



Path to Independence – The Independence Sliding Scale

This is the second of three articles.

In our [first article](#), we discussed the options a financial advisor may be faced with when deciding the path to independence. There are many considerations, and each decision is a personal one.

In this, our second article, we discuss what is next. When an advisor has chosen the path to independence, what additional considerations are they faced with and what do they mean?

At this point we wanted to address the option of *Tuck-Ins*, which is certainly a part of this conversation. Rather than duplicate effort here, it makes sense to reference a great article on this subject matter by Deborah Aronson of Diamond Consultants.¹

True Independence or Quasi-Independence

When an advisor establishes their own Registered Investment Advisor (RIA) firm and the necessary documents are then filed with the state or SEC, it is at that moment they are truly independent.

¹ <https://www.diamond-consultants.com/tuck-ins-independence-advisors-dont-want-independent/>

When an advisor chooses a national platform or “supposedly” independent broker-dealer (BD) which permits a DBA with their own name and cost center, is this true independence? Every week we speak with advisors who thought they were becoming independent, chose a master RIA/BD and now only have the handcuffs one notch looser than at the wirehouse.

Now, this is not to say that all national platforms are the same. Absolutely not! However, make very certain you know what you are getting. If quasi-independence is what you want, then that is fine, and we respect that. But if you want to be truly independent, you don’t need a half-step toward that.

To our point, stated in our [previous article](#), this still boils down to freedom versus support. It is simply now more of a sliding scale than wirehouse versus independent.

There are obvious questions that need to be asked relevant to hiring policies, payouts, compliance, etc. The Pershing and BNY Mellon report referenced in Article 1 dedicates a whole section as to what better information would an advisor have wanted before making the move. A surprising 29% of the respondents wanted more background information about the new firm.²

However, this article will focus on technology and investment platform accessibility, which may be the two biggest decisions for a financial advisor to consider.

Technology

Take a moment to envision your perfect technology package. What software do you currently use and what do you like about it? What can you not live without? These are important questions to help you consider which partnership will offer you the best technology, to deliver optimal support for your team and to create an engaging experience for your clients.

We encourage, as part of your due diligence to ask your potential broker-dealer specific questions related to their internal software as well as other integration that is allowed. Consider the following:

1. How robust is their back-office platform?
 - a. Operations, trading, compliance – anything too manual?
2. How efficient are the data feeds from outside companies (alternatives, mutual funds, etc.) integrated into their internal systems? Any limitations?
3. What third party software (think reporting, financial planning, or CRM) would be available to you? How well does their system feed the data to the software, preventing manual entry?

Investment Platform

Just as you have considered your technology, you must also consider the investment platform. There are often restrictions imposed, and certain investments may not be permitted.

Consider the following:

- How much autonomy will you have regarding the products you offer to clients?
- If this needs approval by an investment committee or similar, what is the process/chance of success/time to review?
- Will I be expected to recommend certain in-house/preferred product?

² In Support of Going Independent – BNY Mellon, Pershing. 2020



- What is the policy if a new client transfers product which is not approved?

Another factor which can be a deal breaker for some advisors is the subject of dual registration. Will this RIA offer you a home for your Series 7 or other broker-dealer licenses? Do they have a relationship with a BD who can offer this? Would you have to give up your BD licenses if they cannot accommodate them?

The difference between structure at some of these RIA platforms is huge so we cannot lump them into one category. A rare few give an enormous amount of flexibility to their advisors. Some, however, are akin to the wirehouse model. You cannot assume a platform which allows your own name above the door gives you full autonomy. Equally, you cannot assume a national platform will provide the level of support you need. Too many breakaway advisors make these mistakes.

This article is in no way meant to slight the wirehouses. Nor is it meant to take a jab at the national platform master RIA/BD. It is about really knowing what you want and then finding a firm which matches the blend of flexibility and support you need. Conversations are occurring each day, where an advisor is more restricted than they anticipated or receives less support than they need. Let's not make this a growing trend as more advisors explore their options.

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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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