



Compensation Disclosure

It was not too long ago that a business broker's compensation was merely a percent of the final sales price. However, just as in real estate transactions, business brokers are receiving compensation in a number of ways, i.e., vacations, automobiles, gifts, referral fees and extra monetary compensation. It is important that you understand state and federal compensation disclosure requirements. You can learn more about your state's requirements by contacting the real estate governing body, inquiring of the lenders you work with, and reviewing the state and federal anti-trust laws, and interstate commerce laws.

Some general guidelines for disclosing broker compensation:

If you are representing the business buyer and will be receiving any form of compensation from the seller or selling broker, you should disclose this in writing to the buyer.

If you are acting as a dual agent, you should disclose all compensations to both the buyer and seller.

If you will be receiving any compensation from individuals, other than the buyer or seller, you should disclose the compensation to all parties. This compensation maybe in the form of a fee from the lender, referral fees from 401K Business Funding Companies, insurance companies, etc.

If you will be sharing your compensation with the buyer or seller, you should disclose this in writing.

Make sure you understand your state's requirements for paying referral fees, rebates or any form of incentive to unlicensed individuals or entities who are not buyers or sellers in the transaction.

If you are paying a referral fee or commission to an out of state broker, make sure you are following your state's guidelines for providing compensation to out of state brokers, individuals or companies.

The paying and receiving of different types of compensation is becoming more prevalent in the business brokerage industry. Therefore, it is vital that you understand what is legal and permitted in your state. Or, receiving a bonus or trip to Cancun could pose a lot of problems for you and your business brokerage firm.