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Choosing the Right Firm: A Guide for Financial Advisors

Advisors are regularly bombarded with contradictory information about prospective firms both from advisors and trade magazine articles. How can advisors cut through all the noise and figure out whether a prospective firm is a good fit?

Here are a few tips.

The Big Picture

1. **Check the commitment to wealth management**

Is retail a core business at the prospective firm? Is the firm continuing to invest resources in upgrading its platform and technology?

Foreign banks never seemed fully committed to wealth management. Their technology lagged US competitors; it was an obvious business to drop, which they did unceremoniously.

2. **Firm Profitability**

How profitable is the firm and its wealth management unit? How does it compare to peers? If the firm is publicly traded, what does its stock performance look like? Firms that are not reasonably profitable are unlikely to provide advisors with the resources that they need to grow their businesses. That's true no matter how much they pay upfront to get advisors in the door.

3. **Strategic Direction**

Is wealth management likely to remain a core business going forward? How does the firm view its strategic direction and based on that is it likely to remain an attractive place to be a financial advisor?

Do Your Due Diligence

When it comes to due diligence, I always urge this policy: "Trust but Verify." Ironically, that's a Russian proverb that President Ronald Reagan repeated over and over in his disarmament talks with Mihhail Gorbachev, then president of the former Soviet Union. Advisors of all political persuasions would do well to heed Reagan's advice.

In my experience, advisors who follow a simple three-step process can clearly determine if a prospective firm will meet their needs.

1. **Talk to Home Office Product Specialists**

Advisors should schedule in-depth conversations with home office product specialists in key product areas. Take detailed notes, especially if interviewing at more than one firm. The details matter.

- If an advisor uses outside managers, advisors should verify that they are available in the programs the advisor employs. For example, if an advisor requires a particular mutual fund or SMA in Broker As Portfolio Manager, ask whether the fund is available in that program. Another example: Offerings in the UMA and mutual fund wrap programs must be evaluated separately.
- Get the details on how products and fees are structured to determine how much you're likely to charge clients at the prospective firm and how much you would net.
- Schedule meetings with relevant product specialists that are not included in the group home office visits. Keep all contact information for key product specialists.
- Make sure to impress senior management on your home office visit. Sometimes this can result in a better offer.

Open items not covered in the initial meetings need to be addressed prior to the move. Schedule a more extensive round of due diligence once you've decided to join a prospective firm. Any issues in the transfer of investment products must be identified and planned for before moving.

2. **Talk to Advisors at Prospective Firms**

Advisors should talk with peers at prospective firms who do similar types of business. It doesn’t matter if they are based in the prospective branch. In fact, it’s better to talk with advisors in other branches. These advisors have no vested interest in who joins the firm. The prospective advisor doesn't need to share his or her full identity -- a first name and something generic about the current firm is adequate.

Advisors should ask about products and the firm's technology. Does everything work as advertised? The more specific the questions, the better.

Some questions to ask:

- How available are home office product specialists?
- What do I have to do to set up a seminar?
- What resources are available?
- How long does it take compliance to approve a seminar?
- What do you like about this firm?
- What firm were you with before and how does it compare?
- If you could change one thing about this firm, what would it be?
- What kind of advisors don't really fit here?

3. **Test Drive the Prospective Firm’s Technology**

Zero in on technology. It will govern the quality of the work day. Is there anything more maddening than a slow program or a system that regularly glitches out? Some questions to ask:

- How user-friendly are the systems?
- Can advisors execute their investment program easily?

Advisors should make a list of the things that they normally do on their current firm's workstation and perform those tasks on the prospective firm's computers. They should compare and contrast. Does the prospective firm have any additional capabilities that their current firm lacks?

A thorough due diligence process is critical to an advisor's ability to select the right firm. It is an essential effort that advisors must make to ensure their own future career happiness and success. The advisor due diligence process should never be rushed.

Questions? Suggestions? Please feel free to contact us.