

Advisors In Search Of The Ideal Broker-Dealer

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— Sheila Cuffari-Agasi, AIF,
Executive Vice President, Partner
Development



Financial advisors are frustrated with their broker-dealers for a number of reasons, but it doesn't have to be that way.

In many cases, advisors have to deal with a significant lack of continuity with their broker-dealers due to the on-going trend of mergers and acquisitions. As a result, advisors never know who their next corporate partner is going to be, and whether that partner will end up having a completely different set of objectives. While advisors can be independent with their clients, they are only really as independent themselves as their broker-dealer will allow them to be. "Advisors are tired of being bought, sold and traded like a commodity," says Sheila Cuffari-Agasi, AIF, Executive Vice President, Partner Development. "Independent advisors are business owners. As a result, you would think that they would have more 'destiny control' over the ownership of their broker-dealer. However, they often make a decision to affiliate with one firm, and soon find themselves hamstrung and underserved by a completely different corporate partner."

A second challenge advisors face with many broker-dealers relates to an inher-

ent misalignment of interests, as a result of broker-dealer structures that have to answer to shareholders, private equity firms, or corporate parents that dictate proprietary products. As a result, these parent companies end up "calling the shots," so, even if the broker-dealers want to do more for their advisors, they may be paralyzed by their owners.

Other frustrations felt by advisors can be directly related to financial concerns (profit squeezing, "penny scraping," and/or higher costs) which cause poor responsiveness and service from the broker-dealer and higher costs to advisors and their clients.

The Challenges Take Their Toll on Advisors

According to Jon Henschen, President of Henschen & Associates (Marine on St. Croix, MN), the movement of advisors from one broker-dealer to another is typically linked to specific triggers. "From 2000 to 2008, we saw substantial movement from insurance broker-dealers due to poor service and failed implementation of proprietary technology," he says.

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litigation that affected both advisors and broker-dealer sales, with numerous broker-dealers closing as a result.

“Since 2013, we have seen a wave of broker-dealer sales, as owners cash out, while high prices are being offered, coupled with movement over compliance spurred by Dodd-Frank,” says Henschen.

“Most recently, FINRA audits of broker-dealers have spurred reps to look for firms with more balanced compliance and company policy protocol,” says Henschen. “As part of the overall due diligence, the likelihood of the broker-dealer getting sold over the next ten years poses an additional concern.”

What Does an Ideal Broker-Dealer Look Like?

For advisors who are considering partnering with a new broker-dealer, there are several important issues to investigate.

1 - Look for a broker-dealer of the appropriate size - one that is not too big so you don't get “lost in the shuffle,” but not too small so that you have access to the strength and service you need.

2 - Look for a broker-dealer with financial strength and scale, a stable history and stable future, and reasonable growth plans.

3 - Look for a broker-dealer with an excellent reputation. This includes industry experience and a mature Home Office staff. “Advisors are no longer looking at broker-dealers as a commodity or necessary evil,” says Mike Baker, President & CEO of United Planners. “First and foremost, quality advisors are evaluating broker-dealer partners as to their historic,

current, and future commitment and alignment to the core values of honesty, independence, collaborative and supportive client centric service, and friendly family culture.”

“Advisors are looking for stability and good compliance standing to avoid compliance that caters to the lowest denominator,” adds Henschen & Associates' Henschen.

4 - Look for a broker-dealer with depth and breadth of the resources you need. This includes training for advisors and office staff, practice management coaching, and assistance with the ever-changing regulatory environment. “Advisors are looking for a broker-dealer that can help them safely navigate the regulatory environment; assist in the selection, integration, training, and implementation of cost-efficient technologies, platforms, products, and services; and provide customized practice management consulting and offerings,” says Dave Shindel, late President & CEO of United Planners

“Advisors are looking for practice management and marketing assistance from broker-dealers to help them manage their time and grow their businesses,” adds Henschen & Associates' Henschen.

5 - Look for a broker-dealer with a supportive culture. This includes the relationships you can develop with the broker-dealer's home office and with your peers (networking), as well as access to senior management in the broker-dealer firm. “Advisors are looking for a firm where they have multiple opportunities for peer networking, a voice in how their broker-dealer is man-

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aged, open access to senior management, and the chance to build long-term relationships,” says United Planners’ Shindel.

6 - Look for a broker-dealer with strength in technology and support for that technology. This includes hybrid open architecture that allows freedom of choice, as well as supportive and flexible products and platforms. “Independent advisors do not want to be constrained by proprietary products or platforms,” says United Planners’ Shindel. “They want to build their own brand and practice value as independent business owners. They desire an open architecture approach with the freedom to choose the platforms that best suit their clients’ needs.”

“Advisors want access to quality technology as well as flexibility in technology choices,” adds Henschen & Associates’ Henschen.

7 - Finally, look for a broker-dealer with a strong commitment to service. “Ethical and fiduciary ‘client first’ advisors are naturally drawn to like-minded broker-dealers and home office personnel who treat advisors the way advisors treat their clients, and who are more focused on being the best, rather than the biggest,” says United Planners’ Shindel.

What United Planners Brings to the Table

United planners Financial Services was founded in 1987 as a nationwide full-service independent broker-dealer. It has since to become one of the preeminent hybrid broker-dealers and RIA firms, with continuing and consistent fiscal strenght.

“We have had a number of advisors

who were with us for a number of years, were then lured away, thinking the grass was greener on the other side, but eventually came back to us,” says United Planners’ Cuffari-Agasi. “They found they were giving up stability, service, and the opportunity to make decisions for a slightly larger check, and so came back to us.”

While United Planners differs from other broker-dealers in a number of ways, there are four very important differentiators,

Structure - United Planners operates in an unconflicted environment and puts its advisor partners in control. “Unlike most of our competitors, we are not conflicted about putting our advisors first and do not subordinate their best interests to public shareholders, private equity firms, or corporate parents,” says United Partners’ Shindel. “Our Limited Partnership structure, transparency, and the Partner Advisory Team keep our unconflicted focus on advisors and ensures United Planners’ independent longevity and viability. Our advisors, through their independence, enjoy these same unconflicted benefits in service to their clients.”

“United Planners created a unique structure when the firm was founded in 1987,” says United Planners’ Cuffari-Agasi. The founders structured the partnership with the limited partners (producing advisors) having a majority ownership of the entity, with voting rights on major issues.

“We don’t have a parent company,” says Cuffari-Agasi. “We are structured as a limited partnership, and our advisors are partners.” In specific, 45 percent of the firm is owned by general partners who are located in the firm’s home office. The

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remaining 55 percent of the firm is owned by limited partners, who are the advisors and who have voting rights.

As such, the advisors are able to create and maintain the direction of United Planners, since are they voting members and own the majority of the firm. “In sum, the limited partners control, from an ownership standpoint, the majority of the firm,” she says. For example, the advisors can readily “lock elbows” and prevent a sale, even if the general partners were to encourage it. “This unique structure essentially returns ‘destiny control’ right back into the hands of the advisors,” she says. “As a result, no hostile takeover can occur.” For example, in 2007, United Planners was the only one of four insurance-owned subsidiaries in which the unique structure avoided a corporate takeover, demonstrating that the structure could withstand the tests of time. In addition, according to Cuffari-Agasi, 55 percent of the profits go right back to the advisors who helped create them in the first place.

Open Architecture - United Planners offers significant flexibility to its advisor partners. “As an independent firm, United Planners does not build proprietary products or services, and does not mandate our advisors sell such proprietary products or services,” says United Planners’ Baker. “Our advisors enjoy the freedom of choice to select the product or service that best fits the needs of the client.”

“We are focused on creating an open architecture environment where, under the firm RIA or as an independent RIA, an advisor can choose any of the approved custodians we work with,” says Cuffari-Agasi. “We supply supervision

and compliance to make the experience even better. Removing our conflicts of interest help us best serve advisors and offer the best pricing to their clients.”

Business Solutions - United Planners offers unsurpassed support. “Advisors enjoy the advantages of working in a mid-sized broker-dealer with direct access to executive management, while experiencing the depth of support and resources available from larger broker-dealers,” says United Planners’ Shindel.

“We are not recruiters,” say Cuffari-Agasi. “We are consultants. We learn about an advisor’s practice and coach in areas where the advisor can create efficiencies or lower costs for their practice and their clients. We are focused on partnering with advisors who really want what’s best for their clients. If we are the right firm, we can create efficiencies for the advisors and save them and their clients money, and if we can help them provide better products and services to their clients, then we will be a great match, so that it makes sense for the advisor to work with us.”

United Planners partners with technology firms, not to make its own back office especially more efficient (which is a common practice among some other broker-dealers), but to help make the advisors more efficient. “The more efficient the advisors are, the better off we all are,” says Cuffari-Agasi.

“United Planners’ advisors are owners of the firm and assist executive management through monthly conference calls and other opportunities to dialogue and define ways to help advisors and the firm become more efficient and to better serve our clients,” says Shindel.

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Culture - Finally, United Planners makes advisors feel “at home.” “As a result of our size and conservative growth strategy, we enjoy deep-seated, trusting relationships with each of our advisors and their staff, and often their family members,” says Shindel. “This cannot be easily replicated in a large, impersonal corporate environment, and our advisors appreciate that.”

What United Partners Looks for in Advisors

Given the fact that United Planners allows its advisor partners to participate so actively in the firm’s decision-making processes, it is selective in the types of advisors it seeks as partners. “United Planners has high standards for the type of the advisor invited to join the firm,” says Cuffari-Agasi. “We are very selective in choosing the advisors with whom we associate, since they are partners. Not everyone is right for this firm. We are looking for top-quality advisors who are fiduciary-minded. We take our time selecting advisors and conduct a two-way due diligence process.”

“Advisors must have a high level of integrity, experience, and commitment, and be unconflicted regarding putting the needs of their clients before their own needs,” says Baker.

Case Study - Gotta Retirement Services

Brian Gotta, registered principal with Gotta Retirement Services (Braintree, MA), has been with United

Planners for 25 years. His father, Ernest Gotta, became involved with United Planners in 1988 and was one of the original limited partners. Ernest remained with the firm for 12 years until his retirement.

Brian joined United Planners in 1990 after a seven-year career with an insurance firm. “I joined United Planners due to my desire to work with my dad and also the ability to be an independent entrepreneurial advisor,” he says.

These days, Brian appreciates the ability to run his business with a significant amount of independence, which he

believes is very important in this current heavily-regulated environment. “Our compliance department is very fair and reasonable with us in the field,” he says. “I also appreciate the many personalities and variety of advisor peers throughout the country I can talk with, share, and learn from.”

The support he receives from United Planners helps him do what he is in business to do - serve his clients. “We have family members who are dying of cancer, and we are working hard to make sure they have enough liquidity to help them in their crisis situation,” says Brian.

In fact, helping advisors meet the needs of their clients has been the driving purpose of United Planners since it opened its doors over 28 years ago.

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*Contact Partner Development for a consultation on how
open architecture can be of value to you and your clients.*

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