As featured in the February 21, 2018
issue of ThinkAdvisor ThinkAdvisor By Jon Henschen

How to Conquer Your Top Fear When Changing Broker Dealer: Client Retention

You may have heard this before –

> **"If you change your broker dealer, you're going to lose 30% of your book."**

It's fairly common for advisors to make blanket statements such as this about client retention. And while it is possible to lose clients, the devil is in the details: where are you leaving from, where are you going to, and why.

If you're going from a bank to an independent broker dealer, a 30% or higher loss of your client base is quite common. This often is due to non-compete clauses and bank legal maneuvers to prevent your clients from moving with you.

However, if you are moving from an independent broker dealer to another independent broker dealer, retention numbers are much higher, with losses of 15% or less the norm.

Certainly, other factors weigh in to determine client retention, such as the quality of your relationship with your clients. Or, in the case of wirehouse advisors, did you build your foundation on the fact that your clients should be with you because of your broker dealer's name, or because of your abilities, qualifications and reputation of being trustworthy?

When we consult on broker dealer change, advisors frequently ask, "How should we discuss our change of broker dealer?"

Invariably the best approach boils down to "Your change of broker dealer needs to focus on how it will benefit your client—not how it will benefit you!"

Weighing Client, Advisor Benefits

How a move benefits the client versus the advisor varies, with many an advisor being tripped up on how to communicate the move.

In the case of wirehouse-to-wirehouse movement, historically it has been the advisor who benefits most from a large sign-on bonus, while the client benefit is marginal at best.

We view the new DOL fiduciary rule as a recruiting gift to advisors in terms of justifying a move that will benefit their clients.

Another point to make in these communications with clients is to avoid industry jargon and keep the dialog focused on easy-to-understand client benefits.

How to Discuss Your Move

Here are some talking points to frame reasons for your move that will demonstrate to your clients that you have their interests in focus and that they will benefit:

Wirehouse to Independent Broker-Dealer

- In making our move to an independent model, we are getting away from the large, expensive bureaucracy of the wirehouse model.
- The wirehouse has many opaque costs and arm-twisting tactics encouraging us to sell you proprietary products; platforms that we feel are in conflict with new regulations that require us to do what is in our clients' best interests.
- With an independent broker dealer, we will have many more product choices to offer you, with lower, transparent costs. Most importantly, with no conflicts of interest, we can be truly objective in our recommendations.

Captive Insurance Broker-Dealer to Independent Broker-Dealer

- Insurance-owned broker dealers have been getting sold at an increasing rate over the last 10 years, to the point where I need to be proactive and find a stable, solid foundation for my clients before my firm is sold out from under me.
- Moving to an independent broker dealer will give me the ability to greatly expand the product choices I can offer you, which are especially re stricted on insurance products at my current firm.
- Access to a much broader range of insurance products will enable me to bring you the most competitive insurance benefits the market has to offer.

Independent Broker Dealer to Independent Broker Dealer

Benefits to clients run the gamut within the IBD channel:

- Changing broker dealers will lower advisory administration fees, which will save my clients thousands of dollars and open up choices to hold advisory assets with outside vendors such as Schwab or TD Ameritrade.
- Joining a larger broker dealer at a time when many smaller firms are getting squeezed out of the market due to regulatory expenses will help ensure that my clients and I aren't caught with accounts frozen due to a firm closing or net capital violation.
- Switching to a broker dealer that offers more services and technologies will save me time, freeing me to spend more time with my clients.
- Moving to a firm that combines simplified paperwork with technology features such as electronic signature will keep me from coming to you with reams of paperwork that we all loathe dealing with.

98% Retention: One Advisor's Story

Several months ago, I worked with an advisor who was able to retain 98% of his clients when he changed broker dealers.

He moved $90 million of assets from a smaller broker dealer that was closing due to financial/compliance issues, to a well-capitalized broker dealer with 1,500 advisors. He shared his narrative to his clients, which broke down as follows:

- In addition to this firm closing its doors, today's regulatory environment requires that to survive we need a bigger firm with more resources.
- He reiterated his investment philosophy and why his unique blend of risk management and portfolio construction was a benefit to them.
- He reinforced that his team had 83 years combined service delivering results.
- Since he was staying with NFS for clearing, disruption would be reduced, the transfer would be seamless, standing instructions would transfer and there was no need for new checks/debit cards.
- He also noted that the new firm's fee scale is very competitive and ticket charges were being reduced by $10.

Besides an extremely high retention of 98% since the move, client assets have grown to $105 million in four months as the broker dealer switch enabled them to find more assets, and of course, the markets helped as well.

Interestingly, when you reconnect with clients regarding a broker dealer change, it's quite common to uncover new assets to invest or get referrals to new clients that will breath new life into your practice.

If you want high retention the next time you change broker dealers, talk up the benefits to your clients and they will be much more likely to follow you.

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