



REAL ESTATE BROKER'S INSIDER

Management and sales tools for the residential real estate broker

Business Models

New firm has national ambitions, promises six levels of residual income

Using a new twist on the residual-income model of Exit Realty and Avaral Real Estate, an upstart company already has opened 35 offices and recruited 1,000 agents.

The new company, Jones Creek, GA-based Nextage Realty, offers residual income as its main selling point.

If an agent recruits another agent, she gets 7.5 percent of that agent's commissions. So if the recruited agent collects a \$5,000 commission, the agent responsible for bringing her to Nextage gets \$375.

"We have people who already are getting very substantial monthly checks," says Nextage co-founder and Chairman Frank Cluck. "It's not a nickel-and-dime activity with us to build teams."

Exit Realty and Avaral long have used residual income to encourage agents to recruit other agents. Nextage's difference, Cluck says, is that it allows agents to collect from a downline that's six levels deep.

So if you recruit an agent, and that agent recruits an agent, and that agent recruits an agent, the person at the top of the web gets paid every time any of the agents does a deal.

The cut dwindles from 7.5 percent on the first level to 3.75 percent on the second level to 0.75 percent on the sixth level.

The concept is promising enough that at least one real estate coach with a large database told Cluck he plans to sign on with Nextage and start recruiting his contacts.

Cluck calls the concept an attractive one for agents who worry about their inability to take time off for an extended vacation or sick leave, not to mention retirement. Nextage lets agents get paid even if they're not selling.

"They still have money coming in from their team. That's a life changer," Cluck says. "To have \$3,000 a month in residual income coming in — for most agents, that's dying and going to heaven."

Cluck envisions agents being able to sell less and take some time to coach their downlines.

Broker Bio

The Broker: Frank Cluck, Nextage Realty

The Model: A multilevel marketing company that lets agents get a cut of the commissions generated by agents they recruit.

What's next: More growth. The more agents in the Nextage system, the more lucrative the residual income model is for everyone.

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Cluck acknowledges the unsavory reputation of multilevel marketing, but he points to successful companies such as Mary Kay Cosmetics and Tupperware that sell through multilevel marketing.

“It’s never been fully embraced in the real estate environment,” he says.

But Cluck says multilevel marketing can build loyalty in an industry known for high turnover.

“If they leave the brand, they leave their downline. If they leave their downline, they lose all that residual income,” Cluck says. “That makes it a pretty sticky concept.”

Cluck is a veteran of Century 21, and one of his recruiting coups came when a five-office Century 21 operation in Rockford, IL, joined Nextage.

Nextage’s growth so far has come despite any sort of concerted advertising or public relations effort.

“We’re just building things up the old-fashioned way, by going out and knocking on doors,” Cluck says.

One of his selling points is modest splits for agents. Cluck ran Century 21’s operations in France for years, and there, brokers keep most of the commissions.

“I came back here and started looking at that and said, ‘Wow — this is crazy,’” Cluck says. “You’ve

got salespeople pounding brokers for 80 and 90 percent splits. How does that work for the broker? Brokers and agents are all yanking on the same dollar, and nobody wins that tug-of-war.”

Nextage’s model calls for agent splits of 60 percent to 80 percent.

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