

Should I Stay or Should I Go?



The Changing Environment Offers Solutions for Financial Professionals and Their Clients

By Ron Brounes, CPA

Needless to say, the financial landscape has changed dramatically over the past few months (and more changes still lurk on the horizon). For all practical purposes, in 2008 investors said goodbye to Bear Stearns, Lehman Brothers, Merrill Lynch, Wachovia, and others (though some of the brand names remain for now ... somehow Bank of America is “Bullish on America” doesn’t offer that same flair). In the near future, Smith Barney reps will learn whether they can blend into the Morgan Stanley culture better than Dean Witter’s did over a decade ago. As the large Wall Street houses write-down assets, seek capital infusions, and fight for their very existences, angry investors attempt to determine if anyone there is truly looking out for their best interests.

Many experienced financial professionals have felt the wrath of the negative implications brought through their affiliations; others find themselves suffering from often detrimental changes in company policies and procedures that may take the form of declining payout structures, enhanced compliance oversight, and fewer available products and services. In some cases, the new associations brought about through merger (or bailout) represent huge unknowns for them and their clients. While investors often claim their loyalties remain with advisor rather than the firm, such relationships are being tested as the headlines offer more gloom and doom daily (not to mention the declining balances in their portfolios). In this environment, many experienced professionals are seeking opportunities to take their practices independent, regain some of that lost trust, and take more control over their careers.

While many advisors would like to pursue the independent route, they are often uncertain about how to do so. They have grown comfortable with their big-firm environments and remain concerned that they will not be able to offer the full array of investment products and services nor provide the back office operational support needed by their clients. While certain investors have grown less trustworthy of the large investment houses, they may not have confidence that a smaller firm or independent advisor will be able to serve all of their ongoing financial needs. With these thoughts in mind, many advisors choose to take the path of least resistance, stay with their current (or new) affiliations, and grow more frustrated with their large, bureaucratic corporate environments (and the negative daily headlines).

Options Are Available

Over the past few years, more firms have evolved to meet the needs of the independent advisors. Some offer traditional brokerage and advisory services with the ability to serve both fee-based and commission-oriented practices.

Before choosing to go independent, advisors should take the time to evaluate potential firm relationships and determine which offer the products and services that are most consistent with their current practices.

TAMPs (turn-key asset management programs), for example, provide advisors with innovative investment solutions, financial education and training, and other crucial support services.

Today, an advisor has various options to consider when choosing to go the independent route. He or she should take the time to evaluate potential firm relationships and determine which offer the products and services that are most consistent with their current practices. As always, these crucial career decisions should only be with the clients' best interest in mind.

When exploring an affiliation with a broker-dealer and/or RIA, a professional should consider many of the following:

- An open-architecture investment management platform that includes access to separately managed accounts, mutual funds, and exchange traded funds to allow advisors to structure the most appropriate, well-diversified portfolios.
- An alternative investment (hedge fund) platform which has become increasingly important to many sophisticated, high net worth investors (despite some of the negativity associated in this environment).
- Independent research on managers, funds, and investment vehicles as well as economic/market commentaries to help advisors and their clients stay abreast of key developments and investment options.

- A comprehensive technology suite (interactive website) to provide all the needed support and solutions to meet the demands of the clients.
- A professional development program that provides various levels of education and training opportunities to help advisors enhance the service offered to their clients.
- Support through account administration, portfolio accounting, asset allocation rebalancing, performance reporting, and billing calculations.
- Transitional support as advisors move to a fee-based independent practice.
- Advisor assistance in ever-changing regulatory and compliance matters.

The Timing May Be Just Right

Since advisors are often among the most entrepreneurial of business professionals, the independent route may be a very logical career move. For many, the challenges brought about by the financial and credit crises have provided them the proper motivation to explore those options. Other cannot bear the thought of a new association with another large bureaucracy (that may have some more skeletons of their own to be revealed in the months to come). Finding that best affiliation could prove a win-win situation for both the advisors and their investor clients as the global financial landscape continues to change.



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