Advisor Services

What kind of independent advisor will you be?

charles SCHWAB

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Freedom to better serve clients is one of the main benefits of becoming an independent Registered Investment Advisor (RIA). Independence doesn't mean you have to be entirely on your own, though. You can choose from different RIA profiles with varying levels of support. Whichever profile you embrace, custodians like Schwab can help with your transition and be there to support you throughout the life of your business.

Which RIA profile is right for you?

1. The owner
2. The big-picture owner
3. The funded owner
4. The affiliate
5. The teammate

1 The owner:
Pure independence

You decide which vendors, products, and expenses best fit your business. This includes establishing a brand identity and company culture, vetting the technology, and even hiring the cleaning service.

Priorities

- Full ownership
- Maximum control and responsibility
- 100% of revenue and any earned equity

Other considerations

Do you have ambitions for growth that scales up to a large RIA firm? You have the latitude to build the kind of business that you believe other RIAs will want to join.

"I want the freedom to run the business my way."

2 **The big-picture owner:** Independence with platform provider support

You want to be in control but may not want to be hands-on in every aspect of setting up and running your business. In this case, you may seek out a platform provider that offers turnkey solutions. Its services may relate to compliance, technology, reporting, financing, or office setup, depending on the arrangement. Platform providers often come with their own trusted set of vendors but may provide some flexibility in vendor choice. You pay a platform fee for the services and are responsible for all expenses.

Priorities

- Full ownership
- More time to focus on the area of business you care about most
- 100% of the equity as your firm grows

Other considerations

Depending on the contract you sign with the platform provider, it's relatively simple to transition to full independence should you want more control.

> "I want to be the boss, but I don't want to deal with all the details."

3 **The funded owner:** Launching with the help of a financial partner

You want to open a firm with the help of a financial partner. You sell a portion of your revenue stream to a holding company, which buys a minority or a majority stake in your firm. This in effect monetizes part of your book. Your payout can be taken in cash, partial equity, or some combination of the two. This financial deal can be similar to a wirehouse relationship but typically offers a better upside.

Priorities

- Up-front payout
- Easy transition, with the holding company handling most of the set-up work
- Ability to focus on clients

Other considerations

Looking to pay off a loan? Nearing retirement? This profile is popular for the early payout. It's also a good option for succession planning, as it allows a firm to cash out an experienced partner while ceding the business to younger partners.

> "I'm willing to trade some control for financial support up front."

4 The affiliate:

Setting up a business as part of an established firm or group

You want the autonomy of the RIA model without all the risk of business ownership. As an affiliate, you open a new office for an established firm and become an employee of that RIA firm or group. You enter a financial deal and structure similar to those of a wirehouse. Working within an existing RIA brand gives you access to the firm's ready-built infrastructure, which may include technology and compliance. One crucial difference is the ownership structure: You typically acquire an equity stake in the parent RIA firm.

Priorities

- Freedom to focus on clients and business development
- Infrastructure support
- More flexibility in communications and product choice than at a traditional wirehouse or broker-dealer

Other considerations

Enjoy an easy transition, thanks to the existing infrastructure and support. Succession planning could also be simpler, as the parameters are already defined.

> "I want to be independent but not necessarily self-employed."

5 **The teammate:** Joining an existing RIA firm

You want to focus on your clients but would like to eliminate the risk that comes with starting a business. You can join an existing RIA firm as an employee or potential partner and negotiate the financial terms up front. Some RIA firms are content to split certain expenses and receive a percentage of your revenue while letting you work independently. Other firms are seeking a complementary fit—for example, recruiting you because you run different investment models or blend in with the firm's culture.

Priorities

- Low-risk transition, without the challenge of building your own infrastructure
- Established brand
- More time to focus on clients' needs

Other considerations

If you want the smoothest transition as you continue your practice, this might be your ideal setup. Culture is key, however. Do your research to find a firm with similar values and aspirations.

"I want to take smaller steps to independence."

Do you want to keep your commission-based business?

Many advisors who receive revenue from a commission-based business don't want to give it up when becoming an RIA. To keep a foot in both worlds, you may want to consider one of these hybrid models:

- **Dually registered.** You start or join a fee-based RIA while affiliating with an independent broker-dealer (IBD) for transaction business. This offers more flexibility in choosing advisory services and investment options. You may also have a choice to use the IBD's turnkey infrastructure or assemble a customized platform.
- **Semi-captive.** You affiliate with a broker-dealer that has a corporate RIA and restrictions on RIA custodian access. The IBD chooses the custodian, manages and sometimes restricts investment options, and provides turnkey infrastructure and support.

The hybrid model is increasingly popular. In fact, no other channel in the industry is growing faster: The number of hybrid RIAs grew 7.1% year-over-year during the last 10 years.[1]

Key considerations:

- How important is offering diverse brokerage and advisory products?
- What are your long-term and short-term revenue goals?
- Do you want the freedom to choose business partners and vendors?
- What is your growth strategy?
- Is equity ownership a long-term financial and business objective?

Going independent is all about advising your way

Becoming an RIA is a big decision. Take your time reviewing the five profiles described here, and reach out to Schwab if you would like help determining which one is right for you.

We can help you find the right path.

Ready to speak with a Business Development Officer about making the move to independence?

Contact us at **advisorservices.schwab.com** or **877-687-4085**.

1. *The Cerulli Report: Intermediary Distribution 2018*, Exhibit 2.05.

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