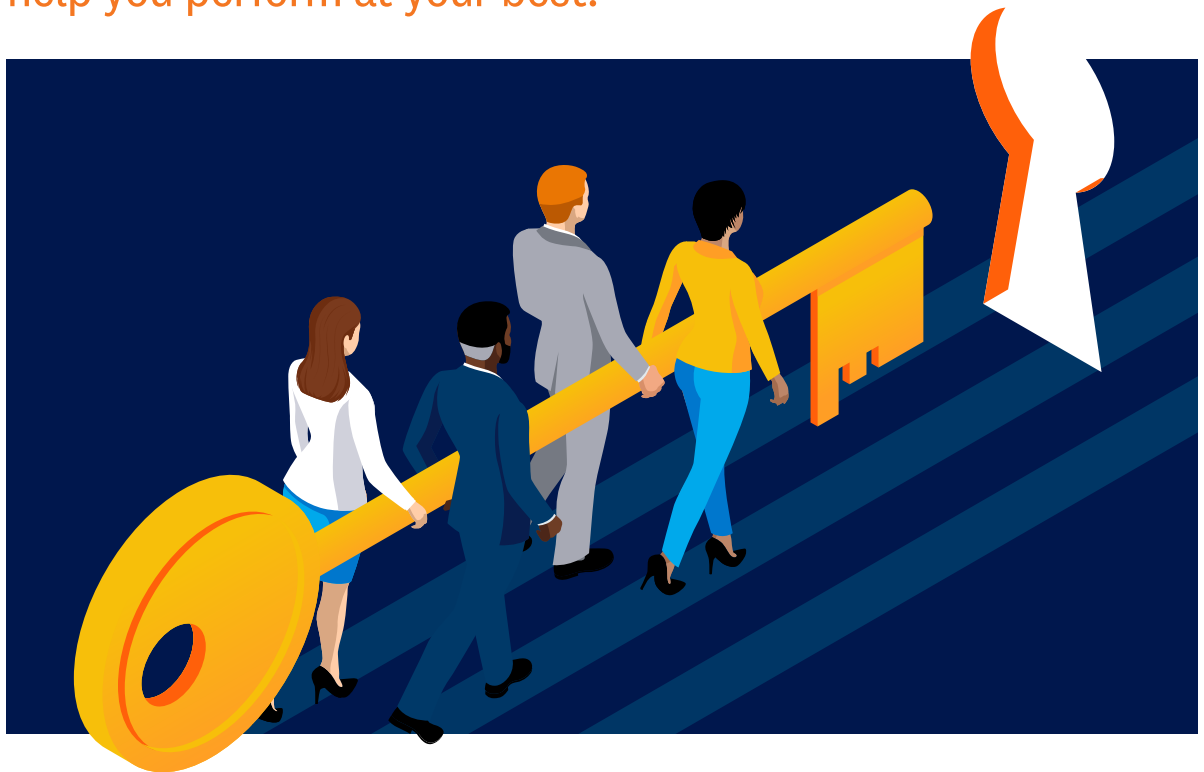


# 6 KEYS TO FINDING THE RIGHT FIRM

Building value for your clients and your practice means identifying the structure, environment, and firm that will help you perform at your best.



Choosing to move your business to a new firm—and deciding where to go—is a significant undertaking. It requires careful evaluation of your needs, preferences, client roster, growth plans, and available opportunities. With new business models in the mix, options are more varied than ever. You could move to an independent broker-dealer and still operate as an employee advisor. You could be an entrepreneur and have a whole team of experts running your daily operations in a supported independence model. You could run your own RIA and get all the benefits of a broker-dealer relationship in a Hybrid RIA model.

If you're considering a move, you're facing a vast sea of possibility. This guide can serve as a map to help you navigate your options and ask the right questions as you compare firms.



Percentage of advisors who reported an increase in AUM since switching firms<sup>1</sup>

### Weighing your options

How do you know if a change in firms is likely to result in the positive benefits you anticipate? One option is to talk to other financial advisors who have recently made a change and ask them about their experiences. Another is to review data compiled through industry surveys that captures the experiences and feedback of financial advisors who are thinking about or have recently made a change.

A recent industry survey asked financial advisors who had changed firms within the past three years what influenced their decision. The top three movers were:

- Greater compensation/better payout/better compensation structure
- Better opportunity to grow book of business
- Better account servicing capabilities/better client service infrastructure<sup>1</sup>

The same study concluded that among advisors changing firms within the past three years, 83% did, in fact, experience an increase in AUM as a result of their move and that 96% are happy with their decision to move.<sup>1</sup> Among the cited benefits of moving are:

- Greater confidence in future success
- Greater job satisfaction
- More control over future
- Ability to realize vision for business
- Significant personal growth<sup>1</sup>

If those benefits sound appealing, you'll need to assess potential firms to find the one that can best deliver results for you. Considerations like payouts, technology solutions, and investment platforms should weigh in your decision, as well as factors like culture and philosophy. Here are the top six factors to help you make a decision.

1: Fidelity: "The Five Stages of the Advisor Movement Journey," 2021



# 1 PHILOSOPHY & CULTURE

Whether you're starting or moving your own independent practice, seeking to join an existing RIA or broker-dealer branch office (OSJ), or joining a firm as an employee, it's critical that the organization is a good cultural and philosophical fit for you.

Begin by carefully considering the firm's philosophy and mission statement. Do they reflect your beliefs? Are they aligned with how you want to conduct business? Do they employ a similar approach to meeting client needs? For example, a strong sales- or transaction-based culture may create a conflict of interest if your approach to meeting client needs emphasizes financial planning or fee-based asset management.

Take the time to speak with recruiters and review each firm's website, marketing materials, and social media presence. Next, reach out to advisors affiliated with the firms you're considering to solicit both positive and negative feedback about their experiences with the firm. Start with the advisors you're acquainted with through networking groups or professional associations.

No matter how attractive the payouts, technology, or other bells and whistles may appear, a poor cultural fit can lead to frustration down the road.



## QUESTIONS TO ASK

- What is your mission statement and value proposition?
- How will you add value to my practice and clients?
- Which practice types are the best fit for your firm?
- Do my clients remain mine or do they become the firm's?



# 2 STABILITY

Broker-dealers are shuttering across the financial services industry. The total number of FINRA-registered broker-dealers fell from 3,835 in 2016 to 3,435 in 2020.<sup>2</sup> With each of those 400 closings came significant disruption to the businesses of affiliated advisors. To avoid the same fate, it's important to thoroughly review the financial standing of each firm you're considering. Look to ensure the firm has the stability to weather industry changes as well as capacity to invest in the business.

Smaller, boutique-style broker-dealers may prove attractive based on your needs and preferences. Just be sure to consider the downstream potential for such firms to become acquisition targets, as well as their fiscal capacity to provide the technology, marketing, and back-office support you need to serve your clients.



## QUESTIONS TO ASK

- How is the firm capitalized?
- Is the firm in a position to reinvest in the business? To what extent is this a priority?
- In the past three years, has the firm reduced or eliminated any advisor or client-facing services due to budget cuts? If so, what was eliminated or reduced, and how did the cutbacks impact advisors and their clients?
- What is the firm's growth strategy? Are there short- or long-term plans in place to merge with or acquire other firms?
- Is the firm a potential acquisition target?
- What has the firm done to adapt to regulatory changes over the past few years?

2: FINRA: "2021 FINRA Industry Snapshot," 2021



## 3 OPEN ARCHITECTURE

There are many important factors causing advisors to pursue a new broker-dealer. More than two-thirds of advisors cite “Ability to build financial value in an independent business” (74%) and “Desire for greater independence” (69%) as moderate to major factors in switching firms.<sup>3</sup>

Open architecture isn’t limited to a firm’s investment platform. It also extends to your practice model, as well as marketing and branding considerations. While many advisors prefer to establish and run their own autonomous business, others prefer to focus their time and effort on working with clients and building their book of business. The practice model you choose— independent, wirehouse, bank, credit union or insurance-affiliated registered representative, or RIA or Hybrid RIA—will play a role in dictating which broker-dealer is right for you.

<sup>3</sup>: Cerulli Associates, in partnership with the Investments & Wealth Institute and the Financial Planning Association® (FPA®)

### ? QUESTIONS TO ASK

- What’s your payout structure for commission business and fee-based business?
- Can I manage assets under my own RIA?
- Do you offer proprietary products? If so, do you impose sales quotas or minimums?
- Will I have access to the full universe of investment products and services, including exchange-traded funds (ETFs) and alternative investments?
- Can I construct my own model portfolios?
- Will I have the flexibility to customize my fee and/or commission schedule based on account types, services offered, or types of products offered?
- Do you offer an integrated platform for fee- and commission-based services?
- Can your platform accommodate a change in my practice model at a later date?



## 4 PRACTICE GROWTH

How do you want your practice to evolve? Where do you envision your practice in five years? Ten years? To ensure you get the most out of discussions with the firms you interview, be clear about your practice goals. The more information you can provide about your current practice and your ideal practice, the more consultants at the firms you're considering can help you understand if a particular model is right for you or if that firm has the resources to support your growth goals.

If you're seeking to grow exponentially over a short period of time, merger and acquisition assistance may be important to you. You may want to look for a firm that offers capital loans to advisors looking to acquire new books, or one with the ability to pair current advisors with buyers and sellers, and the power to recruit both potential buyers and sellers for the transaction. If you prefer to grow your business organically, the level of marketing resources and support may be critical in helping you reach your goals. The extent to which digital marketing tools, including social media and mobile apps, are supported can be key differentiators between firms. For financial advisors seeking to retire in the next five to 10 years, a broad succession planning program, offering a range of options from assistance in locating and hiring a successor to the ability to sell your book of business to another practice or financial institution, may be paramount.

No matter what your growth goals may be, if the level of training, business support, practice growth, and marketing support services available to you are critical differentiators, you'll want to compare and contrast practice management offerings. Don't overlook the day-to-day business and specialized support services available to you. It's a valuable use of your time to determine if qualified resources are available to assist with your high-net-worth client engagements, corporate retirement plan business, trust services, financial planning, insurance services, or other specialized areas to help unlock additional revenue streams. The quality of these services can play a significant role in determining how much time you spend developing new business and client relationships. The less Home Office support, the less time you have to spend on client acquisition and retention strategies.

### ? QUESTIONS TO ASK

- Do you provide practice management support?
- What kinds of training programs are available to me and my staff?
- What type of specialized business support services do you offer?
- Can you help me develop a unique brand, website, and marketing strategy?
- What's your social media policy? Can you help me develop a social media strategy?
- Can you assist me in growing my practice through acquisition?
- Can you help me establish a business continuity and succession plan?



## 5 OPERATIONS

Full-service firms provide a broad range of services from account administration and advisory oversight to custodian and clearing services. In choosing a broker-dealer or custodian, RIA firms and fee-based advisors must first determine whether they're seeking an "active" or "passive" relationship.

Advisors seeking a broker-dealer to participate in advisory oversight seek an active relationship where a range of front- and back-office responsibilities are shared. In this arrangement, the custodian's role is very visible to the client and may include advisory oversight and investment advice.

In a "passive" custodial relationship, the RIA firm or advisor manages front-office advisory responsibilities and maintains a back-office relationship with the custodian. A passive custodian serves as an extension of your back office, handling any transactions you can't, providing or extending your technology capabilities, and serving as a resource for account administration and reporting.

Scale is an important consideration when evaluating a broker-dealer or custodian. Whether or not a firm's platform is fully integrated and utilized across the scope of the enterprise can play a critical role in enhancing advisor productivity. Seamless integration helps to ensure you benefit from cost-effective, streamlined technology and operations capabilities.

Ask the firms you're considering for a demonstration of their technology offering before you make a decision. This ensures everything including email, CRM, trading and reporting tools, and other operational platforms are seamlessly integrated, responsive to your needs, and easy to use. The firm you choose should offer strong automated solutions for improving efficiency and ensuring accuracy to enable you to focus on client relationships and practice growth.

### ? QUESTIONS TO ASK

- Do you offer self-clearing, or do you outsource clearing services?
- Are your operations, trading, and technology platforms fully integrated?
- How does your platform enable me to work more efficiently and cost-effectively?
- Do you offer web-based technology?
- Is investing in technology a priority for the firm?



## 6 TRANSITION PLANNING

Taking the time to get to know and understand the full capabilities of a firm's transition team and resources before you make a final decision is critical. How willing a firm is to work with you and engage in careful, thorough, and methodical planning tailored to your specific needs before your transition provides a glimpse into how effectively they'll serve your needs post-transition.

Having a dedicated and experienced transition team, using a streamlined and efficient approach to gathering client records, and preparing accounts for repapering not only minimizes or eliminates disruptions to your business. It enables you to focus on what you do best throughout the transition process: serve client needs and attract new business.

It's smart to retain legal counsel to walk you through agreements, contracts, and filing requirements. Most firms can refer you to attorneys who've helped other advisors transition.



### QUESTIONS TO ASK

- Do you offer a dedicated team of transition specialists to support me throughout the transition process?
- Can you provide a copy of your documented transition process, including your approach to repapering accounts?
- How many practices similar in size and scope to mine have you transitioned in the past two years?
- How will you help me with client communications?

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## MAKING YOUR NEXT MOVE

Whether you're looking for increased flexibility and payouts, the ability to better control expenses, an opportunity to broaden your service offering and grow your client base—or a combination of these—your next move should offer the potential to achieve both the short- and long-term goals you've established for your practice.

Similar to the approach you take in helping your clients move closer to their goals, the more time and attention you invest in planning and due diligence, the more likely it is that you'll achieve the positive outcome you seek. Careful evaluation of your options, coupled with an apples-to-apples comparison of firms, will help point you in the direction of the best firm and transition experience for you and your clients.

### **Learn more**

For more information or to download additional guides to transition planning, practice management, and more, visit [joinlpl.com](https://joinlpl.com).



### About LPL Financial

LPL Financial (Nasdaq: LPLA) was founded on the principle that the firm should work for the advisor, and not the other way around. Today, LPL is a leader in the markets we serve,\* supporting nearly 20,000 financial advisors, and approximately 800 institution-based investment programs and 500 independent RIA firms nationwide. We are steadfast in our commitment to the advisor-centered model and the belief that Americans deserve access to personalized guidance from a financial advisor. At LPL, independence means that advisors have the freedom they deserve to choose the business model, services, and technology resources that allow them to run their perfect practice. And they have the freedom to manage their client relationships, because they know their clients best. Simply put, we take care of our advisors, so they can take care of their clients.

We're 100% committed to your success. Give us a call today at (888) 250-2420 and put our capabilities to the test.

\*Top RIA custodian (Cerulli Associates, 2020 U.S. RIA Marketplace Report); No. 1 Independent Broker-Dealer in the U.S (Based on total revenues, *Financial Planning* magazine 1996-2021); No. 1 provider of third-party brokerage services to banks and credit unions (2020-2021 Kehler Bielan Research & Consulting Annual TPM Report); Fortune 500 Company as of June 2021. LPL and its affiliated companies provide financial services only from the United States.