CHANGING FIRMS: 5 STEPS FOR A SMOOTH TRANSITION

INSIDE: When it comes to switching firms, advisors must plan their transition carefully. Here are five steps to help make sure your move is successful.

Look around: There's a good chance that one or more of your advisor colleagues is considering leaving your firm. They may be moving between wirehouse firms or from a captive environment to an independent firm. Or they may be planning to hang their shingle and launch their own RIA.

Such a move isn't uncommon: A recent survey of advisors by WealthManagement.com and LPL Financial reported that 7% of advisors said they will probably or definitely switch firms within two years.[1] The reasons for those moves vary: Some advisors want more flexibility in how they work with their clients, while others seek an opportunity to increase business and change their compensation model.

WealthManagement.com hosted roundtable discussions with several successful advisors, as well as with consultants and industry experts who focus on helping advisors navigate the challenges of switching firms. Through hours of discussions, one point was clear: If given the chance to do it over, advisors would put more effort into planning their transitions. "The advice I would give is to be more prepared," said Paul Sippil, founder of Paul D. Sippil & Associates, a fee-only planning firm in Chicago. "Just be ready for the transition and don't go into it blind."

If you're considering changing firms, consider these five steps to prepare yourself for the move—and to help ensure a smooth transition.

"The advice I would give is to be more prepared [for your transition]."

— Paul Sippil, Paul D. Sippil & Associates

LPL Financial

STEP 1: ASK YOURSELF WHY

Before pulling the trigger on a move to a new firm, consider your reasons for that move. Start by asking yourself why you want to transition away from your current practice, and carefully weigh the advantages and disadvantages of such a move.

Advisors who are trading one firm for another—for example, moving from one wirehouse firm to another—should research how the new company is different from your current employer. For instance, you may be tempted by a larger paycheck, but make sure you truly understand what else is involved in the change. Does the new firm have a more flexible investment policy, or more back-office support for its advisors? Will it give you more latitude to market your practice or bring in new business? Or perhaps the compensation structure is more lucrative at the new firm.

Advisors moving from a captive environment to an independent firm or RIA cite several benefits for such a transition. Going independent gives advisors the latitude to build and run a practice that may better reflect their own personal values. That often includes choosing clients that are the best fit, and deciding how best to serve those clients—without worrying about selling certain investments or relying on commission-based revenue. An independent firm also may offer an advisor more financial benefits, including higher potential earnings and opportunities for ownership stakes and recurring streams of revenue.

That said, advisors also must consider challenges to independence. For starters, advisors typically have greater responsibilities, including oversight on such things as technology, compliance, marketing, investment management and due diligence. Launching a new firm may also leave you without an income for several months—while your practice gets up and running.

Are you at the right point in your career to make the switch? Breakaway advisors often say they wish they made the move to independence earlier. But many acknowledge that running a successful practice requires a deep level of expertise that younger advisors may not have. "I spent 10 years at a wirehouse, and I think that I needed that," said Jeremy Office, managing partner at Maclendon Wealth Management in Delray Beach, Florida. "I was very young when I came into the business, and there was no way that I could have handled the transition without that experience."

ONLINE TOOLS

Advisors considering a transition can access a wealth of information online. Here are a few places to look:

LPL Financial
www.joinlpl.com

This site offers support and education for transitioning advisors, or advisors simply learning about the transition process. Case studies and white papers delve into topics ranging from building a successful social media presence to the power of building your own brand. The site also outlines the support LPL offers to advisors making the leap to a new firm.

Alliance for Registered Investment Advisors
www.allianceforrias.com

This think tank comprises several leading names in the RIA industry. The goal: to help other advisors grow their businesses and make the transition to the RIA model. The site offers a wide range of case studies and white papers covering subjects such as how to determine your ideal model and how to identify high-value clients.

MarketCounsel
www.marketcounsel.com

MarketCounsel offers legal and compliance help to advisors, including consulting assistance to advisors who are moving into the RIA world. The site walks readers through some critical regulatory issues prospective registered investment advisors need to consider before making the transition.

STEP 2: MAP OUT YOUR GOALS

It may be tempting to make the move first and worry about the details later. But like a good financial plan, the success of your transition depends on setting clear goals and drawing up plans to meet those goals.

Start by considering goals for your new practice. Some may be personal. For instance, do you want your new practice to let you spend more time with family? Or do you want the ability to take extended vacations without day-to-day management issues keeping you tethered to a laptop or tablet? Keeping these goals in mind will help as you determine not only where you want to go, but also what you need for that new practice to achieve.

Also consider practice management-related goals, including:

- **The type of practice you choose.** Some advisors may want to remain in the wirehouse environment, while others may seek a more independent arrangement. Each model has its own set of opportunities and challenges, and the right choice will depend in large part on your personal preferences. For example, if you are looking for an entrepreneurial challenge and want to spend the bulk of your time working with clients one-on-one, you may find that an RIA is a good fit. Working with an independent broker/dealer offers a high level of support with flexibility. Talk to colleagues, peers and industry experts to learn more about the various practice models, and consider which one may best fit your goals.
- **The types of clients you want to serve.** Is your entire book of business appropriate for your new firm, or do you want to focus your efforts on certain types of clients? This is a challenge every advisor must contend with during the transition process. Several years ago, Jeremy Office left a wirehouse practice with $240 million in assets and more than 80 clients. When he transitioned to a new firm, he asked just 18 of those clients to join him. "I knew that 60% to 70% of my previous clients weren't going to be right for my model," he said.

NEED HELP? JUST ASK LPL.

LPL's transition specialists can guide advisors through the ins and outs of the transition process

For many advisors, the transition process can be challenging. Whether they're moving from one large firm to another, or to a new startup firm, advisors can always benefit from a helping hand. Here's how LPL Financial can make a difference:

A dedicated team: LPL offers transitioning advisors access to its team of experts—including specialists in retirement planning, insurance, hybrid practices, and banking and credit union relationships. These experts have helped thousands of clients through the transition process.

A personal touch: Each advisor works with a single point of contact at LPL. This personal integration manager helps the advisor develop a timeline for the transition, as well as provide training and resources to help navigate the transition process. These experts have an average of 15 to 20 years of industry experience to ensure they can help advisors through even the most complex transition issues.

The right model for the job: LPL offers customizable solutions, including a fully integrated RIA platform that combines fee-based and commission-based capabilities. And as an advisor's needs change, a universal custody platform can grow alongside the practice. What's more, LPL recently created RIA Compliance ADVantage, a turnkey solution providing comprehensive compliance services and RIA support.

STEP 3: DO YOUR HOMEWORK

Education is a key part of any smooth transition. A move to a new practice may mean dealing with a range of new rules, from investment policies to how you can interact with clients. And advisors moving to an independent firm or RIA may need to explore unfamiliar subjects such as managing compliance or setting up back-office technology systems.

Your new firm will likely offer access to tools and training that can help prepare you for the transition. For instance, you may be able to take a crash course in different technology systems popular in the financial services industry, from customer relationship management software to specialized portfolio management tools. Your new firm may also provide you with sample marketing materials that you can customize to publicize your new practice.

Advisors who have made the move can be great sources of information. Each advisor has a list of mistakes to avoid—and smart moves to make.

Advisors also can access a trove of material online, including sites about technology for the financial services industry and reports about everything from back-office systems to smart hiring practices. (For a selection of online resources, see "Online Tools", page 2.) And don't forget face-to-face communication. Advisors who have made the move—whether from wirehouse to wirehouse, from independent to RIA, or another combination—can be great sources of information. Each advisor has a list of mistakes to avoid—and smart moves to make—during the transition process.

Finally, look to your new firm for help: Many firms offer financial assistance to help cover start-up costs—a major concern among advisors considering switching firms. Many firms also make experienced transition teams available to offer one-on-one support for advisors. These teams can be very valuable during the process of moving firms. "The support team that came from the RIA was a saving grace," said Gerald Denney, an advisor with Piedmont Wealth Management, an LPL-affiliated firm in Charlottesville, Virginia. "I was on the phone for hours the weekend of my move, talking to people on the transition team, getting the pieces of data I needed to get things moving very quickly. That support was invaluable."

STEP 4: MANAGE YOUR PAPERWORK

Making the move likely means managing a considerable amount of documentation—from regulatory filings to rental agreements. Keeping all of this administrative paperwork straight is critical for a smooth transition.

First, make sure you understand your current employer's rules. Review your agreements from your existing employer—including non-solicitation documents, non-compete clauses and financial penalties that might be triggered if you leave the firm. Also consider what documents you'll need once you transition away from your firm. For instance, you'll likely want client contact information and notes you've taken about your planning relationship with each client. Before taking these documents, however, check that doing so won't expose you to legal liability. Meet with your personal attorney to review your employment documents. Doing so can help determine which materials you are allowed to keep—and potentially keep you safe from any legal issues that arise once you leave your old firm.

Also consider how you will maintain critical documents—from client files to compliance paperwork—at your new firm. Will your new firm have systems in place, or will you have to create document-handling infrastructure? Ask trusted peers, consultants and other industry experts for advice on systems you can use to make sure those important documents are kept safely and securely.

STEP 5: ALERT YOUR CLIENTS

Advisors need to consider their clients when making a transition. Some may be very willing to follow you to your new firm, while others may want more information—including why you're making the move and what it means for them—before agreeing to stick with you.

Generally, you should wait to break the news to your clients until after you've resigned from your old firm, said John Furey, principal and founder of Advisor Growth Strategies, a consulting firm in Phoenix, Arizona. But he added that you can start laying the groundwork well before the transition begins. For instance, steer conversations during client meetings toward the solutions you have provided for your clients. "Savvy advisors can coach their clients along by talking about the value of the advisor's relationship with the client," he said.

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>
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Once you've left your old firm, carefully plan the conversations you'll have with your clients. For instance, if you leave a wirehouse firm for an independent practice, make sure you explain what those different models mean for clients. Clients may balk at a shift from commission-based fees to a fee-only structure if they don't understand what else is involved in the change in models. Take the time to discuss why this change brings more value to your clients.

And remember: Many clients likely don't have a deep understanding of the various practice models—nor do they need to know all the details. What is important, however, is that they understand what the change means for their relationship with you, and for the assets they've entrusted you with.

There's no one transition blueprint that will work for every advisor. Ultimately, the transition process that's right for you will depend on a number of factors, from your own needs and goals to the model you're moving to. But whether you are planning to shift between existing firms or are launching your own practice, the one constant is the necessity of planning your move. "There's no need to rush," says John Furey of Advisor Growth Strategies. "It's worth taking the time to fully vet all your options and take your time." ■

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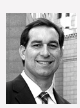

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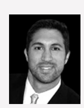

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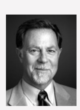

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YOUR PRACTICE, YOUR WAY

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 are 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 are 100% committed to your success. Give us a call today and put our capabilities to the test.

[1] "Transitioning Firms: Strategies, Benefits and Drawbacks Experienced by Advisors," WealthManagement.com/LPL Financial. February 2014.

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 1996–2014), a top RIA custodian,* and an 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 13,800 financial advisors and approximately 720 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 3,300 employees—with primary offices in Boston, Charlotte and San Diego.

For more information about LPL, please contact an LPL Financial representative at (888) 250-2420 or www.joinlpl.com.

* Cerulli Associates: RIA Service Agent Survey Q1 2013