

What to Expect When You're Expecting to Change Broker/Dealers

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—an Independent Broker/Dealer

The leap into the unknown is always a scary proposition. The idea of changing broker/dealers may provoke deep fears about losing clients, stalled business momentum and getting trapped in a nightmare of endless paperwork. The wisdom of the great Roman philosopher and statesman Seneca may be worth remembering, for the fears that many advisors have about switching broker/dealers are more often rooted in imagination than in the reality of what most advisors experience.

Unfortunately, the hesitation to switch broker/dealers has kept many advisors from seizing their dream of becoming independent and asserting more control over their future.

Conquering the fear of change starts with two simple steps:

- 1** Increasing an advisor's personal comfort level with changing broker/dealers by gaining an understanding of what the process entails and how it will unfold
- 2** Working with a trustworthy broker/dealer

In a previous white paper, *The Great Migration: Financial Advisors Moving from Wirehouses to Independent Broker/Dealers*, we explored larger issues related to the broad trend of advisor migration to the independent broker/dealer platform, how advisors should evaluate whether such a move is right for them and how to determine the best independent broker/dealer fit for their practice.

In this white paper, *What to Expect When You're Expecting to Change Broker/Dealers*, we seek to raise advisors' comfort level with making such a change by acquainting them with what they can expect when moving to a new broker/dealer, what to do before resigning from a current broker/dealer, key questions to ask before beginning any transition and tips to ensure that a transition to a new broker/dealer is a seamless one.

“We suffer more from imagination than from reality.”

— Seneca



Switching Broker/Dealers—An Overview of the Process

The process of moving a financial advisor from his or her current broker/dealer to a new one is substantially similar from one broker/dealer to the next. However, where the new broker/dealer truly distinguishes itself is in the commitment, resources and human talent it makes available to a financial advisor to ensure a smooth transition and the ongoing support it provides post-arrival.

The broker/dealer transition process generally consists of four distinct steps.

STEP 1

New Advisor Set-up

An efficient and satisfactory transition requires a comprehensive understanding of an advisor's book of business. Accordingly, advisors are asked to complete a confidential questionnaire that will be reviewed and approved by the new broker/dealer. The questionnaire will highlight issues that may require special attention and help avoid any unexpected surprises that have the potential to create delays and inconvenience.

The new broker/dealer will then work with the advisor to establish a transition timeline. After a mutually agreeable transition schedule is set, advisors will be asked to complete a series of documents (e.g., production mix, products utilized, past trailing 12 months of gross dealer concession, licenses, U-4, outside business activities and more) that will enable them to conduct business with the new broker/dealer immediately upon their arrival.

Upon submission of these documents, advisors are assigned a transition specialist who will act as a guide and resource for ensuring a smooth, trouble-free transition.



STEP 2

Onboarding

Before the onboarding can begin, advisors will need to create a final master client list from which the client paperwork can be generated for the client to review and sign when the time comes. And yes, substantially all the client paperwork is completed by machine, not the advisor.

The advisor will also set his or her onboarding date—the date on which the advisor resigns from his or her current firm and starts with the new broker/dealer. That date will also trigger the mailing of relevant client paperwork to the advisor's clients.

Once the advisor has started with his or her new firm, advisors can commence client outreach to explain the move to the new broker/dealer, the benefits it has for the client and what the client needs to do to effect the transfer of his or her accounts.

Switching Broker/Dealers—An Overview of the Process (continued)

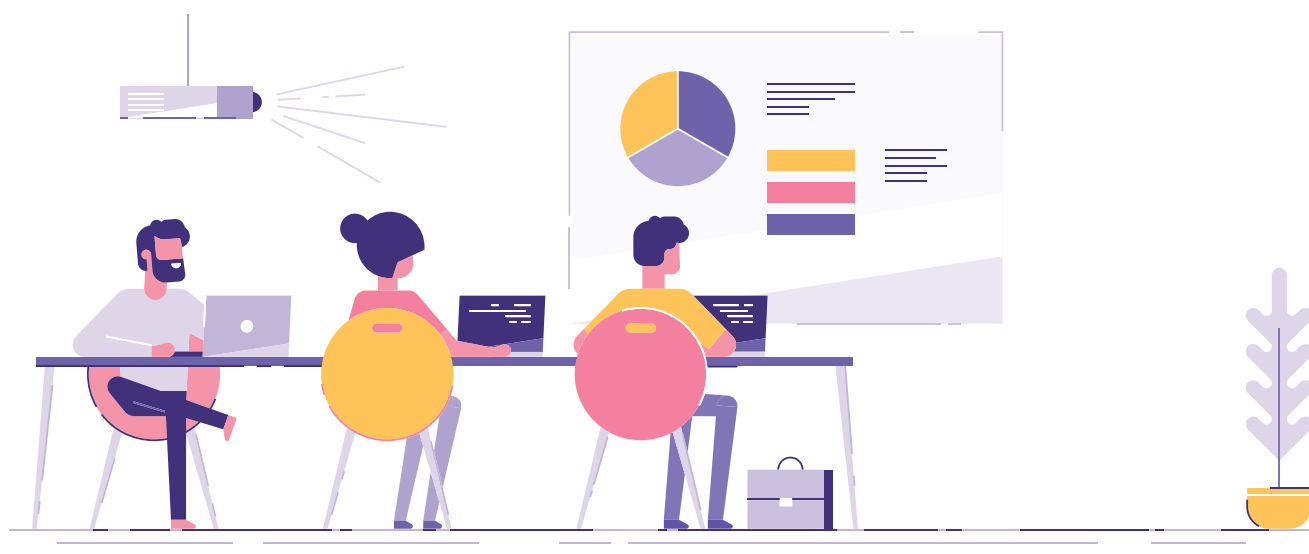
STEP 3**Training and Education**

With the advisor now onboard, he or she can begin receiving the necessary training and education on the new broker/dealer's tools, processes and products.

Advisor and staff training may occur in an advisor's office or in the broker/dealer's headquarter offices, or a combination of both.

**STEP 4****Ongoing Support**

Support for the advisor doesn't end with the successful transfer of client assets. A good broker/dealer will provide continued access to, and assistance with, the programs and tools that can help an advisor reach new heights in practice growth and client satisfaction. These support services generally include practice management programs, marketing and communications expertise and tools, networking opportunities among peers, robust education and training, and day-to-day operational support.



Questions to Ask Before Changing Broker/Dealers

One important ingredient to reducing the uncertainty of a broker/dealer change and ease the fears surrounding such a move is to ask a lot of questions before making the decision to switch. Here are some questions to ask of a prospective new broker/dealer:



An advisor should expect clear-cut answers to each of these questions. Transparency is an important condition to developing trust in a prospective broker/dealer. If an advisor finds that answers are couched in generalizations and evasions, then he or she may want to re-evaluate that broker/dealer candidate.



Seven Tips for Advisors on the Move

Switching broker/dealers is a big decision, but if an advisor has done his or her due diligence it represents the beginning of a new chapter of opportunities. Here are seven tips that may make for a positive and rewarding transition.

1



Changing broker/dealers will unavoidably create some disruption in an advisor's practice. That's why it's important to stay focused on the end goal throughout the process. Knowing the transition is the start of something better will help advisors to better cope with any minor frustrations that may occur during the changeover.

2



Before resigning from a firm, advisors should review their representative agreement to re-familiarize themselves with termination notice requirements, payment of commissions and fees, the contract's non-solicitation terms, and the firm's protocol and privacy policy.

3



Work with the new broker/dealer to obtain pre-approval from their compliance department on all marketing materials, Web site, etc. in order to hit the ground running upon starting with the new broker/dealer.

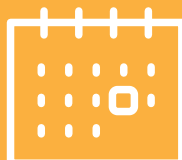
Seven Tips for Advisors on the Move

4



Consider how this broker/dealer switch may be used to sever troublesome client relationships or to reprice uneconomical clients.

5



Build a transition timeline that accommodates the current firm's commission and fee payment schedule to limit the amount of compensation that is paid after the resignation date.

6



To maximize conversion success, focus client outreach on A-list clients, followed by B-list clients and, finally, C-list clients.

7



Consider how this transition may be an opportunity to get clients to adopt new products or pricing arrangements that may be beneficial to them.



Choosing a new path is almost always a difficult decision because it involves abandoning the known for the unknown. Making that leap, however, is often the key that unlocks the door to new and exciting possibilities in any part of an individual's life.

For the advisor who believes a change of broker/dealer would open the door to the sort of practice and lifestyle he or she wishes to have, the best way of overcoming the natural hesitation to making a change requires three simple ingredients: a written vision of what an ideal broker/dealer looks like, extensive due diligence of prospective candidates and a clear understanding of the transition process.

With those three ingredients, advisors can melt away the uncertainty and confidently step into the future of their choosing.

American Portfolios Financial Services, Inc. has just the resources in place to help its advisors on many fronts. Reach out to Vice President of Marketing Strategy **Kimberly A. Branch, CFP®** at **631.439.4630**, or via e-mail at kbranch@americanportfolios.com, to strike up a conversation today on programs and needs of the advisor.

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* Based on a poll of registered representatives conducted by Investment Advisor magazine. Broker/dealers rated highest by their representatives are awarded "Broker/Dealer (B/D) of the Year."

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