



Path to Independence – The Decision

This is the first of three articles.

The world is never going to be the same post Covid. There are many questions about how the world returns to some semblance of normality. Some of these unanswered questions relate to remote working. This has gone on long enough that habits have been formed. By definition, habits are a lot harder to break than a short-term change of routine.

It has not been easy for the wealth management industry, but in many cases, technology has shown us that most teams can work remotely, successfully and securely. It is clearly not as location dependent as some hands-on service industries. Will this taste of freedom lead to a mass exodus from the wirehouses? Or only if the wirehouses are stubborn in returning to a less flexible approach? Either way, there will be many advisors considering embarking upon the path to independence at this very moment.

A recent paper from Pershing and BNY Mellon states that only 41% of wirehouse advisors believe they will be working for their current firm in two years' time.¹

Independence is a hot topic in the industry and even the larger firms are staying nimble, offering various options for association, payout, transition packages and ownership of a book of business to remain competitive. However, what is true independence?

¹ In Support of Going Independent – BNY Mellon, Pershing. 2020

This is the first article in a series of three, a collaboration between Beacon Partners and Hillson Consulting, discussing the path to independence; quasi-independent platforms; and the support available to financial advisors who choose independence.

In its simplest terms, Independence versus Wirehouse boils down to Freedom versus Support.

Let's consider the turn-key infrastructure which surrounds an advisor at a wirehouse which is often hard to leave behind.

- *Product* – Clearly no lack of product available on the menu.
- *Support staff* – The budget is there to provide an abundance of support staff.
- *Research* – Whole buildings exist to provide recommendations and written collateral.
- *Infrastructure* – Everything from the building rent to ordering paper clips is taken care of.

Now the intangibles:

- *Team* – Being part of something bigger, the social aspect, the water cooler conversations.
- *Branding* – In some circles the wirehouse name still carries weight. In some, nowadays it is actually a hindrance.

On the flip side, here is what Freedom can look like.

- *Product* – Flexibility to provide what is best for your client. No in-house product forced and no cross-selling quotas.
- *Flexibility* – To hire whomever you want; to make your own schedule; to work wherever you wish; to pay yourself what you deem appropriate.
- *Identity and entrepreneurial mentality* – Your name above the door and a chance to tap into your inner entrepreneur.

Succession planning and business ownership are a big part of this decision-making process.

As an advisor working within a wirehouse, there are various options available when you are considering your succession planning. You may sell a portion of your book or the entire book to the wirehouse or perhaps to a fellow advisor. These can be attractive options which provide predictable paths to retirement and allow for a nice lump sum or mini cash-out.

On the flip side, an advisor who chooses full independence owns 100% of the book and there is no debate about whether the employer firm has any right to client ownership or claim over any of the assets.

Another consideration is the valuation multiple which is often higher for an unencumbered fully independent business. There is no doubt it is a riskier proposition for an advisor to attempt to sell their business or merge their business on the open market with no guaranteed acquirer or succession plan. The questions we must ask ourselves are:

- Is the potential reward worth the risk?
- Is it a risk you are willing to take?

We at Beacon Partners and Hillson Consulting understand this, having taken the entrepreneurial path ourselves and with it, all that entails, the good and the bad. Not everyone wants to embark upon the path of entrepreneur and business owner. Yes, moving a book of business from an established firm to a new self-owned entity is not the same risk as leaving a job to invent a new technology. But it still requires a certain mindset.

Many advisors have no inclination to leave the wirehouse environment. And it is not about the risk. They simply do not wish to be troubled by the business management elements of hiring, paying rent, choosing office space etc. They want to focus on what they do best – the client side of things. They are willing to pay a fee for the support infrastructure to enable them to do that and it works well. If it's not broken, don't fix it.

Owning your own business can be tough. Every entrepreneur has had sleepless nights in the early days waiting for a crucial wire to hit. That is not for everyone. **Know what you want and commit to it wholeheartedly!**

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*Hillson Consulting is a boutique investment consultancy founded by financial services entrepreneur Richard Hillson. The Company helps independent advisors enhance and improve their offerings and drive revenue through alternative investments. We empower you to differentiate from competitors through our three pillars approach: **education, access and bandwidth** support.*

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Beacon Partners understands the responsibilities and challenges that independent financial advisors face every day: managing your business, serving your clients, and building a successful and collaborative team. Through our highly disciplined approach, our team has the expertise to assess and analyze where your business is today and how best to move it forward. Our deep experience working with successful business leaders makes us uniquely qualified to support you through your journey.