

What To Know Before You Switch

March 1, 2008

Registered Rep.

By Mindy Diamond

With the appetite for quality financial advisors richer today than it has ever been, it is definitely a buyer's market for you guys. So you better know what you're looking for in a brokerage house, and how to find out if a particular firm has got it. Here are 10 things every advisor should evaluate when deciding where to land his next gig:

- **The Money:** "It is always about the money," says Roger, an advisor who moved to a wirehouse from a regional at the end of 2007. Wirehouses offer 38- to 42-percent payouts, while a smaller full-service firm will pay closer to 50 percent. Meanwhile, upfront transition packages offered by national and regional firms are at an all-time high, often upwards of 150 percent of trailing 12-months production. Smaller b/ds cannot compete with these kinds of upfront deals. Instead, almost without exception, they offer accelerated payouts and an equity component.
- **The Icing, The Gravy:** Today, there is very little difference between the products, platforms and services offered by big firms and smaller quality b/ds or independents. Is there anything unique about a firm's capabilities? For instance, does it offer access to private equity deals or syndicate? Will you have access to a referral source? Can you inherit a book of business?
- **Brand:** Some advisors want a big well-known Wall Street name while others prefer to distance themselves from the recent (but fading) scandals associated with those names; others prefer to build their own brands.
- **Size Matters:** Are you tired of having to wade through layers of bureaucracy to get the ear of management? Do you feel you are unable to market and grow your business as you would like? Smaller b/ds are often at an advantage when it comes to your ability to play a real role in shaping the firm and your own practice.
- **Client First:** Even if the firm that you are looking at boasts "open architecture," you might still be pushed to sell proprietary products, or to send clients with small accounts to call centers. What about hidden fees? If you change firms, you must be able to do so with your clients' best interests in mind.

- **Equity:** Contractually speaking, wirehouses “own” their advisors’ books of business. That said, deferred compensation allows you to acquire stock and options in the company over a period of time. Smaller firms can get more creative about equity, offering partial ownership through an ESOP or other financial incentives tied to profitability.
- **Compliance:** More often than not the single greatest complaint from brokers working at larger firms is adhering to “Draconian compliance” measures. Smaller firms, responsible for fewer advisors, are sometimes better at streamlining compliance requirements. But larger firms may have more resources to help you comply with the rules.
- **Succession Planning:** What does the firm you are considering do to smooth transition into retirement? Does it offer some kind of formula for a buyout?
- **Ego Gratification:** This intangible can be the “wild card” when an advisor is deciding which firm to join. How does the firm treat its advisors? Is the payout punitive for lower producers? Are all brokers given access to top management?
- **Quality Of Life:** Have you achieved a balance between the personal and professional sides of your life? For a broker accustomed to working long hours, missing his children’s activities and simply waiting for a paycheck, a close-knit, family-oriented firm that gives its brokers a few breaks, but may not pay quite as much, could be just the change he needs.

After taking the time to really dig deep into what firms have to offer, you will be in a place to make an informed and well-educated decision as to where you should land.

About the Author: Mindy Diamond is the President and CEO of Diamond Consultants, a boutique executive search firm specializing exclusively in the placement of investment professionals and managers nationwide, which she founded in 1997. Nationally recognized as an authority on recruiting in the financial services field, Mindy works with the nation’s top brokerage firms and banks and consults with, trains, and coaches individuals and small and large groups on state-of-the art practices, with regard to recruiting top-quality investment professionals. For more information, go to www.diamondrecruiter.com.

Source: Mindy Diamond, “What to Know Before You Switch,” *Registered Rep.*, March 2008.