



Independence:

Are You Looking to Make a Move?

Editor's note: I had the pleasure recently of speaking with [Jimmy Lee](#), Managing Partner of Strategic Wealth Associates, about the topic of independence and what advisors should consider before making the leap. Here is an abbreviated version of our conversation:

LeBlanc: What are the top three fears or concerns that advisors have preventing them from going independent?

Lee: First, running a business. Most successful advisors are great at being just that, advisors to their clients but many have not had much experience having to deal with payroll for staff, signing leases with landlords, paying bills, etc. For some who do not want to deal with this and aren't set up with the infrastructure to handle running a business, it weighs heavy on their ability to acquire and service clients.

Next, moving their client base. For large practices that have marketed under a name corporate brand, they are concerned about losing clients that want to remain with the name brand.

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And third, losing revenue during the transition. If advisors do not handle transferring their book of business properly they can lose revenue, so it's important to have the transition carefully planned out.

LeBlanc: For those advisors who are already independent, and are not happy at their current firm, what keeps them from leaving?

Lee: When an advisor is already independent, they may not want to make another change since a big reason to go independent is for the opportunity to earn a higher payout. Better technology or support might not be enough without the bump on payout.

LeBlanc: Why would an advisor consider a hybrid business model? And how easy is it to transition to it?

Lee: The hybrid business model (in our case, for example) is the best of both worlds, meaning independence with the support of not having the headaches of going it alone. An RIA/BD hybrid model is not for everyone but has certainly attracted a lot of attention from advisors. The advantage would be to create more value with their own RIA which may have a higher multiple on revenues vs.

assets under management within a broker/dealer's corporate RIA. As the regulators work out how they are going to supervise our industry, the cost and administration of running a hybrid business model will change.

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Advisors need to do their due diligence and make sure they are with a firm that can handle the heavy lifting or have the ability to do it themselves.

LeBlanc: What kind of support does an independent advisor need to help grow their business (either AUM fee-based or commission-based)?

Lee: As an advisor's business grows, life gets more complicated. Practice management becomes more important and developing the skill set to manage their business becomes a premium. With that said, most advisors I talk to still have issues developing enough new clients that are on target with their ►

ideal profile. How does an advisor create additional revenue but create more balance in their personal lives? That is where I see the most support needed.

LeBlanc: Do successful independent advisors need any advanced training or coaching?

Lee: Absolutely. Everyone needs coaching regardless of how much money one makes or their position of authority. Successful advisors are self-motivated but most also seek coaching. In sports, the most famous athletes all had coaches/mentors throughout their careers.

LeBlanc: When an advisor is comfortable doing their due diligence on a new B/D, what would be the three things that MUST be on their list?

Lee: Three things are important:

- 1.** Business model—Is the B/D the right fit for the business model they have or want to have?
- 2.** Scale—Many smaller B/Ds have gone away in some cases because of issues concerning products that were sold by advisors that went bad. While the flexibility of a small B/D that will allow an advisor to have an out-of-the-box business model sounds appealing for some, one must ask what the risks may be when the lack of size becomes a real issue. The cost of running a B/D have gone up and the margins continue to get squeezed so having the scale to make it through tough times is important for an advisor to consider when choosing a B/D.

3. Support—Will the B/D that one goes with give them the support they are really looking for? They all sound great when talking with recruiters, but once you are onboard, what real support is there? The support should be for areas an advisor needs help with, such as building a fee-based business or providing a holistic planning approach for clients that includes advanced markets or insurance.

LeBlanc: Can an advisor really have the best of both worlds in this business?

Lee: Yes. Like Strategic Wealth Associates, whose broker-dealer is New England Securities, Inc. (a broker-dealer that is part of the MetLife, Inc brand), there are firms that provide the benefits of going “independent” such as offering higher payouts, etc., but with the full support of a name brand, like MetLife.

LeBlanc: If an advisor wanted to have his/her cake and eat it too, what would that mean to his/her business?

Lee: When we say ‘have your cake and eat it too,’ our firm, for example, gives our advisors the opportunity for independence but also the full support of a local branch with Class A office space, a full-time advanced sales attorney on staff, a financial planning department run by a CFP, etc. Our hope is to allow our advisors to focus on ►

their clients' needs and continue to grow by building teams and marketing while leaving the heavy lifting to us.

LeBlanc: What is the best advice you could give a successful advisor who wants to change firms, or go independent? What is the best advice you would give a rookie wirehouse advisor wanting to make a change?

Lee: Do your research and due diligence. Talk to other advisors at the B/D or firm they are considering moving to. Rookie wirehouse advisors have had less experience with independent business models so the best approach is to get a referral from someone they trust who knows the business.

LeBlanc: Thank you, Jimmy, for sharing your insights with us today.

Jimmy Lee is the Managing Partner of Strategic Wealth Associates, a wealth management and financial services firm with offices in Arizona, California, Nevada, New Mexico and Texas. Jimmy is happy to answer any questions RIA Central members may have, and can be reached at 702-492-3800 or jimmy@wealthcg.com Or visit their website: www.swadvisor.com.

