

MAKING THE MOST OF YOUR

Broker-Dealer



AS YOU LOOK FOR WAYS TO
IMPROVE YOUR PRACTICE
IN THIS ERA OF DOING MORE
WITH LESS, DON'T OVERLOOK
THE RELATIONSHIP
WITH YOUR BROKER-DEALER.
THE PRODUCTS AND SERVICES
YOUR BROKER-DEALER
OFFERS MAY GO A LONG WAY
IN HELPING YOU ENHANCE
YOUR CLIENT SERVICES—AND
STAY AHEAD IN TODAY'S
CHALLENGING MARKETPLACE.

If you don't think anxiety is contagious, just ask a financial advisor. His clients' investment portfolio is down 30 percent, 40 percent or even more, which means less money for the advisor. And when he is making less money, his broker-dealer is making less money too. This situation might produce some tension between them, but for those who believe that problems are really opportunities, the wiser move for advisors is to form stronger partnerships with their broker-dealers.

Here are several steps you can take to strengthen your partnership during these shaky economic times.

Enroll in the educational programs offered by broker-dealers. Many broker-dealers are eager to help advisors broaden their range of expertise and knowledge of investment products, especially during the market's recent shift away from certain proprietary products and products that are facing diminishing markets.

This gives you lots of learning opportunities if you take the time to sign up. Eric Weinberg, LUTCF, RFC, and owner of Weinberg Financial Services in Clarks Summit, Penn., says his broker-dealer, H.D. Vest, has been providing more product information via email, regional conferences, and even podcasts over the last 18 months or so. "They've kind of beefed it up," says Weinberg, who is the president of NAIFA-NE Pennsylvania. "They offer a lot more insight into what the market's doing for different analysts."

Though conferences are popular, webinars, newsletters, conference calls and podcasts are now also mainstream. But many advisors tend to pass up these offerings because they think they are taking them away from selling. "In my estimation, maybe that's the biggest mistake," notes Weinberg. ▸

Don't assume educational programs are just about markets and products. Although new products are the focus of many broker-dealers' educational initiatives, there is a lot more out there. For example, National Planning Corporation, a broker-dealer in Santa Monica, Calif., offers the NPC University program, which is designed to train support staff in the nuances of workflow efficiencies and help them understand the tools available to them. NPC also provides a practice-management conference aimed at helping advisors run their businesses better. "It's more of the practical how-to," says CEO Scott Romine. "It's reps sharing their best practices, sharing their successful ideas." And the firm has an online practice-assessment tool called Compass, which helps advisors evaluate the strengths and weaknesses of their businesses. Some broker-dealers also offer mentorship programs that pair advisors with senior advisors eager to share their experiences.

In addition, some broker-dealers provide help with succession plan-

ning and valuation. "Something that a number of our advisors are thinking is: 'How do I create a business that I can sell?'" says Bob Cogan, CLU, ChFC, and vice chairman of Capital Analysts Incorporated in Cincinnati. Capital Analysts sponsors a two-year Business Succession Navigator program, which helps advisors shore up the weak spots in their practices and assists them in attracting people to the practice who can eventually run it or purchase it.

Consider your broker-dealer a news source. Another way to optimize your relationship with your broker-dealer, especially when the likelihood of increased regulation is high, is to get on its newsletter-distribution list and read its publications. Many of these publications address current trends that can help you stay ahead of the curve. Broker-dealers also often publish articles on their websites. Aaron Skloff, CFA and CEO of Skloff Financial Services in Berkeley Heights, N.J., says he

gets a regular stream of newsworthy updates about the regulatory environment from his broker-dealer, Purshe Kaplan Sterling Investments.

Make full use of your broker-dealer's technology. Kevin Bachmann, president of Questar Capital, a broker-dealer based in Minneapolis, Minn., notes that advisors often fail to take full advantage of their broker-dealers' technology. Integrated financial-planning systems and reporting packages, paperless account management, and online customer-relationship management are a few of the resources modern broker-dealers offer. Weinberg, for example, says he is able to submit paperwork directly through a scanner to his broker-dealer and is happy with the results. "It speeds up the process through which I get business to them, which, in turn, means that the client's business is moving faster, which means, that in the end, I get paid a little bit faster," notes Weinberg.

Not every advisor realizes that broker-dealers offer technology services that can also make their lives easier by piecing together the different systems in their offices. Romine, for example, has a dedicated group of employees who make office visits to accomplish that. "We can come in on a proactive basis and help [advisors] put those pieces



USE YOUR Broker-Dealer TO:

- Gain access to state-of-the-art technology
- Enhance your client meetings
- Learn more about new products and services
- Stay abreast of compliance issues



together so they're getting maximum efficiency," says Romine.

Use your broker-dealer to enhance your client meetings. "There's a whole variety of things broker-dealers can do," says Cogan. "These include holding conference calls on the market and with advisors on how to comment on the market, producing letters that the advisors can send to their clients either through email or snail mail, [and] doing meetings for advisor clients *with their* clients so that other people can talk about what's going on." Cogan says his company even helps advisors formulate positioning strategies and teaches them how to handle increasingly painful annual reviews with their clients.

Strengthen your relationship with the compliance department. Most of the advisors and broker-dealers interviewed for this article expect increased oversight in the near future, which means that your relationship with the folks in the

compliance department may become even more important. Get more from that relationship by asking more questions and get your broker-dealer to review more aspects of your business.

Compliance philosophies are evolving, too, which means that broker-dealers may be offering new and related products and programs or focusing their attention on specific areas of the advisor's business. Capital Analysts, for example, has introduced the Annuity Intelligence program, which allows advisors to conduct a documented comparison of complicated products and then automate much of the paperwork for a 1035 exchange.



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And Skloff reports that his broker-dealer has increased its efforts to make sure he's got the best written disclosure possible, most recently by making suggestions about how to optimize the disclosure language on his website. "I feel as if I can call my broker-dealer with questions about compliance and regulations and have a healthy, open conversation," says Skloff.

Keep an eye on your broker-dealer's financial stability. These days, knowing whether your broker-dealer is financially stable or not is paramount, and understanding the nuances of that stability goes beyond simply reviewing FINRA filings. It means understanding how your broker-dealer will make up lost revenue if it's making a big change in product offerings, looking at the health of the broker-dealer's parent, understanding the broker-dealer's potential liabilities, and doing everything you can to "see around the proverbial corner."

Time to make a move?

If after you have done everything to maximize your broker-dealer relationship you are still not satisfied with the services you are receiving, it may be time to start looking elsewhere. But remember that switching broker-dealers isn't easy. In fact, you need to carefully consider at least three things before you make a move:

Talk to your clients. "It's going to be very difficult for brokers to go through this process because they're worried about their own production, they're worried about their relationships with their clients, they're worried about how they can lay another change on them when their expectations may not have been met in terms of what their portfolio was going to do," says Michael Stalker, CFA, and

BROKER-DEALERS ALSO OFFER HELP WITH SUCCESSION PLANNING AND VALUATION.

principal owner of MCS Financial Advisors in Eugene, Ore.

Stalker, who has been through more than one broker-dealer switch, adds that you should make this discussion about the change part of a broader conversation you should already be having about your clients' overall security.

"Everybody sees the Madoff headlines. Having a conversation around it is probably something you need to do even though that probably doesn't sound as if it would be very comfortable. It's probably something your clients want to have but they don't know how to bring it up in a lot of cases. They'll feel better about having a conversation, and they'll know that you're at least trying to look out for them if you're willing to have that conversation."

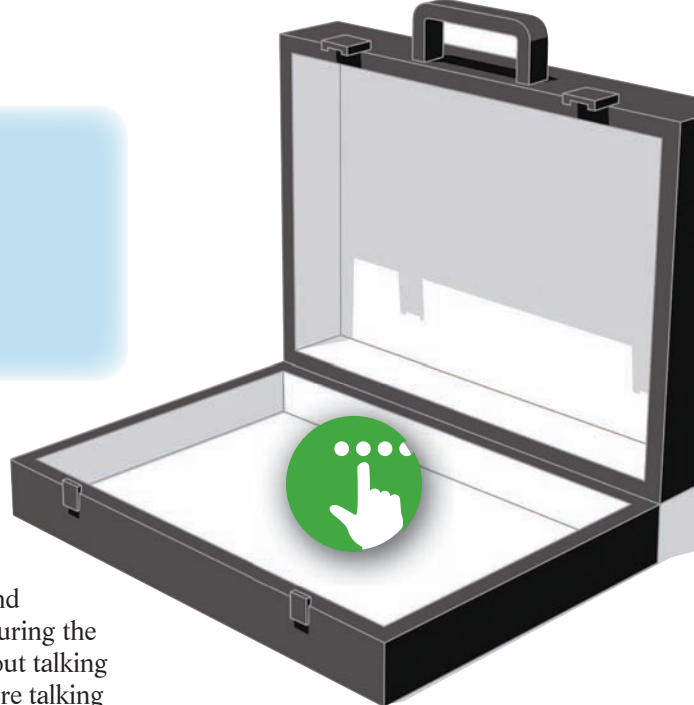
Weinberg, who changed broker-dealers in December 2006, also relied heavily on client communication. "For a client, [a switch] can mean that there's possibly some instability in your business because they don't understand what you're doing behind the scenes. I was very careful when I did it to explain to them the exact reasons why. It really had no effect on them—it had to do more with technology fees and services and how I could better provide those to them," he says.

"There's a perception that it's difficult to move in this market because you'll lose your accounts," adds Cogan. "The fact is that if you have a

good relationship with a client, he doesn't care who your broker-dealer is. I've seen people move to our firm and actually wind up with net new business during the move! It's because they're out talking to their clients, and as they're talking to them, they're getting referrals."

Do your homework. "People will spend more time on what golf clubs to buy than on what broker-dealer to affiliate with," says Cogan. Payouts are one thing, but the cost of E&O insurance, technology fees, trading costs and other fees can quickly sour a seemingly sweet deal. That's why sifting through the fine print and analyzing the cost/benefit trade-offs among broker-dealers make a difference. As Skloff puts it: "Why go to McDonald's when you can have prime rib for just a few dollars more?"

To boot, competition among broker-dealers means that advisors can afford to take more time to evaluate them carefully. Skloff, who switched broker-dealers just a few years ago, says he took a full six months to make his decision. He researched his options online and within his personal network of advisors so that he could evaluate the broker-dealer's culture as well as its practices. Skloff says he wanted a broker-dealer that came "as close as possible to the goal of being able to act in the best interest of my clients.



I wanted to work with providers that would have those values."

Don't be afraid to negotiate. Most of the advisors and broker-dealers interviewed for this article agree that advisors have an advantage at the negotiating table these days. "Firms are still looking for production; they need it more than ever, quite frankly," says Stalker.

The trick to successful negotiating, however, is to make sure that what you're proposing is a win-win situation. "Are you sitting on the same side of the table together, looking for mutually beneficial opportunities to grow?" asks Bachmann. "Or did you come into the relationship with the attitude of 'what am I going to get from them and what can I squeeze out of them attitude?'"

"There are certain broker-dealers who will negotiate the store away, but we both have to be on the same side of the table in building it together," Bachmann continues. "I think there's heavy competition for advisors, I agree with that. But with the margins and everything and the expense of running broker-dealers, I just don't think there's that much left in it to give away." □

Tina Orem is a regular contributor to Advisor Today.

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