

## BANKING & FINANCE

# Professionals face challenges of changing regulatory environment

Over the past few years, the regulatory environment for financial professionals has grown increasingly complex.

The Securities and Exchange Commission and others (Spitzer) have raised numerous questions and concerns about conflicts of interests within the products and services offered to investors as well as the objectivity of the advice they receive. Large Wall Street brokerage houses, mutual fund companies and money management firms have found themselves the targets of such investi-

gations; confused and angry investors attempt to determine if anyone 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, large financial institutions have chosen to depart the advisory industry altogether. American Express, for example, recently spun off its financial advisory unit, leaving thousands of advisers in Houston and across the country with a new unknown brand identity.

### GOING INDEPENDENT

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 advisers would like to pursue the independent route, they are often uncertain about how to do so. They have grown comfortable with their environments and remain concerned that they will not be able to offer the full array of investment products and serv-



**INDEPENDENT  
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ices nor provide the back office operational support needed by their clients.

While certain investors have grown less trusting of the large investment houses, they may not have confidence that a smaller firm or independent adviser will be able to serve all of their ongoing financial needs. With these thoughts in mind, many advisers choose to take the path of least resistance, stay with their existing affiliations and grow more frustrated with their large, bureaucratic corporate environments.

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

### TURNKEY PROGRAMS

Turnkey asset management programs provide advisers with innovative investment solutions, financial education and training, and other crucial support services. Today, an adviser has various options to consider when choosing to go the independent route. They 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

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clients' best interest in mind.

When exploring an affiliation with a broker-dealer and/or asset management firm, an adviser should look for:

- An open-architecture investment management platform that includes access to separately managed accounts, mutual funds and exchange traded funds to allow advisers 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.

- Independent research on managers, funds and investment vehicles as well as economic/market commentaries to help advisers and their clients stay abreast of key developments and investment options.

- A comprehensive technology suite (interactive Web site) 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 advisers enhance the service offered to their clients.

- Support through account administration, portfolio accounting, asset allocation rebalancing, performance reporting and billing calculations.

- Transitional support as advisers move to a fee-based independent practice.

- Advisers assistance in ever-changing regulatory and compliance matters.

Since advisers 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 recent scandals, enhanced regulations and changing policies at the larger investment houses have provided them the proper motivation to explore those options. Finding that best affiliation could prove a win-win situation for both the advisers and their investor clients. ■

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