



# HOW DIFFICULT IS IT TO CHANGE BROKER-DEALERS?

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Changing your broker-dealer or registered investment advisor can be complex and challenging. Yet, the reward is well worth the work if you pick the right partner. The right partner can transform your practice and the value you add to your clients. The process of changing firms does take work, but it doesn't have to be overwhelming. In fact, if done correctly, it can add value to you, your staff, and your clients. Here are 6 tips for a smooth broker-dealer transition:

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- 1 Get a Legal Opinion** – changing broker-dealers can have all sorts of hidden landmines that an attorney specializing in FINRA/SEC registration changes can help you navigate. The right attorney can review your existing registered representative contract, employment agreement, non-compete and non-solicitation agreement, and privacy policy language to help you avoid costly legal mistakes. The right lawyer can also help you determine how your current broker-dealer (career, captive, independent, wirehouse, etc.) will treat your transition and how they view who “owns” the client relationships and data associated with those clients. A good legal analysis is the bedrock of a successful and smooth broker-dealer transition. Spend the money to hire good legal counsel up front!
  - 2 Create a Game Plan** – the day you resign from your current broker-dealer you will lose access to your client accounts and systems. Therefore, you should build a written plan at least 90 days prior to your transition. A good plan applies the legal analysis that has been done to organizing permissible client data into the optimal format ahead of the transition. The right plan organizes information based on things such as total number of client accounts, household groupings, qualified vs. non-qualified account registration, proprietary vs. non-proprietary products, type of vendor and custodian. A robust plan also addresses questions such as will my new broker-dealer be able to service all my existing accounts? Which accounts will stay at my old firm? Which accounts will keep current holdings? Which accounts will move to new solutions? A good plan also identifies which accounts are eligible for eSignature and other electronic processing formats that can make the transition process even less disruptive.
  - 3 Involve the Right People** – involving key team members from your office will help create accountability and spread the workload across team members who will be creating new account paperwork and assisting in the broker-dealer change process. Often, business owners make the decision to change broker-dealers with minimal involvement from their staff. The staff is notified late in the game and is left scrambling to facilitate a transition without proper time and

resources. Successful transitions involve the key stakeholders early in the process. Each team member is assigned clear goals, responsibilities, and target deadlines. The team regularly meets to review the plan and ensure everything is on track to ensure a smooth transition when the official transition date arrives.

**4 Segment Your Clients** – the process of changing broker-dealers is a good opportunity to evaluate your book of business and determine if all your clients are still a good fit for your practice and if your practice is still a good fit for them. The broker-dealer transition can be the optimal time to help clients that no longer fit your business model find a new advisor. It can also be a good time to move legacy clients into products and services that are more in line with your current approach to planning. Changing broker-dealers is also a good time to segment your clients to ensure the revenue generated is commensurate with the services being provided. The best advisors do not waste the pain and difficulty of the transition process. They use it as a catalyst to optimize their business for the future and ensure they are serving right fit clients.

**5 Prep Your Client Data** – prepping client data is arguably the most essential component of a smooth transition. Depending on the legal analysis you received, the type of firm you are leaving, and your current contracts and agreements, this will look different for each financial advisor. For example, an independent firm with favorable Privacy Policy language will have a lot more latitude in bringing over client data than a Captive or Wire House financial advisor. Regardless, starting this process with a legal opinion will give you clear guidance on what, if any, client data you are able to prepare in advance and plan to take with you. Once you have a clear understanding of what data you are allowed to take to your new broker-dealer, it is critical to organize that data in a way that can be used promptly upon your transition.

**6 Establish a Communication Strategy** – Prior to your transition, you cannot discuss your plans with your clients but there is a lot of prep work you can do to have a thoughtful and clear communication strategy upon your registration with your new broker-dealer. Successful transitions involve different modes of communication to notify clients of your exciting news. Many use a brief 3–5-minute video to get the word out promptly, coupled with a written letter sent in the mail letting clients know what to expect and when they will be hearing from you to begin transitioning their accounts. The biggest opportunity with your communication strategy is to inform clients of why you are moving and how the new firm will provide products and services that benefit them.

The complexity of changing broker-dealers can be daunting, but with the right approach and preparation, it can be a smooth and beneficial process for all involved. By following these 6 tips, you can ensure a seamless transition to a broker-dealer that enhances your practice and provides greater value to your clients.