

Thursday, November 19, 2009, at 4 p.m. EST

Advisors Going Independent Webinar Series

Roadmap To Independence

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advisorsforadvisors

Founder, Advisor Products, 1996

Founder, Advisors4Advisors, 2009

Editor At Large, Financial Advisor Magazine

Police beat reporter 1980-82

Writing about PF since 1983, AICPA

1986 to 1990, NY Daily News

1991 to 1996, Worth Magazine



Practice Management Website For Independent Advisors

- Links to major market and industry news every business day by 8:30 EDT.
- Analysis of regulation, investing, technology by industry experts.
- Connect instantly to advisors who practice like you.
- Compare advisor software feature-by-feature, side-by-side.
- Access advisor reviews of software and independent user groups.
- Obtain free CE credit 24/7 for replays of Financial Advisor Webinar Series.
- Free six-month subscription and *Guide To Independence*

Agenda

- Operations and Technology
- Registration and Compliance Program Design
- How to get a free A4A membership and the AdvisorAssist Guide To Independence
- Questions



Blane Warrene

Technology & Operations

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- Technology innovator since 1991
 - Broker/dealer and RIA technology & operations
 - Investment and insurance systems integration
 - Broker/dealer operations management
 - Process design and implementation
 - Strategic planning
 - Emerging technology & social media
- Notable experience
 - Director of Technology in financial services sector
 - Worked for ING (US), Pacific Life, and ValMark Securities
 - Managed and deployed back office, front office, and individual user solutions – both web-based and software
 - Substantial Apple platform and open source expertise
 - Co-founded commercial software and consulting venture
- Accomplished technology writer
 - **advisorsforadvisors** [Technology & Operations blog](#)
 - Sitepoint.com blogger and technology reviewer
- Lifelong musician and musical engineer

Operations & Technology

Blane Warrene

Get Started On Solid Footing

- Identify your approach w/ clients
- Document Your Requirements
- Always think integration
- Training, training, training

Profile Your Practice

- Active money management
 - investment research & portfolio analytics
 - modeling & allocation strategy & tactics
- Financial Planning
 - assessments & goal planning
 - activities tied to life stages
- Relationship Manager
 - energy & time with clients
 - outsource operations

Identify Requirements

- Based on your practice profile
 - Identify key activities you need systems to support
 - Define output you want to provide clients
 - Document core processes for operations
- Matching Requirements to Systems
 - Identify CRM solution to serve as practice hub
 - Assessment tool for working with clients
 - Financial Planning, Portfolio Analytics, Outsourcing
 - Begin identifying potential vendors

Technology Wheel



- **Four Legs of the New Chair**
 - **CRM**
 - the core of your practice
 - **Planning and Analytics**
 - Portfolio analysis
 - Client Assessment and Intake
 - Plan and Proposal Assembly
 - Progress measurement
 - **Reporting**
 - Aggregation of accounts
 - Monitor positions and performance
 - Book and Practice metrics
 - Client tools
 - Meeting preparation
 - **Web site and portal**
 - Brand and promote your practice
 - Interact and engage the public
 - Delivery mechanism and integration with active clients

Technology Vendors

CRM



Financial Planning



Portfolio Analytics & Reporting



• Integration

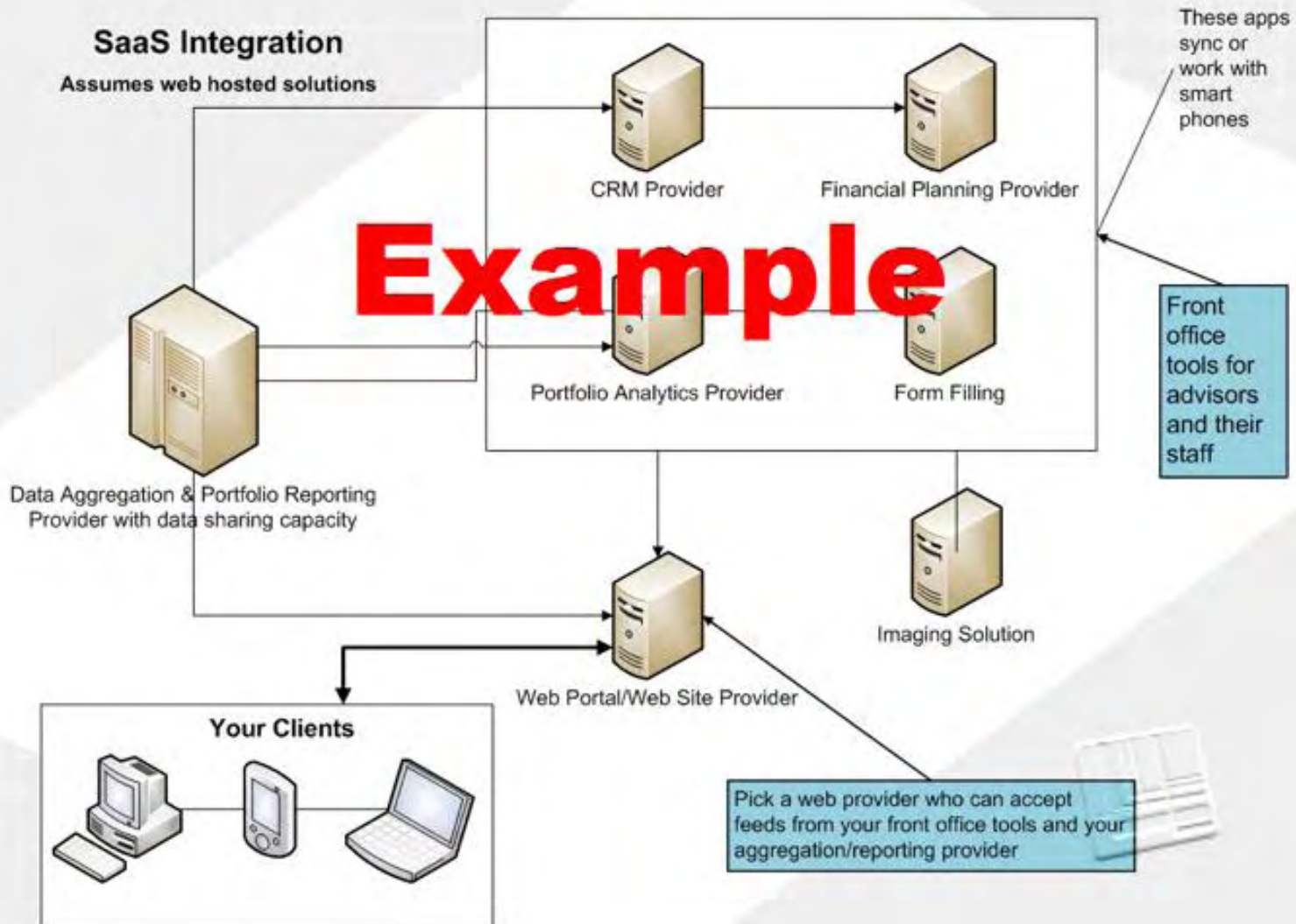
Identify tools that share data with one another - enter the data once and share it across your core business applications

A Simple Scenario:

- Enter a prospect in CRM
- Convert to client
- Send client info to financial planning app
- Output financial plan
- Send client info to form filling software
- Assemble deck for operations processing
- Client can view activities and account via portal



Technology Strategy & Plan



Outsourcing the Ops

- Custodians and Third-party asset managers provide end to end services
- From proposal generation to implementation and rebalancing
- Your focus is on client relationships
- Professional services
- Your brand

Who Offers This Support

- What they offer
 - Web-based advisor workstation
 - Proposal generation
 - Straight through processing account setup
 - Trading and rebalancing
 - Client services - cashiering, ad hoc reports
 - Quarterly performance reporting
 - Premium access to tools like Morningstar, S & P Research, et al

Outsourcing Providers

Custodians

Fidelity Institutional
Wealth Services



Pershing
Advisor Solutions®
A BNY MELLON COMPANY

SCHWAB
INSTITUTIONAL

TD **AMERITRADE**
Institutional

Third Party Asset Managers

 **BridgePortfolio**®
Cure your back office blues.®

 **Brinker Capital**

 **CURIAN**
CAPITAL

ENVESTNET
Where Advisors Prosper™

FundQuest
A BNP PARIBAS company 

LOCKWOOD
ADVISORS
AN AFFILIATE OF PERSHING

 **PNC**
MANAGED INVESTMENTS

• Simplicity

- Due Diligence
- Core Processes
- Integration
- Consistency to Clients

• Training

- Learn 100%
- Train for growth
- Stick to the Plan
- Annual reviews of process and providers

The Road To Independence

Chris Winn



Chris Winn

Managing Principal & Co-Founder
MainStay Consulting Group, LLC
and
AdvisorAssist.com
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- Co-Founder of AdvisorAssist™
 - Supports start-up and growth of IA firms
 - Turn-key RIA Registration
 - Compliance Program Design & Independent Assessments
 - Outsourcing Compliance and Operations
 - Technology Selection and Implementation
- 17 years of industry experience
 - Co-Founder MainStay Consulting Group, LLC
 - Chief Compliance Officer, Open Investing, Inc. and Advisor Now, Inc. and other RIAs
 - Associate Director of Investment Management Consulting of Navigant Consulting, Inc.
 - Vice President, Product Management, Evergreen Investments (Wachovia Securities)
 - Vice President, Business Operations, Evergreen Investments (Wachovia Securities)
 - Assistant vice President, Mutual Fund Administration, Evergreen Investments (Wachovia Securities)

The Road to Independence

The disclosures. Sorry, I am a compliance guy 😊.

The discussion points contained in this presentation are not a complete list of business activities required to establish your registered investment advisor firm or select an independence option.

This presentation is not intended to solicit or otherwise direct any individual to leave their current employment or affiliation.

Each individual and business is unique. These are some general considerations. Seek advice that is specific to your unique situation.

Compliance programs are a critical component of a registered investment advisor's business. A cookie-cutter solution is no longer acceptable with the regulators. If you leverage tools from colleagues, industry resources, other firms, you must ensure they are tailored to your unique situation.

Now for the FINRA disclosures...

FINRA Disclosures

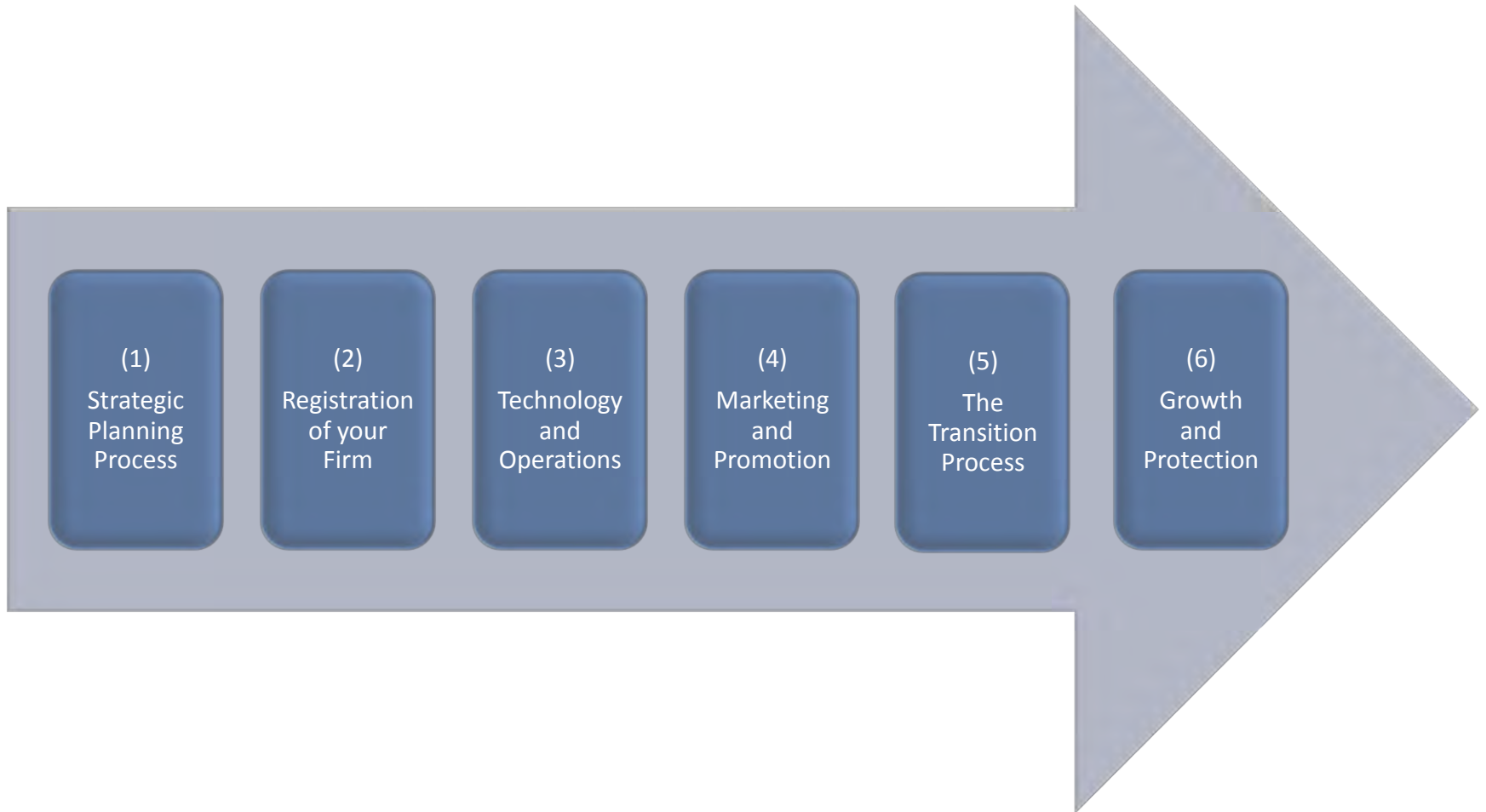
I may have conflicts which can be found on page 1,219 of your disclosure document. The rest of my marketing materials will be available in 7 weeks after firm, FINRA, and Obama administration approval. Someone with no idea of my original intent will select all the words for me and tell me what I am thinking so that there will be no confusion whatsoever. The investment I recommend have no bias, other than I was told I must use them or else. Inform your clients that they must read every word of this and understand it all. Past performance does not guarantee future results so I will only advertise the good stuff. Lorem ipsum dolor sit amet, consectetur adipiscing elit. Nunc ut quam in purus dignissim semper. Quisque ac nibh et urna congue vestibulum. Aliquam erat volutpat. Vestibulum nisl enim, interdum id sagittis vitae, tincidunt sit amet elit. Sed nisl purus, ornare et rhoncus et, tempor vitae sem. Nullam scelerisque lacinia augue, eu rhoncus urna dictum sit amet. Suspendisse augue neque, pharetra eu vulputate non, tincidunt eget lorem. Quisque malesuada, leo sit amet rhoncus laoreet, velit tellus euismod libero, eget ullamcorper dui magna in risus. Quisque in dictum diam. Pellentesque sed nibh fringilla est elementum sollicitudin a ut lectus. Mauris sed enim non nisi eleifend fringilla. Fusce massa risus, condimentum porta ultrices vel, mattis vel dolor.

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The Road to Independence

A step through the planning and execution...



Strategic Planning Process

The business planning process encompasses many decisions from model type, to custodian, to investment philosophy to compliance.

- Who are my clients?
- What services will I offer?
- My own firm or join another practice?
- Partner or go solo?
- Fee-only or hybrid model?
- How can I differentiate my firm?
- What is required to register my firm?
- What custodian(s) should I select?
- What technologies do I need?
- How do I build/maintain a Compliance Program?



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Strategic Planning Process

...and where do I start?

- Starting any business is a process.
- Develop an action plan, budget and timeline.
- Review alternatives.
- Seek advice from existing firms and industry resources.
- Make informed decisions.
- Don't try to do everything at once. Pace yourself!



Strategic Planning Process

Business Plan

Draft a formal plan that includes:

- Target market and how you will penetrate
- Keys to success
- Expected assets
- Start-up capital requirements
- Registration and Compliance plan
- Service provider relationships (Registration, Custodian, Technology)
- Communication plan

**** Seek advice from existing firms and industry resources.**



Strategic Planning Process

Planning Checklist

Integrate a project plan or checklist:

- The sequence of events
- Critical decisions and dependent tasks
- Allocation of resources - Seek advice from existing resources. There are plenty available.
- Mark your milestones.
 - If you want to be live in sixty days, what are the dates you must hit?
 - Starting as a new SEC registrant – sanity check at 60 days on asset conversion.
- Don't try to do everything at once. Pace yourself!



AdvisorAssist has provided a free Guide to Independence for participants on this webinar that includes a checklist.

Strategic Planning Process

Timing your move.

Timing the start of your new business is a critical part of the planning process.

- How long will registration take?
- What is the duration from concept to live?
- Do I have any bonus payouts?
- Do my existing clients have any critical needs?
- When should I inform my employer?
- How much downtime can I risk?
- Can I get started while I am still employed? What are the risks? Safeguards? Strategies?



Note: FINRA firms and certain RIAs require disclosure of outside business activities.

Registration with SEC or State(s)

Licensing of the Firm:

- SEC vs. State Registration
- Registering in multiple states
- Required Forms:
 - Form ADV Part 1 (and Part 1B – State)
 - Form ADV Part II and Schedule F (“Brochure”)
 - Schedule H – Wrap Brochure
- Timeline – generally 45 days from filing
- Fees range from \$0 to \$400 per firm per state per year.
- What to expect? The regulators **will** come back with questions and additional requirements. **Count on it!!**



Proposed legislation change – Advisors under \$100 million to become under State jurisdiction. See my blog on AdvisorsforAdvisors.com

Registering IARs with State(s)

What licenses are required?

- Series 65 or Series 66
- Exemption with certain designations
 - Varies in some states
 - Chartered Financial Analyst (“CFA”)
 - Certified Financial Planner (“CFP”)
 - Chartered Financial Consultant (“ChFC”)
 - Chartered Investment Counselor (“CIC”)
 - Personal Financial Specialist (“PFS”)
 - Some states also exempt Certified Public Accountants (“CPA”) and other experience.



More information at <http://ria-exams.advisorassist.com>

Registering IARs with State(s)

Licensing Investment Advisor Representatives:

- At least one registered person
- Required Information Varies:
 - Form U-4
 - Prior Activity Affidavits
 - Fingerprints
 - Background Checks
- Officers, investment and client facing personnel must register
- Timeline – generally same/following the firm
- Fees – range from \$0 to \$285 per state per IAR per year. (and they are not prorated).



RENEWAL DEADLINE: December 11, 2009

Registering while Affiliated

What activities can be performed while employed?

- FINRA firms require approval of outside business activities, so consider how and when you inform your employer.
- Make sure you provide formal, written notice of termination of your relationship. Do not have them find out from your filings or use of their technology.
- Can I form my legal entity?
- Can I open an exam window and sit for the 65/66?
- Can I file my Form ADV?



Each of these questions require special handling and considerations. In many instances, the answer is that there is no direct communication of these activities.

But cover your bases if you must start before you part ways with your firm.

Your Legal Entity

What type of entity should I select?

- An RIA firm can be established in any legal entity structure, from a sole proprietorship, to an LLC, to forms of corporation or partnership.
- Consider the following when choosing an entity:
 - Taxes: which will be most favorable in your situation?
 - Liability: can't protect personal assets in a sole proprietorship
 - Partners: Will you be solo or have partners? Will they start at once or be coming over time?
 - Investors: Will you need a share capitalization structure for investment into the firm?
- Who can help?
 - State corporations commissions
 - Regulatory consultant
 - Attorneys. Some outsource this to document preparation companies
 - Online resources



Your Compliance Program

Rule 206(4)-7 requires that your compliance program be designed to prevent, detect and correct violations of securities laws.

Core requirements include:

- Written Supervisory Procedures
- Code of Ethics
- Privacy Policy
- Business Continuity Plan
- Books and Records Retention Plan
- Email monitoring and retention
- Client Agreements and Investment Policy Statements
- Annual testing and assessment plan
 - Review your compliance program framework
 - Perform a risk assessment
 - Develop a rotational testing plan
 - Document issues and gaps
 - Adjust course. Compliance is an evolving process.



A cookie-cutter program won't hold up to scrutiny by regulators.

Technology and Operations

Key Technology Decisions

- Do you need to own hardware?
- Utilize Software as a Service (SaaS) offerings?
- Do you have the internal IT expertise?
- Where will you work? Always in the office???
- Important systems to evaluate:
 - Email infrastructure (incl. archival)
 - Desktops, Laptops and Mobile devices
 - Investment Management, Research, Trade Order Management and Rebalancing
 - Financial Planning and Proposal Generation
 - Accounting and Reconciliation
 - Contact Management (CRM) System
 - Reporting and Performance



Blane Warren will take you in deeper on the Technologies today.

Technology and Operations

Operations

- Who will handle your daily operations?
 - Account opening
 - Reconciliation
 - Fee billing
 - Trade Confirmation
 - Compliance
- Do-it-Yourself, hire staff or outsource?
- Will outsourcing also eliminate or reducing technology costs?



Blane Warren will take you in deeper on the Operations as well.

Marking and Promotion

What are the pillars of your brand?

- How will your firm stand out?
- Select a partner that can help develop a strategy
- Cohesive branding, from print, web, social media, etc.



Advertising Requirements?

- Truthfulness and accuracy are the foundation
- No formal pre-review by regulators
- Retain all versions following books and records rules
- Performance advertising can be done, but additional rules to follow
- **Social media – YES!! But, no testimonials.**
- Some Compliance Consulting firms offer advertising review as part of their start-up or annual services.

Since we are on a Promotion slide... I know some great firms that can help!

The Transition Process

Follow the rules!

You've made it this far, don't put yourself at risk.

- Follow the Broker Protocol, as applicable
- Who owns the client relationship?
- Is there a non-compete or non-solicit?
- What information can I take?

Seek advice from compliance or legal support.



The Transition Process

Timing my transition

Depending on your situation, you may need to be careful about the timing and sequence of your departure.

- Starting while employed. Know your firm's policies.
 - Outside business activities
 - Code of Ethics
 - Technology use policies
- Information Triggers
 - Filing a Form U-4 will trigger a U-5 termination
 - Using company email may get flagged in monitoring
 - Use of company computers often logs sites visited and search engine queries
 - Make sure service providers and others you are working with know what phone numbers, email address and physical addresses are safe for use. Be clear which are off limits.
- Plan on your time, not the company's



Seek advice from compliance or legal support on your specific transition situation.

The Transition Process

Who goes first?

You may be contemplating joining forces with colleagues to start your new venture. Here are some thoughts to consider...

- Every RIA firm needs at least one registered person.
- Generally, every owner must file a U-4 before approval, but there are exceptions.
- Incubating the firm with through a colleague or consulting service may be an option, but each state has different rules. A 25% change in control can trigger a complete re-registration of the firm.
- Don't leave your clients hanging for an extended period of time. Know their needs.



Seek advice from compliance consultants or the regulators on your specific transition situation.

The Transition Process

What can I tell clients?

Each Advisor will have different circumstances with respect to ownership of the client relationship and specific terms in any Non-compete or non-solicit.

- Carefully review and understand what you have agreed to.
- Do not hold yourself out as an RIA prior to being approved.
- In certain circumstances, you can send letters to prospective clients to inform them of your plans.



Seek advice from compliance consultants on your specific transition situation.

Ongoing Operations

Compliance Requirements

An effectively designed program can be efficient and cost effective.

Some of the notable annual or ongoing requirements include:

- Maintaining registration of the firm and IARs
- Assessing the effectiveness of the compliance program
- Reviewing and updating procedures and internal controls
- Evaluating service provider performance and risks
- Client reviews and validating goals/suitability
- Reviewing Books and Records
- Monitoring for changes in securities laws that affect your firm
- Review of Advertisements, websites, etc.
- Code of Ethics and employees. Certification and training.



Ongoing Operations

Daily Operations

Some ideas to consider to keep you running smooth:

- Leverage technology to reduce risk and keep costs down
- Integrate compliance into the day-to-day
- Develop an Operations Manual
- Consider a secure Intranet site to help you manage the day-to-day information
- Evaluate where your time is best spent. Consider outsourcing certain functions
- Embrace change. Develop a continuous improvement model



To get the AdvisorAssist Guide *To Independence*:

1. We'll email you link with free six-month membership in A4A*
2. Sign in, rate one of your apps, fill in profile
3. Click on Rewards tab in your profile



* If you opted not to get A4A membership, you will not get an email.



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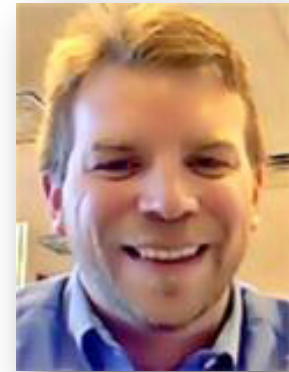


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Responses to questions on Advisors4Advisors.com

Please fill in survey