



For the Highly Independent Advisor

Mid-Size Is the Right Size

By Corey Keltner, CFP®
Practice Development Specialist
Securities Service Network

Like advisors across the country, you might be considering which independent broker dealer would be a good fit for you and your practice. Highly independent “Joe” (who could also be “JoAnne”) is representative of many advisors today who are looking for the right balance between solid business and compliance support and the comfort of a family-style culture. Here is his story.

Highly Independent “Joe”

As is often the case, Joe didn’t start out as a highly independent advisor. He began his career as a captive agent with a major insurance carrier, and like many of his networking buddies from wirehouse brokerage firms, he had to think long and hard about the move to independence. Could his practice thrive – or even survive – without the branding of the parent company?

So, Joe’s first move was mostly about safety. He chose a large independent broker dealer because he thought his clients would be more comfortable moving to a firm with size and name recognition. No doubt, he also believed he would need the marketing, lead generation and other support he had had at his previous firm, without considering how little he actually used those services.

Once he had developed his own brand identity in his community and became more comfortable with running his business, Joe began to feel the constraints of that larger broker dealer. Its corporate culture did not permit the personalized service that Joe wanted; their procedures were too rigid, and the rules seemed arbitrary.

Finally, Joe decided it was time to look for a higher level of independence to solve these problems and get back to growing his business.


Before beginning his search, Joe spent some time thinking about what was most important to him and what he wanted in a new broker-dealer relationship:

1. He wanted to be treated as a business owner with a defined value proposition, not a salesperson. So he didn't want to be viewed as a rep number or have only cookie-cutter solutions to choose from at his broker dealer.
2. Joe has always been an early adopter of technology and marketing strategies. So he wanted a compliance department that was willing to collaborate with him on new marketing strategies and provide due diligence to review new products. He also wanted a place where people rather than computers reviewed and approved new business.
3. And he wanted access to decision makers who would be his partners, not his adversaries.


The Large Independent Broker Dealer

Joe looked first at other large independent broker dealers, thinking he could find a different one that would serve his needs better.

Large broker dealers often seem like the easiest answer to a frustrated advisor's problems:

-  They are likely to have the size and resources to address almost any issue that may arise.
 - They can afford to pay for developing technology and integrating systems.
 - They can provide help with practice management and marketing strategies.
 - They generally have a large staff with talented people at the top.
- They are perceived to be more stable because of their size.
- They often have a strong OSJ structure, which may enable them to recruit into an existing office and provide cost sharing for assistants and other help at the local level.

However, for highly independent advisors like Joe, the size of these broker dealers can also be a negative:

-  Large IBDs make new technology, product and other decisions for the entire organization, which can alienate highly independent advisors. The one-size-fits-all mentality can frustrate those who are different from the "typical" advisor.
- Due to the sheer number of reps at these firms, advisors often complain that they are treated

as a number rather than an individual.

- Similarly, unless they are a top-tier producer or producer group, advisors may struggle getting through the layers of bureaucracy to reach a decision-maker who is able to make exceptions or even work with them on individual issues.
- Fearful of bad publicity or of being made an example by an over-zealous regulator, some large firms may be overly restrictive and less willing to consider exceptions.
- Large firms that are owned by insurance companies or private equity firms may be more concerned about hitting quarterly numbers than making decisions that provide the best long-term value for their advisors.

The Small Independent Broker Dealer

Then Joe thought he should look for a small independent firm that might be more appropriate for his business.

A small firm's culture can be very attractive to the advisor who wants to be treated as an individual rather than one of many:



- Presidents of small firms are often their chief recruiters, so it's appealing for many advisors to have an opportunity to develop a relationship with the "head honcho."
- Small IBDs are often niche-oriented; that is, they have been built to recruit and serve a specific type of rep or business model. Many advisors like the camaraderie this can provide.
- The family-style culture provides the personal touch that many advisors seek.
- Decision-makers may be more accessible and open to making exceptions, especially for large reps whose business they don't want to lose.

Of course, the size of small independent broker dealers can present challenges, as well:



- Small broker dealers may be constrained by lack of capital. They often do not have a deep bench of employees to provide service, nor do they have the systems and technology in place to process business efficiently.
- Implementing new FINRA rules and keeping up with technology changes can be a particular challenge for small broker dealers.
- They generally purchase their technology, as it is often not economical to try to build in-house. What they buy may be off-the-shelf, probably not customized or integrated, and often not kept up-to-date. This can result in frustration for advisors who don't like the "old school" approach.

- Many small IBDs use smaller clearing firms and do not have vendor relationships in place to provide account consolidation, performance reporting, paperless office, CRM and other software integration that many advisors and their clients were accustomed to using at other firms.
- In order to reach critical mass at a firm where too few people wear too many hats, recruiting standards may be relaxed, or products can be approved without thorough due diligence. This can lead to an unstable situation if the IBD is fined, loses a large arbitration or has a rogue rep involved in a scam.

The Mid-Sized Independent Broker Dealer

Finally, Joe decided to look at the mid-sized IBD. He found several key advantages for highly independent advisors, such as himself, that neither the large nor small broker dealers could provide.

Key Differentiator #1: Collaborative Compliance

We all know that rules exist for a reason. Broker dealers create rules to protect the investing public and to satisfy regulatory requirements.

However, many IBDs write their rules to fit the narrowest interpretation of regulations. Large broker dealers, in particular, want simplicity in administration because of their large population of reps. Small IBDs may not have people in place with the expertise or authority to address questions or make exceptions.

While everyone can agree that protecting investors is necessary, blanket rules may not cover every possible situation. An honest advisor with a special situation needs to be able to reach a decision-maker who will take the time to listen and understand what the advisor is trying to accomplish.

A well-organized, mid-sized IBD offers both regulatory expertise and easy access to decision-makers who can be open-minded and innovative in helping the rep find the best solution, or who have the power to make an exception where appropriate.

Key Differentiator #2: Policies and Procedures That Make Sense

New and changing regulations are unavoidable. The policies and procedures a broker dealer establishes to comply with these changes should be straightforward and make sense.

However, sometimes these procedures are written by well-meaning people who do not understand, or care to learn about, how things work in the real world. The result can waste advisors' time and adversely affect their ability to serve their clients.

Highly independent advisors are busy interacting with their clients and running their businesses. They need an IBD that understands what they do and can develop policies and procedures designed to address today's regulatory requirements, while helping advisors maintain their efficiency and the high levels of service their clients expect.

With their critical mass and understanding of how advisors' businesses work, the mid-sized IBD can be thoughtful and intentional in responding to regulatory changes. By developing processes that minimize paperwork and systems that can be more efficiently monitored at the home office, they can help advisors stay in compliance without being overburdened by it.

Key differentiator #3: Understanding Each Advisor's Business Model

While many small- and mid-sized broker dealers tout their "family culture," the true value of a firm is much more than simply knowing your name. It means really understanding you and your business.

When all levels of management and staff understand the clients you serve, the strategies you employ, and the level of technology your office requires, the stage is set for a truly personalized experience.

While small IBDs may aim for this level of service, they are often too mired in technology challenges and regulatory requirements to be able to provide it. Mid-sized IBDs not only know you and your business model, they also have the structure and resources to be able to deliver on that promise.

The Mid-Sized Broker Dealer: Not Too Big, Not Too Small

So why did Joe, our highly independent advisor, ultimately decide on the mid-sized IBD as the best broker-dealer partner for his business?

First, he appreciated that the mid-sized IBD was small enough to know him, understand his particular needs and concerns, and provide the access and family culture he was looking for.

Just as important, he recognized that the mid-sized IBD also had the size, stability and resources to be able deliver the services, systems and personalized support he needed for his business.

For highly independent Joe, his new mid-sized broker dealer was just right!



Corey Keltner is the Internal Sales Specialist for Securities Service Network, Inc. He helps SSN advisors resolve some of their most important practice development challenges and works with transitioning advisors on integrating their practices to SSN. Corey has worked at SSN for over 11 years in multiple roles and, for a period of time, had his own planning practice. This wealth of experience on “all sides of the equation” informs Corey’s work with SSN advisors every day.

Corey is a University of Tennessee graduate, has earned the Series 7, 24, 66, and 55, and is a Certified Financial Planner® professional. He and his wife, Terry (also a financial planner), live in Knoxville with their 2 Welsh Corgies.

About Securities Service Network, Inc.

Securities Service Network, founded in 1983, is a locally owned and operated independent broker dealer, headquartered in Knoxville, Tennessee. SSN currently has nearly 500 affiliated financial professionals nationwide.

SSN is ranked one of the nation’s leading independent broker dealers as recognized in Investment News and Investment Advisor and a member of the INC 500 magazine’s Hall of Fame.

Through its subsidiaries, SSN offers investment management, advice, financial planning and insurance services. For more information on SSN please visit www.joinssn.com.



9729 Cogdill Road
Knoxville, TN 37932
866-218-7908, Option 7
www.joinssn.com