**Avoid the Pain**
**15 Important Questions to Consider Before Changing Broker-Dealers**

*1. Does the broker-dealer's culture match your culture?*

Before you get married you want to make sure your significant other shares the same ideas and values as you. It works the same way when choosing a broker-dealer, you should make sure your new broker-dealer shares the same vision as you, and services your practice in a way that allows you to best service your clients. It is critical to have access to all levels of employees including the executive management team to determine if their culture is a proper fit.

*2. Does the broker-dealer currently have the same products, platforms and vendors you currently utilize?*

More often than not, reps assume that they will be able to use the same products and services they use with their current broker-dealer. This isn't always the case as many broker-dealers have policies that prohibit the use of certain products and vendors. You should review the selling agreement list early in the due diligence process for any missing products or vendors.

*3. How does upfront and signing bonus money affect your practice?*

There are several ways broker-dealers use up-front money and signing bonuses to entice advisors to make their move. They are usually tied to a long-term commitment through forgivable or non-forgivable loans over a period of five to nine years and may contain a non-compete clause. Most likely, they will require you to execute a Promissory Note. However, not all deals are created equal. Some firms tie loan forgiveness to production goals. A loan that is forgivable over time is ideal. Make sure you understand the terms of the Note and/or agreements and review the contract with an attorney.

*4. What is the broker-dealer's regulatory history?*

Go to FINRA's brokercheck.com website to search the firm's regulatory history at http://brokercheck.finra.org. This website discloses pending, current and past civil and regulatory issues that could ultimately have a negative effect on the firm's ability to maintain its excess net capital and ability to continue as an ongoing entity. A clean history indicates better compliance systems and procedures being utilized by the firm and its advisors. Thus, better protection for you and your clients. The compliance department should be your partner helping you stay out of harm's way and protect your clients.

*5. What is the broker-dealer's excess net capital?*

Excess net capital is an important financial regulatory requirement because it signifies a firm's financial ability to withstand potential adverse awards in excess of insured losses, market downturns, negative operating results and significant losses over a sustained period of time. If a firm does not maintain adequate excess net capital on an ongoing basis in compliance with the regulations, it can be fined, suspended or barred from doing business with the investing public.

*6. What will be your actual net payout?*

Payouts can be deceiving, they are not always well depicted and do not necessarily mean you will make more income. Compare your net "take home after all expenses are paid" payout, not gross payout. Some broker-dealers will pay more gross commission, but ultimately have hidden higher costs of doing business by marking up their services, having an ongoing affiliation fee, technology fees, ongoing compliance fees or other ancillary fees. All of which could have a negative affect on your bottom line and your actual net payout.

*7. What are the total expenses for the transition?*

The broker-dealer should provide you a detailed breakdown of the costs of your transition including termination fees at the departing firm, ACAT fees, cost of mailing and printing new forms, rebranding, technology fees, affiliation fees, overtime for staff or hiring additional staff, paying for any client charges and other expenses.

*8. Do you have a plan for transferring your client's data during the transition?*

It is important to know if the contact management system you currently use will integrate with the new broker-dealer's technology. Questions to ask are: Will the data electronically transfer? Can you use your own CRM? How is the data backed up and can you access it remotely?
Do they have a paperless system or will everything need to be inputted manually and stored as paper files?

*9. Restrictions – what happens if it doesn't work out with your new firm?*

As any great field general would recommend, it's always a good idea to have a Plan B. If you did thorough Due Diligence on the new broker-dealer firm, the odds are less likely you'll need to implement an alternative course of action. A couple of suggestions are to know all your options up front: 1.) Did you leave your old firm in good standing and would they be willing to take you back? 2.) During your Due Diligence process, did you identify another firm that would have been a strong second choice? If neither option is viable don't panic, although restarting your search is not pleasant, and if conditions at the new broker-dealer are unlikely to change, you have no choice. The most important aspect to keep in mind is the unsettling effect a second broker-dealer change has on your clients. So, conduct a thorough Due Diligence review upon onset, with your ultimate goal being, this is the last broker-dealer change I'm going to make.

*10. Will the broker-dealer allow you to have your own RIA?*

As advisors continue to grow and utilize fee-based business, you need to know if the broker-dealer will allow you to have your own RIA or will they require you to register with their corporate RIA? Even if you currently prefer using a broker-dealer's RIA, as an Investment Advisor Representative, having the flexibility to operate your own RIA down the road is an important item to consider.

*11. Does the broker dealer offer any resources to help grow your business?*

Practice management, coaching, succession planning, business planning and marketing support are key items to consider. A broker-dealer with good practice management support can effectively increase your bottom line more than a payout increase. Does the broker-dealer offer training, webinars, regional meetings and conventions to help you maintain your competitive edge with new products, practice management or technology platforms? Do they have resources available such as an experienced marketing department that can facilitate and consult you on your website, ad design, marketing materials, or other forms of promoting your business? Also, a very important consideration is can they help value your business, or have access to skilled evaluation companies when you are ready to retire or sell your business?

*12. What is the new broker-dealer's approval process for marketing and advertising?*

Know what the broker-dealer expects from their advisors, what they permit and how their compliance structure operates. You should know their ad approval rate, turn-around time policies on approving ads, and if they will help you edit your marketing piece in order to assist in obtaining approval? Lastly, do they offer access to third party vendors that author pre-approved advertising and sales literature collateral?

*13. Does the broker-dealer allow social media? If so, which sites?*

If you want to have a social media presence and increase your visibility with the upcoming younger generation, you should be with a firm that has been doing it for several years and has experience with both the compliance and marketing aspects of social media. You should also make sure they allow and support all three main social media sites: Facebook, LinkedIn and Twitter.

*14. Have you built in enough time to properly complete the transition? Does your new broker-dealer provide a customized written timeline to meet your needs?*

To make your transition work, you must be willing to allocate the appropriate amount of time, which likely will be more than you initially think you need. You will need to be directly involved as your transition will actually provide a great opportunity to rekindle client relationships. If done properly, it can result in increased sales, higher client retention and stronger client relationships. Therefore, take advantage of your transition as an opportunity to bond with your clients and increase revenue.

*15. Have you developed a due diligence checklist/questionnaire for potential broker-dealers?*

Making sure your future business partner will be meeting you and your clients' needs is the most important aspect of making the transition. Your new broker-dealer needs to provide the tools, resources and support that will make operating your business easier and more profitable. Therefore, when you first explore changing broker-dealers, you should develop a list of questions to better perform due diligence and compare the benefits and drawbacks of each firm you interview in order to help you narrow your options.

For more information, visit [www.joinsummit.com](http://www.joinsummit.com) or call 800-354-5528.