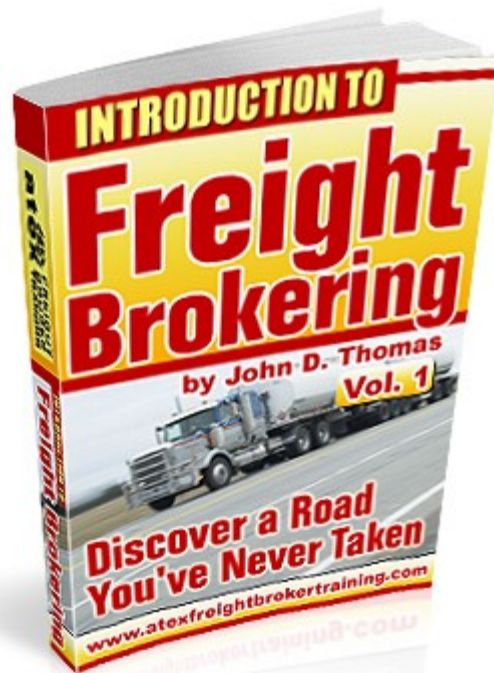


Introduction to
Freight
Brokering



By John D. Thomas
Atex Freight Broker Training, Inc.
www.atexfreightbrokertraining.com

Preface

Foreword

Section 1 - Industry Overview

Section 2 - Before You Begin

Section 3 - Getting Your Broker Authority, Other Registrations and Insurance

Section 4 - Finding Shippers

Section 5 - Loading Boards

Section 6 - Calculating Rates

Section 7 - Getting Set up with the Shipper

Section 8 - Taking the Order

Section 9 - Negotiating Strategies

Section 10 - Booking a Load with the Motor Carrier

Section 11 – Freight Broker Software Resources

Section 12 - Accts Receivables, Accts Payables and the Filing System

Section 13 - Developing a Written Business Plan

Section 14 - Using Factors and Obtaining Financing

Section 15 - Filing Claims and Other Legal Matters

Section 16 - Establishing Good Creditworthiness

**Section 17 - Telephone, Communications and Start up
Necessities**

Section 18 – Resources

Section 19 - How Much Money Can You Realistically Make?

About the Author

Click here to return to – www.AtexFreightBrokerTraining.com

Preface

Here is how to read this eBook.

Read through each chapter including the author's information at the end. Then, come back to this page and click on the link below to learn more about what John does and what John offers.

Go ahead, click on this link when you return: [In A Nut Shell](#) Here you will find a complete list of services and products including costs.

Then go to John's blog at: <http://www.freightbrokeringblog.com>
The title of this blog is "John Thomas on Freight Brokering". It is packed with a ton of practical and useful and insight.

Then, feel free to pass this eBook on to a friend or family member who might benefit from this.

But WAIT ! – Order John's other eBook now and **save \$5** off the regular price. This is a one-time offer for readers of this eBook. Just click on the link below.

http://www.atexfreightbrokertraining.com/JohnThomasBlog07_2.html

The Best of "John Thomas on Freight Brokering" - The Best Blog Posts of the Year - Vol.1

Grab this eBook now! It is **jam-packed with nearly 100 insightful, practical and useful blog posts** covering topics such as starting a freight broker business, freight broker training, freight broker marketing strategies, freight broker tools of the trade, getting your freight broker authority, freight broker financing, plus more.

Foreword

The purpose of this introductory manual is to provide general industry information about freight brokers. This manual does not include all the detailed steps and procedures necessary to actually get set up and operate as a freight broker. Other comprehensive training is required for this.

This manual, however, will familiarize you with the industry and its components.

In this introductory material, you will learn what is required, what to expect as you get set up and what you need in order to be properly organized. You will also learn some essential requirements that you will need in order to maintain and grow your business.

The four areas of concern for new freight brokers include:

- 1) Application requirements for the broker authority,
- 2) Using essential tools such as the loading boards, load manager software, and resources used in calculating rates,
- 3) Searching for customers, and
- 4) Applying various procedures such as getting set up with customers, pre qualifying motor carriers, taking the order from customers, booking loads, looking at financing options and so forth.

After reading this valuable resource, you'll come away with a good understanding of what is required and what really goes on working as a freight broker.

However, you may read all the educational materials you desire on the subject of freight brokering – but the final questions remain: Exactly how do I get started? What applications need to be completed - where and how do I file them? What steps do I need to take for other related matters? When do certain things need to get done? Where do I find customers? How do I talk to shippers? How do I get good drivers? How can I pre qualify them?

Consequently, additional step-by-step instruction is needed if a person is serious about freight brokering. The industry is too competitive and risky to learn it on your own.

Section 1 - Industry Overview

The industry:

Freight brokers arrange for the transportation of cargo between shippers and motor carriers. Nearly everything you touch throughout a given day has been transported by a motor carrier. The industry is enormous. Most cargo is shipped with either a dry van, a refrigerated unit (reefer) or a flat bed. Cargo is shipped both within local markets as well as long distance and coast to coast.

Freight brokers, then, seek, identify and get set-up with shippers, manufacturers, growers and distributors who have cargo to transport and who rely upon freight brokers to find motor carriers.

Motor carriers may be either large trucking companies who hire their own employee drivers; or carriers may be independent drivers (Owner Operators).

A freight broker derives a commission for their matchmaking skills. Freight brokers are also known as “truck” brokers, “transportation” brokers and “property” brokers. And the brokerage industry can span not only trucks but air, rail and ocean liners. This information manual, however, will deal only with the trucking industry in the 48 contiguous states.

Freight brokers are governed by the Federal Motor Carrier Safety Administration (FMCSA) of the Department of Transportation (DOT). There is no governing body other than these. There are no tests given to pre-qualify freight brokers. We'll look at the requirements in Section 3.

What shippers are looking for:

Shippers are working within cost constraints. They often set the rate as to how much they will pay. Supply and demand sometimes dictate how much particular loads are paying. Shippers are looking for carriers who will move their cargo safely, efficiently and cost-

effectively. And they are looking for brokers who conduct business honestly, reliably and with an excellent service-oriented mentality.

What carriers are looking for:

Carriers are looking for good rates. They also work within cost constraints. If motor carriers are knowledgeable about what their operating costs are it helps them remain competitive. Knowing what is needed to maintain equipment, pay personnel and make a profit can make the difference of making it or breaking it.

Consequently, a freight broker is required to use good negotiating skills to complete a “competitive” transaction whereby everyone is satisfied – shipper, carrier and broker.

What brokers are looking for:

Brokers may first locate shippers who have cargo to ship and then look to motor carriers to “cover” the load. Or brokers may have motor carriers on hand who are seeking cargo to haul. In either case, the broker wants to make a match or cover the load.

Initially, a broker will spend many hours on the phone searching for both shippers and carriers. With experience, however, a broker learns to work pro actively where both shippers and motor carriers initiate much of the business.

This of course all depends on how well the broker performs. Getting both shippers and carriers to rely upon them is one of the primary objectives of the broker. This is when business starts to mushroom.

When brokers get set up with shippers the broker may need to do a credit check to avoid getting stuck with a poor paying shipper.

And before brokers work with carriers, the broker needs to pre qualify carriers. A carrier may be ready, willing and able to complete a haul; but the broker needs to document the carrier’s status – legal, insurance and operational.

Section 2 - Before You Begin

Before a broker completes the various applications for his broker authority he will need to come up with a form of doing business and a business name. It's not necessary to incorporate but this is the most desired form of doing business. Other alternatives are to form a Limited Liability Company LLC, a Sub-Chapter S Corporation, a regular Partnership or as a Sole Proprietorship.

It's relatively easy to get incorporated without using an attorney. Sometimes the Articles of Incorporation are available on the Internet and are only one or two pages in length.

If you incorporate or set up a partnership you will need to apply for a federal identification number (FEIN). Sole proprietors will use their social security number when filing various documents and forms.

If a business name other than the applicant's personal name is desired, the broker needs to check to make sure that the name is available and is not otherwise taken by someone else.

It's called a fictitious or dba (doing-business-as) name and the name search can be done at the state or county level.

If partners are involved it's a good idea to have a partnership agreement drawn up in order to have a clear understanding of how each partner will operate and what are the expectations.

Section 3 - Getting Your Broker Authority, Other Registrations and Insurance

Each applicant for the freight broker authority will need to:

- obtain a motor carrier number (MC#),
- to show evidence of a \$10,000 surety bond or trust fund, and
- obtain a BOC-3
- obtain the UCR

The application for the MC# is made through the Federal Motor Carrier Safety Administration (FMCSA). The surety bond is obtained through various financial institutions; and the BOC-3 is easily obtained by various vendors.

The surety bond or trust fund ensures shippers and motor carriers that the broker has at least \$10,000 set aside to pay claims related to non-payment to motor carriers.

The broker has the option of putting his own money up to secure the trust fund; or he may use an institution that specializes in putting up the funds which are collateralized with accounts receivable. In this case, the broker does not have to put up the entire \$10,000 out of his own pocket. The cost for this may run less than \$1,000 to get the bond set up.

It's best to go with a company that specializes in freight broker surety bonds and that know how to deal with unsubstantiated claims against the broker. Otherwise, the broker could have his surety bond invaded if the company does not fully understand transportation operations and law.

The BOC-3, which is the Legal Process Agent permit, gives the broker legal representation in all 48 states where papers may be served in the event a claim is filed against the broker.

The UCR stands for Unified Carrier Registration and is a relatively new requirement that is relatively inexpensive.

While the broker is not required to obtain personal or cargo insurance, it is recommended he purchase “contingent” cargo insurance. This is not cargo insurance; rather, it is insurance that will pay for a motor carrier’s damaged cargo in the event the carrier’s insurance company does not pay for whatever reason.

Section 4 - Finding Shippers

Usually the first step in brokering is to contact shippers who use freight brokers and then get set up with them. While making personal visits can be effective, they are usually not too practical. They can be very time consuming.

The most practical marketing approach is using the telephone. There are numerous websites and shipper directories with phone numbers and other useful information. To some extent this is a numbers game.

Most successful brokers, however, will develop a marketing strategy. Instead of making blind, unplanned searches, the broker may combine telephone calls, brochures, cover letters and email campaigns – all of which may include various approaches.

However, in the initial stages of searching for customers, it may feel like you are “all over the place”. This is okay to some extent.

The initial goal is to find shippers who have shipping needs. The broker finds out what these needs are and then strives to fulfill these needs with extra ordinary service. When initially talking to shippers, it's not always necessary for the broker to sell himself in the traditional sense.

But the broker does need to come across as a professional who knows what to do, when to do it and how to do it.

The process of getting set up with a shipper includes gathering pertinent information, putting this information into a database and then faxing the set up package. The database becomes a valuable asset and should grow in value as more names are added.

Section 5 - Loading Boards

Loading boards are websites used to post loads that the broker gets from shippers and to search for available trucks to cover the loads. These loading boards are also used by trucking firms that post their available trucks along with the ability to search for brokers' loads once they are posted. At times a broker can expect to receive phone calls within several minutes after posting his load.

Some loading boards will allow one to both post loads and to search for trucks as well. Other loading boards will only allow one to post loads but they may automatically post the broker's loads to as many as 30 or 40 other loading boards.

There are various features in each loading board but the primary activities for the freight broker will include posting loads and searching for trucks.

Some loading boards have related services such as doing "lane searches" to locate trucking firms that normally run certain lanes or they may include information on going rates or they may include broker dispatch software. Of course, some of these related services may require additional expense.

Section 6 - Calculating Rates

Calculating rates is pretty much straight forward for many loads. For example, let's say the shipper has a load from Denver to Houston. He may pay \$1,800 for the load. This is just a flat rate.

Or if the shipper is paying a certain rate per mile, this again, is very straight forward. The shipper may want to pay \$1.45 per mile, as an example.

Equally simple, as well, is paying by the piece rate. A shipper may pay \$1.65 per bag of onions or per box of frozen chicken, for example.

Another method may include paying by the hundred weight (cwt). The shipper may be paying \$5.50 per hundred weight, for example. If the load weighs out at 45,000 lbs, the rate would be calculated as $450 \times \$5.50 = \$2,475$.

Regardless of which method is used for paying the broker, many problems can arise if the proper information is not gathered especially related to the loading weight and the maximum weight that can be hauled by the carrier. It's very important for the broker to understand all the requirements and limitations in these cases.

In each example for paying the broker, the broker will deduct what profit he desires and the remainder will be offered to the truck.

When calculating rates, it is important to know if there are extra charges involved such as unloading fees or for extra picks or drops. The broker also wants to ask if the shipper will pay a fuel surcharge on top of the regular rate.

With escalating fuel prices and no end in sight, more and more motor carriers are requiring the fuel surcharge.

Section 7 - Getting Set up with the Shipper

Before a broker begins working with any shipper, the broker will need to get “set-up” by faxing an information package. The package will include papers such as a copy of the motor carrier number, evidence of a surety bond or trust fund, the certificate of insurance (if contingent cargo insurance is purchased), the W-9 form plus whatever other information the broker would like to include.

After receiving this information, the shipper enters it into his system and the broker and shipper are ready to do business.

Some freight brokers have broker-shipper agreements but these are rare for beginning brokers. Normally new brokers do not have a fleet of trucks at their disposal to guarantee to cover each and every load a shipper is offering.

Many shippers will want the broker to give quotes or rates for any one or any number of loads. For a new broker, this can be time consuming if there are a large number of loads. Plus, many new brokers may not be real confident when giving quotes.

There are various resources that will provide some information about going rates. These resources are good tools but when working with “live” loads the broker depends upon negotiating skills as well as relying upon other resources.

Section 8 - Taking the Order

Taking the order is super critical. Shippers have specific instructions and they sometimes relay this information very rapidly. Most beginning brokers use a checklist to make sure nothing is left out. If there is any question at all after getting off the phone, the broker should never hesitate to call back to get something clarified. Why?

Because the broker has to communicate this information to the motor carrier or his dispatcher. If there is any uncertainty before calling the motor carrier, problems will surely arise.

Shippers want brokers who will be assertive enough to get the proper information and who will keep them fully informed of any potential problems that may arise.

Pick up and delivery instructions are very important as well as any equipment requirements the shipper needs. Sometimes the shipper has specific appointments set up for deliveries. Sometimes they want the driver to call in to make their own appointment. Sometimes the shipper will have a fairly general time frame for a delivery such as “Friday morning before noon” or “Wednesday afternoon before 4 p.m.”

And of course, if there are extra pick ups or deliveries, the broker needs to get a clear understanding of this and then communicate this to the truck. Generally, the truck driver will require extra fees for each extra pick up or delivery.

If there are unloading (lumper) fees involved, the broker needs to know up front how much they are if the shipper does not pay for them. Otherwise, the broker could see his profit margin slashed if he ends up paying for an “unexpected” unloading fee.

If shippers are shipping frozen or refrigerated products, they will often ask for a pallet exchange. In this event, they will want the truck to deliver some empty pallets on the pick up and then retrieve them when the delivery is made.

Of course the type of product being offered to be hauled and the estimated or required weight needs to be gotten from the shipper and communicated to the driver. It's illegal for trucks to run overweight and it's up to the driver to control this.

Last of all, the broker needs to ask for a fuel surcharge. However, if the shipper does not allow for a fuel surcharge, it will be difficult to pay a surcharge to your trucker.

Then again, the key is communication and preparation. Find out the details, communicate these to the driver. Make it all happen to the satisfaction of shipper, motor carrier and yourself - a difficult tight rope to walk at times.

Section 9 - Negotiating Strategies

Freight brokering is the art and science of negotiation – and the broker is in the middle. Generally, the price (rate) is the item of primary importance.

Of course, some aspects of freight brokering are usually never negotiable such as destinations, type of equipment needed, and temperatures for refrigerated loads – to mention several.

Then there are other items that may be subject to some negotiation – pallet exchanges, fuel surcharges, pick up and delivery times in some cases to mention a few.

But rates and fuel surcharges are the big items. Rates are subject to a number of factors such as shipper and carrier urgency and supply and demand. There may be other factors as well.

A new freight broker most likely may need to ask the shipper what they want to pay on a particular load. It's difficult for a new broker to dictate to the customer what he wants. But as the broker builds experience and knowledge, he may more often dictate what is wanted for particular loads.

Over time, if the broker performs well for the shipper, the broker may be able to negotiate better rates. With better rates from shippers a freight broker can meet his or her profit margin goals and at the same time offer the truck more money. There is nothing like having drivers or their dispatchers calling because they know they can expect a good paying rate.

In regard to negotiating destinations, the shipper will usually not rearrange shipping destinations just because that's what a driver wants. However, at times the driver will make destinations a "negotiating" point only in an attempt to get a better rate.

One of the keys for freight brokers (and anyone else in negotiations) is to understand where to “draw the line”. And in order to draw the line, the person needs to know what profit margins are needed. And in order to know what profit margins are needed, the person needs to know what his or her costs are.

There are business owners throughout the entire business community that are working at a loss because they don't know what their costs are, they don't know what kind of profit margins are needed and, therefore, they have a very unstable base for any effective type of negotiation. Needless to say, a business is headed for self destruction in these cases.

This entire area of financial analysis can get quite complex and yet it's very possible to break it down into workable units to enable even the least educated business owner to be able to perform like a well-seasoned financial expert.

The better a broker understands what he needs and the better he hones his negotiating skills, the more likely he will succeed. A good deal is a win-win-win situation for the shipper, for the motor carrier and for the broker.

Section 10 - Booking a Load with the Motor Carrier

Booking a load with a motor carrier is getting a load “covered”. When the freight broker finds a motor carrier who says they want the load, the broker begins the process by pre qualifying the motor carrier.

The first item is to make sure the truck is empty and nearby unless the delivery is for later in the day or for the next day.

Then a freight broker needs to check the motor carrier’s authority, insurance and driving record. The freight broker should have a written or mental checklist of important items before signing on a motor carrier.

If everything checks out and the broker is satisfied with the information, the broker may then fax his set up package which will include evidence of his authority, surety bond and so forth.

A broker will always want to have a well-prepared broker-carrier agreement that governs all aspects of the business relationship. The generic broker-carrier agreements on the Internet are so generic it’s doubtful they would stand the test of time.

A broker needs to have a fairly “air-tight” agreement in place. Nothing is 100% air tight when it comes to legal claims and assertions – but the agreement needs to be more than just a generic tool.

The last item a freight broker needs before dispatching a motor carrier for the pick up is a signed confirmation. The broker prepares a confirmation for each load, faxes it to the driver or the dispatcher and then waits not much longer than 10 minutes to get it back.

Once the freight broker receives the signed confirmation, he may call the truck driver directly and go over the details of the load. It's important to make sure there is a clear understanding of each load including the importance of communicating properly until the load is delivered.

Normally, the freight broker will require the truck driver to call in at least every morning to provide the driver's location and estimated time of arrival (ETA).

Section 11 - Freight Broker Software Resources

Regulations by the Federal Motor Carrier Safety Administration (FMCSA) of the Department of Transportation require each freight broker to have accounts so that the revenues and expenses relating to the brokerage portion of its business are segregated from other business transactions.

This usually involves using a general ledger software package which is used to record each financial transaction. Before an accounting system is set up, a chart of accounts needs to be developed to include assets, liabilities, capital structure, cost of sales, income and revenues, and operating expenses.

QuickBooksPro software is very popular and has immense power; yet, with that power comes a greater degree of complexity.

It might be best to have a sharp professional set up an accounting system if the broker is not highly experienced with accounting or general ledger software.

Broker (dispatch) software packages are available by various vendors. Beginning brokers, however, are not encouraged to invest a large sum of money immediately in broker software.

First, the broker will want to understand the details peculiar to the freight broker business to know what features are needed; and second, it's best to wait until the business justifies spending a large sum of money. Lower-priced dispatch software will usually run around \$2,000 at a minimum.

Nevertheless, a number of these software packages are good. They will allow the broker to build shipper and carrier databases; they will allow the broker to manage loads from the beginning point of taking the order to the final point of receiving payment from the shipper.

A freight broker can build a history of load activity by saving the details on each load. And confirmations can be generated with greater efficiency and accuracy than by doing it manually.

In regard to building shipper and carrier databases, as mentioned above, dedicated freight broker software will provide an integrated system of information and serve as a database for both shippers and carriers.

Otherwise, there are a number of off-the-shelf databases that can be purchased. It's essential to build a database of shippers and carriers regardless of which software method is chosen.

Section 12 - Accts Receivables, Accts Payables and the Filing System

Regulations by the Federal Motor Carrier Safety Administration (FMCSA) of the Department of Transportation (DOT) require each broker to have a record of each transaction (load) and these records shall be kept for a period of three years. Also, the broker's tax accountant will most likely encourage brokers to get their paper work organized, not only for the accountant's sake, but in case of an audit.

Probably the most compelling reason to get organized that will have the most immediate impact is to be able to respond immediately to any questions from shippers or carriers that a broker might have on a daily basis.

The paper flow will most likely go as follows:

After the carrier makes his delivery, he'll mail the invoice to the broker along with the related paper work such as the bill of lading, the weigh ticket, etc.

The broker upon receipt of these will enter the information into the accounting and load manager systems.

The broker then invoices the customer including copies of the bill of lading and so forth.

The accounts receivable and payable will need to be monitored just like each particular cargo load.

Each broker will have a carrier file and a shipper file.

Each file will have a copy of the paperwork related to each load. The carrier file, however, will also include the "permanent" papers stapled together such as the broker-carrier agreement, the certificate of insurance, their W-9 form, etc.

Section 13 - Developing a Written Business Plan

A business plan is a written description and plan of action. Business plans exist initially in the minds of the entrepreneur – but eventually should be expressed in written form.

There are three major elements to a business plan:

- **Narrative –**
This consists of a descriptive story of what the business is, how it will be managed and developed, where it will be located, who it will serve and so on.
- **Cash flow statements –**
These consist of anticipated financial activity and should be both monthly for the first year or two and at least annually for the first three to five years.
- **Exhibits –**
These may consist of any special studies, research or findings relevant to the business that support other information in the business plan.

It is important to consider –

WHY YOU NEED A WRITTEN BUSINESS PLAN

Here are some reasons. A written business plan –

- Will give you focus
- Will show whether the business is financially feasible
- Will show you what you need to continue the business
- Will show you how much it is costing you to run your business
- Will help you get financing for your business
- Will show you who your customers are
- Will show you who your competition is and how their customers can become your customers
- Will show you the demographics of your business area
- Will show you the best way to get new customers
- Will show you the possible problems you will face
- Will show you what everyone is hired is supposed to do
- Will show your areas of weakness and strength
- Will give inspiration to all who read it

Section 14 - Using Factors and Obtaining Financing

As in any business, managing cash flow is very important to say the least. Many businesses fail simply because of their inability to manage cash.

In the freight broker industry, it is important to pay motor carriers usually within 21 days. At the same time, the broker may need to wait 30 days or more to receive money from the shipper on any particular load. Needless to say, the broker needs a cushion of some sort. If the broker doesn't have a cushion many new brokers use factor companies who buy their accounts receivable for a per cent of the take.

Many factors are reluctant to work with new brokers simply for the reason that the factor will require a minimum volume each month which the broker may not be able to attain. Other factors, however, are happy to work with new brokers and do not impose any minimum volume. In the latter case here, the broker may expect to pay only 2-5% for each load – which is a good way to get the broker on his feet.

Other financing options may include regular bank term loans, a line of credit or even credit cards.

One sure way to fail when seeking bank financing is to be unprepared and ill-equipped. The business owner in these cases usually relies upon the banker for information. Not a good idea.

The business owner needs to lead the banker with well-prepared plans that display confidence and knowledge. Banks will want to see a written business plan plus the related cash flow projections.

Section 15 - Filing Claims and Other Legal Matters

If and when you should have the misfortune of experiencing damaged or missing cargo which requires filing a claim against the motor carrier, it is the shipper's responsibility to file claims. The broker, however, should stand ready to assist the shipper. Most shippers should be knowledgeable about the claim process; however, some may look to the freight broker for assistance. In this case, the broker is obligated to at least provide the proper name and address of the carrier to the shipper.

Normally, a freight broker is not liable for cargo damage or missing pieces. Unless, of course, the broker is negligent in following certain practices. At least one expert in the industry asserts the fact that brokers may very well be liable for damaged or missing cargo. He then goes on to state that "Liability is created when incorrect transportation operations are undertaken in day to day operations".

This would seem to imply that if "correct" operations are undertaken there is no liability created or possibly there is less likelihood for becoming liable.

If proper care is taken to ensure that motor carriers are pre qualified and if proper operating procedures are established and followed - these most likely will go a long way in keeping the freight broker from incurring a lot of unwanted litigation.

Section 16 - Establishing Good Creditworthiness

Paying truckers on a timely basis is critical – a top priority. This is one of few businesses where one wants to pay vendors quicker rather than later. The time line for paying motor carriers is usually within 21 days on average.

A broker's payment history goes on record. Once a broker starts getting customers and paying motor carriers, a payment history begins. This information is public knowledge and motor carriers will check out the broker's credit worthiness. If there is little history available, the carrier may refuse to work with a particular broker.

Advance payments in the form of “com” checks or C.O.D.s (cash on delivery) are usually difficult for a new freight broker to use. But as the broker learns to use good cash flow management, making advance payments or C.O.D.s will help a broker establish creditworthiness.

Section 17 - Telephone, Communications and Start up Necessities

The start up requirements for a freight broker are relatively simple and inexpensive. The start up needs may include the following:

A good computer – preferably high-speed cable or DSL
Telephone – preferably at least two lines
A good long distance telephone service
A good fax machine maybe with a spare for a backup
A file cabinet – and you are in business!

It may be helpful to have a toll free number but it's not entirely necessary. Toll free services are very affordable as compared to years ago.

Section 18 - Resources

- Transportation Intermediaries Association (TIA)

“TIA is a unique network of the leading third party logistics professionals (freight brokers) active in the industry today.

- Small Business Development Centers - SBDCs
Office of Entrepreneurial Development
United States Small Business Administration

SBDCs offer one-stop assistance to individuals and small businesses from various branch locations. For any topic related to small business start-up, numerous training and counseling services are available.

SBDCs are usually connected with community colleges.

Section 19 - How Much Money Can You Realistically Make?

You can make some very good money as a freight broker – but it won't happen overnight. As with any service-oriented business, it will take time to get established. How much time? It depends.

It depends on a number of variables such as: will you have help, will you operate out of your home or an office, are you willing to work weekends, can you be prepared to manage and monitor loads 24/7/365, can you manage cash flow, can you put a deal together, are you assertive, are you detail oriented, can you work in a fast-paced environment, can you multi-task, do you have capital to carry you until you get established, can you work the phones effectively, do you have goals and specific strategies, are you determined, can you push frustration aside and keep plugging away - and so on and so forth – and last but not the least – do you know all the detailed, step-by-step procedures required to operate successfully over the long haul.

If you can answer yes to a good number of these variables, you are on your way to success.

Now, having said that, what about the income potential? You can realistically expect to get between 10-15% profit on each load. This is after you pay the truck. Some loads will yield less than 10% and some more than 15%.

For example, if your shipper is paying you \$1,500 for a load, you might begin by figuring a profit to yourself of between \$150 and \$225. (You would then offer the truck between \$1,350 and \$1,275).

Now if you make an average of \$150 per load, the question remains: how many loads can you do consistently every week? Starting out you should be conservative depending upon your situation. So you might think in terms of 1-4 loads per week. This would yield a weekly income (before operating expenses) of between \$150 and \$600.

Nothing to set the world on fire – but, hey, it's a start. Some brokers will fare better in the first year, some will fare worse.

Now let's say you are in your second or third year. And your average profit per load is \$175 and you are now moving more loads. Let's say you are moving between 7-12 loads per week. This would yield a weekly income (before operating expenses) of between \$1,225 and \$2,100. Or \$63,700 to \$109,200 for the year.

Remember - these are just examples. The figures are hypothetical and are of no indication of how you might do yourself.

These scenarios represent your gross profit after paying the truck. The gross profit then represents what income is available for your operating expenses such as telephone, insurance, office supplies, loading boards, salaries, etc. – and YOUR salary will most likely be the biggest operating expense.

One of the nice things about starting a freight brokering business is the fact that your overhead expenses are relatively low. By overhead, I mean those expenses other than payments to your motor carriers.

So even if you spend time getting established, you are not overwhelmed with heavy, monthly overhead expenses. And your fixed expenses are relatively few and low.

Most of your expenses are variable – they vary with your income. That is, when your income is low such as just starting out, most of your expenses are low. As you income increases, most of these variable expenses will increase as well - however, your fixed expenses remain the same and this is when your profits start to mushroom.

Now let's look at your start up expenses. Then again, these are relatively low.

Required:

- Motor carrier number - \$300
- Surety bond - \$550 - 950 (minimum)
- BOC-3 - \$35-\$40
- UCR registration – a relatively recent requirement

If you need the following, they will run extra:

- Computer
- Fax machine
- File cabinet
- Misc.

So, there you have it. You have just read an excellent Introduction to Freight Brokering. Thank you for your interest and if you have a friend or family member who would benefit from this information, please feel free to pass this eBook on to them.

And remember

The freight broker business is a REAL opportunity and once you get established, your income is almost unlimited. But first, you need to get properly trained ...

WAIT! – Order the following eBook NOW and save \$5 off the regular price. **The Best of “John Thomas on Freight Brokering”** – The Best Blog Posts of the Year – Vol. 1

Grab this eBook now! It is jam-packed with nearly 100 insightful, practical and useful blog posts covering topics such as starting a freight broker business, freight broker training, freight broker marketing strategies, freight broker tools of the trade, getting your freight broker authority, freight broker financing, plus much more.

Click here now for this one-time offer:

http://atexfrei.ipower.com/JohnThomasBlog07_2.html

About the author: "Introduction to Freight Brokering"

John D. Thomas, is President, CPA and sole owner of Atex Freight Broker Training, Inc. He has over 25 years' experience working with small business start ups. Currently he provides comprehensive, one-on-one, practical step-by-step ***freight broker training over the telephone and Internet***. This training is based upon his actual, previous freight broker company. Training begins with applications for the broker authority and continues with all the nuts and bolts of brokering.

His website can be viewed at www.atexfreightbrokertraining.com and he can be reached by email at info@atexfreightbrokertraining.com or you may call us at 1-888-526-ATEX (2839).

To learn more about What John Does and What Does John Offer, go to: <http://atexfrei.ipower.com/inanutshell.shtml>

Here you will find a complete list of services including costs.

You may also view John's blog titled "John Thomas on Freight Brokering" at: <http://www.freightbrokeringblog.com>