



Considering a Broker Dealer Change?

7 CRITICAL DETAILS

Sometimes The Best Move Is Not Making A Move At All

There is a great change management book called Five Frogs on a Log by Feldman and Spratt that begins with a riddle - that I'm going to take some liberties with.

Riddle:

There are five frogs on a log and one of them decides to jump off. How many frogs are left on the log?

Answer:

There are still five frogs on the log. Deciding to do something is substantially different than actually doing it.

This document is about deciding whether or not a Broker/Dealer move makes sense for you. Sometimes (okay – most of the time) the decision should be to not make a move. But that's still a decision. In the frog example above, for whatever reason, through a series of primitive pros and cons the one frog made a decision, he just hadn't acted upon it yet. The other four frogs, content or discontent, made no decisions. Happy or not, leaving the log was not an option.

Here are 7 considerations when thinking about making a B/D move:

1. MOVING WILL BE TOUGH
2. THE RELATIONSHIP MAY BE WORTH SAVING
3. MOST B/DS ARE READY TO LISTEN
4. KEEPING UP WITH CURRENT TECHNOLOGIES IS NEAR IMPOSSIBLE
5. YOU'LL NEED TO TAKE OWNERSHIP OF SOME ISSUES NO MATTER WHERE YOU GO
6. WE'RE IN THE MIDST OF A MAJOR B/D CONSOLIDATION
7. THE TIMING MAY NOT BE RIGHT

The remainder of this document elaborates on these 7 points and offers advice and solutions on where to go next.

1. Making a B/D change is a big deal and it needs a lot of thought.

For most reps, making a broker dealer change can be the last thing they want to do. Changing B/Ds will cause business to slow. The whole office will need to switch gears into “transition mode”. The advisor will wind up: using precious client time, taxing the office team with paperwork, filling out new account forms, learning new technologies, learning the ways of a new compliance department, contacting hundreds if not thousands of clients to explain why the advisor is making the change and then topping it off getting 5-10 signatures on every account in order to transfer them. Whew! Not a move to be taken lightly.

Then, there is the risk of client attrition. Many advisors have clients that they have either inherited or purchased from another rep and have not been contacted for a very long period of time. These scenarios increase the chance of the client not filling out and signing and ultimately reducing the advisors annual revenues.

Why Take The Risk? Why even think about it?

If you are still with me, it's likely because you are experiencing some pain and are looking for a solution. That said, if there are so many negatives to changing B/Ds, why even think about it? [Leaving your B.D will be tough.](#)

So why even consider going through those headaches? Why spend all that effort leaving when staying at your current firm might be the best option? The answer is that it may not be so much about leaving as it is about figuring out what to do about the challenges with your current B/D. If the current issues are “fixable” or can be made tolerable, that might be the best decision.



2. Your Broker Dealer Relationship:

Let's compare your B/D relationship to that of a spouse. Few marriages are "storybook" marriages and most couples have differences of opinions. It would be unrealistic to file for divorce after the first argument - at least one would hope so. For most couples, disagreements, heated or not, can happen every week or for some maybe every day. Any marriage counselor would say that communication is the key to finding solutions or compromises. Resolutions both parties can accept and live with. The same goes with your Broker Dealer relationship.

The B/D relationship can almost be thought of as a courting relationship that ultimately becomes a marriage if things work out well. And just like any marriage, at some point, the honeymoon will be over. Things can get petty, things can start being taken for granted and not appreciated, feelings can be held in and before you know it, molehills can turn into mountains.

If this is sounding familiar, it's because it happens all the time. You aren't alone.

At some point, if not dealt with, there will be feelings of resentment.

At RepRecruit, LLC we believe that the best option is to work out any and all issues with your current broker dealer as they begin to arise. The key is to build and maintain effective communication with your B/D. Most issues can be worked out by the B/D because most firms do value your business and want to make things right.

3. Who Works for Whom?

Where the B/D relationship is different than a marriage is that in a marriage, there is a binding of two people that support each other equitably. Whereas, the B.D relationship is at it's core one of supplier and purchaser.

As an independent financial representative, YOU are hiring the Broker Dealer to service your business- not the other way around.

The best Broker Dealers in the industry understand that you are the reason that the firm stays in business and that you are the reason why employees at their company get paid. Your customers come to you because you provide great service, great communication and great advise and it should be no different at the B/D. Your clients generally have no problem contacting you if they have discrepancies in their accounts or have concerns that need to be addressed. You are the client at your broker dealer and you should also be contacting your broker dealer immediately with concerns, questions and recommendations. Just like you want to hear from your clients to keep them happy, the B/D wants to hear from you. The good ones will know that you are actually doing them a favor.

We encourage you to contact your compliance department, the team leaders at the customer service department, the recruiter or executive that promised you the world when they brought you to the firm - anybody that can listen and take action. Not only will you feel better when your situation is addressed but you will also develop a relationship with key employees that you can now count on in the future for help.



4. A Note About Technology

Technology has been a big area where most B/D's revenue has been allocated. It's also a big area where advisors feel that their B/D has the biggest shortfall. Industry pressures to automate, outsource and create office efficiencies to service existing advisors and stay ahead of the competition grows daily. There are so many options to help advisors, it is almost impossible for B/Ds to keep up with all the latest and greatest.

Here are some examples:

- Learning Management Systems (LMS) helping advisors increase their skillsets
- Document Management Systems (DMS) giving advisors immediate access to the latest resources and forms
- Document Automation making it easy to pre-fill necessary forms
- Client Relational Management system (CRM) helping advisors manage clients
- Content Management System (CMS) helping advisors position their brands
- Accounting System facilitating back office administration
- Financial Planning software to assist in client presentations
- Cloud Computing giving advisors access to up to date applications

That's just the tip of the iceberg. The reality is that no B/D can provide all the technology solutions an advisor could use. Some are good at one or two and other B/Ds are good at others.

The solution is that for most reps, technology can be outsourced to provide a variety of solutions and it's not entirely necessary to depend on the B/D for proprietary technology programs.

For example, if your broker dealer doesn't have a CRM? Then look into companies like Salesforce or Redtail that provide solutions and are widely used by top firms in the country. Both platforms can be a great solution to maintain client records, document storage and can be purchased on a monthly basis.

If your current B/D doesn't prepopulate new account forms for existing clients and you're tired of filling out the same forms over and over again, then a program like LazerApps can save you a ton of time and headache. LazerApp works by storing your broker dealer's new account forms and it automatically prepopulates your client's information within seconds.

If you're into financial planning and you feel that your broker dealer doesn't support you with the right planning software, than look into platforms like E-Money or Fi360.

The point is that you don't always have to depend on your B/D for everything. Start by contacting your firm to get a list of technologies that are compliance approved. You may find a list of companies with immediate technology efficiencies that you didn't know were available to you.



5. Broker Dealers Can't Do Everything

As independent business owners, we built our businesses with limited resources and we have to find a way to improvise and make the best with what we have. Yes, we must depend on our B/D in areas of compliance, registration, investment products and hope that they meet our needs in technology and service. With the amount of money they take off the table you would think that they could provide 100% of your needs. But that's not the case at all. Broker dealers take a monthly fee from advisors and a piece of their commissions to stay ahead of the pack. It's a partnership-but there isn't one broker/dealer out of the 4700+ across the country that can give you everything.

You might think that larger to midsize B/Ds would be able to leverage on the economies of scale and pass down any cost saving initiatives to their advisors but it's actually the opposite. Larger firms have to hire more staff, double down on compliance managers, invest in technology to streamline efficiencies and those costs roll downhill. Then why do smaller firms cost about the same? Their costs are incurred by doing their best to compete with the larger players while providing custodians like Pershing or National Financial to compete.

6. Broker/Dealer Consolidation

Running a B/D is a large and expensive undertaking. There are regulatory compliance fees, quarterly and annual reporting, salaries, insurance, overhead and the big "T" word again- Technology. Many B/Ds work on very thin margins and taking 10-15% of payout revenue might barely cover expenses. Some look to cost centers and additional fees for advisors in order to increase revenue and stay in business. It's understandable why this industry is being monopolized by the larger players and B/Ds are being consolidated by the dozen year after year.

We have been witnessing this consolidation since 2008. We can anticipate this type of environment and aggression for the next 3 to 5 years - at a minimum. The option to make a B/D change has been limited with companies like RCAP who has been quoted as saying they want to build a rep force of 20,000 advisors within the next 5 years. These are the scenarios where representatives really have to be on guard. New buyers like to promise that service, technology, executives, and culture will be maintained but it's clear that with activity of this magnitude, something will change. One can only hope that the changes will be for the better. Most of these organizations already have a legacy manual in place and an intention for conformity amongst their new acquisitions.

Positive Outlook

You can anticipate that some of the changes will be for the better. Especially when you have made reasonable attempts and your current B/D issue(s) can't be resolved. A new parent company might just be able to fill in some of those gaps.



7. When is the Right Time?

The right time to make a B.D change is:

- When you realize that you're continually spending more time trying to resolve issues with the back office.
- When your staff feels the additional burden of additional policies and procedures.
- When the pain of staying is worse than the pain of moving.

That's when it's time to have a staff meeting to discuss the option of changing.

Where to Turn

It's at that point where you can make the call to us at RepRecruit. We will carry the load of due diligence, product requirements, technology needs, payout increases and pricing reductions on your behalf.

RepRecruit will provide you with the best possible Broker/Dealer that solves as many issues as possible and hopefully if you decide to move, our goal will be to help you make your last and final broker dealer move – ever!

IN SUMMARY

So when is the best move not making a move at all?

- When you can resolve your issues with your current broker/dealer first.
- When you have exhausted all other options to stay.
- When you have discussed it with your spouse and/or staff.
- When the pain of staying hurts more than the pain of a transition.

Let's go back to the *5 Frogs on a Log* riddle for just one minute. One of the frogs made a decision. Four of the frogs made no decision at all. They were staying on the log – for better or for worse. If you are having B/D challenges, it's almost always easier to stay and work out your differences and “decide” to stay. Who knows, maybe that frog in the riddle is the same frog that didn't look before he leapt. If you want to make an informed decision about staying or leaving, we're here to help.

Call us today explore all of your B/D options confidentially- and at no cost.

RepRecruit LLC.
661-266-0099
dave@reprecrUIT.com
www.reprecrUIT.com

