

Taking Control: Exploring Independence | Part Two

Focus on the Experience

By considering advisors as their primary clients, firms serving independent channels enable advisors' success

Summary

Within the advisor landscape, firms serving independent advisors face the challenge of having to optimize two sets of client experiences: those for advisors who have chosen to work with the firms and those for the end-investors who work with those advisors.

Many firms with employee advisors have increasingly taken a top-down approach to practice management, with compensation levels directly tied to corporate priorities, including internal referrals and cross-selling activity. In contrast, independent firms are more focused on helping advisors conceive and implement their unique visions of optimal advisory practices. With a combination of platforms, tools, coaching, and outsourcing options, independent firms aim to create support structures that allow advisors to spend more of their time on the aspects of their businesses that they most enjoy and where they believe they can create the most value for themselves and their investor clients.

To better understand the key elements of these support structures, Commonwealth Financial Network® and Cerulli Associates conducted a qualitative research study on the relationships advisors maintain with the firms they affiliate with. In those research interviews, successful financial advisors across channels shared their perspectives and insights into the strengths and weaknesses of the range of services they receive from their firms and how these translate into the client experience of investors.

Methodology

Commonwealth Financial Network® engaged Cerulli Associates to help understand advisor best practices in working with the firms they affiliate with*. In January and February 2022, Cerulli conducted qualitative research interviews with successful financial advisors across employee and independent channels. These interviews addressed a broad range of topics, including consideration or experience with moving to an independent channel, business development, client service models, succession planning, portfolio construction, and their overall relationships with the firms they have chosen to affiliate with. Research participants were required to have a minimum of five years of experience as an advisor and \$50 million in client assets under management (AUM).

*This study was paid for by Commonwealth Financial Network®. Commonwealth Financial Network® and Cerulli Associates are separate and unaffiliated entities.

COMMONWEALTH VOICES



“You own your own business and are not beholden to any corporate agenda. We are able to support any way an advisor wants to take their business—we want to be the last stop you make.”

Senior Commonwealth Financial Network® Executive



Client Experience Starts with Advisors as Primary Clients

For firms supporting independent practices, the first step in aligning their businesses with advisors is embracing the concept that their primary clients are the advisors themselves. Without employee advisors, independent firms' primary objectives are to attract and retain advisors who in turn bring on their own clients. While many employee firms increasingly look to take ownership of client relationships, within independent firms, there is no dispute: **advisors are independent firms' primary clients and supporting them must be the focus of the firms' efforts.**

Eliminating Distractions

One of the most crucial elements of supporting independent practices is reducing distractions to allow advisors to focus on their most important tasks—from devoting more time to client-facing activity to spending more time with their family. At employee advisor firms, corporate policies, objectives, and strategies can have a negative impact on advisors' ability to manage their practices as they deem most appropriate.

COMMONWEALTH VOICES



“In addition to the tools we offer advisors to succeed, we give them coaching and counsel from all departments to help them save time and energy for the future. The guidance and time we give them back allows advisors to spend their time doing what they love, either for themselves and their families or for their clients.”

Senior Commonwealth Financial Network® Executive

Recognizing the range of challenges advisors face in running their own businesses, firms supporting these independent advisors can differentiate themselves by providing a combination of platforms and guidance to help optimize a practice's productivity in line with advisors' preferences. Of course, each advisory practice has its own strengths and support needs. It is crucial that firms offer platforms with a wide range of top-tier services that advisors can opt into using. In this way, firms enable each practice to retain full control of the elements of the investor experience most important to the practice with centralized resources available to take on responsibilities outside the practices' specialties. **By embracing the idea that advisors themselves are their most important clients, in both words and actions, firms have the opportunity to make themselves the destination of choice among independent advisors.**



Commonwealth Advisors Speak

“They understand clients chose us; we don't even work for Commonwealth—we hired them.”

“Commonwealth genuinely looks at us as their client. They work for us. They give us the tools to succeed. The culture is advisor-focused.”

“At Commonwealth, you're their main client. So, they're going to help you help your client because that's the only way they're going to succeed.”

“Commonwealth has a way of minimizing things that would distract you from your day and serving clients.”

“The support level at Commonwealth is 10 times what I was getting before. When you call someone here, they make you feel like you are the only person that matters, a really solution-driven mentality.”

“It gives you a lot of time back to focus on the things you enjoy the most.”

Building an Optimal Experience

One of the most important considerations for advisors choosing independence is their ability to craft their practices to match their own definition of an optimal client experience. Instead of being encouraged toward firm-level cross-selling goals, as is often the case among firms with employee advisors, independent advisors are able to decide exactly what combination of products and services are best suited to meeting the needs of their unique client bases. For firms serving independent advisors, home-office resources play an important role in helping advisors sort through the variety of options available to them and how they would work together, but ultimate decision making about topics including client contact and growth objectives reside at the practice level.

Whether it is a comprehensive planning focus or a more investment-centric approach, independent advisors can choose how to best serve their clients. Throughout our research, employee advisors consistently note that their firms frequently interfere with their business rather than promoting it. In one case, an employee advisor explains how a firm-wide initiative resulted in ongoing encouragement to transition an 83-year-old client with a \$6 million portfolio to move to electronic statements, despite her already stating she had no interest. In contrast, top-tier independent platform providers are able to offer advisors a variety of options to support the client engagement process as they see fit, without being pressured to fit within firm-wide requirements.



Commonwealth Advisors Speak

“The most important part of being an advisor is learning about clients’ fears, goals, hopes, and needs, then putting yourself in their shoes, how would you want to be treated?”

“We want to build a plan for everyone. We feel like it’s the medium through which we communicate best with our clients. So it’s highly planning focused. I will apply that planning process to pretty much whatever is important to them.”

“I can do whatever I want as long as I am within the compliance box that Commonwealth has carved for me, which is pretty much the compliance box the government has carved for me. So, if I feel that a client needs a specific type of service and I feel like I have the resources to provide it and I’m going to be compensated fairly, we can do it. And that’s just not the case elsewhere.”

COMMONWEALTH VOICES



“Where our advisors really deliver value is client experience. They feel really proud of their processes. The real key to client experience is ‘how you make them feel.’”

Senior Commonwealth Financial Network® Executive



Client Outcomes Drive Everyone's Experiences and Satisfaction

Ultimately, advisors' satisfaction with their career choices is innately tied to how successful they have been in helping clients reach their financial objectives. Choosing an independent affiliation option allows advisors to escape an environment ruled by complicated checklists to earn activity bonuses and build their practices solely around creating long-term partnerships focused on the pursuit of clients' goals.

While each advisory practice affiliated with an independent provider will offer a unique client experience, they share the same overall objective: assisting investors in their progress toward their financial goals. By putting their clients' overall experience at the center of their firms' strategy, independent advisors are able to build increased levels of trust and stronger relationships. While planning tools and client portals are important contributors, **the real measure of client experience is whether advisors are able to understand their clients' most important goals and help reach them.**

Commonwealth Advisors Speak

"It's so much more fulfilling knowing you are a client's first call because of the trust you built based on a personal relationship we have created."

"I also work hard because I really care about my clients. This whole business, there's nothing except trust. So, you build trust by really getting involved in your clients' lives and being that advisor, not just being somebody to sell something."

"I am fully on board with this as a relationship business. I want it to be my brand. I am building a good business with people I care about, and I think they know it. They know that they're going to partner with people that are going to care about them."



COMMONWEALTH VOICES



"Advisors are hoping to help clients live better lives and achieve their financial goals. We have all the tools to help them do it...their way."

Senior Commonwealth Financial Network® Executive

About Cerulli Associates

For over 30 years, Cerulli has provided global asset and wealth management firms with unmatched, actionable insights. Headquartered in Boston with offices in London and Singapore, Cerulli Associates is a global research and consulting firm that provides financial institutions with guidance in strategic positioning and new business development. Our analysts blend industry knowledge, original research, and data analysis to bring perspective to current market conditions and forecasts for future developments. Learn more about Cerulli Associates by visiting www.cerulli.com.

About Commonwealth Financial Network®

Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Adviser, provides a suite of business solutions that empowers more than 2,000 independent financial advisors nationwide. Privately held since 1979, the firm has headquarters in Waltham, Massachusetts, and San Diego, California. Learn more about Commonwealth by visiting www.commonwealth.com.

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