

Going Independent? Cover Your Bases

By Kirk Hulett and Gregg Johnson



So you're thinking of going independent? Or maybe you've already made your decision. No doubt you're doing your homework and getting clear on all of the issues involved in making the move.

Here's a typical scenario of someone who's made the transition. Scott Swander, president of Securities America affiliate Swander and Associates in Little Rock, AR, was a successful broker with one of the major wirehouses. He enjoyed his time and received good training there, but realized that if he wanted to grow, manage and build value in his own business, he would have to leave the employee business model and embrace a more independent, entrepreneurial model.

"I knew that I wanted to run my own business and provide my clients with comprehensive solutions," Swander said. "Once I knew I wanted to go out on my own, it was a matter of deciding whether to become an independent RIA or to affiliate with a broker/dealer. In the end, I decided that going with an independent broker/dealer was right for me. Then it was a matter of which one – and even that's not necessarily an easy task in and of itself."

Selecting the Right Broker/Dealer

Swander wanted a broker/dealer that was large enough to provide first-rate services and support, but he didn't want to become just a number on their rep list. He wanted the freedom to own and operate his business, but did not want to "go it alone." Ultimately, Swander chose Securities America. "I liked the array of practice management programs and felt they offered advanced technology, compliance and wealth management solutions. It was the right mix of solutions and corporate culture for me."

Business structure is, of course, just one issue that drives a decision to go independent. It's also a lifestyle question. As an independent advisor, Swander knew that he would be able to structure his own hours and build the business to fit his own planning philosophy and style. The employee model at the wirehouse would not fulfill his entrepreneurial desires. Instead of fleeing from that situation – which is something we see all too often as we consult with advisors who are considering a change – Swander made a plan and began moving toward an identified goal. In short, he was not just running away from something; he had a real desire to become independent and build his own business.

Planning for Change

Perhaps the most important question you can ask yourself when contemplating such a move is, "Who does my client do business with?" Do they do business with you? Or do they do business with the organizational

name on the door. When clients know that they are doing business with you — the advisor — then you have more certainty that they will make the change with you when the time is right. On the other hand, if your clients do business with the organizational name on the door, you've got some preparatory work to do before you even start thinking about what kind of change you want to make.

If you are thinking about going independent, it's critical that your client relationships are solid. You may need to take three to six months to reconnect, re-engage and solidify your relationships by scheduling face-to-face meetings with your A and B clients. In addition to building affinity, consider how you can remind them of the value you bring to the equation. Factor this preparatory time into your planning. When you go, you want to be sure that your clients go with you.

In Swander's case, it was very clear that the clients were doing business with him; he had always been deliberate about building relationships with clients. "My approach to business development and retention was to be out and about, meeting with clients and prospects. But the company always questioned why I wasn't spending more time in the office," said Swander. "For me, being a financial advisor isn't about sitting at my desk and making phone calls. It's not about volume or numbers on a spreadsheet; it's about helping people and building relationships that stand the test of time. Face time is the best way to connect with people and reinforce the fact that they are being well served — especially in times like these."

The other major question to ask when considering a change is, "What am I giving up that I'm going to miss?" If you've been sharing an office with 35 advisors

and your new plan as an independent advisor is an office with you and two support staff, maybe it will be the social interaction and peer network that you'll most miss. How can you replace that social / peer network? You could join the [Financial Planning Association](#) (FPA) or another trade association such as the [National Association of Insurance and Financial Advisors](#) (NAIFA) and participate in local and national forums, or become active in a business networking group such as [Business Networking International](#) (BNI) or the [National Association of Women Business Owners](#) (NAWBO). You might want to identify a civic organization that you could join such as [Rotary Club](#) or [Kiwanis](#). All of these could provide a sense of community to replace the one you will be leaving.

On the other hand, maybe what you'll miss most is having an IT department available to help with computer issues, or having someone else take care of signing the lease and supplying the furniture. These types of operational issues must be addressed early in your planning process.

If the move you're contemplating involves affiliating with an independent broker/dealer, you have options regarding how much of the operational management you undertake. By joining an existing branch office/OSJ, you could achieve independence in terms of how you work with clients and the investment solutions you're able to provide. At the same time, there would be an existing infrastructure to handle material details of leasing space, furnishing the office, selecting and managing phones and computers, and maintaining a supply of refreshments for client meetings. These are not insignificant advantages if you're someone who simply wants to focus on working with clients.



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For instance, William Glubiak, managing member and CEO of Cedar Brook Financial Partners LLC in Cleveland, OH, offers first-class office space and built-in amenities such as a fully functioning staff and collaborative team environment (www.cedarbrookfinancial.com). “With more than 60 professionals overseeing in excess of \$2 billion of client assets, the advisors at Cedar Brook represent the best elements of other financial planning models — combining them in a highly collaborative environment that encourages our professionals to exchange ideas and best practices with each other for the betterment of their individual practices and all Cedar Brook clients,” Glubiak said. “When we founded Cedar Brook in 2005, we set out to create a firm that embodied our passion for helping people achieve their financial goals. That includes the advisors themselves and their clients. I think we’ve achieved that goal.”

Glubiak and his team must be doing something right; they were the #1 Branch with Securities America in 2008. “Some advisors do better in a branch environment where many of the cumbersome business details are handled for them and they are then able to focus on their clients. The advisors at Cedar Brook enjoy the company of their peers, have access to virtually all the services (e.g., a planning department, insurance brokerage, an investment department, group benefits, an on-site compliance officer, etc.) needed to bring a high value proposition to their clients, all while enjoying the benefits of independence.”

For Scott Swander, joining a branch office wasn’t an option, as Securities America didn’t have a Little Rock branch at the time he went independent. That’s changed, however, since Swander became a Securities America OSJ and now has four other advisors in his

branch. He started modestly, handling all of the paperwork himself — a chore he didn’t mind. One of the “benefits” of his wirehouse days was having to share a sales assistant with four or five other advisors. He quickly learned how to handle all of the client account work so that he didn’t have to rely on the overworked assistant, a self-reliance skill he still calls up from time to time today.

Change Management

Whatever path you decide to take when making the change, this type of transition is an exercise in change management. The first thing you need is a clear vision of your end point, and you must communicate that vision to all of the stakeholders in the move — including support

staff, professionals and clients. It’s important that staff members understand that the effort and skills required of them to function in the new environment will be worth it — and will benefit them in some way.

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Communication must be maintained throughout the entire process, to remind them of what the end game and benefits are and to ensure that at any given point, they know what has already changed, what’s going to change next and what isn’t changing. It’s also essential that they understand that transitions are inherently uncomfortable. These transitions can also be painful and disruptive and there is a natural mourning process that accompanies them. They’re leaving something they were used to and comfortable with.

It helps to mark the transition as a clear break from the past. It might be simply taking down signage or moving to new real estate or having some sort of plaque dedication — something that memorializes the fact that things

are different now. It's also a good idea to mark milestones throughout the course of the transition.

This kind of change almost always results in increased stress, and having some kind of mentor or guide to offer support and perspective is essential. It might be your client advisory board, a third party recruiter, a transition consultant at your new broker/dealer or even a branch manager, if that's the route you are taking.

Communicating With Clients

Even if you are confident that your clients are comfortable with the change that you're making and you are sure that they will remain with you, there are certain tactical things that you can do to help them. Some advisors organize a signing party for their clients to take care of new paperwork. Others host an open house to announce the change. And still others do a series of one-on-one meetings with key clients to explain in detail the strategic reasons for the change.

With that sort of proactive outreach, they tee up the story of "here is the change and here's why it's good for the business and ultimately good for you, the client."

"I had made a practice of entertaining clients and spending time with them in a non-business environment," said Swander. "While the costs of hosting client events can add up, I have always seen it as a way of re-investing in the business. I know it served me well as I prepared myself and my clients for the transition."

Many advisors have found that they uncover dollars in transition that they didn't know were there. The familiar phrase from the client is, "Oh, I'm glad you invited me to your open house. By the way, I've been meaning to talk to you about (... fill in the blank ...) — that inheritance I got, that rollover I got, that bonus I got." Thus the advisor ends up actually seeing more assets flow in during the transition than he or she originally expected. Instead of being a time of fallow business, it can be a time of abundance, because the advisor is communicating with clients

around a very positive story.

Going independent is not for everyone, so be sure that your reasons for making the change are sound. If you are clear that you are moving toward something and not simply shying away from an unsatisfying situation, then you've probably got the foundation you need to make a successful transition to independence.

Take the Independent Quiz by [clicking here](#).

Good luck!



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