

An Open Letter To Those Wishing To Work As A Freight Broker Or Freight Broker Agent

Hardly a day goes by that we don't receive a phone call from someone wanting to know more about our services and how to become a freight broker or freight broker agent. That's fine, as a matter of fact we encourage that as we feel those considering working in this industry should have the facts before making that decision.

The reason for this open letter is that with nearly every call we receive, we find that the caller has been given bad or misguided information about working as a freight broker or freight broker agent. This bad information has normally been provided by a freight broker school in an attempt to lure the caller to attend their school. This has reached the point to where we felt the record needed to be set straight on several issues, and thus this letter.

First you should understand that TALTOA is a transportation and logistics training & consulting firm, not a school. We only accept clients that are wishing to work as a freight broker (obtaining their own authority, bond, BOC-3, and UCR) or to work as a freight broker agent (contracted to a freight broker working under their authority). Although one is the broker the other an agent the two still have one glaring similarity... they are both their own independent business. There is not an employee/employer relationship.

As such that is why our Packages are "consulting". It is not our intent to fill up a room with 20 people, teach them how to be a broker, and say good luck... next 20. All of our consulting packages begin with a Workshop for the individual or company and their staff. If you have ever spoken to us about working as a freight broker or freight broker agent, you've heard us say that it doesn't matter if someone has 20 years experience or no experience, all should attend the training Workshop designed for the package chosen.

Although much emphasis is placed on training, as well it should be, the real jewel of our packages is the consulting following the workshop. This is when you are working as a freight broker or freight broker agent and have questions and/or situations arise in which you need assistance. As this occurs, you are able to pick up the phone and call your assigned consultant to obtain the assistance needed. In addition, all of our consulting clients have the ability to use our eWorkshop Plus during their consulting period for review and further study.

In short, our concern as a consultant is for our clients success! Not how many paid tuitions we can sell. It's very obvious to us as well, from the daily calls we receive, that those interested in learning the business have listened to a lot of "sales pitches" from those interested in only one thing, getting your money!

One of the questions we are always asked is "How come you are so much cheaper?" The reason you'll find many of our packages more affordable is that we want you to succeed as a broker or agent. If you are successful we believe that you'll return to us for more of our services or products in the future. For

example; marketing, web site, staff training, agent training, and/or extended consulting periods to name a few. For us, your success is our success!

Now here are some common misconceptions we hear on a daily basis concerning the facts of working as a freight broker or freight broker agent;

1) Freight Broker Certification

Freight Broker Certifications are only provided by schools. To work as a freight broker or freight broker agent one does not get certified. If one is going to be a freight broker (not a freight broker agent) they must obtain their Authority, BOC-3, UCR, and \$10,000 bond. This can be done on your own however we recommend a process agent to perform this service for you in order to save you time, the peace of mind knowing that the paperwork was filed correctly, and you are indeed legal.

2) You Can Use A Factoring Company, So Capital Isn't A Requirement

To be honest, this is the reason for our Open Letter (straw that broke the camel's back). We received a call yesterday from a potential client and it was stated that he was told that he could use a factoring company for cash flow so capital wasn't a huge concern. This is so wrong in many ways, and for a "school" to be stating this, it's obvious their only interest is sales, not the client.

A factoring company should never be used by a freight broker! If you are unsure of what a factoring company is or does, in a nutshell they buy your unpaid invoices, pay you a percentage immediately, then pay you the balance, minus commissions and fees, when your customer pays the invoice.

Now on the surface this sounds like a good idea, but in reality you are basically out of business before you begin. A broker will net, on average, 15% of the total invoice (some a bit more some a bit less). Most factoring companies will advance you 85% of the invoice, with the balance paid after the invoice is paid. If you are using a factoring company to create cash flow the only one reaping the benefits is the trucking company, as they'll be paid faster. You on the other hand have only been advanced enough to maybe pay the carrier. You are still waiting for your money as it will not be paid until the invoice is paid by the shipper. However, even if you are able to wait for your money from the factoring company, you'll find that out of your 15% you may only see 10% or less after the fees and commissions are subtracted.

Lets put this into perspective, you have a shipper that you move a load for once per week at a rate of \$2,000.00. Subtracting your 15% (your money) you pay a truck \$1,700.00 to move the

load. You have been factoring this shipper/load over the course of a year. Let's look at how much money you lost by using a factoring company;

Total Freight From Shipper: \$2,000.00 x 52 weeks = \$104,000.00

Total Paid To Trucks: \$1,700.00 x 52= \$88,400.00

Total Income for broker before factoring: \$15,600.00

Total Paid by broker for Factoring Company Services: \$5,200.00

Total Income for broker AFTER factoring: \$10,400.00

This example is using one customer & one load. However if you are using a factoring company, you don't factor a load, you factor a customer. That basically means that if you factor one customer, you have to factor ALL loads from that customer.

If you are moving 3 loads a week for the customer above, using the numbers provided in the example, now the cost for factoring has gone from \$5,200.00 per year to \$15,600.00 per year! The kicker is that you are still waiting until the shipper pays the invoice to the factoring company to get the balance of your money. In addition, it's taken more time for you to get your money as the money owed you is first going to the factoring company, then to you.

There are many reasons why a broker should NOT use a factoring company than just this example, but you should be able to see why factoring is not a good idea for a freight broker. For a school or training organization to recommend factoring as a means of financing is, in our opinion, very irresponsible and only being recommended as a sales tool to get you to attend their school.

3) When Will I Take My Test So That I Can Start Brokering?

First there is no "Official Test" to work as either a freight broker or freight broker agent. The only tests are those given for review purposes by the school or training organizations. The fact is that one does not have to attend any school, pass any test, receive any type of a certificate to work as a freight broker or freight broker agent. Additionally, one can obtain their own authority to work as a freight broker without any previous transportation industry experience. One may also work as a freight broker agent without any training or experience as well. However, in both instances it is highly recommended that you do have the knowledge before moving forward.

As with any business though, it must be built. As you move loads you will earn money. Same as it would be if you had a brick and mortar store selling widgets, you have to have customers in order to be successful.

We've had clients that were making as much as \$1,000.00 a week in 30 days and we've had clients that quit the business in 30 days. This past summer we did a study as to why some clients succeeded while others failed when both were taught the same material, had the same access to consulting, and had the same access to the review material. We found that those whom succeeded were more ambitious, worked harder, and did all of the little things which the others did not. All in all discipline was the biggest difference between those who succeed and those who failed.

The only one that can insure success in this business, or any other, is you.

We hope that this has helped you to learn the facts, as you make your decision as to work as a freight broker or freight broker agent. Being a freight broker or freight broker agent can be a rewarding career personally and financially.

Thanks for your time and if you have any questions please feel free to call us.

TALTOA

www.taltoa.com

800.582.4167