Choosing the best broker/dealer or custodian to drive your practice forward can be challenging. It requires time and thoughtful consideration. There are many issues to consider and a number of pitfalls to avoid. However, there’s a way to approach this critical decision in a careful and informed manner—one that promises you the best opportunity for success.

This guide will help you weigh the Six Key Considerations for Evaluating Firms and ask the right questions as you compare and contrast firms in order to help you make the best possible choice for your practice and your clients.

**Weighing Your Options**

Any major change in life or business requires careful evaluation. It’s not enough to simply hope for the best. How do you know if a change in firms is likely to result in the positive benefits you anticipate? There are a number of ways to help determine the answers you seek. One way is to talk to other financial advisors who have recently made a change and ask them about their experiences. Another method 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.

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A recent industry survey asked financial advisors what they believed to be the most positive aspects of changing firms. Study participants ranked the following as most important:

- Ability to better serve their clients
- Opportunity to increase their business
- Change in compensation model

The same study concluded that among advisors changing firms within the past five years, 60% did, in fact, experience an increase in revenue as a result of their move, with the majority reporting increases of 25% or more. In addition, 59% realized the revenue increase within the first 12 months of the move. A majority of respondents (52%) have also had a positive change in referrals as a result of their move, with either the number or quality increasing.

While every financial advisor’s experience will be different, simply making a move can’t guarantee the results you seek. Careful due diligence can get you closer to the goals you’ve set for both yourself and your practice. Considerations like higher payouts, technology solutions, and investment platforms should weigh heavily in your decision; however, other factors, like culture and philosophy, will also play a significant role.

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![Bar chart showing the most positive aspects of changing firms.

What do you believe to be the most positive aspects of changing firms?

- Better ability to serve clients: 39%
- Opportunity to increase business: 38%
- Change in compensation model: 37%
- More up-to-date technology: 29%
- Opportunity to work for a better firm: 29%
- More autonomy: 25%
- Opportunity to receive more referrals: 22%
- More compliance flexibility: 17%
- Opportunity to work for a better manager: 15%
- Other: 5%
- Do not see any positive aspects to changing: 19%

SIX KEY CONSIDERATIONS FOR EVALUATING FIRMS

1 PHILOSOPHY AND CULTURE

Whether you’re starting your own independent practice, seeking to join an existing RIA or broker/dealer branch office (OSJ), or affiliate with a bank or credit union, 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.

**Philosophy and Culture | 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

In a recent address, Federal Reserve Bank of Boston President Eric Rosengren said that broker/dealers played a dramatic role during the financial crisis. Noting the dependence of certain firms on unstable, short-term funding, he said, “Broker/dealers can experience significant funding problems during times of financial stress and, unfortunately, that potential for problems has not been fully addressed since the crisis.”

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3 Eric S. Rosengren, President and Chief Executive Officer, Conference on the Risks of Wholesale Funding, New York, NY, August 13, 2014.
Rosengren’s remarks point to the importance of thoroughly reviewing the financial standing of each firm you’re considering to determine their financial stability, as well as their ability to continue to invest in the business. Following the financial crisis, many broker/dealer and wirehouse firms affiliated with investment banks saw both advisors and their clients flock to independent models due to a host of issues tied to financial stability, including tarnished firm and/or parent company reputations. Therefore, it’s important to weigh both qualitative and quantitative considerations in assessing a firm’s strength and stability.

Smaller, boutique-style broker/dealers may prove attractive based on your needs and preferences. However, as the industry continues to consolidate, it’s important to consider the downstream potential for smaller firms as acquisition targets. In addition, many smaller firms may not offer the level of technology resources you require or have the capital to reinvest in critical operations, technology, or marketing resources.

Financial stability is equally important for enabling broker/dealers to reinvest in their business, and subsequently yours, through investments in technology, marketing, back-office operations, and other areas that directly impact your productivity.

**Stability | 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?

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3 OPEN ARCHITECTURE

There are many important factors causing advisors to pursue a new broker/dealer. More than two-thirds of advisors indicate that they would prefer the independent broker/dealer, RIA, or dually registered models if they decided to leave their current firms. A key factor is the flexibility and autonomy inherent in the independent channel with regard to portfolio construction, operational flexibility, fee structure, and technology. The economics can also be appealing to advisors, as payouts are higher and advisors become responsible for their own overhead decisions.4

Independent broker/dealers compete under a variety of strategies. Scale-orientated independent broker/dealers, like LPL Financial, the nation’s largest independent broker/dealer5, seek to grow the number of advisors and compete for platform supremacy while also lowering costs as fixed expenses are spread across a wider base of advisors. Their size allows better negotiation, especially with asset managers. As the largest broker/dealer in the space, LPL is an example of an independent broker/dealer that has used scale to its advantage.4

4 The Cerulli Report, Advisor Metrics 2014: Capitalizing on Transitions and Consolidation
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.

Open Architecture | 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?

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 5 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.

**Practice Growth | 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?

**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.

**Operations | 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?
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.

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.

**Transition Planning | 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?

**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.

For more information or to download additional guides to transition planning, practice management, and more, visit joinlpl.com.
However you envision the future of your practice or program, our comprehensive support and broad range of innovative business models can help you build and grow your business, your way. We understand that independence doesn’t have one single meaning. Whatever lens you view your independence through, we’re here to support and provide clarity to that vision. Here are just a few ways how:

- Become an RIA or Hybrid RIA and access our fully integrated platform and custodian services to address the varied needs of your clients
- Join an existing practice, bank, or credit union for established infrastructure, inferred credibility, structured support, and access to new referral sources
- Offer a suite of insurance solutions through our full-service, in-house insurance agency
- Specialize in retirement plans and leverage tools and resources built by retirement plan advisors, for retirement plan advisors
- Bring your team or build one—we offer customized clearing, advisory platforms, and technology solutions to help create efficiencies and scalability within your practice

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

About LPL Financial

LPL Financial, a wholly owned subsidiary of LPL Financial Holdings Inc. (NASDAQ: LPLA), is the nation’s largest independent broker/dealer (based on total revenues, Financial Planning magazine, June 1996–2015), a top RIA custodian,* and a leading independent consultant to retirement plans. LPL Financial offers proprietary technology, comprehensive clearing and compliance services, practice management programs and training, and independent research to over 13,700 financial advisors and approximately 700 financial institutions. In addition, LPL Financial supports approximately 4,500 financial advisors licensed with insurance companies by providing customized clearing, advisory platforms, and technology solutions. LPL Financial and its affiliates have approximately 3,200 employees—with primary offices in Boston, Charlotte, and San Diego.