



Do You See Independence in Your Future?

**From Advisor to Entrepreneur;
Determine Which Approach
Is Right for You**



Introduction

The independent advisory model offers a spectrum of flexibility, growth potential, and freedom that appeals to many financial advisors. Even so, the structure, support, product selection, and sense of community offered like the independent broker-dealer model continues to resonate with many financial professionals. Ultimately, it all comes down to the level of independence you believe achieves your needs, and the needs of your clients. Do you have an entrepreneurial mindset of building your own practice or choosing another affiliation model that still provides you with a level of independence, but without added risk?

The reasons for going independent are plentiful. In a recent survey¹, nine out of 10 breakaway financial advisors cited these top three reasons for their move to independence:

01

Greater autonomy of building your practice

02

Higher payouts

03

Ability to build enterprise value of your firm

30%

These and other benefits continue to drive the independent model's popularity. By 2025, Cerulli projects that approximately 30% of industry assets will be managed by practitioners in the independent and hybrid registered investment advisor (RIA) channels.²

Top 5 Reasons Cited by Breakaway Advisors for Moving to Independence¹



Greater autonomy of building your practice



Higher payouts



Ability to build enterprise value of your firm



More control of investment decisions and portfolio construction



Desire more personable culture

1. Cerulli Associates: 2021 Broker Dealer Marketplace Overview
2. U.S. Advisor Metrics 2021: Client Acquisition in the Digital Age; <https://www.cerulli.com/press-releases/wirehouse-advisors-prove-their-worth-by-measures-of-productivity>

So, What Is Your “Why?”

The decision to embark a path to independence is a personal one. Why are you considering making a transition? What needs are you hoping to address in your current practice? Are you seeking an all-in-one transition, or do you have the patience to gradually evolve your business over time from one affiliation model to another?

There is a lot to consider when making a transition. It’s multi-faceted, but the rewards, both personal and financial, can be great. Ultimately, advisors considering a move need to consider what motivates them, which will inform which path to take.



Vision and Culture

Build a firm based on your beliefs and vision, and deliver exceptional service on your terms.



Control

Manage your work/life balance on your terms. Decide which products, services, and platforms best meet your needs—and those of your clients.



Compensation

Seek potentially higher payouts while keeping cost structures low.



Create Value and Monetize Your Life’s Work

Maximize the value of your RIA through your value proposition, client mix, revenue diversification, organization, and overall cost structure.



Build a Legacy

Create an enduring business model with a clear succession plan that ensures what you have built remains after you retire.

Additionally, another key decision must be made: Which independent advisory model aligns best with your goals? After all, independence has many faces.

According to the InvestmentNews Advisers on the Move database, advisers shifting to independent channels remained steady during the worst of the pandemic and were up 2.6% in 2021 compared with 2019.

In total, wirehouses lost 2,065 advisers in 2021, while 1,225 joined independent broker-dealers, and 1,530 went to RIAs.³

15%

15% of wirehouse advisors are considering leaving their firm in the next one to two years⁴

10%

Over the last 10 years, the RIA channel has achieved 10% CAGR⁵

41%

41% of independent advisors considered opening an RIA in 2021⁶

3. <https://www.investmentnews.com/pursuing-what-matters-most-when-you-go-independent-advisers-217354>
4. J.D. Power 2022 U.S. Financial Advisor Satisfaction Study, SM ; <https://www.jdpower.com/business/press-releases/2022-us-financial-advisor-satisfaction-study>
5. Cerulli U.S. RIA Marketplace 2021 Report; <https://www.cerulli.com/reports/us-ria-marketplace-2021>
6. AssetMark Institutional RIA Industry Trends





What Does Independence Look Like?

When it comes to establishing your independent advisory practice, there are multiple models to choose from, depending on your strengths, vision, where you are right now, and where you want to be in the future.

Whether you want to become an employee or an IAR of an independent broker-dealer, explore a hybrid option, or go fully independent, it's important to understand how each model works and how it will best support your business needs.

Independence is not for everyone. But, for advisors who are looking for a change, each model is primarily differentiated by the level of independence and growth potential.

Scale of Independence



LEAST

LESS

MORE

MOST

Independent Broker-Dealer

Can conduct advisory (fee) and brokerage business (commission).

Pros: Established firm brand and name recognition. Built-in infrastructure, including products, services, compliance oversight, back-office support.

Cons: Lower payout of gross revenue-based service costs. Technology inflexibility with obligation to use proprietary systems

IAR of Corporate RIA

IAR of a IBDs Corporate RIA.

Pros: Turnkey infrastructure and back-office support functions . Time to focus on more revenue producing activities.

Cons: Less control and choice over technology, compliance, products, services, and custodian.

Dually Registered Hybrid

An RIA with an IBD affiliation for, mainly, commission-based business.

Pros: Conduct advisory and commission-based/ brokerage and insurance business. Control decisions for technology, products, custodian, and fee schedule (potentially leveraging IBD platform).

Cons: Portion of gross revenue towards IBD services. Heightened regulatory oversight.

Fully Independent

An Independent owner of an RIA practice, SEC or state-registered. Conducts advisory (fee-based) business only.

Pros: Highest payout of gross revenue. Control and flexibility over business/ management decisions.

Cons: Start-up costs and expense overhead, e.g., staffing, rent, technology. Demands on time and stress of running a business.

Key Transition Considerations

Making the move to independence comes with opportunities and challenges. How prepared you are to meet both will determine your ultimate success in this competitive market? Depending on the affiliation model, you may need to make critical decisions across your practice acting as CEO, CMO, CTO, and CCO.



Investment Management

Is your time better suited elsewhere?

Will you have the resources to effectively perform investment research, selection, portfolio allocation/rebalancing, and ongoing due diligence?

Things to Consider: Client Needs, Investment Types, Model Management and Trading, Tax-Aware Investing, Cash Management/Lending Solutions, Performance Management, Costs



Marketing and Communications

How will you communicate to clients and prospects?

Do you have the time and skills to build your brand, communicate with existing clients, prospect for new clients, and manage your online presence?

Things to Consider: Transition Communications, Social Media, Brand Recognition, Value Proposition, Prospecting, Engagement, Events, Client Marketing





Staffing

Do you have staff in place, or the time to hire employees with the right skills?

Does your current staff have the skills needed to support your transition in the near term and long term, or do you need to build out your current team? What are the roles and skills needed to effectively operate your practice?

Things to Consider: Organizational Needs, Employee Skill-set, New Hire Onboarding, Compensation, Performance Management, Payroll



Operational Considerations

Do you have well-defined processes and procedures in place to run your business?

Are you equipped to undertake critical tasks needed to run the daily operations of your business? What is your approach to safeguarding your clients and firm from possible risk, such as fraud? What is your business continuity plan when confronted with unplanned interruptions or disaster?

Things to Consider: Written Supervisory Agreement, Policies and Procedures, Business Continuity, Disaster Recovery, Cybersecurity



Technology

Do you have the tech infrastructure in place and the ability to maintain it?

Do you have the time and expertise to vet, implement, and maintain the technology resources you'll need? And will your chosen tech stack integrate seamlessly with your other systems and operational processes?

Things to Consider: CRM, Performance Reporting, Financial Planning, Proposal Generation, Document Management, Account Opening Tools, Client Portal



Compliance

Are You Prepared to Handle Ongoing Compliance Requirements?

Complying with federal, state, and local laws as well as filing obligations during your transition is imperative. **Then adhering to ongoing compliance and regulatory management, and completing continuing education to ensure you are following proper oversight to reduce firm risk.**

Things to Consider: Compliance Activity Tracking, Annual Compliance Reviews, Mock Audits, Employee Supervision Tools, Firm Document Review, Continuing Education

Independent Doesn't Mean Alone:

Leveraging a Platform Provider to Meet Your Business Needs

Your time is one of the most valuable resources you have. If you move to a more independent model, you may need to replicate many of the functions previously undertaken by your former firm.

Leveraging a platform provider makes it possible to do more for your clients and your business by delegating front-, middle-, and back-office tasks that are both necessary and time consuming, so you can spend more time on your clients and the areas of your business where you can have the most impact. The benefits experienced by advisors who outsource are impactful.



Tangible Business Improvements as a Result of Outsourcing

91% Reported growth in total assets

84% Reported higher business valuation

83% Reported higher personal income

95% Reported easier compliance/audit process

75% Reported lower operating costs

Source: AssetMark, The Impact of Outsourcing, 2021.

How Can Outsourcing Enhance My Business?

You can outsource various aspects of your business and still maintain full control over the direction, decision-making, and results. Some of the common benefits of outsourcing include:

01

Saves Time, Resources, and Anxiety

Outsourcing allows you to get professional support for the aspects of your business that are time consuming or require a level of detail or expertise that you might not be ready to handle yourself.

A recent survey⁷ of financial advisors who recently considered or are in the process of forming their own RIA found that 64% agree “the costs and complexities of being responsible for one’s own compliance function are more worrisome now than two years ago.”

02

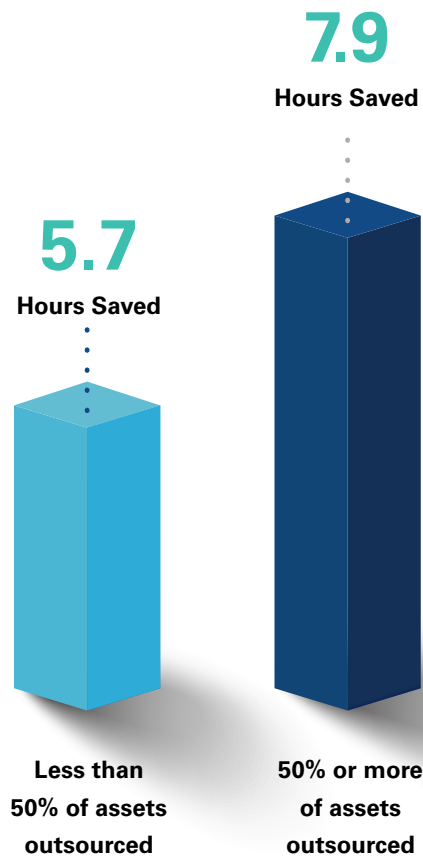
Elevate Client Service

Today’s client is more sophisticated than ever and demands personalized service and proactive support from their advisor. Outsourcing business tasks that currently take you away from your clients can give you more freedom to support your clients and their unique needs.

Plus, combining tools with outsourced services can add an element of automation and efficiency that offers your clients more personalization and faster outreach. For example, automating monthly marketing emails to your clients can put—and keep—you in front of your clients and show that you are actively engaged with their accounts.

7. <https://wealthsolutionsreport.com/2022/06/30/breakaway-advisors-launching-rias-anxious-about-compliance/>

Time Saved: Hours Per Week



Source: AssetMark, The Impact of Outsourcing, 2021.

03

Allows for Sustainable Scaling

As you grow and take on more assets and clients, you will need more time to research and strategize, while still managing the rest of your business. There are a lot of moving pieces when you operate your own firm.

Outsourcing makes it possible to grow without overextending yourself. Why? Because you are handing off certain tasks without losing control over them. Remember, the support that once came from your firm's home office—the infrastructure, compliance oversight, research, and more—must be performed by someone else. You can't do everything, and you shouldn't do everything.

You can build an expert support system to help take the load off your shoulders so you can continue to build your business and create a better work/life balance.

Success lies in finding the right partner to help you transition and scale your business and provide ongoing support once you've established your practice. A one-stop-shop that offers the platforms, support, expertise, and products you need to thrive in the marketplace today and in the future.

Working Together for Success

For financial professionals considering a fee-based advisory model and seeking independence, AssetMark offers end-to-end support—from transition to succession. Innovative offerings to help advisors thrive include:



Flexibility

Flexibility to manage client portfolios on your own, outsource it, or do a combination of both



Integrated Technology Tools

Integrated technology tools like Redtail CRM, digital deposit, and financial planning solutions from Voyant, MoneyGuide, and more



Robust Proposal Capabilities

Robust proposal capabilities that help clients visualize their financial future



Comprehensive Client Management

Comprehensive client management, billing, and reporting services



Investor-Facing Portal

Investor-facing portal where clients can access their account information and documents



Practice Management Support

Practice management support, paired with peer-to-peer best practice sharing



Comprehensive Marketing Platform

Comprehensive marketing platform, which leverages the technology of FMG Suite



Considering a Change?

Let's Talk

Our team of experienced consultants can help you clarify your goals, guide you in transforming them into reality and share all the ways AssetMark can provide the best-in-class support you need to successfully reach the next level.

We've helped thousands of advisors at every stage of their business cycle, from start up, to growth and enterprise level, make smart business moves for decades. And we can help you. From understanding and assessing your needs, to transitioning your practice and providing ongoing support. Let us work with you to decide if independence is right for you and provide the guidance and solutions you need to thrive.

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