

## THE POWER OF INDEPENDENCE

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There is hardly a financial advisor at a brokerage firm who has not been intrigued by the idea of becoming more independent. The freedom in decision making, the pride of building one's own business, and the higher income potential of an independent advisor are all powerful motivators.

A successful transition to independence means taking an entrepreneurial leap. What's more, the choice to become independent is described by advisors who have gone through the process as the most important decision they have made in their careers. As the number of advisors choosing independence continues to rise, custodians and broker/dealers have established programs to make their transition as seamless as possible.

### Two main paths

According to research by **ECHELON Partners**, a consultant and investment banking firm for financial professionals, about 5% of the 55,000 brokers at the five major wirehouses depart each year. About one in four of those who leave go independent; the rest move into management, retire, join another wirehouse, or switch to another profession.

"As the wirehouses go through a period of change and turmoil, their financial advisors may be challenged to defend their firms' reputations," says Steve O'Neill, Senior Sales Manager for TD AMERITRADE Institutional. "Many advisors now realize they can do more for their clients, and for themselves, under their own name."

The advisors who choose independence tend to take one of two paths: complete independence as a Registered Investment Advisor (RIA), or affiliation as a dually Registered Representative with an independent broker/dealer firm. Echelon CEO **Daniel Seivert** says that advisor who are ready to leave should first decide which route is best for their desired work/life balance and earnings potential. There are two main choices:

*Create your own fully independent RIA.* This is the most entrepreneurial path, and potentially the most rewarding financially. Here the advisors will have complete independence and manage assets on a fee-only basis. You will be responsible for all of your firm's decisions, staffing, and overhead, but in return you will get to keep the greatest percentage of your annual revenues, as well as potentially reap the highest value from your business.

*File for dual registration.* Dually registered or "hybrid" advisors are those who are registered as an RIA with the SEC or a state regulator and as a registered representative with a broker/dealer. The hybrid model comprises a large segment of the advisory market. It offers a number of outsourcing options for the advisor, including portfolio accounting, client relationship management, research, and compliance.

"Even though an advisor may have his or her own RIA firm, the broker/dealer is responsible for supervising outside business," says O'Neill. "The percentage of fee-based business and the level of assets the advisor manages may determine which model works best. The hybrid model works well if the amount you pay your broker/ dealer is worth the value you receive."

Whatever choice is made, the independent advisor can be up and running in relatively short order. Custodians like TD AMERITRADE Institutional can provide help with almost every aspect of the RIA's business, from technology and products to service, education, and access to third-party resources. "These days, the custodians have assembled everything you need to run your business," says Seivert. "But it's not like starting other businesses, where you have to put together everything from scratch. It isn't as hard as you might think."

## The financial rewards

Choosing the right path should be the result of a thorough analysis of your business and your expectations. TD AMERITRADE can help an advisor look at the advantages and disadvantages of the various models and the benefits that each one offers.

"Most advisors have lots of questions about the choices they have to make once they decide to pursue independence," says O'Neill. "We have created a well defined roadmap to assist advisors to transition smoothly to an independent business model."

The potential income gains for independent advisors can be significant. (See chart, above.) According to a recent survey by Moss Adams LLP, the typical broker keeps about 40 cents of every dollar he generates for the wirehouse in fees and commissions. By switching to the independent model, his take-home margin can go up considerably, to about 60 cents of every dollar he generates.\*

Like any new business, you will, of course, have initial startup costs. But remember that your payoff will come as more of your fees fall to your own bottom line. You'll also benefit directly from the growth of your own business. Advisors usually find that the new revenues they bring in lead to higher profit margins.

Going independent means you are creating equity in your own business—something a broker can rarely do as an employee inside a wirehouse. "The irony is that advisors work diligently to help their clients with major liquidity events, yet they often don't take the time to manage and optimize their own business," says Seivert.

You owe it to yourself to examine the benefits of going independent. For more information, please contact a Transition Specialist at 1-800-444-6100 or visit [www.goindependent.com](http://www.goindependent.com)

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## ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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