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## The Next Move Instant Poll:

**Customer segmentation can help boost client satisfaction, retention, and increase the quality of your leads, among other things.**

Given its importance, how likely are you to implement a customer segmentation strategy within the next six months?

- Likely
- Somewhat likely
- Not likely
- Already have

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## Going Independent: Finding the Model That Works For You

So you're thinking about going independent? One of the first things you need to figure out is which model to choose. The good news is today you have more options than ever. The bad news is that having more options can be overwhelming. For example, should you start your own broker/dealer? What about affiliate with an independent broker/dealer by either joining an existing branch, or starting a new one? You could also join an existing registered investment advisory firm, or set up your own. Read on to figure out which option could be right for you.

### Consider your reasons for going independent.

Going independent is far from one-size-fits-all. "It can be confusing because the term independent means different things to different people," said Victoria Bowen, president of Bowen Enterprises LLC, a Boston-based consulting firm that helps advisors go independent. Which model you choose largely depends on who you are and what you are looking for. For example, if you have an entrepreneurial nature, want to build a business, be a fiduciary, retain full control, and keep the full payout, starting an RIA could be for you. Alternatively, if you want a large level of independence, but you're not looking to be a fiduciary and you want the support of a home office, affiliating with an IBD and starting a new office might be for you. On the other hand, if you like the added freedom and are looking for a higher payout, but don't quite have the zest to own your own business, you might like the idea of joining an existing independent branch or RIA.

### How important are ownership and control to you?

There are a lot of possibilities. You can fully own the firm, become a minority partner, become an employee and not take an equity stake, among other things. But what it comes down to is this: how important is ownership to you? And how much control do you want to have? "If you want 100 percent you need to have 100 percent ownership," said Jeffrey D. Haines, senior vice president of ActiFi Inc., a Plymouth, Minn., consulting firm for financial advisors and institutions. Also consider how much of the profits you want to retain? For example, your payouts will be less at an IBD than they would be at a pure RIA. "It's a tradeoff between money and responsibility and control," he said.

### Consider the present and the future.

How much of your current revenue is fee-based and how much comes from commissions? If you are 99 percent fee-based, for example, you might want to seriously look at the RIA model, Bowen said. If you are 50/50, however, you'd likely want to affiliate with a firm that has both an RIA and broker/dealer component, she explained.

Consider how committed you are to your current model. For example, if your commission business is insignificant, letting your securities license lapse and eliminating regulation by FINRA is sometimes the right business move, said Frank Pizzichillo, director of business development at MarketCounsel, a regulatory, compliance and consulting firm in Englewood, N.J. What's more, you still have two years to affiliate with a broker/dealer if you decide you really want to be in that part of the business.

One the other hand, if you don't like the idea of giving up commissions—and that's a hard choice for many advisors—the pure RIA model may not be right for you. Remember you can still affiliate with a broker/dealer as an RIA.

### Consider your finances.

You may have the drive to be a business owner and a favorable asset mix, but do you the financials to do it? To start your own RIA, the sweet spot begins at about \$100 million of assets under management, said James Eccleston who heads the securities practice at Shaheen, Novoselsky, Staat, Filipowski & Eccleston in Chicago. "You really need that kind of bulk to carry on a fully functional investment advisory business."

As an RIA you have to pay salaries, rent, health care, and for computer hardware and software systems. At an independent brokerage, compliance is part of the suite of services, but at an RIA, the investment advisor has to replicate it at his or her own cost. "Day to day compliance is a large undertaking that investment advisors need to be aware of," Eccleston said.

### How much asset management experience do you have?

If you don't have the experience or financial resources, starting with an independent broker/dealer might be the way to go. "You are running your own business, but you have a lot of dedicated resources behind you," said Chris Winn, managing principal at AdvisorAssist, a service that helps advisors go independent. It is "more of a measured step as opposed to a full dive in."

On the other hand, if you are part of a more experienced team doing business under a broker/dealer and you want to switch models, it's sometimes an easier jump to start an RIA. "The RIA is really the uber-flexible way of running your business. You're calling all the shots. You're responsible for everything from office space to investment products," he said.

Keep in mind that if you do want to start your own RIA, some states require you to have a certain level of industry experience, Winn said. If you don't have a lot of experience, you might want to consider partnering with someone who does such as another RIA.

### Make sure you aren't just making a decision for today.

Don't think just about tomorrow, think five years out. "You don't want to start in a model that is going to