cap.

Setting	Your Choice
Payout day of each month	__th (norm: 15th)
Period covered	☐ Prior month closed & funded
Clawback policy	☐ Canceled/refunded deals deducted from next payout

Example

On March 15, you pay for all deals that closed and funded in February. If a February deal is canceled in April, the associated revenue share is reversed and deducted from the April 15 payout.

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Step 7: Compliance & Tax

Licensing & RESPA

☐ **Licensing:** I will pay revenue share only to licensed agents via the broker of record. No unlicensed individuals will receive compensation for licensed activities.

☐ **RESPA Section 8 :** Revenue share payouts are based solely on downline production. They are NOT tied to referrals of settlement services (title, lender, escrow, etc.). This policy is in writing and signed by all agents.

Write your compliance statement (paste into addendum):

> "Revenue share compensation is paid to licensed sponsoring agents based on the production of their directly and indirectly recruited agents. Compensation is funded from the broker's company dollar retained on commission and is in no way contingent upon or related to the referral of title, lending, appraisal, home inspection, or other settlement services."

Tax Handling

☐ **W-9 collection:** Collected from every agent before first payout (IRS requirement).

☐ **Annual tracking:** Total paid per agent per calendar year tracked and recorded.

☐ **1099-NEC issuance:** Form 1099-NEC issued by January 31 to any agent receiving $600+ in prior year.

☐ **E-filing requirement:** If issuing 10+ 1099-NEC forms, must e-file electronically (use service like Tax1099.com or CPA).

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Step 8: Your 3 Core Documents

Document 1: Revenue Share Addendum (Attach to ICA)

Copy and customize:

REVENUE SHARE ADDENDUM

Eligibility: To participate, you must hold an active real estate license, be in good standing with the brokerage, and have a written sponsor declaration on file.

Sponsorship: Your sponsor is recorded within 7 days of your onboarding and locked thereafter. Changes require written broker approval only.

Payout Structure:

- Tier 1: ____% of GCI | Tier 2: ____% | Tier 3: ____% | Tier 4: ____% | Tier 5: ____%
- Payouts are funded from the broker company dollar on pre-cap transactions.

Producing Status: An agent is "producing" if they generate ≥ ____ [company dollar or GCI] in the rolling 6-month period. Revenue share is paid only on producing agents.

Tier Unlocks:

- **Tier 1:** Always unlocked
- **Tier 2:** Unlocked when you have ≥ ____ producing Tier-1 agents.
- **Tier 3:** Unlocked when you have ≥ ____ producing Tier-1 agents.
- **Tier 4:** Unlocked when you have ≥ ____ producing Tier-1 agents.
- **Tier 5:** Unlocked when you have ≥ ____ producing Tier-1 agents.
- **(Optional)** Capping unlocks to Tier ____; Elite status unlocks to Tier ____; Grace period: ____ months.

Caps:

- Per-referred-agent annual cap: $____ (payouts on any single recruit capped at this per calendar year).
- Per-sponsor annual cap: $____ (total revenue share to any sponsor capped at this per calendar year).

Producing Status: An agent is "producing" if they generate ≥ ____ [company dollar or GCI] in the rolling 6-month period. Revenue share is paid only on producing agents.

Clawbacks: If a transaction is canceled, refunded, or rescinded, the associated revenue share is deducted from the next month's payout.

Post-Cap & Fees:

- Once you reach your annual $____ company dollar cap, you keep 100% of commissions for the rest of that calendar year.
- A per-transaction fee of $____ applies to every transaction (pre-cap and post-cap).
- Elite agents pay a reduced post-cap fee of $____.

Tax & Reporting: Revenue share is reported on Form 1099-NEC. You are responsible for your own taxes as an independent contractor. The brokerage will issue 1099-NEC by January 31 for any year in which you received $600+.

Compliance: Revenue share is paid only to licensed agents through the broker of record. Revenue share is not contingent upon or related to referrals of settlement services (title, lender, escrow). This program complies with RESPA Section 8 (12 C.F.R. §1024.14), state licensing laws, and IRC §3508 (statutory non-employee status).

Document 2: Tracking Workbook (Google Sheets)

Tab 1 - Sponsor Tree

Agent Name	License #	Sponsor Name	Date Recorded	Your Choice
John Smith	CA123456	Broker	01/10/2025	Direct recruit
Michael	CA789012	John Smith	01/10/2025	Sponsor locked 01/22
Ashley	CA456789	Michael	01/10/2025	Under 7-day window

Process: Enter within 24 hours; corrections within 7 days. **Never delete rows - add new rows for changes.** This creates your audit trail.

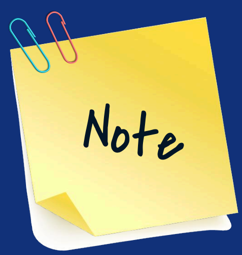
Tab 2 - Monthly Production

Sponsor	Tier	Agent	Deal GCI	Company$	Rate	Payout	YTD	Cap Hit?
Broker	T1	Michael	$10,000	$1,500	5%	$500	$2,100	N
Michael	T2	Ashley	$8,000	$1,200	4%	$320	$320	N

Formula:

- **Payout = Rate % × Deal GCI** (if paying % of GCI basis).
- **Payout = Rate % × Company Dollar** (if paying % of company dollar basis).
- **Payout ≤ Company$ (deal)** - never pay more than available company dollar.
- Apply per-referred-agent and per-sponsor caps; halt payouts if cap reached.
- Sum all payouts by sponsor; ACH on payout day.

Since your spreadsheet will contain complex calculations and relations, it's best to prefer a platform like RightAlly, which does all of this for you at the touch of a button. Given your organization's genealogical tree and its relations will get more complex with time, sooner you move to such a platform, the better. It will save you from a lot of hiccups resulting from manual entries.



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Document 3: Sponsor Registration Form

Use this simple form during onboarding:

NEW AGENT SPONSOR DECLARATION

Agent Name: ______________________________ License #: _______________

Date of Hire: _______________

I declare the following sponsor:

Sponsor Name: ___________________________ License #: _______________

Sponsor Signature: ___________________________ Date: _______________

Agent Signature ___________________________ Date: _______________

Broker/Designated Broker Signature: ___________________________

Date: ________________________

Correction Window Expires: _____________________ (7 days from date of hire)

Note: After the correction window closes, sponsorship is locked. Changes require written broker approval.

Step 9: 60-Day Launch Plan

Days 1-14: Design & Docs

- Fill this entire workbook (all fields).
- Finalize tier rates, producing threshold, unlock requirements, caps, fees.
- Paste the Revenue Share Addendum into your ICA template.
- Build the 3-tab Google Sheet workbook (tree, production, and payouts). Since these transactions are complex, you may need a solution like RightAlly, which has all of these features and capabilities baked into the system.
- Create the sponsor registration form.
- Quick legal review (1-2 hours with attorney; ~$500-$1,000).

Days 15-30: Pilot

- Select 5 top producers / active recruiters.
- One-on-one onboarding: walk through model, show payout math, and answer questions.
- Ask each to recruit 1-2 agents under the program.
- Process first sponsor declarations; enter into tree.
- Run the first payout calculation (even if small, e.g., $0-$500). Stress-test the system.

Days 31-45: Refine & Prepare

- Gather feedback from pilot sponsors. Tighten copy if confusion arises.
- Set up ACH with the bank; test a dummy payout.
- Collect W-9 from all pilot agents.
- Build 1-page agent FAQ based on real pilot questions.
- Finalize compliance statement; attorney sign-off.

Days 46-60: Full Launch

- Send a company-wide announcement (email + intranet post).
- Host live Q&A webinar; walk through payout math with real examples. Record it.
- Open sponsor registration; any agent can participate starting today.
- Office hours 2×/week (Monday & Thursday, 30 min each) for questions.
- First full payout cycle on day 60.

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Part 3

Quick Math & Guardrails

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Break-Even Sanity Check (GCI Basis)

On a single pre-cap deal where **all tiers unlock:**

Company dollar = GCI × Broker Split

Example: $10,000 GCI × 15% = $1,500 company dollar

Max Payout = GCI × SUM(Tier Rates)

Example: $10,000 × (5+4+3+2+1)% = $10,000 × 15% = $1,500

Result: On this deal, you pay out the $1,500 company dollar. You keep $0 from this transaction. This is expected and fine.

Portfolio margin holds because:

1. Most deals only have Tier 1 unlocked (e.g., 5% payout = $500), leaving you with $1,000.
2. Post-cap agents generate $200-$350 fees with **zero revenue share.**
3. Full 5-tier unlocks require dozens of producing agents generating company dollars on other deals where you keep more.

Portfolio Margin Logic

Individual deals can pay out all company dollars. Your portfolio still retains margin because:

- **Partial unlocks in early months:** Not every sponsor has every tier unlocked. Even at full-scale, the average payout is ~8% of GCI early on, leaving you ~7% pre-cap.

- **Post-cap volume:** High-volume agents (10+ deals/year) hit caps quickly. Their 4th-10th deals generate fees only (~$250/deal), adding the company dollar per active agent.
- **Depth effect:** Sponsors need 15+ producing Tier-1 agents to unlock Tier 5. By month 12, your few "Tier 5 sponsors" represent massive volume but volume comes with dozens of deals per month at lower unlock rates.

Monitor monthly:

- % of deals that are pre-cap vs. post-cap (target: 40-50% post-cap by month 12).
- Average revenue share payout as % of company dollar (track month-by-month; should trend lower as post-cap % rises).
- Margin retention = 100% - (Revenue share % of company dollars) - (fees not credited to revenue share).

Target Metrics (Customize & Track)

Metric	Your Target	Timing
% of agents signing up as sponsors	$____	By Month 3 (norm: 15-25%)
% of new recruits hitting "producing"	$____	By Months 4-6 (norm: ≥30%)
Avg. deals per agent per year	$____	Ongoing (norm: 6-12+)
Revenue share as % of pre-cap company$	$____	Monthly (norm: 8-15% early, decline to 4-8% by month 12)
% of transactions post-cap	$____	Monthly (norm: ramp from 5% month 1 to 40-50% by month 12)
Sponsor retention (stay with broker after Year 1)	$____	Annual (target: 85%+)

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Part 4

Common Pitfalls & Fixes

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Pitfall	Why It Fails	Fix
Over-complexity (10 tiers, multiple cap types, unclear unlocks)	Agents get confused; disputes arise	Start with 5 tiers, one producing rule, one or two cap types. Document in plain English.
Fuzzy "Producing" definition ("Must be active" or "Must be serious")	No one knows what qualifies; sponsors argue	Write the exact numbers (e.g., "450 company dollars in rolling 6 months"). No ambiguity.
No caps	Worst-case scenarios are unlimited; budget breaks	Add per-referred-agent cap minimum ($800-$1,500). Calculate worst-case annual payout; it must be defensible.
Messy record-keeping (deleted rows, random spreadsheets, no timestamps)	Disputes; failed audits; lost trust	Timestamp all sponsor assignments. Never delete rows - add new rows for changes. Archive each month's payouts as a separate file. Preferably, adopt a platform like RightAlly as soon as possible as migrating later may create additional snags due to improperly maintained historic data.

Pitfall	Why It Fails	Fix
Paying revenue share post-cap	Agents get confused about cap mechanics and you end up overpaying them	After cap, stop revenue share immediately. Only fees apply. Make this crystal clear in addendum.
Grace period that never ends	Sponsors stay in "all tiers unlocked" indefinitely with no accountability	If using a grace period, enforce a hard end date (e.g., 6 months). After that, the agent must qualify via attraction/production.

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One-Page Quick Reference (Print & Post)

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- **Set Now**

» **Split/Cap: % split, $__** company dollar cap

» **Payout Basis:** ☐ % of GCI | ☐ % of Company$

» **Tiers:** T1 __% | T2 __% | T3 __% | T4 __% | T5 __%

» **Producing:** Threshold: $____ in 6 months

» **Unlocks:** T2 ____ agents | T3 ____ agents | T4 ____ agents | T5 ____ agents

» **Caps:** Per-agent $____ | Per-sponsor $____

» **Fees:** Annual $____ | Per-txn $____ | Post-cap Std $____ | Post-cap Elite $____ | Elite % ____%

» **Payout Day:** ____th of month

- **Build Now**

» Revenue Share Addendum (attached to ICA)

» 3-tab Google Sheet (Sponsor Tree | Production | Payouts) or a RightAlly account

» Sponsor Registration Form (7-day correction policy)

» Agent FAQ (1 page, answer top 5 questions)

» ACH setup; W-9 collection process

- **Run Now**

» 30-day pilot with 5 agents

» First payout run

» Full company-wide launch

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Final Note

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- Keep it simple, written, and enforced. Remember, good revenue share models fail from ambiguity, not math. Your filled-in workbook makes ambiguity impossible. So, your agents will trust the plan and your margins will hold.
- The moment you launch, monitor monthly: payout ratio, % post-cap, sponsor signup rate, new recruit producing rate, etc. Adjust only when data suggests drift and avoid hunches at all costs.
- You're aligning your best agents' incentives with recruiting and mentorship while protecting your brokerage's economics. Done right, everyone wins. Godspeed!

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