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MoneyVoices: Misconceptions of Going Independent



Guest Columnist: **Elliot Weissbluth** is CEO of **HighTower**, a Chicago-based firm that offers open-source investment platforms to a national advisor network.

If you're an advisor thinking about going independent, there is one critical thing you must do first: Rid your mind of major misconceptions. Unrealistic expectations are disastrous to your business and your long-term success.

Reports show advisors are increasingly looking to strike out on their own. By the end of 2010, 12% to 14% of wirehouse advisors will consider leaving for venues that are more independent, according to Tower Group. That's 7,500 to 9,000 advisors who oversee a combined \$500 billion to \$800 billion in client assets. The reasons for leaving generally include the desire for control, ownership of their own firms and the diminished advantages of being at a wirehouse.

But before jumping ship, advisors should first consider the flip side. The following are some of the top misconceptions that I hear about going independent. Carefully examining them can go a long way in understanding the risks and lifestyle adjustments involved in making such a transition.

Independent advisors, free from the distractions of a wirehouse, have more time for clients.

Running your own business is distracting, if not overwhelming. Every new endeavor has a learning curve. As a new business owner, you'll be on a steep curve while simultaneously growing your business from scratch.

You will have many new tasks, including choosing and negotiating custodial and technology providers, designing employee benefits programs, hiring staff and managing compliance. Multiple decisions must be made daily, and many are wholly unrelated and unfamiliar to what you know best. All of this will eat away at your time and energy.

Independence equals a better, happier working environment.

Advisors often believe that leaving the wirehouse means leaving a negative, or even toxic, work environment. What advisors tend to forget is that they'll also be leaving a certain amount of camaraderie and support that comes from being a part of a larger whole.

Going solo can be lonely. Shifting from a firm to being an island has some downsides. There are benefits to being part of a team of other advisors, with whom you can share ideas and exchange perspectives. In deciding whether independence is the right path, one must ask: How will you create a positive firm culture that supports you and your team's professional development?

An advisor's name is their brand.

Top advisors rightfully take pride in their strong reputations. But a name isn't the same as a great brand.

Without a national brand behind your new firm, marketing will be a challenge – which will make growth a challenge, too. Wirehouses do little to support the individual names of their advisors, but they do invest in building brands. This can give

independent firms a competitive disadvantage when it comes to marketing themselves regionally. That's why firms like my own, High Tower, and others believe in establishing a national brand while also supporting the distinct names of our advisors. After all, independent advisors have the freedom to develop their own name and represent themselves as an owner of the national firm.

You can get everything you need from a single custodian.

This is one of the most important fallacies. Large custodial firms such as Fidelity and Charles Schwab provide new registered investment advisors (RIAs) with the basic service requirements of a transition. But no one custodian can do it all, and many high-net-worth advisors find they need traditional brokerage services unavailable from the pure RIA custodians.

RIAs have for years claimed the high ground for being product agnostic and unencumbered by Wall Street influences. Indeed, independent advisors are truly independent, but RIAs using single custodians struggle to deliver the breadth and depth of products and services required for high-net-worth clients. Being independent should not automatically mean that an advisor is hampered by size, lack of scale, lack of access or lack of infrastructure support.

If you're considering a change now, you are likely doing so because you demand more for your practice and clients. You want to move to a place where your practice and livelihood will thrive. Our experience is that those goals can be realized with some proper due diligence and hard work and perseverance. Ultimately, the best deals tend to go to the first movers – and those with their eyes wide open.

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