



# Broker-Dealer **VS.** Registered Investment Advisor

**Understanding What Will Work Best  
for Your Financial Practice**

# BROKER-DEALER VS. REGISTERED INVESTMENT ADVISOR

## A BRIEF HISTORY OF BROKER-DEALERS AND REGISTERED INVESTMENT ADVISORS

In the 1970s and 1980s, most clients worked with a stockbroker who would buy and sell stocks on their behalf. To do that, they needed to align with a broker-dealer to facilitate the transaction. If you buy and sell an investment: stocks, bonds, variable annuities, mutual funds, or alternative assets, and you are going to earn a commission, you need to affiliate with a broker-dealer who can facilitate the transaction and pay out the commission.

As the industry evolved, professionals moved into a more financial advisor services role in the 1990s and early 2000s to get away from the commission-based model.

Financial planning professionals started to get away from buying and selling for a commission to charging planning fees for their professional advice and comprehensive financial plans.

Eventually, this turned into the full-service RIA model that we see implemented by financial advisors.

Traditionally, these financial advisor services would require a Series 6 or Series 7 license to transact in those securities and earn a commission. Instead, the advisor would get a Series 65 or Series 66 license or a professional designation like a Certified Financial Planner to become a representative of the full-service RIA.

This allows them to charge fees for their advice on comprehensive financial planning and implement solutions like portfolio management or purchasing securities without earning commissions on the products they select. Many experts believe this model best supports the fiduciary and eliminates conflicts of interest.

**FINRA is the governmental regulatory body that oversees bro-**

### ker-dealers.

Essentially RIA vs. Broker-Dealer boils down to a fee-based professional advice model vs. a commission-based model to buy and sell products.

There are two ways to form a full-service RIA:

- Large firms can register under the Securities and Exchange Commission (SEC).
- Small firms can register with their home state.

### WHY ARE FINANCIAL ADVISORS FORCED TO KEEP THEIR RELATIONSHIPS WITH BROKER-DEALERS GOING?

#### It's Their Business

Suppose most of the business is on the RIA platform. Why do some advisors choose to maintain their broker-dealer licenses and the

potential headaches instead of a potentially streamlined offering through the SEC and the additional cost and expenses to maintain licenses, registrations, affiliation fees, and additional platform costs that might exist?

When looking at an RIA vs. broker-dealer, if the advisor is still taking commissions on certain products that they sell, they may not want to walk away from all that potential revenue that is embedded into their business model:

- Variable Annuities
- Alternative Investments
- Mutual Funds
- C Share Funds
- Variable Universal Life Insurance
- 1031 Real Estate Transactions

### The Golden Handcuffs of Trailing Revenue



**Brian Sak** was with a major broker-dealer and had a substantial amount of recurring revenue coming from that business. He saw the future of what his firm could be if he moved to an RIA model with high-end estate planning, life insurance, tax planning, etc. He ripped the band-aid off and walked away from hundreds of thousands of dollars in residual income because he knew the grass would be greener on the other side after he eliminated some of the restrictions that come with working with a broker-dealer. After taking the entrepreneurial plunge, he has made up for that lost revenue and then some.





**Tony Engrassia** was with the same broker-dealer for over 28 years. About three years ago, he shared with us that 99% of his business was fee-based advisory clients. With his insurance license and an RIA, he was able to eliminate the middleman and achieve greater compensation, creating a win/win situation for him and his clients. Since joining C2P Enterprises, Tony has seen a significant increase in his business's growth.

When considering an RIA vs. broker-dealer, there is a legacy part of the business. Maybe they had built it up over decades with transactional registered products, like commissionable variable annuities, or alternative investments like non-traded Real Estate Investment Trusts (REITs) or oil and gas investments. If they did not maintain that relationship, they would lose the corresponding trail revenue.

This could be hundreds of thousands of dollars in revenue they would have to walk away from if they left their broker-dealer. This handcuffs them to the broker-dealer because they still have to service those clients, even though the future of the business is advisory.

#### **RIA vs. Broker-Dealer: An Older Way of Thinking**

In recent years, more advisors have evolved to see their business as advisory due to higher consumer demand for RIA vs. broker-dealers.

RIAs offer more flexibility and allow customization of their services and client relationships, but broker-dealers provide firms with a structure and a network of solutions.

Broker-dealers follow the suitability standard rather than a fiduciary standard. Regarding the advisor's obligation to make recommendations in the client's best interests, the suitability standard is less stringent than the fiduciary standard.

#### **Fear of Losing Licensure**

Almost every broker-dealer in the country has an RIA opportunity. Most broker-dealers are looking at attaining dual licensure to

take advantage of that platform.

When considering an RIA vs. broker-dealer, you must remember that if you drop your broker-dealer, you have a five-year window to find another broker-dealer without taking the Series 6 or Series 7 again.

Most brokers do not want to walk away from their licensure because they are difficult to obtain. If your license expires, you must complete the examinations again.

#### **WHY ARE ADVISORS MOVING TO THE REGISTERED INVESTMENT ADVISOR MODEL OVER BROKER-DEALERS?**

##### **RIA vs. Broker-Dealer: Be an Advisor Not Just a Number**

One reason advisors choose an RIA vs. broker-dealer is because they feel like they are just another cog in the machine. Some of these broker-dealers are massive, with tens of thousands of advisors. You may feel lost in the shuffle if you like to add a personal touch and create real relationships.

##### **No Longer Just a Clearing House**

When looking at an RIA vs. broker-dealer, advisors often choose to maintain their relationship with their broker-dealer because they haven't been made aware of the scale and scope of the product offerings in today's market.

- RILA
- 529 Plans
- Structure Notes
- Private Equity
- Hedge Funds
- Fixed Rate Annuities
- Indexed Annuities

##### **Create a Holistic Financial Plan with Tax Planning**

Another reason advisors choose to migrate from a broker-dealer to the RIA model is because, for a long time, broker-dealers did not allow any tax management advice, even if it is in the client's best interest.

In fact, many advisors have a disclaimer stating that they don't provide any tax or legal advice. This opens the door for you to fill that need by being a one-stop financial planning shop. If you can delight the client by meeting all their needs in-house, they will have no reason to

seek out additional financial advice from someone who could potentially sabotage your customer relationship.

Tax planning is one of the most significant opportunities for advisors. It will increase your value to existing clients and prospects and create additional revenue lines when you charge financial planning fees for your tax advice.

Use the client's annual tax returns to find areas where you can save them money. Go above and beyond to offer additional retirement, legacy planning benefits, and tax diversification.

By putting solutions and strategies in place to anticipate tax and life changes, you will separate yourself from other advisors and tax professionals, allowing you to charge more considerable financial planning fees.

“Five, six, seven years ago, there were hardly any alternative investments or insurance products offered through the RIA that were easily accessible. So, a lot of advisors got in the comfort zone of what they've always done: utilize commissionable-based products through their broker-dealer. But there has been a huge evolution of product design. Almost all the products that are available at a broker-dealer are now also available through an RIA. The only difference is instead of getting a commission to sell them, the advisor would charge an advisory fee to offer those products.”

-Dave Alison, CFP®, EA, BPC, Owner of Alison Wealth Management





The Tax Management Journey® is a comprehensive training course that gives you the marketing tools and planning strategies to attract and convert more clients in the \$1 million to \$5 million demographic.

The Tax Management Journey is designed to provide the competency and confidence to expand your business, set yourself apart from the competition, and deliver powerful tax planning strategies to your clients and prospects.

### Opportunities in Estate Planning

We've all been there. Collecting and organizing an entire lifetime's worth of documents is stressful and frustrating.

Introducing estate planning during your first meeting can help show your client the value of holistic financial planning tools and ensure everyone is on the same page.

Estate planning combines all the clutter and paper that arises during the resolution of an estate into a single easy-to-follow binder.

When a new couple comes into the office, they are often overwhelmed by all the paper they've

accumulated and don't know where to start. It is usual for only one of them to have been handling the family finances.

An Estate Organizer is much more than a simple financial or legal tool. It stores all vital client information, from investments and pensions to medical information and life insurance, as well as a family succession plan and Survivor's Checklist that helps the beneficiaries through the transition period.

Ask your business development representative about the Family Estate Organizer:

- Build client relationships when building trust
- Uncover hidden or forgotten client assets
- Prepare for long-term care planning
- Create something tangible for yearly reviews

### RIA vs. Broker-Dealer: Easier to Communicate Your Value Ad

The goal of marketing strategies for financial advisors should be to guide each lead through the sales funnel from prospect to paying customer with relevant and timely content.

But marketing compliance for financial advisors is critical because

small mistakes can lead to large fines.

The turnaround time for marketing materials in a big broker-dealer could take weeks or months. By the time it gets approved, it is no longer relevant to the market—more timely news has taken its place.

Advisors want to turn marketing materials around quickly to present to prospects and clients. When you look at an RIA vs. broker-dealer, the boutique RIA still has marketing compliance, but you can usually have it reviewed much faster.

### Risk for Commissions vs. Financial Planning Fees for Structure

When looking at an RIA vs. broker-dealer, you should remember that broker-dealers have an inherent need for compliance supervision because they take on a lot of risk for bigger commissions.

A fee structure helps to keep the advisor aligned with the client's needs.

- Flat Fee Model
- Hourly Rate
- Percentage of AUM

### THERE IS A THIRD OPTION Using a Smart Migration Method

If you decide to take the plunge on RIA vs. broker-dealer, there is a simple way to migrate your business.

Some RIAs have a broker-dealer partner that manages the asset transition program. This allows advisors to transition all their broker-dealer business over without losing out on revenue and starting from square one.

At Prosperity Capital Advisors, we provide an asset transition program that allows advisors to move their business like 529s, mutual funds, or variable annuities over to the broker-dealer, who then puts a home office employee as the agent of record on that account. Prosperity Capital Advisors then gets hired as the RIA, and the advisor becomes the broker representative, so they don't have to walk away from the trail revenue.

### Working with Prosperity Capital Advisors

"The majority of the clients that we've brought on have come to us through tax planning."

-Dave Alison, CFP®, EA, BPC, Owner of Alison Wealth Management



**A holistic financial plan offers a solution to any individual's economic puzzle. Advisors develop a one-of-a-kind proposal to maximize their clients' wealth, health, and happiness while minimizing potential tax pitfalls and managing gaps in the market.**

Prosperity Capital Advisors works with a select group of investment adviser representatives to help them grow in their planning and investment capabilities.

Our overarching commitment is to support our affiliated advisors as they advise in the best interests of their clients. To do so, we provide turnkey financial planning processes, tools, and support to our advisors that are product-agnostic to build a plan as the foundation for all investment advice before product selection, including:

- The Bucket Plan® Best Interest Process
- The Holistic Planning Process
- Financial Planning for a Fee

At Prosperity Capital Advisors, we provide more than just an investment platform. We provide solutions to simplify and solve the complex challenges and opportunities that financial planning professionals and their clients face every day.

As an RIA, we are committed to

looking at the big financial picture and providing congruent and holistic services that help our customers obtain their overall financial goals and objectives.

With countless financial vehicles available today, Prosperity Capital Advisors strives to provide cohesive wealth management plans that work to identify gaps and inefficiencies to provide accurate product and portfolio recommendations. As such, financial planning is the foundational service that PCA provides.

We offer a highly specialized team of professionals focused on providing outstanding solutions to unique situations that will help develop better financial plans.

Prosperity Capital Advisors provides financial advisor training, industry-leading tools, and resources to help you gather more assets.

#### **TAKE CONTROL OF YOUR BUSINESS WITH PROVEN PROCESSES**

**Be in Control of Your Holistic Financial Planning**

Holistic financial planning takes a 360-degree look at the client's situation to understand their short-term and long-term goals.

Nearly every event in clients' lives can influence them economically.

A holistic financial plan offers a solution to any individual's economic puzzle. Advisors develop a one-of-a-kind proposal to maximize their clients' wealth, health, and happiness while minimizing potential tax pitfalls and managing gaps in the market.

This type of planning combines retirement, estate planning, taxes, Medicare, insurance, etc., into one comprehensive financial plan, while wealth management typically only focuses on stocks and bonds.

#### **Build a Self-Sustaining Business**

The Advisor Career Path is a way to structure your business, so it will continue to prosper without you. There will come a time when you need to step away from your firm. Whether it is for an extended

vacation, medical or family needs, or you are just ready to retire—the Advisor Career Path will pave the way for you to delegate responsibilities through a seamless transition and put your mind at ease.

We spent over three years refining and developing a scalable career trajectory reflecting the financial industry's best practices and the experience and research we have accumulated over decades of observing advisors within our firms. The Advisor Career Path is essentially a rubric with objectives for your employees.

You can use the Advisor Career Path for everything from recruiting to coaching. It encourages employee retention because individuals can imagine their career years into the future with your company before they even get the job. That builds a sense of loyalty and commitment to firm goals.

Building a sustainable and lasting wealth management firm requires vision and action. With the shifting of client needs, older methods for delivering a holistic financial plan are no longer sustainable.

The business strategy should include plans to manage and build up the talent they bring in,



**Jeff Warnkin** was with one of the top three independent broker-dealers in the country. He was a CPA and Investment Advisor with a Master's in taxation and highly regarded by his clients. But he was held to the same compliance standards as the worst advisors in the company. His frustration with his lack of freedom despite a stellar record is one of the reasons Jeff eventually left his broker-dealer.

along with a documented structure for how to guide customers through each step of the investment process.

Building a process does not only ensure that clients receive the same experience even if they are not working with the lead advisor. It also ensures that compliance reviews for best interest practices are easier to prove when the process has been well-documented.

### **Create Measurable Financial Advisor Marketing Results**

**Define your brand.** Many believe that brand is just another word for logo, but smart financial advisors know their brand is much more. What makes your investment advisor marketing different than the rest? What problems do you solve better than any other firm?

**Spread your message.** Once you've built a lead nurturing system, you are ready to increase your finan-

cial advisor marketing and launch your brand in the digital marketing world. Employing the proper Search Engine Marketing (SEM) strategies will help you build the proper digital engagements with new leads that start their customer journey on the right foot.

**Measure your results.** You can analyze your efforts to see lead conversion results. Metrics are crucial to learning what worked and what did not, so you don't waste your financial advisor marketing budget on things that don't bring in any new business.

### **Improve Your Bottom Line**

What does your company look like today, and how do you want it to look in the future? What profitable business lines do you want to add to your portfolio of client offerings?

It may be easier for a financial advisor to focus on stocks, mutual funds, and designing investment strategies. However, ignoring the insurance, tax, Medicare, or other profitable business lines can leave their clients vulnerable to a severe income gap during critical situations.

Are you ready to expand your profitable business lines to support your clients and generate new revenue streams for your business?

What if you could acquire new customers almost instantly?

One sure way to do this is to incorporate a variety of profitable business lines into your client offerings.

### **C2P ENTERPRISES**

**Four Companies. One Unified Approach.**

### **Prosperity Capital Advisors**

Prosperity Capital Advisors is an SEC-registered investment adviser



that equips advisors with an array of fee-based comprehensive financial planning and investment solutions to meet their individual clients' unique needs.

Prosperity Capital Advisors offers advisors a full-service RIA platform for turnkey asset management tools and resources for holistic financial planning. Leverage the expertise of our community of mentors and tap into an extensive library of resources designed to help you mitigate risk and enhance your client experience.

Prosperity Capital Advisors is a custodian agnostic that provides:

- Affiliated financial advisor services
- Extensive support and training
- Advanced portfolio analytics and reporting
- Investment product due diligence and selection

#### **Clarity Insurance Marketing**

Clarity Insurance Marketing is an Insurance Marketing Organization that facilitates advanced product screening, selection, and support for all lines of fixed insurance products.

As an Insurance Marketing Organization, we are dedicated to implementing best interest practices, which effectively mitigate risk. Clarity Insurance Marketing helps institutions, advisors, and ultimately families nationwide.

As a best interest-focused Insurance Marketing Organization,

Clarity Insurance Marketing facilitates advanced product screening, selection, and support for all lines of fixed insurance products, such as fixed and indexed annuities, single premium and traditional life insurance, and asset-based long-term care products.

We are dedicated to implementing best interest practices, which effectively mitigate risk. Our Insurance Marketing Organization helps institutions, advisors, and ultimately families nationwide.

#### **Valor Capital Management**

Valor Capital Management is an SEC-registered investment adviser firm operating as a Turnkey Asset Management Program (TAMP). It has aligned with world-class investment managers to provide RIAs with an investment platform of core and satellite strategies to meet their advisors' and clients' unique needs.

By providing strategic management through a diverse lineup of core model portfolios and a customizable satellite offering of unique niche investment strategies and solutions, Valor Capital Management helps RIAs and their advisors navigate the right investment offering, blended portfolio design, and operational implementation to meet the unique needs of their clients.

Valor Capital Management's platform provides advisors with what

they need to scale their business and get back to what matters most to them: spending time with their clients. Valor offers full-scale technology, operations, and support as a complete outsourcing partner for analysis, proposal, and investment management.

Valor Capital Management can help you with your:

- Sales
- Operations
- Compliance
- Client Experience

#### **Clarity 2 Prosperity**

Clarity 2 Prosperity is a financial advisor training, coaching, and IP development organization that offers financial advisor services, turnkey financial planning, practice management, and marketing processes.

Clarity 2 Prosperity offers certified financial planner services to help advisors shift from a transactional mindset to holistic planners. We give you the tools and the financial advisor training programs you need to grow from mentorship calls to personal coaching.

Clarity 2 Prosperity provides solutions and benefits that address the issues advisors experience, including those they are unaware of. These solutions help top advisors streamline their processes and grow a self-sustaining financial practice.■

**ARE YOU A BROKER-DEALER LOOKING TO SWITCH TO THE RIA CHANNEL? DO YOU NEED A PATHWAY THAT GIVES YOU MORE CONTROL OVER YOUR BUSINESSES AND HOW YOU SERVE YOUR CLIENTS? [SCHEDULE A FREE 20-MINUTE CALL TO LEARN ABOUT THE PROGRAMS C2P ENTERPRISES OFFERS TO BROKERS READY FOR A CHANGE.](#)**



#### **ABOUT C2P ENTERPRISES**

Simplifying financial planning for financial advisors and their clients C2P Enterprises is a holding company comprised of four distinct brands, each designed to simplify financial planning for advisors and the clients they serve. United by the vision to provide planning and financial products and solutions in the best interest of the client, each company offers education, training, resources and tools to meet a client's unique financial situation, along with access to an array of investment and insurance vehicles to help accomplish their goals. Each organization is committed to fiduciary best interest practices and raising industry standards for a higher quality of holistic financial planning services to families nation and worldwide.