

Finding the perfect broker/dealer “fit” for you is paramount to your success. Advisors considering a change must do their homework carefully in order to avoid a mistake that could cost them thousands.

10 Questions Advisors Routinely Fail to Ask When Changing Broker-Dealers

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Executive Whitepaper: *10 Questions Advisors Routinely Fail to Ask When Changing Broker-Dealers*

The decision to change broker/dealers is not something to make without an awful lot of careful consideration. ***The wrong broker/dealer can make your life miserable.*** The truth of the matter is that the wrong broker/dealer for you might be the right broker/dealer for someone else, so asking other reps what they think of their broker/dealer should NOT be your deciding factor.

In a moment, I'll share with you ten critical questions to ask your new, prospective broker/dealers. These questions go far beyond what advisors normally ask.

The typical advisor questions include the “obvious” items:

- **Culture.** While it may be difficult to discern what the “culture” is like at the broker/dealer by just asking a few questions, you can usually identify this by talking with other reps and/or visiting the broker/dealer before making the decision. If the home office culture is one that fits you, that’s a great first start.
- **Turnover.** If there has been recent turnover at the executive level or if you quickly identify that many of the b/d employees are brand new to the firm, it might be an indication that the b/d doesn’t treat their employees very well. If that’s the case, don’t expect them to treat you much differently. A good broker/dealer treats their employees the same way they would expect their employees to treat their top representatives.
- **Regulatory history.** This one is simple. Ask about their regulatory history (you can also do the homework yourself these days). Don’t forget that when you saddle up with a broker/dealer, you’ll likely feel the same regulatory “bumps in the road” that they do. Just ask any rep whose broker/dealer caught negative press over the past 5-10 years. Or worse yet, if the broker/dealer all of a sudden went out of business.
- **Payouts.** More often than not, payouts are the first thing an advisor looks for when they are considering making a move. While payouts are important, don’t get caught with your “payout” blinders on as you are making a change. If a broker/dealer can help increase your production and make your life easier, it might be worth giving up a percentage or two.
- **Costs.** You’ll want to make sure you are aware of the costs associated with doing business with your new broker/dealer. Different costs may include: E&O insurance, affiliation fees, compliance fees, technology packages, and trading costs. Do your homework in advance so there aren’t any big surprises.
- **Average rep. revenue.** You’ll want to make sure that you are aligning with a firm that can support the type of representative you are and plan to be in the future.

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These are the obvious items that most advisors are prepared to factor in as they consider a new broker/dealer. However, in our experience, we've seen a number of advisors fail to ask the following, seemingly routine questions:

Question # 1: Tell me about your technology package offering. How does it all integrate together?

Why this is important: The importance of technology today is greater than it ever has been. Having the right technology can save you hours of time and reduce overhead employment costs. The critical question to ask is how the technology offerings integrate with each other. If you have seven pieces of technology and none of them communicate with each other, you're likely to become very frustrated and your practice will quickly become disjointed. Some firms don't offer much in the way of technology. Others offer an "à la carte" approach. BOTH of these can be very dangerous to the advisor that wants to advance his/her practice. Look for a broker/dealer that has a comprehensive technology package where the pieces work together as a cohesive solution for you and your practice.

Question # 2: Does your E&O insurance cover prior acts?

Why this is important: A surprising number of E&O policies offered do not cover prior acts. Let's assume you switch broker/dealers. A year goes by and one of your clients from three years ago files a complaint. Let's assume that this complaint would NORMALLY be covered by errors and omissions insurance. If the E&O insurance offered by your new broker/dealer doesn't have "prior acts" coverage, you are S.O.L. This is more common than you might think.

Question # 3: What marketing systems do you offer? How will you help me grow my practice?

Why this is important: A large percentage of broker/dealers see themselves as nothing more than business processors. If marketing, branding, and new client acquisition is important to you, it is imperative that you align yourself with a broker/dealer who is marketing-minded. You'll want to find a broker/dealer that will help you create marketing systems, grow your brand, and get in front of more potential clients. If they "outsource" their marketing offerings, it's a sure sign they aren't investing in you. Furthermore, if they expect you to find your own marketing agency and get the agency to understand financial regulations and compliance, get ready for having a part-time job and/or hiring an assistant to manage it.

Question # 4: Do you have a selling agreement with _____? What is your process for approving new agreements?

Why this is important: If a large percentage of your business is with a particular money manager or other offering requiring a selling agreement, it's best to find this out early in the process. Don't be quick to judge if a broker/dealer doesn't have a selling agreement with a particular investment that you like. Find out why they don't have it and if they are willing to consider bringing it on when you sign on. Recognize that these agreements are a liability for a broker/dealer, and that exercising caution before just pencil-whipping an agreement is imperative.



Question # 5: How do you feel about outside business activities?

Why this is important: If you have certain OBAs, make sure the potential b/d you are considering is aware of them. Ask questions about how they handle that type of business. If you sell life insurance or annuities as an OBA, find out their rules for how this business is treated in advance. It's important to recognize that a broker/dealer does carry some level of liability for their reps' outside business activities.

Question # 6: What is your business mix?

Why this is important: If your business mix does not align with your broker/dealer, you'll find yourself struggling to be on the same page as them. For example, if you are focused entirely on fee-based business, and your broker/dealer is predominantly focused on alternative investments, it's likely that you'll run into some challenges as a result of their core focus differing from yours. Your business mix doesn't have to align 100% with your prospective broker/dealer, but you'd be wise to choose a b/d that understands and appreciates the type of business you do.

Question # 7: Do you have anything in place to help me transition/exit from the business?

Why this is important: If you are 60 years old and retirement is on YOUR mind, you'd be best served with a broker/dealer that could make your transition into retirement easier. Moreover, if you are 40 years old, and the idea of acquiring another practice or protecting your practice in the event you died unexpectedly is important to you, aligning with a broker/dealer that can address these items becomes important.

Question # 8: What is the average turnaround time from your advertising department?

Why this is important: If you do any sort of advertising or marketing, you recognize the importance of this question. If you've ever had to wait weeks for one of your marketing/advertising pieces to be reviewed by your broker/dealer, you know why a quick turnaround time is essential. Let's put it this way: not all broker/dealers are created equally when it comes to advertising turnaround.

Question # 9: Tell me about the owner of the broker/dealer.

Why this is important: Believe it or not, the owner of your broker/dealer can have an incredible impact on your business—positively or negatively. If the owner of your b/d is caught in a media frenzy of negative headlines, there's no doubt you'll have questions to answer from your clients. If your broker/dealer is a publicly traded entity, you'll need to accept the fact that some decisions may be made in the interests of the shareholders. Are you able to actually meet and converse with the owner? For many advisors, this can be comforting as it allows them the chance to express concerns and get a real gauge on what drives the business decisions of the broker/dealer.

Question # 10: Will you invest in me to visit you?

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Why this is important: As much as technology is important these days, this business is still about people. It's important that you look the people at any prospective broker/dealer right in the eyes. You need the opportunity to see if the culture of the firm is the right fit. You need to see if the philosophy and business mix of the firm is the right fit. You owe it to yourself to give the people at the prospective firm a good once-over to help you with your "gut check." Your potential broker/dealer should be willing to foot the bill for you to explore all that they have to offer. That's what we do here at USA Financial Securities, an independent broker/dealer and subsidiary of USA Financial.

Here's the million dollar question....

I'm curious... would it hurt *you* to find out more about what we do here at USA Financial to help grow the practices of the advisors with whom we work? What I'd like to do, assuming you are a qualified advisor, is have you join us for an upcoming **Discovery Day** where we'll share with you more about what we do... Fair enough?

See ya soon,

Mark R. Mersman

Chief Marketing Officer
USA Financial

P.S. To have a qualifying discussion and arrange/reserve for your visit to a Discovery Day, simply call to speak with one of our Business Development VPs at 888.444.0125 ext. 1.

Discovery Day Notes:

As with everything at USA Financial, you will be treated with the professionalism you've earned. Your flights will be booked & paid compliments of USA Financial. You will stay at a Five-Star Preferred & Diamond Award Winning Hotel compliments of USA Financial. You will eat at a Top-Knife & Diners' Choice Award Winning Steakhouse compliments of USA Financial. You will be our guest in Grand Rapids, named Lonely Planet's Best in Travel 2014, #1 Destination. And most importantly, you will experience USA Financial from "Behind the Scenes" and get all "The Real Stuff."

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