
2017

ACTION PLAN

A FIELD GUIDE TO MASTERING CHANGE
PREPARE WITH SOLUTIONS FROM LPL



2017

ACTION PLAN

2017 is here—and with it comes the inevitability of change. This Action Plan is designed to help you get ahead of these changes—to help your business adapt, thrive and grow in the coming year.

It's based on three fundamental actions that we believe are central to turning change into opportunity:

- ACTION 1.** ASSESSING YOUR BOOK
- ACTION 2.** ESTABLISHING YOUR VALUE PROPOSITION
- ACTION 3.** REVISITING YOUR BUSINESS PARTNER

You'll find insightful articles and resources that will provide actionable insights and step by step strategies for advisors.

Securities offered through LPL Financial, member FINRA/SIPC. Insurance products offered through LPL Financial or its licensed affiliates.

Not FDIC/S Insured	Not Bank/Credit Union Guaranteed	May Lose Value	Not Guaranteed by any Government Agency	Not a Bank/Credit Union Deposit
--------------------	----------------------------------	----------------	---	---------------------------------

ACTION 1

ASSESSING YOUR BOOK

The first step in preparing for change is to understand the status quo. What is the composition of your practice? How do your clients break out against key metrics that will help you better understand their inherent value, and your ability to serve them? Assessing your book of business is essential to understanding how change can affect your practice. Our Client Segmentation Worksheet can help you undertake this critical first step.

CLIENT SEGMENTATION WORKSHEET

Once you've established your book of business, it's important to determine how to manage that book effectively and efficiently. Segmentation—the process of separating your clients based on specific criteria, including their needs and their value to your business—is one way to manage your book efficiently. Advisors who don't segment their book may be missing opportunities to provide clients with a consistent level of service while managing their own time and resources efficiently. The key to segmentation is choosing a method and consistently sticking to it. There are a variety of methods that may be considered when organizing your books of clients.

Here's a look at the steps you can take to implement a successful segmentation strategy in your own practice.

STEP 1. LOOK AT THE NUMBERS

The basis for your segmentation structure depends on what your goals are, as well as how they align with your clients' goals. Analyze your clients' profiles objectively, looking for factors such as:

- ☐ Total assets
- ☐ What portion of their total assets fall under your management
- ☐ How much revenue they generate for the firm
- ☐ How much time it takes to work with them

These factors will help you decide which clients are most valuable to your business on a financial basis.

STEP 2. LOOK *BEYOND* THE NUMBERS

Many advisors also factor subjective qualities as they segment their list. Again, analyze your clients' profiles objectively, but look for factors such as:

- ☐ Investment goals
- ☐ Ease of working with the client
- ☐ Personal relationship factors, such as trust or willingness to listen to advice

Ultimately, your decision about how to best divide your clients may represent a combination of factors, both objective and subjective.

STEP 3. CREATE AN EXCEL SPREADSHEET

Map out the quantitative and qualitative aspects noted above in an Excel document. Make each factor a column, as noted here:

CLIENT MAP							
Client Name	Total Assets	Portion of Assets Under Your Management	Revenue Generated for Your Firm	How Much Time Working with Client	Client's Investment Goals	Ease of Working with Client	Personal Relationship Factors: <i>Trust, Willingness to listen to advice, etc.</i>

STEP 4. ASSIGN YOUR CLIENTS TO A TIER

The number of tiers you have will depend on your practice, goals, and clients. That said, advisors typically end up segmenting their book into three or four tiers. Though most advisors segment their clients into tiers by investable assets, you may also want to consider other criteria.

Here are four options to segment your clients into tiers.

INVESTABLE ASSETS	
TIER	Divide your clients into three tiers strictly based on their investable assets.
A	All clients with \$100,000+ in investable assets
B	All clients with \$50,000-\$100,00 in investable assets
C	All clients with \$20,000-\$50,00 in investable assets

LIFECYCLE STAGE	
TIER	Assess each client's lifecycle stage and divide them into three categories accordingly.
A	All clients who shift from accumulation to preservation and/or have two years until retirement
B	All clients who are not ready to shift to preservation and/or have more than two years until retirement
C	All clients who are in the early stages of accumulation

ADDITIONAL ACCOUNT OPPORTUNITIES	
TIER	Based on your relationship with the clients, make an educated guess at how many accounts each client could potentially bring into your business. Divide your clients into tiers based on those numbers.
A	All clients with numerous potential accounts
B	All clients with a few potential accounts
C	All clients with no potential accounts

REFERRAL RATING	
TIER	Consider the percentage of your business that's based on referrals from your current clients. Divide your clients into tiers based on the potential number of referrals they could bring to your business.
A	All clients who are centers of influence (solid referral source)
B	All clients with some of potential influence (good referral source)
C	All clients with no influence (poor referral source)

You can create more depth to your profiles by simply adding additional categories to your main group. Once you have defined the segments of your book, it's imperative you consistently stick to them. The key to success is developing a process you can sustain and repeat over time.

STEP 5. MAKE EXCEPTIONS FOR SOME CLIENTS

Once you've established tiers, look over your book to see if any clients seem poorly segmented. A one-size-fits-all approach won't necessarily work for a diverse client base. Move misplaced clients to the correct tier.

ACTION 2

ESTABLISHING YOUR VALUE PROPOSITION

Once you break down the composition of your client book, you'll better understand how, and for which clients your practice can create the most value. The next step is articulating how your practice can deliver that value in a way that will stand out in the market. Establishing your value proposition will help you communicate the value you provide to your clients in the most differentiating and compelling way. These tools and resources will help you do exactly that.

STAGE 1. STAND OUT IN THE MARKET

STAGE 2. VALUE PROPOSITION WORKSHEET

STAND OUT IN THE MARKET

How to craft a compelling value proposition, put it into practice and effectively communicate it in 2017.

DISCOVER HOW TO COMMUNICATE YOUR UNIQUE OFFERING

Defining and explaining your value proposition is a critical element of gaining and retaining clients. A compelling value proposition differentiates you from the competition, sets expectations about your service offering, and helps you justify your fees, ultimately driving your entire business model and client experience. By having a well thought-out, unique value proposition, you firmly place your flag in the market, letting clients know who you are and why they should work with you.

If you already have a value proposition in market, consider how potential regulatory changes 2017 could bring to your practice as an opportunity to update your value proposition and re-emphasize the value you bring to clients.

Keep in mind, crafting a unique value proposition can be challenging for anyone. In a systematic, independent review of Barron's Top 100 Advisors' websites, 32% of value propositions promised to "develop solutions that meet clients' needs."¹ While this isn't bad to include, it means that you're going to have to put thought into adding some nuance to be distinguishable from your peers.

So, how do you create a unique offering that sets you apart?

¹ What Do Top Advisors Really Say and What Do Investors Really Think? A Study of Advisor Value Propositions, Pershing, 2014.

TAKE TIME FOR A LITTLE INTROSPECTION

Take some time to think about your business and what you want to accomplish through it, and review any language you may have that describes your mission and vision. Examining your existing messaging is a helpful exercise, even for experienced advisors, as businesses, dreams, and goals change over time.

Write down why you do what you do, how you do it, and who you do it for. Think about the qualities that differentiate you from other advisors. How is your business unique? Why is it valuable to your clients? Write down some words that you think represent you and your business. For inspiration, talk to your top clients and ask them what they appreciate about you and your offerings.

It's important to note that a value proposition differs from a mission statement because the mission statement simply defines your business and what you do. The value proposition outlines those elements, along with all the reasons a client would choose to work with you above any other advisor.

VALUE STATEMENT EXAMPLE:

As an independent wealth management firm, we guide our clients, helping them to preserve and grow their assets over multiple generations. We specialize in advising business owners, executives, and their families, specifically in the area of wealth transfer. Our goal is to help our clients pass on a legacy to their loved ones.

Through our investment management programs, we create tailored solutions to address our clients' individual needs. Because we want to protect our clients' hard-earned assets, we believe in a conservative investment approach focused on capital preservation.

We hold ourselves to the highest levels of integrity and accountability to ensure that we are doing our absolute best for each and every one of our clients. We feel privileged to work with the families who come to us for wealth planning and are passionate about making their lifelong dreams come true.

NOTICE A FEW THINGS ABOUT THIS SAMPLE VALUE PROPOSITION:

- Every attribute is followed up with a client benefit. Many value propositions list attributes, but fail to bring them back to investors and their needs.
- It's clear who the advisors' target clients are and what they do for them. If business owners sought an advisor to help them leave a legacy, they would probably feel motivated to call these advisors.
- Key terms that investors want to see are included throughout. It mentions tailored solutions, a conservative approach, integrity/accountability, and more.
- Many words evoke emotion—like “legacy,” “loved ones,” “passionate,” and “lifelong dreams.”

Now that you know what you want to say, it's time to form a cohesive statement. Your final value proposition can be incorporated within your client pitch, on the homepage of your website and the front page of your brochure, and in other marketing materials as an overview of your business and goals.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper appears to be a standard notebook page or a sheet of stationery.

- ❑ It resonates with clients and prospects emotionally and rationally.
- ❑ It is authentic and believable.
- ❑ It is relevant to your core audience.
- ❑ It is simple and memorable.
- ❑ It endears your audience to your brand in good times and bad.

10

PUTTING IT INTO PRACTICE

Once you've determined your actual value proposition, the next step is to define how it will play out in your client and prospect interactions. Existing clients already feel a connection to you and recognize your unique value through your ongoing service offering, investment management process, and wealth management services.² When prospects come into your office for an initial meeting, walk through your value proposition and those supporting elements to demonstrate what they'll receive as your clients. It can act as a motivator for them to work with you and allow you to justify your fee when it's time to discuss pricing.

SERVICE OFFERING

This details how you work with clients, both at the beginning of the relationship and on an ongoing basis. By effectively defining your client experience, you'll set expectations for clients and create a road map for the relationship. This particular part of your value proposition can be a true differentiator for your business and clearly illustrate the value you offer investors. Be sure to include:

- **YOUR ON-BOARDING PROCESS:**
Describe the steps clients will go through as they join your firm.
- **ONGOING SERVICE EXPERIENCE:**
This should detail what you do for clients, minus the actual investment and wealth management. Some information to consider including:
 - ☐ Frequency of client reviews
 - ☐ Performance reporting
 - ☐ Regular emails and letters
 - ☐ Market updates
 - ☐ Check-in calls
 - ☐ Client appreciation events
 - ☐ Educational events and seminars
 - ☐ Access to advisor and team for questions, with a 24-hour response time guarantee
 - ☐ Facilitation of family finance meetings

² Your Value Proposition: Positioning Your Practice in a Competitive Landscape, Legg Mason, 2012.

INVESTMENT MANAGEMENT PROCESS

Describe your investment management process from start to finish, underscoring how it reflects your value statement. Include everything, from how you identify client goals and objectives, to how you make appropriate adjustment decisions. Whether you manage the assets yourself or use a money manager, emphasize the due diligence you perform and the benefits of your approach. Review how you:

- ☐ Establish goals and objectives
- ☐ Determine risk tolerance
- ☐ Develop the asset allocation, approach, model, etc.
- ☐ Customize the portfolio
- ☐ Select products or managers
- ☐ Rebalance the portfolio or how the managers rebalance portfolios
- ☐ Evaluate products or managers and monitor performance
- ☐ Monitor market changes that could impact your strategy
- ☐ Adjust investments, managers, and overall portfolio to account for changes in the client's goals or lifestyle
- ☐ Harvest tax gains or losses

WEALTH MANAGEMENT SERVICES

Review any additional services you offer on top of investment management. Clients today are often looking for a comprehensive approach involving more than portfolio construction. Describe how you handle wealth management in detail and emphasize your areas of expertise. If it fits with your business model, position yourself as a chief investment officer who manages wealth and brings in other professionals as necessary. You may not be performing all the tasks, but you coordinate everything to ensure all areas of your clients' wealth are working in concert. A good way to explain this is:

“ *You need a family CIO like our firm who has in-depth experience in financial planning and investment management, but who can also bring in other professionals with the necessary expertise to provide you with a comprehensive wealth management plan. We can coordinate with those you already know and work with, like your CPA or estate planning attorney, or suggest some we regularly use, to make sure everything is covered. All of this is included as part of our service if you become our client.* **”**

WRAP IT UP

Reiterate your value statement, drawing parallels between what you just discussed and what's included in your statement. Whether you're looking to bring in a new client, deepen the relationship with an existing client, or switch to a new business model (e.g., from commissions to fees, or from advisor-directed to centrally managed accounts), focus on the benefits the client may experience by working with you. Just like in your original statement, use rational logic paired with emotional language. Your goal is to bond with your clients, as well as to help them feel strongly connected to your value proposition.

MARKETING ONE-ON-ONE

At LPL Financial, we provide advisors like you with marketing solutions so they can effectively market their brand and grow their practice.

A call to our Marketing Solutions Center is an advisor's first stop for all marketing-related questions and consultations. We help them identify their marketing needs and provide education on supporting tools and resources on the LPL platform and through our industry partners. Through a consultative approach, we encourage marketing as one of the many essential tools to use in practice growth.

The tools and resources we provide our current advisors include:

- An automated campaign tool that enables them to scale their efforts with consistent communications to clients and prospects
- Marketing consultations, where they can engage in in-depth discussions on marketing strategy and branding
- Social media guides for profile setup, best practices, and content for posting
- A variety of compliance-approved customizable marketing materials to easily order online, anytime
- A "one-stop" marketing platform that provides access to libraries of downloadable, pre-approved materials, plus tips and best practices

COMMUNICATING YOUR VALUE PROPOSITION

Communicating your value isn't a one-time occurrence; it should be constantly reiterated. Whenever you interact with your clients, make a change to their account, provide them a new service, or enact a new portion of their wealth management plan, remind them of what you're doing and why. For example:

“ *Because we believe in providing a complete wealth management experience, with your permission, we connected with your estate attorney and completed a full review of your plan. Here's what we found.* ”

Give them a good story to share with their friends and family, which can in turn boost your likelihood for referrals.

Reinforcing your value proposition outside of those interactions is also critical. Including content on your website that reflects your values and offerings effectively lets clients, prospects, and the public know exactly what you're about and what services you provide. The elements outlined in this article provide a good template for what to include. If you use social media, emphasize your value proposition within your pages and posts.

Lastly, ensure your team is familiar with your value proposition and can speak to it comfortably. Even phone greetings should further underscore your offering. However you choose to communicate with prospects and clients, be mindful of your value proposition and how your messaging reflects it. Every strategy you can use to let your clients know what you stand for and what benefits they can and do enjoy by working with you only furthers your brand. A clear, unique value proposition that ties client needs and benefits together can help you stand out among other advisors and potentially grow your business.

Follow these steps to create your own unique value proposition.

Ask clients and staff for insight into your current brand and services.

- IDENTIFY THEMES ACROSS ANSWERS.

Write down common words or phrases as well as any you particularly like:

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

What services do you provide to your clients?

- ☐ Developing financial goals
- ☐ Creating a timeline
- ☐ Understanding risk tolerance and expected rate of return
- ☐ Using data to analyze existing investments and making recommendations about what to do going forward
- ☐ Determining asset mix
- ☐ Creating a plan for retirement
- ☐ Understanding and communicating risks
- ☐ Estimating expected rate of return
- ☐ Helping decide which investments to own in non-retirement accounts
- ☐ Looking for ways to reduce taxable income
- ☐ Understanding the taxes incurred when investments are bought or sold
- ☐ Identifying how much clients need to save
- ☐ Providing access to many types of retirement accounts (IRA, Roth, 401(k), etc.)
- ☐ Understanding insurance—what type and how much (including life, long-term care, disability, property and casualty, and health insurance)
- ☐ Managing an emergency fund
- ☐ Exploring what changes might improve their tax situation
- ☐ Discussing leasing an automobile versus buying
- ☐ Refinancing a mortgage
- ☐ Helping with cash management
- ☐ Assisting with commercial financing/lending
- ☐ Evaluating vacation property
- ☐ Other

What characteristics make you or your business unique?

In what ways are you better than the competition?

With what type of clients do you work best? Be specific!

If you currently have a broad client base but find you work best within a certain set—for instance, maybe you provide particular value to physicians due to familiarity with their concerns—focus on those you wish to cultivate.

What key benefits do your services provide your clients?

Note: Be specific. Most advisors would be tempted to list “strong relationships,” but what about your approach is specific to you?

How do you want your clients to feel when they interact with you?

Describe what you do, the clients you do it for, and the value provided, using language that evokes emotion, as well as key terms and phrases your best clients already associate with you.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

VALUE STATEMENT EXAMPLE:

As an independent wealth management firm, we guide our clients, helping them to preserve and grow their assets over multiple generations. We specialize in advising **business owners**, executives, and their families, specifically in the area of **wealth transfer**. Our goal is to help our clients **pass on a legacy to their loved ones**.

Through our **investment management programs**, we create tailored solutions to address our clients' individual needs. Because we want to protect our clients' **hard-earned assets**, we believe in a conservative investment approach focused on **capital preservation**.

We hold ourselves to the highest levels of **integrity** and **accountability** to ensure that we are doing our absolute best for each and every one of our clients. We feel privileged to work with the families who come to us for wealth planning and are passionate about **making their lifelong dreams come true**.

DEFINED CLIENT BASE

SPECIFIC SERVICE

EVOKES EMOTION

CLEAR BENEFIT

CLIENT KEY PHRASES

ACTION 3

REVISITING YOUR BUSINESS PARTNER

Along with articulating the differentiating proposition that best reflects how you will create value in the context of coming change, is consideration and evaluation of the best possible business partner. What partner provides options that best align with the composition of your practice? Who is capable of supporting you through the tumult of regulatory change with strategic guidance? And what partner can help you realize the value you've built through the sale of your practice? And finally can your partner help transition your practice with certainty and precision? We've assembled tools and insights to help you answer these and other questions relating to your business model and how to optimize it for change.

6 KEYS TO FINDING THE RIGHT FIRM

Building value for your clients and your practice means identifying the structure, the environment and the firm that will help you perform at your best.

Choosing the best broker/dealer or custodian to drive your practice forward can be challenging. It requires time and thoughtful consideration. There are many issues to consider and a number of pitfalls to avoid. However, there's a way to approach this critical decision in a careful and informed manner—one that promises you the best opportunity for success.

This guide will help you weigh the Six Key Considerations for Evaluating Firms and ask the right questions as you compare and contrast firms in order to help you make the best possible choice for your practice and your clients.

WEIGHING YOUR OPTIONS

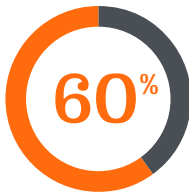
Any major change in life or business requires careful evaluation. It's not enough to simply hope for the best. How do you know if a change in firms is likely to result in the positive benefits you anticipate? There are a number of ways to help determine the answers you seek. One way is to talk to other financial advisors who have recently made a change and ask them about their experiences. Another method is to review data compiled through industry surveys that captures the experiences and feedback of financial advisors who are thinking about or have recently made a change.

A recent industry survey asked financial advisors what they believed to be the most positive aspects of changing firms. Study participants ranked the following as most important:

- ☐ Ability to better serve their clients
- ☐ Opportunity to increase their business
- ☐ Change in compensation model

The same study concluded that among advisors changing firms within the past five years, 60% did, in fact, experience an increase in revenue as a result of their move, with the majority reporting increases of 25% or more. In addition, 59% realized the revenue increase within the first 12 months of the move. A majority of respondents (52%) have also had a positive change in referrals as a result of their move, with either the number or quality increasing.¹

¹ Rep/Wealth Management survey, February 2014, Transitioning firms: Strategies, benefits, and drawbacks experienced by 336 advisors.



PERCENTAGE OF ADVISORS THAT EXPERIENCED AN INCREASE IN REVENUE AS A RESULT OF CHANGING FIRMS.²

While every financial advisor's experience will be different, simply making a move can't guarantee the results you seek. Careful due diligence can get you closer to the goals you've set for both yourself and your practice. Considerations like higher payouts, technology solutions, and investment platforms should weigh heavily in your decision; however, other factors, like culture and philosophy, will also play a significant role.

KEY 1. PHILOSOPHY AND CULTURE

Whether you're starting your own independent practice, seeking to join an existing RIA or broker/dealer branch office (OSJ), or affiliate with a bank or credit union, it's critical that the organization is a good cultural and philosophical fit for you.

Begin by carefully considering the firm's philosophy and mission statement. Do they reflect your beliefs? Are they aligned with how you want to conduct business? Do they employ a similar approach to meeting client needs? For example, a strong sales or transaction-based culture may create a conflict of interest if your approach to meeting client needs emphasizes financial planning or fee-based asset management.

Take the time to speak with recruiters and review each firm's website, marketing materials, and social media presence. Next, reach out to advisors affiliated with the firms you're considering to solicit both positive and negative feedback about their experiences with the firm. Start with the advisors you're acquainted with through networking groups or professional associations.

No matter how attractive the payouts, technology, or other bells and whistles may appear, a poor cultural fit can lead to frustration down the road.

PHILOSOPHY AND CULTURE | QUESTIONS TO ASK:

- ☐ What is your mission statement and value proposition?
- ☐ How will you add value to my practice and clients?
- ☐ Which practice types are the best fit for your firm?
- ☐ Do my clients remain mine or do they become the firm's?

² Rep/Wealth Management survey, February 2014, Transitioning firms: Strategies, benefits, and drawbacks experienced by 336 advisors.

KEY 2. STABILITY

In a recent address, Federal Reserve Bank of Boston President Eric Rosengren said that broker/dealers played a dramatic role during the financial crisis. Noting the dependence of certain firms on unstable, short-term funding, he said, “Broker/dealers can experience significant funding problems during times of financial stress and, unfortunately, that potential for problems has not been fully addressed since the crisis.”³

Rosengren’s remarks point to the importance of thoroughly reviewing the financial standing of each firm you’re considering to determine their financial stability, as well as their ability to continue to invest in the business. Following the financial crisis, many broker/dealer and wirehouse firms affiliated with investment banks saw both advisors and their clients flock to independent models due to a host of issues tied to financial stability, including tarnished firm and/or parent company reputations. Therefore, it’s important to weigh both qualitative and quantitative considerations in assessing a firm’s strength and stability.

Smaller, boutique-style broker/dealers may prove attractive based on your needs and preferences. However, as the industry continues to consolidate, it’s important to consider the downstream potential for smaller firms as acquisition targets. In addition, many smaller firms may not offer the level of technology resources you require or have the capital to reinvest in critical operations, technology, or marketing resources.

Financial stability is equally important for enabling broker/dealers to reinvest in their business, and subsequently yours, through investments in technology, marketing, back-office operations, and other areas that directly impact your productivity.

STABILITY | QUESTIONS TO ASK:

- ☐ How is the firm capitalized?
- ☐ Is the firm in a position to reinvest in the business? To what extent is this a priority?
- ☐ In the past three years, has the firm reduced or eliminated any advisor or client-facing services due to budget cuts? If so, what was eliminated or reduced, and how did the cutbacks impact advisors and their clients?
- ☐ What is the firm’s growth strategy? Are there short- or long-term plans in place to merge with or acquire other firms?
- ☐ Is the firm a potential acquisition target?
- ☐ What has the firm done to adapt to regulatory changes over the past few years?

³ Eric S. Rosengren, President and Chief Executive Officer, Conference on the Risks of Wholesale Funding, New York, NY, August 13, 2014.

KEY 3. OPEN ARCHITECTURE

There are many important factors causing advisors to pursue a new broker/dealer. More than two-thirds of advisors indicate that they would prefer the independent broker/dealer, RIA, or dually registered models if they decided to leave their current firms. A key factor is the flexibility and autonomy inherent in the independent channel with regard to portfolio construction, operational flexibility, fee structure, and technology. The economics can also be appealing to advisors, as payouts are higher and advisors become responsible for their own overhead decisions.⁴

Independent broker/dealers compete under a variety of strategies. Scale-orientated independent broker/dealers, like LPL Financial, the nation's largest independent broker/dealer⁵, seek to grow the number of advisors and compete for platform supremacy while also lowering costs as fixed expenses are spread across a wider base of advisors. Their size allows better negotiation, especially with asset managers. As the largest broker/dealer in the space, LPL is an example of an independent broker/dealer that has used scale to its advantage.⁴

Open architecture isn't limited to a firm's investment platform. It also extends to your practice model, as well as marketing and branding considerations. While many advisors prefer to establish and run their own autonomous business, others prefer to focus their time and effort on working with clients and building their book of business. The practice model you choose—independent, wirehouse, bank, credit union or insurance-affiliated registered representative, or RIA or Hybrid RIA—will play a role in dictating which broker/dealer is right for you.

OPEN ARCHITECTURE | QUESTIONS TO ASK:

- ☐ What's your payout structure for commission business and fee-based business?
- ☐ Can I manage assets under my own RIA?
- ☐ Do you offer proprietary products?
If so, do you impose sales quotas or minimums?
- ☐ Will I have access to the full universe of investment products and services, including exchange-traded funds (ETFs) and alternative investments?
- ☐ Can I construct my own model portfolios?
- ☐ Will I have the flexibility to customize my fee and/or commission schedule based on account types, services offered, or types of products offered?
- ☐ Do you offer an integrated platform for fee- and commission-based services?
- ☐ Can your platform accommodate a change in my practice model at a later date?

⁴ The Cerulli Report, Advisor Metrics 2014: Capitalizing on Transitions and Consolidation

⁵ Financial Planning Magazine, June 1996- 2016. Based on total revenue.

KEY 4. PRACTICE GROWTH

How do you want your practice to evolve? Where do you envision your practice in five years? Ten years? To ensure you get the most out of discussions with the firms you interview, be clear about your practice goals. The more information you can provide about your current practice and your ideal practice, the more consultants at the firms you're considering can help you understand if a particular model is right for you or if that firm has the resources to support your growth goals.

If you're seeking to grow exponentially over a short period of time, merger and acquisition assistance may be important to you. You may want to look for a firm that offers capital loans to advisors looking to acquire new books, or one with the ability to pair current advisors with buyers and sellers, and the power to recruit both potential buyers and sellers for the transaction. If you prefer to grow your business organically, the level of marketing resources and support may be critical in helping you reach your goals. The extent to which digital marketing tools, including social media and mobile apps, are supported can be key differentiators between firms. For financial advisors seeking to retire in the next 5 to 10 years, a broad succession planning program, offering a range of options from assistance in locating and hiring a successor to the ability to sell your book of business to another practice or financial institution, may be paramount.

No matter what your growth goals may be, if the level of training, business support, practice growth, and marketing support services available to you are critical differentiators, you'll want to compare and contrast practice management offerings. Don't overlook the day-to-day business and specialized support services available to you. It's a valuable use of your time to determine if qualified resources are available to assist with your high-net-worth client engagements, corporate retirement plan business, trust services, financial planning, insurance services, or other specialized areas to help unlock additional revenue streams. The quality of these services can play a significant role in determining how much time you spend developing new business and client relationships. The less home office support, the less time you have to spend on client acquisition and retention strategies.

PRACTICE GROWTH | QUESTIONS TO ASK:

- ☐ Do you provide practice management support?
- ☐ What kinds of training programs are available to me and my staff?
- ☐ What type of specialized business support services do you offer?
- ☐ Can you help me develop a unique brand, website, and marketing strategy?
- ☐ What's your social media policy? Can you help me develop a social media strategy?
- ☐ Can you assist me in growing my practice through acquisition?
- ☐ Can you help me establish a business continuity and succession plan?

KEY 5. OPERATIONS

Full-service firms provide a broad range of services from account administration and advisory oversight to custodian and clearing services. In choosing a broker/ dealer or custodian, RIA firms and fee-based advisors must first determine whether they're seeking an "active" or "passive" relationship.

Advisors seeking a broker/dealer to participate in advisory oversight seek an active relationship where a range of front- and back-office responsibilities are shared. In this arrangement, the custodian's role is very visible to the client and may include advisory oversight and investment advice.

In a "passive" custodial relationship, the RIA firm or advisor manages front-office advisory responsibilities and maintains a back-office relationship with the custodian. A passive custodian serves as an extension of your back office, handling any transactions you can't, providing or extending your technology capabilities, and serving as a resource for account administration and reporting.

Scale is an important consideration when evaluating a broker/dealer or custodian. Whether or not a firm's platform is fully integrated and utilized across the scope of the enterprise can play a critical role in enhancing advisor productivity. Seamless integration helps to ensure you benefit from cost-effective, streamlined technology and operations capabilities.

Ask the firms you're considering for a demonstration of their technology offering before you make a decision. This ensures everything including email, CRM, trading and reporting tools, and other operational platforms are seamlessly integrated, responsive to your needs, and easy to use. The firm you choose should offer strong automated solutions for improving efficiency and ensuring accuracy to enable you to focus on client relationships and practice growth.

OPERATIONS | QUESTIONS TO ASK:

- ☐ Do you offer self-clearing or do you outsource clearing services?
- ☐ Are your operations, trading, and technology platforms fully integrated?
- ☐ How does your platform enable me to work more efficiently and cost-effectively?
- ☐ Do you offer web-based technology?
- ☐ Is investing in technology a priority for the firm?

KEY 6. TRANSITION PLANNING

Taking 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 is critical. How willing a firm is to work with you and engage in careful, thorough, and methodical planning tailored to your specific needs before your transition provides a glimpse into how effectively they'll serve your needs post-transition.

A dedicated and experienced transition team, using a streamlined and efficient approach to gathering client records, and preparing accounts for repapering not only minimizes or eliminates disruptions to your business. It enables you to focus on what you do best throughout the transition process: serve client needs and attract new business.

It's smart 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.

TRANSITION PLANNING | QUESTIONS TO ASK:

- ☐ Do you offer a dedicated team of transition specialists to support me throughout the transition process?
- ☐ Can you provide a copy of your documented transition process, including your approach to repapering accounts?
- ☐ How many practices similar in size and scope to mine have you transitioned in the past two years?
- ☐ How will you help me with client communications?

YOUR PRACTICE, YOUR WAY

However you envision the future of your practice or program, LPL's comprehensive support and broad range of innovative business models can help you build and grow your business, your way. LPL understands that independence doesn't have one single meaning. Whatever lens you view your independence through, LPL is here to support and provide clarity to that vision, whether you want to:

- Be an independent financial advisor at LPL with access to custodian services and a fully integrated platform to address the varied needs of your clients.
- Leverage the LPL Hybrid RIA model, which allows you to join LPL's broker/dealer platform while maintaining your RIA firm.
- Join an existing practice, bank, or credit union for established infrastructure, structured support, and access to new referral sources.
- Specialize in retirement plans and leverage tools and resources built by retirement plan advisors, for retirement plan advisors.
- Bring your entire practice or build one—LPL offers customized clearing, advisory platforms, and technology solutions to help create efficiencies and scalability within your practice.

LPL is committed to your success. Give LPL a call today at (888) 250-2420, and put its capabilities to the test.

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 1996–2016), an RIA custodian, and an independent consultant to retirement plans. LPL offers proprietary technology, comprehensive clearing and compliance services, practice management programs and training, and independent research to more than 14,000 financial advisors and approximately 760 financial institutions. In addition, LPL supports approximately 4,500 financial advisors licensed with insurance companies by providing customized clearing, advisory platforms, and technology solutions. LPL and its affiliates have more than 3,400 employees—with primary offices in Boston, Charlotte, and San Diego.

LPL FINANCIAL'S ADVISORY PLATFORM SUPPORT

By providing a broad spectrum of investment options backed by the proper tools, financial advisors can attract and service a more diverse group of investors. At LPL Financial, we offer multiple private wealth management platforms, variety, competitive pricing, advisory platform tools, and training to help advisors establish their competitive edge.

MAKING YOUR NEXT MOVE

Whether you're looking for increased flexibility and payouts, the ability to better control expenses, an opportunity to broaden your service offering and grow your client base—or a combination of these—your next move should offer the potential to achieve both the short- and long-term goals you've established for your practice.

Similar to the approach you take in helping your clients move closer to their goals, the more time and attention you invest in planning and due diligence, the more likely it is that you'll achieve the positive outcome you seek. Careful evaluation of your options, coupled with an apples-to-apples comparison of firms, will help point you in the direction of the best firm and transition experience for you and your clients.

FOR MORE INFORMATION OR TO DOWNLOAD ADDITIONAL GUIDES TO TRANSITION PLANNING, PRACTICE MANAGEMENT, AND MORE, VISIT [JOINLPL.COM](https://joinlpl.com)

There is no assurance that Advisory accounts are suitable for all investors or will yield positive outcomes. The purchase of certain securities will be required to affect some of the strategies. Investing involves risks including possible loss of principal.