

EVALUATING YOUR OPTIONS

Four factors that spur moves // Putting broker/dealers under the spotlight
Comparing services and support

CHANGE CAN BE THE FORERUNNER OF MEASURABLE PROGRESS

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If you have been thinking about changing your broker/dealer or the level of independence with which you operate your practice, you are not alone. In the wake of economic crises, 2008 and 2009 saw advisors changing firms and business models at the highest rates in recent memory. However, the movement didn't start with the meltdown. Advisors had been taking advantage of a growing variety of affiliation options within the industry and changing firms at higher rates than ever before for some time, according to a May 2006 article in *The Wall Street Journal*. And it's not difficult to figure out why.

Changing broker/dealer affiliation comes about either because firms are aggressively courting successful advisors (those with \$500,000 and higher in fees and commissions) – or advisors' ambitions compel them to seek new opportunities, such as moving to a firm with higher payouts, better research or product availability, or a new business model that allows for greater flexibility.

The motivation to leave one firm for another could be based on the knowledge that a strategic career move of this kind often precedes the most successful years in an advisor's career. The reason for this is open to speculation because advisors are as different as the firms with whom they are affiliated. Some may be spurred to greater success because they have access to higher-net-worth clients and better product availability to serve their audience, or because they have better planning tools, or perhaps a change of environment in itself motivates growth.

TRADING PLACES IS NOT UNCOMMON

No matter the reason, it is clear that advisors are frequently changing firms and have been for some time, in many cases moving from wirehouses to independent broker/dealers, or to broker/dealers that allow them to operate as independent registered investment advisors (RIAs). According to *On Wall Street* magazine, which regularly publishes accounts of such movement in its "Who's News" section, as many as 22 highly successful advisors make such a move every month. It's not unusual to read that a top advisor with one firm has moved to a similar firm, and you can be sure that the monetary incentives and the myriad reasons behind the transfer will be different in each instance.

Although there is regular movement within competing wirehouse and regional broker/dealers, increasing numbers of advisors are also migrating to banks, discounters, independent broker/dealers, insurance agencies and RIA firms. As a result, those still affiliating with national and regional broker/dealers now account for a diluted 28% of all registered representatives.¹

This increased movement toward independence over the last several years has largely been one-way. For example, Phillip Palaveev, a consultant with Moss Adams LLC, claims he never sees statistics showing that advisors leave their own independent firms to go back to the wirehouse.² Charles Schwab, Fidelity and TD Ameritrade reported that, since 2000, the assets they held for RIAs grew by nearly \$323 billion, or at a rate of almost 16% annually. By comparison, assets at the three largest employee-based wirehouses at the time, Merrill Lynch, Smith Barney and Morgan Stanley, grew by \$224 billion during the same period, at a rate of just 2% annual growth.³

¹"Converging Distribution Channels for Financial Services Products," Merrill Lynch, February 7, 2005.

²"One-Way Street to Independence," *Investment Advisor*, June 6, 2006.

³"Jumping Ship," *On Wall Street*, June 6, 2006.

FOUR FACTORS THAT SPUR CAREER MOVES

It seems reasonable – and anecdotal evidence supports this conclusion – that advisors who elect to change their broker/dealer affiliations leave what they regard as less-than-satisfactory career situations at their current firms to seek broker/dealer relationships that will increase both career success and job satisfaction. The motivating factors can usually be grouped into four primary categories: compensation, culture, challenge and control.

CULTURE

An advisor may be pursuing or want to pursue a niche market, targeting clients by lifestyle or investable assets, for example. These advisors need a firm that will support such an endeavor through sophisticated technology, marketing support or targeted services. Commonly, advisors may be dissatisfied with the effects of a broker/dealer merger or acquisition on the firm's culture. Often, a comfortable working environment turns into something less palatable as new management takes over and establishes new criteria for success. And some advisors leave wirehouses for independent broker/dealers or smaller regional firms because they prefer to have more control over their careers rather than being faceless numbers at huge firms. Such advisors are often quick to say they appreciate the increased attention they receive from senior management at these more advisor-oriented firms.

CONTROL

Some advisors may want more flexibility in the types of financial products they may offer to clients. Or may not want to be restricted to a certain geographic area. Or may feel that they deserve to own the relationships that have been built with clients, which means retaining control of their books of business. They may also be looking for more flexibility in establishing a brand for their practices that is independent from the brand of their firm.

COMPENSATION

Many advisors believe that their commissions or fees fail to meet their expectations due to deficiencies in the work environment – elements that are beyond their control, yet exert a negative impact upon their compensation. These advisors may feel that their firm, team, or supervisor is not supportive enough, thus limiting their full earning potential. In many cases, advisors leave their current firms in pursuit of higher payout, front money, signing bonuses, improved employee benefits or other forms of compensation. In some cases, advisors may choose to sell their books of business to the firm they are joining as part of their personal succession or retirement plan. However, monetary compensation and factors related to it are not necessarily the deciding factors. Several other, less quantifiable, aspects of the work can influence an advisor to make a change.

CHALLENGE

Some advisors – certainly, not all – want to take on the responsibility of running their own businesses, which means handling all their own administrative and managerial tasks, choosing office space, selecting office furniture and carpet color. Only firms that facilitate truly independent advisor affiliations will typically allow this. On the other hand, some advisors may want and need more time to spend with clients one-on-one, yet their current work environments – such as some firms' insistence on pushing certain products – seriously impair such efforts. More, or less, independence may be the answer to such challenges. It is always an individual choice.

Before initiating research involved in a potential move, you should dedicate some time to evaluating your unique professional goals. This process may result in a much clearer picture of what you see as vital for your future and will likely identify the factors that are most important in any decision to undertake a career move. In addition, at the end of this process, it may become much easier for you to determine which type of firm and/or affiliation is most suitable.

NOTHING VENTURED, NOTHING GAINED

The act of changing broker/dealer affiliation involves risk. Consider it a fact that pervades the world of finance—there are no guarantees. Advisors considering a move freely admit to feeling some overwhelming emotions, including fear, disappointment and frustration with their existing firms – or the guilt that may come with jumping to what the advisor believes is a better ship, but leaving friends and colleagues behind.

But there also may be a sense of excitement and hope because there are many good options and opportunities available. The occupation of advisor was rated the third best job in America by *Money* magazine, taking into account such factors as growth, pay and stress levels.⁴ New and growing opportunities seem without limit. In the “Exploring Your Options” section that follows, you will find that we have done much of the preliminary research to help guide you through your decision about a career move. The information provided is designed to help you evaluate the opportunities available to advisors, so you can measure them against your career goals. Options and choices may at times seem overwhelming, but with careful research and planning, switching firms can allow you “to take advantage of an industry that can, and will, provide advisors with opportunities to capitalize on a lifetime of hard work.”⁵

⁴ “Best Jobs in America,” *Money*, May 1, 2006.

⁵ “Don’t Be Afraid To Go For It,” *Registered Rep.*, June 1, 2005.

EXPLORING YOUR OPTIONS

The world of broker/dealers can no longer be seen as monolithic, if it ever was. In the 21st century, this is an industry that is constantly growing and changing. Individual firms are trying to keep up with the industry, with each other, and with what clients expect of advisors by offering additional and varied affiliation options. There have always been some nuances between companies and among different options within the same firm, but it can be said with some certainty that the varying levels of support and independence that exist now are causing the lines between traditional broker/dealer types to blur.

BANK

Many more traditional broker/dealers are establishing banking subsidiaries as part of their overall business platform. Additionally, institutions such as Bank of America and Wells Fargo have become comparable to large wirehouse or regional broker/dealers in terms of sales force size. Not only are these banks “hiring more brokers than ever to build assets,” they have incorporated payout structures similar to those of wirehouses and other large broker/dealers.⁶ For some frustrated wirehouse advisors, working in banks, with more leads and less competition, has proven to be a breath of fresh air. Although bank brokers have previously been considered the amateurs of the industry, it’s a stereotype that no longer holds any validity. Currently, there are 61,000 advisors working in banks. That number is rising and is quickly catching up to the 76,000 existing wirehouse advisors.⁷ Banks have definitely become a legitimate choice on the advisor horizon.

Examples: Bank of America, Raymond James Financial Services – Financial Institutions Division, RBC Dain Rauscher, Wells Fargo.

WIREHOUSE

Wirehouses, the large firms typically with headquarters on Wall Street, are characterized by their expansive retail advisor networks and comprehensive investment banking services. Advisors working for these firms are considered employees, and they receive a strong level

of firm support. But even these powerhouses of the brokerage industry are working hard to keep up with the changing times. Wachovia Securities, for example, the second-largest firm in the industry as measured by sales force size, now offers a variety of ways for advisors to set up their practices, including a sole proprietorship model.

Examples: Merrill Lynch, Morgan Stanley Smith Barney, UBS and Wells Fargo.

SUPERREGIONAL/REGIONAL

Superregional and regional firms traditionally operate much like wirehouses, but maintain their headquarters outside of New York. Regional firms vary in size and are characterized by a retail sales force that is often heavily focused in one region of the country. Regional firms that have developed a broader scope with advisors located nationally are classified as superregionals. Similar to Wachovia, some regional firms have been quick to integrate independent and/or banking platforms within the firm. For example, Raymond James Financial, in St. Petersburg, FL, has developed five affiliation options ranging from traditional employee to independent registered investment advisor (RIA). In fact, as of 2005, Raymond James Financial Services, an independent arm of Raymond James, was rated second highest in terms of total revenues among all independent broker/dealers.⁸

Examples: Edward Jones, Raymond James & Associates and Legg Mason.

⁶ “Taking It To The Bank,” *Registered Rep.*, August 1, 2002.

⁷ “It’s in the Bank,” *Registered Rep.*, October 1, 2005, quoting a Tiburon Strategic Advisors report.

⁸ “Behind the Numbers,” *Financial Planning*, June 1, 2006.

INDEPENDENTS

Independent broker/dealers range widely in size and type. Every year, more and more advisors join the world of the independent; many come from wirehouses. In fact, 1,500 wirehouse-employed advisors become independent every year, either joining an independent broker/dealer or establishing their own.⁹ Definitions of independence vary. For some advisors, independence means becoming an independent contractor and affiliating with an independent firm, like LPL. For others, it may mean becoming an RIA who can either affiliate with a brokerage firm or remain completely independent, using broker/dealers for clearing purposes only. Discount firms, like Charles Schwab, have targeted RIAs, trying to woo them by offering several levels of support for this platform. Additionally, there are advisors who choose to take a completely individual approach, starting up their own independent firm or funds, and/or becoming primarily asset managers or fund managers. Advisors who make the decision to go independent are part of a rapidly growing trend. In the last six years, “the number of independent advisors has surged 41%.”¹⁰

Examples of Independent Broker/Dealers: Raymond James Financial Services, AXA Advisors, LPL Financial, Ameriprise Financial, Commonwealth

Examples of Discount Broker/Dealers: Charles Schwab, Fidelity, TD Ameritrade, Raymond James Financial Services

INSURANCE

Although they have typically opted not to add bank lending and insured deposit services, many life insurance companies – particularly the larger ones – “have either acquired or developed independent broker/dealer networks to market investment and insurance products.” More than half of career insurance agents now utilize this channel to expand their offerings beyond the traditional platform of insurance, annuities and benefits to offer a more complete range of investment alternatives and services. These individuals – the majority of whom are independent contractors – comprise roughly one-third of the registered representative population.¹¹

Examples: MetLife, AAL Capital Management (Thrivent), Janney Montgomery Scott (Pennsylvania Mutual Life), Advest (AXA)

⁹ “More advisors jumping into RIA channel,” *InvestmentNews.com*, May 8, 2006.

¹⁰ “Outside the Wirehouse,” *On Wall Street*, June 2005.

¹¹ “Converging Distribution Channels for Financial Services Products,” Merrill Lynch, February 7, 2005.

PUTTING BROKER/DEALERS UNDER THE SPOTLIGHT

There are many possible approaches you can take when you begin to evaluate broker/dealers. Comprehensive surveys printed in industry publications provide information that rates everything from overall advisor happiness to gross revenue and every other aspect of what goes on within broker/dealers. Among the most reliable sources – one we used in the basic research for this paper – are the broker/dealer report cards published in *Registered Rep.* magazine, as well as in other publications, including *Financial Planning*, *Financial Advisor*, *Investment Advisor* and *Investment News*. To arrive at a “grade,” the magazines survey advisors of several large firms, asking specific questions regarding work environment, level of support, product availability and management. What results from the surveys are ratings from advisors who know the company best – not industry analysts, but employees or affiliates.

Although guides like this one provide a sensible starting point, before you evaluate a relationship with another broker/dealer, you should first closely examine the firm with which you are currently affiliated. In doing so, try to apply the same types of due diligence you plan to use as you investigate prospective firms. Consider all aspects of the firm you are working with. Write down

what you like, what you dislike – and think about what your current firm isn’t offering that you believe you need in order to reach your goals. Before you can begin to sort out what other broker/dealers offer, you must have an established “baseline against which all other firms can be measured.”¹² In most cases, that means your current firm.

As you begin to look more closely at other firms, you might consider recording your findings in a data table that will allow you to analyze the strengths (and weaknesses) of each broker/dealer under consideration. Once complete, this document will help you anchor your decision-making process in the facts gathered in your initial discovery phase. To avoid creating such a complex database that it becomes difficult to decipher, you should try to keep your comparisons simple and limit the number of variables in your consideration set. To help you think about the evaluation criteria most important to you, we’ve published a list of questions on pages 14 and 15 you can use to guide your conversations with prospective firms.

¹² “Look Homeward,” *Registered Rep.*, September 1, 2005.

COMPANY CULTURE

It is vital that you and your clients feel comfortable within your broker/dealer relationships, and often this is purely a function of your “fit” with the company’s culture. Generalizations have persisted about different types of firms: Wirehouses, for example, are said to be hectic, intense and impersonal; regionals are seen as more family-oriented and nurturing; independent firms and banks were for many years stereotyped as destinations for wirehouse advisors who couldn’t cut it with major firms. Lately, the independent RIA channel is seen as the destination for advisors seeking complete autonomy, as well as exclusive ownership of their businesses.

With the growth of multiple affiliation options and numerous broker/dealer mergers and acquisitions, these stereotypes may be nothing more than misleading generalizations and outdated misconceptions. Getting to know a financial services firm, someone joked, has become as complex as dating. You simply can’t be too careful.

First, ask yourself if you really know and understand the culture of the firm you’re researching. It’s a simple enough question, perhaps deceptively so, considering all the mergers and acquisitions. A firm you previously researched and pigeonholed as having particular characteristics should be researched again if much time has elapsed. Is the firm now owned by a bank? Has it

separated from its parent company? Gone public? The name may not have changed, but the underlying business model could be evolving.

Once you research and believe you thoroughly understand the firm, you are ready to ask yourself more personal and perhaps more insightful questions. Do you agree with the firm’s overall goals and strategies? Does the firm really promise you and your clients greater success than you would otherwise expect? One way to quickly get a sense for a firm’s culture is to make a visit to the home office and meet with the executives and other associates who will support your practice.

Consider how management interacts with advisors and clients. Is advisor advancement truly based upon merit? Is employee and/or affiliate morale maintained at a high level? If not, why not? Do you find the firm’s current initiatives and corporate strategies appealing? What about innovation? Is the firm constantly looking for ways to improve upon their service levels by investing in new technology or developing new programs and services? The truth is that although a firm’s culture may not affect you as directly as, say, technology support and compliance issues, having to work within a company culture that blends nicely with your personal objectives is bound to add to your overall happiness with your new broker/dealer.

THE FIRM'S BRAND EQUITY

Brand equity is the value a consumer attributes to a firm's product or service based solely on that firm's name and reputation. Large wirehouses and super-regional firms, on average, enjoy stronger brand equity than most independents and smaller firms – that is, more people are familiar with them and have favorable associations with them. Some investors feel more secure when their assets are held at a firm with higher name recognition – the equivalent of the security once represented by the big, solid bank building downtown. Those investors might be uncomfortable with your taking their money to an independent firm they know little about. If you believe you may have problems with this, consider whether your clients trust you and trust your firm. Often, as long as clients are satisfied with their advisors and believe the advisors are doing the best jobs possible growing and protecting their investments, it doesn't really matter if the company name isn't on the biggest building in town. If your clients trust you with their investments, they may well trust you to lead them through a move. There is solid anecdotal evidence that trusted advisors can usually bring almost all their clients with them – but that a few might opt to keep their accounts at their current firm. Advisors who have built a solid brand of their own or who have invested in marketing themselves typically have little trouble bringing accounts with them when they move or attracting new business once they've made the transition.

FLEXIBILITY TO BRAND YOUR PRACTICE

Branding your practice is about a lot more than having a logo. Your brand is your promise to both current and prospective clients and is built (and reinforced) through a series of touchpoints that might involve a personal brochure, custom logo, website and advertising, and much more. Branding can also be a point of differentiation

and communicate a unique focus within your practice. Some advisors choose to put the firm's name out in front and leverage the strength of that national brand. Still others choose to leverage the value of their own names and the relationships they have developed with their clients and in their communities, a decision that is largely dependent upon their ability to do so within their current firm. Some broker/dealers are more restrictive in this area than others. Many cite compliance as the greatest concern in deciding how much latitude to give their advisors in branding themselves apart from the firm, and in many cases there are limitations imposed by industry regulations regarding how your firm's name should be displayed in relation to your name on your materials and even regarding the name under which you choose to brand your practice. You should ask the firms you're considering not only about the internal policies governing your ability to develop your own brand, but about their ability to support you in those efforts. Some firms, like Raymond James, have in-house marketing capabilities and will partner with you to develop your custom brand identity and supporting materials.

FIRM SIZE, SUPPORT PERSONNEL

The size of the firm you join will most likely depend on the type of broker/dealer you choose. Wirehouses still top the list in general firm size, with Morgan Stanley Smith Barney the largest with 18,500 representatives. However, other types of firms are catching up quickly. In recent years, while traditional wirehouse and regional broker/dealer numbers seem to have plateaued, the independents have been growing at a rapid pace. Probably, from your point of view, more important than the number of representatives is the number and quality of support personnel available to you as an advisor.

Relying on your broker/dealer for strength in this area includes looking to the firm to invest in new technology, along with ample IT support. The firm's commitment to providing other resources, from quality research to practice management tools to marketing services – even compliance and legal counsel – can make a big impact on the quality and profitability of your business. Raymond James is one broker/dealer that takes considerable steps to ensure its advisors have convenient, cost-effective access to professional-quality marketing tools. The firm maintains a full-service, in-house ad agency dedicated exclusively to serving its advisors and other internal business units.

Out of 20 categories of survey questions used to compile information for *Registered Rep.* magazine's annual "Broker Report Cards," the biggest problem cited by advisors who responded is the quantity of sales assistants.¹³ When you are assessing and evaluating companies, make sure you take this ratio into account, as well as that of home office personnel to advisors. The closer the ratio of support staff per advisor is to 1:1, the more responsive support you can expect from home office and branch personnel. Looking at the support ratio is just one example of why going deeper into the numbers matters as you proceed with your evaluation. Other measurements you might note include overall revenue, average revenue per advisor, number of locations, and growth rates.

TRANSITION SUPPORT

In the course of your research, don't forget to consider the details that will be involved in your move – including bringing clients and their accounts over to your new firm, changes in product availability, the handling of fees

and the degree of home office support available. You'll want your transition to go as smoothly as possible, and you'll undoubtedly need first-rate transition support to make that happen.

When talking to prospective broker/dealers, pay strict attention to the programs and resources the firm has in place for integrating new advisors. During your transition from your old firm to your new one, you'll want someone who will take the lead in smoothing out the transition process, whether it's your new branch manager, a dedicated transition team, or both. Especially in less independent affiliation models, your new firm should offer any and all support you'll need. The firm's transition teams should be able to anticipate problems before they arise. Chances are, you'll receive better and more professional support from a team charged specifically with facilitating your transition.

If you're an advisor who has chosen to adopt an independent affiliation model, transition issues can easily multiply. In some cases, they are simply overwhelming, and that's when you'll appreciate knowledgeable, professional and patient support. Raymond James, which provides equivalent support to advisors transitioning into both its employee and independent contractor divisions, takes the personalized approach a step further: Qualifying advisors who join Raymond James are assigned a personal transition consultant who manages all administrative details involved with the move. That consultant serves as a liaison responsible for coordinating efforts of the various home office support units essential to getting new accounts up and running efficiently and integrating new technology into the branch or office.

¹³ "Broker Report Cards," *Registered Rep.*, December 1, 2005.

AFTER YOU SPLIT, WHO GETS TO KEEP THE CLIENTS?

As you evaluate firms and contemplate your move, a common fear is how your current firm will react when you announce your decision. After all, you have worked hard to develop a client base that puts trust in you and your current firm – will your firm keep your clients? Will your current firm reap the value of your hard work and effort – and along with that, some of the income you deserve? Traditionally, the answer is yes. At the very least, you may expect the firm will fight you over these matters, and if nothing else, this is likely to cause you more chaos at what is bound to be an unsettling time. But, after all is said and done, do you really want to work for a firm that stakes a claim to your book? Ownership and equity in one's book is a main reason many advisors say they opted to go independent or change broker/dealer affiliations. In such cases, these advisors own the relationships they have worked to cultivate.

This is another area where strong transition support can be a key factor. Firms that provide that support can often help you map out a timeline for the different stages of your transition, including when and how to alert your current broker/dealer of your move. When it comes to legal issues involving your new contract, as well as with terminating your old one, you'll want your new firm to provide the appropriate professional counsel to help protect you from any potential issues of contention. In many cases, it may be wise to also hire outside legal counsel.

OWNING YOUR OWN BOOK

Wirehouses, at least in the most common employee affiliation model, seldom give their representatives book ownership, and most regional firms tend to follow suit. If you are thinking about going with a wirehouse or regional firm as a traditional employee, you might

consider whether there is an option to move within the firm. Some of the more traditional firms may try to retain your book within one of their employee affiliation models. It's unlikely, perhaps, but this option would allow you to move to a more independent affiliation within your current firm.

While ownership may be unlikely at most wirehouses and regional firms, Raymond James is one exception, giving employee advisors free and clear ownership – as long as they are producing and following compliance regulations. Advisors may even transition within the firm from a traditional employee affiliation model to one of three independent affiliation options – all while maintaining ownership of their books of business. This freedom helps the firm recruit advisors who are seeking greater independence in the way they manage their practices, but are perhaps not yet ready to give up their employee status or assume responsibility for the administrative concerns that come with running their own branches.

COMPATIBILITY AND PRODUCT OFFERINGS

When considering a firm's product and service offerings, the two most important questions to ask are: "Does it support my current business model?" and "Will it provide me with the flexibility to grow my practice in new directions?" Representatives moving to a bank, wirehouse or even a regional firm need to be especially aware of the products offered by prospective broker/dealers. Though banks, traditionally, have not offered a wide variety of products, currently some large firms within this channel are offering an impressive array of products, similar to the offerings of wirehouses. Advisors working within a niche market must be

especially vigilant during a switch, so they will be able to continue leveraging their expertise.

Advisors often seek independence so they can call the shots on the products they offer and get away from bureaucratic interference in product approval. In fact, "it is not unheard of for an incoming independent advisor to get immediate approval for a product or fund outside the broker/dealer's platform."¹⁴ At Raymond James, advisors in both the employee and independent models enjoy this freedom from the pressure to sell proprietary products and the flexibility to do what's best for their clients.

TECHNOLOGY

From real-time market updates to instant trade execution, CRM systems, and even streamlined account and contact management, technology plays an ever-increasing role in supporting today's competitive investment practice. That's why many firms frequently invest in updating their capabilities. Raymond James recently upgraded its financial planning software platform to help streamline advisors' work days while enhancing the tools available to them to assist with client interactions. You should find out how long firms have been using their current systems. If one firm has recently upgraded to a new technology platform, there may still be bugs in the system. You should consider whether you have the patience and inclination to handle the changes and put up with possible glitches. Buyouts and mergers are often

followed by technology problems because, as a result, two different systems will typically have to be integrated.

One broker/dealer, for example, after merging with another firm, instituted a new stock quote and information system. Advisors reported that learning the new system was equivalent to learning a new language. Some said it was too much to handle. Of course, as time passes, and advisors learn the new system, they eventually lose their animosity toward new methods.¹⁵ As you research technology, keep in mind that no matter what firm you are with, or what system you use or learn to use, updates and innovations are bound to occur and it's always going to be up to you to make the best of what you are offered. This doesn't mean that some systems might not suit you better than others, but you probably don't want to go with a firm that isn't going to be continually looking for ways to upgrade its technological capabilities.

If you decide to go independent, technology may play a larger role in your choice between broker/dealers. You may choose to build your own systems and programs; many broker/dealers offer packages that will help you get started. If you plan to join an independent broker/dealer, take the time to educate yourself on the details of accessibility and costs associated with using the firm's technology.

¹⁴ "Outside the Wirehouse," *On Wall Street*, June 2005.

¹⁵ "Broker Report Cards," *Registered Rep.*, December 1, 2005.

REGULATORY ISSUES

Most professional relationships are built on the same factors that affect personal relationships. One of the key elements is trust. Your financial relationships depend on it, and you and your clients should have complete confidence in your firm's integrity. You can't afford to be an absolutist here, however. At one point or another, every firm in the country, particularly larger broker/dealers with thousands of affiliates or employees, may encounter regulatory issues with FINRA or the SEC. You should consider the gravity of the infractions, whether they appear to be systemic or result from the actions of rogue affiliates – and assess how the firm handles such a situation, as it speaks to the integrity of the firm.

In 2006, for example, two major wirehouses were fined up to \$10 million for improper surveillance over nonpublic information and out-of-control call centers. Some

infractions are not so severe and are fined less heavily. However, you are the one to decide what crosses the line for you and your clients. Some advisors believe their firms are taking compliance issues to an extreme and that a “better safe than sorry” attitude makes routine tasks an exercise in extreme patience.¹⁶

While issues like this lend themselves to your assessment of what is really important and what isn't, it is still wise to find out all the information available and ask questions about anything that may prove to be an issue. The last thing you'll want to encounter in making a move to a new firm is to find yourself embroiled in rules and regulation issues that are not being handled with integrity.

¹⁶ “Broker Report Cards,” *Registered Rep.*, December 1, 2005.

Now that you've had an opportunity to review the considerations set forth in this guide and have thought about what is most critical to your potential fit with any organization, it's time to begin your research in earnest. You may want to start with a visit to the websites of the firms in which you have an interest. Most will have a site specifically for recruiting. Raymond James provides prospective advisors with a wealth of information about available services, products and business models, as well as a variety of interactive tools and presentations, at ADVISORCHOICECONTACT.COM. Or you may opt for a more direct approach and conduct your research over the phone. For a confidential consultation with a Raymond James recruiting consultant, call 877-909-6444.

BROKER/DEALER EVALUATION CRITERIA

As you conduct the research necessary to the selection of a new broker/dealer, here are some questions you may want to consider. We suggest delivering a copy of this page to each of the firms you are reviewing and comparing their responses. You may also want to answer these questions for your current firm to provide a point of comparison.

1. How does the firm measure advisor satisfaction? How does the firm measure client satisfaction? _____

2. What is the tenure of the firm? _____

3. How recognizable is the name brand of the firm? What is the firm doing to promote itself to investors? _____

4. How will the firm support my efforts to brand myself and market my practice independently? How will the firm help me grow my practice? _____

5. How many advisors are affiliated with the firm? How many support personnel? What is the ratio of support personnel to advisors? _____

6. How will the firm support my transition? What is the typical timeline for transition? _____

7. Do my clients belong to me or to the firm? What will happen to my book of business if I decide to leave? _____

8. Will I have access to the same services and products as my previous firm? _____

9. Does the firm have quotas or incentives for the sale of proprietary products? _____

10. How will the firm's technology support (or hinder) my ability to serve my clients? What is the firm's annual investment in technology? _____

11. How will the firm participate in the development of my succession plan or acquisition strategy? _____

12. How many business models does the firm offer to its advisors? Will I be able to transition my practice from one model to another as my goals for my practice change? _____

Want to know how Raymond James answers these questions? Visit ADVISORCHOICEFAQ.COM or call 877-909-6444 for a confidential consultation with a recruiting consultant.

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