

# How Dan Arnold Is Driving Change at LPL

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Last year, we were privy to the story of a mid-sized broker-dealer that had been experiencing stagnant growth for years and thus was ready to make the changes required to become a recruiting magnet and reignite growth.

Working with a consultant to guide them on this new path, they hired two recruiters and, on the surface, agreed to offer forgivable transition notes to onboarding advisors and cover airfare and hotel for due-diligence visits to the office.

But broker-dealer management failed to prepare staff for the consequences of adding a significant number of advisors and how this growth would impact staffing needs and workloads.

There was little communication from management during these changes. When the top brass did communicate, it was reluctantly, as executives seemed to prefer the solitude of their ivory tower.

Over the course of three months, it became clear that management was in fact not willing to expand out of the comfort zone it had grown accustomed to for many years. Recruiters were laid off, transition money and everything else planned was scrapped, and the BD returned to the safety of the familiar.

## Steering an Aircraft Carrier

Implementing change can be a difficult endeavor at best, and it needs to be initiated from the top down. For large broker-dealers, real change can be like steering an aircraft carrier, which is why we've been surprised at the speed and significance of changes we are witnessing at LPL Financial.

LPL appears to have had a “come to Jesus” moment of self-reflection, as it grapples with some long-standing issues voiced by advisors.

In April 2018, Dan Arnold announced that great changes were coming, admitting that LPL had difficulty recruiting NPH advisors and that there was a certain amount of dissatisfaction among its own advisors. To its credit, much of the change at LPL has been advisor driven.

The gutsiest changes appear to be those that initially have a negative impact on profitability:

- A \$4,800 fee for home-office supervision has been eliminated;
- Rep-managed advisory administration fees have been cut dramatically, to as low as 3 basis points for billing and performance reporting;
- The asset size to join hybrid advisory has gone from \$50 million to \$25 million;
- The percentage of forgivable note money for onboarding advisors has increased;
- Technology has been enhanced, and the number of vendors has been expanded;
- Separately managed account (SMAs) administrative fees came down.

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## **Taking a Short-Term Hit**

Making strategic changes that cut into profits but benefit advisors and clients pays off in the long run. These changes enhance recruiting results, and in terms of long-term profitability, drive higher advisor retention.

In another step to benefit advisors, it looks like LPL is bringing more simplicity to the advisor experience and moving away from some of the more complex or cumbersome processes:

- Advisors no longer need clients' driver-license information for new account openings;
- They no longer need a voided check to set up an automated clearing house transaction;
- The BD is cutting through red tape and accelerating the rate at which new technology is deployed and adopted;
- Staff is increasingly empowered to make decisions rather than needing to go through layers of management or procedures;
- There is full data integration with third-party services like Riskalyze.

## **Arnold Drives Change**

The most impressive change we've heard about from LPL advisors is that management's ivory tower is crumbling. Senior management is more accessible, and when mistakes are made, management isn't trying to sugar coat or gloss over their shortcomings.

Dan Arnold is showing us he is not just a numbers guy, but a visionary and driver of change.

It's easy for large broker-dealers like LPL, which are frequently in the press, to become an easy target for negative reviews and comments.

Over the years, I've probably been too quick to point out LPL shortcomings to reporters. As I recently told one reporter, I would never had thought I'd be saying this two years ago, but today, "I'm becoming a fan of LPL."

Earlier this year, I posted a podcast "[Houston, LPL Has a Problem.](#)" With changes afoot, I'll soon be doing a follow-up podcast on LPL, "Houston, LPL is Fixing Its Problems," discussing how the BD is making changes for the better.