

OVERCOMING TRANSITION HURDLES

DEBUNKING MYTHS FOR A SUCCESSFUL MOVE

INSIDE Separating Myth from Reality | 3 Keys for Transition Success | Partner with LPL for a Successful Move

Transitioning your business is a major strategic decision that requires careful thought and planning. While considerations such as higher payouts, technology solutions and investment platforms should weigh heavily in your decision, other factors related to culture and philosophy will also play a role:

- What is your value proposition, and what type of offering is necessary to support it?
- Which practice type is the best fit for you and your clients?
- How do you want your practice to evolve?
- Where do you envision your practice in five years? Ten years?

For many advisors, determining the right practice type and cultural fit is the easy part. But the next step—actually making the transition—is a more difficult step to take. Although our lives, businesses and the world we live in are in a constant state of flux (the very catalyst that drives us to move forward in pursuing our goals), it can be difficult to accept the concept of change—which is often inextricably linked in our psyches with emotions such as anxiety, loss of control and fear. As a result, change can conjure up both fear of failure and fear of success.

Fear and anxiety are also common by-products of misinformation. To overcome uncertainty, it's important to first separate myth from reality, and then begin building a solid plan for the future. Not surprisingly, the following are among the greatest concerns that drive advisors to hesitate or procrastinate about making a move to a new firm:

1. My clients won't follow me.
2. The transition will disrupt my business.
3. I don't know enough about the legal considerations.
4. Independence = running a business.

SEPARATING MYTH FROM REALITY

MYTH: “If I leave my firm, my clients won’t follow me.”

Reality: Most clients don’t have a relationship with a firm; they have a relationship with *you*. As a result, the majority of advisors find that clients are far more willing to leave a firm than leave an established relationship with an advisor they know and trust. Advisors who’ve been most successful in retaining client relationships during a transition attribute their success to two primary factors: the strength of their client relationships; and taking the time to fully prepare clients for the move by communicating before, during and after the transition period.

MYTH: “The transition process is disruptive to business.”

Reality: Most advisors are leery of the repapering process for good reason: If not approached in an efficient and methodical manner, it can present a significant time drain. However, a dedicated and experienced transition team using a streamlined approach to gathering client records and preparing accounts for repapering can not only minimize or eliminate disruptions to your business, but enable you to focus on what you do best throughout the transition process—that is, serve client needs and attract new business. That’s why it’s prudent to take the time to get to know and understand the full capabilities of a firm’s transition team and resources before you make a final decision. Also, how willing this firm is to partner with you and engage in thorough and methodical planning tailored to your specific needs pre-transition can provide a glimpse into how effectively it will serve your needs post-transition.

MYTH: “I don’t know enough about the legal aspects of making a move.”

Reality: Ensuring that you understand all aspects of any agreements in place with your current relationship, and new agreements entered into with your new firm, is a critical step in driving a successful transition for you and your clients. It’s important to retain legal counsel to walk you through agreements, contracts and filing requirements. Most firms can refer you to attorneys who’ve helped other advisors transition.

MYTH: “Independence = Running a Business.”

Reality: There’s no question that independence can enhance your ability to deliver truly customized, client-focused support, yet many advisors mistakenly believe that to benefit from the increased flexibility and rewards of a more entrepreneurial practice type, they have to establish and run their own business. The reality is that today’s advisors have more options for independence than ever before. Some of those options—such as joining an existing team or branch, or partnering with a bank or credit union—allow advisors to take advantage of the infrastructure and support already in place. This can include operations and compliance, technology, practice management, and financial-planning tools and software. In addition, you will benefit from the established brand of the branch or institution.

3 KEYS FOR TRANSITION SUCCESS

1 | PREPARE PROPERLY

Develop a road map for your transition.

Preparing for your transition is not unlike developing a financial plan or investment strategy. Begin by identifying your goals and determining what success looks like for you and your clients. Document critical milestones and the unique needs of your business, staff and client base. The more your plan reflects the unique aspects, challenges and needs of your business, the more successful you'll be in communicating those needs to your new firm, which will enable it to better meet your expectations.

Prepare for repapering.

Make sure all current client information is as organized as possible before starting the transition:

- Make a list of all books of business, clients and accounts.
- Categorize clients as A-list or B-list to solidify communication plans and timelines.

Evaluate and segment current client relationships.

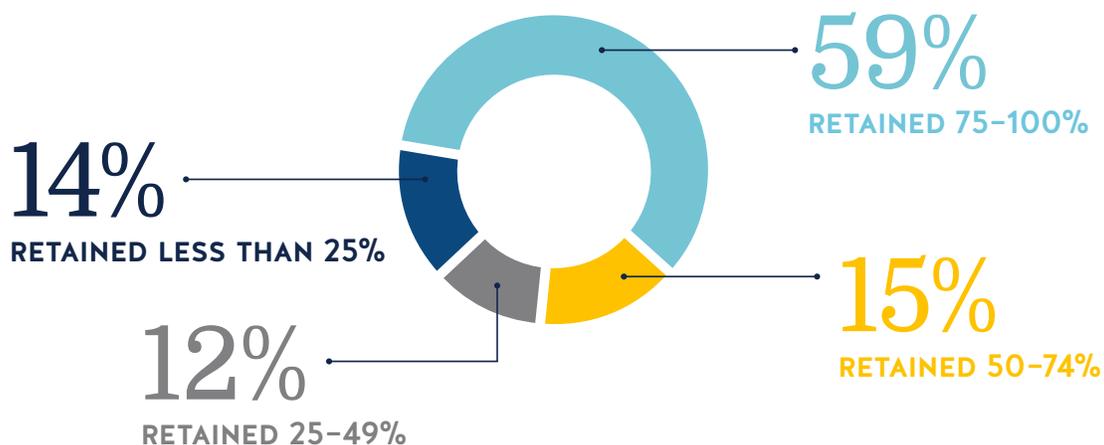
Your transition offers an opportunity to review your entire book of business. If certain clients are no longer a good fit for you or your new practice, a change of firm may provide a more comfortable and convenient opportunity to part ways with these less-productive relationships.

In segmenting your client base and determining the likelihood of clients moving with you, consider the:

- Length and depth of each client relationship
- Portability of the products clients are invested in
- Depth and breadth of clients' relationships with your current firm (e.g., do they utilize other products or services your company may offer—such as loans, credit cards, checking/savings accounts or property and casualty insurance?)

Client Retention Among Advisors Changing Firms

The majority of advisors who changed firms in the past five years retained between 75% and 100% of their clients.



(Rep/Wealth Management survey, February 2014—Transitioning firms: strategies, benefits and drawbacks experienced by advisors)

2 | ENGAGE LEGAL COUNSEL

Review all new and existing contracts and agreements.

The legal aspects of changing firms can be many and varied, especially if you're moving to a new business structure or model. Engage outside legal counsel to help ensure that you fully understand:

- Your current employer contract or agreement, including any non-compete or non-solicitation clauses
- The terms of the deal with your new firm

Prepare and execute all required legal documentation and regulatory filings.

Since required documentation, filings and licensing requirements can vary based on the state(s) you do business in and the type of practice you establish, legal counsel can be invaluable in helping to ensure that all documentation is in order, especially if you intend to establish your own RIA.

3 | DETERMINE THE RIGHT FIT FOR YOU

As the definition of independence continues to expand and evolve, advisors have access to a greater variety of affiliation options than ever before, including:

- Forming a solo, independent practice or an independent team
- Joining an existing team or branch
- Establishing an RIA
- Affiliating with a bank or credit union
- Becoming a retirement plan specialist

Determining which practice model is right for you begins with an evaluation of your practice goals and strengths, and consideration of the type of practice structure that's best for you and your clients.

Determine short- and long-term business goals.

It's just as important to consider where you want to be several years from now as where you intend to take your practice in the short term. Determining how you want to grow, and where you see the greatest opportunity for your future success, can help you choose a partner with a platform flexible enough to evolve with your practice.

Gain perspective from professional business-development consultants.

Discuss your needs and goals with the business-development consultants at the firms you're considering. These consultants can help you analyze your strengths and business goals to assist you in choosing a practice type that will be the right fit for you and your clients.

Familiarize yourself with any new technology, tools and systems.

The migration to a new firm's technology can be one of the most time-consuming aspects of a move. Ask prospective firms to walk you through their technology offerings before you make a move to ensure that email, CRM, and trading and reporting tools/platforms are seamlessly integrated, fit your needs and are easy to use. The firm you choose should offer automated solutions for improving efficiency and ensuring accuracy to enable you to focus on client relationships and practice growth.

PARTNER WITH LPL FOR A SUCCESSFUL MOVE

Many firms and custodians have a knowledgeable transition team, and a specific process for helping you make your move. But not all are the same, so it's important to be aware of the assistance and support you should expect to receive. LPL provides focused and experienced resources to help you develop a thorough and efficient road map for your successful transition so that you can concentrate on serving your clients.

A personal plan and timeline

LPL provides support every step of the way to ensure that you and your clients have the smoothest transition possible. Your personal integration manager will develop a timeline for your transition, and direct you to highly qualified individuals within our firm who will facilitate the account-repapering process.

Legal support

LPL will assist you in identifying and dealing with potential legal issues involved with the transition, and can also provide referrals to outside legal counsel.

Universal platform

The LPL universal platform supports any practice type. No matter how you envision the future of your practice, our platform can help enable you to build and grow your business—your way. Our consultants will work with you to determine the best fit for you and your clients.

When you partner with LPL, you're choosing a firm that will be with you every step of the way. Your transition is just the beginning. From your initial contact with our experienced representatives, through specialized training and education designed to help you get the most from our resources, to business-development specialists who will help you fine-tune and grow your practice, we're committed to helping you succeed. ■



About LPL Financial

LPL Financial, a wholly owned subsidiary of LPL Financial Holdings Inc. (NASDAQ: LPLA), is the nation's largest independent broker/dealer (based on total revenues, *Financial Planning* magazine, June 1996–2013), an RIA custodian and an independent consultant to retirement plans. LPL Financial offers proprietary technology, comprehensive clearing and compliance services, practice management programs and training, and independent research to more than 13,700 financial advisors and approximately 700 financial institutions. In addition, LPL Financial

supports approximately 4,500 financial advisors licensed with insurance companies by providing customized clearing, advisory platforms and technology solutions. LPL Financial and its affiliates have more than 3,200 employees with primary offices in Boston, Charlotte and San Diego.

For more information, please contact an LPL Financial representative at (888) 250-2420 or visit www.joinlpl.com.