



EBOOK



How to Start Your Breakaway Firm with a Full Book of Business:

Four Client Retention Strategies for Independent Advisors

Financial advisors thinking about breaking away from their current firm have a lot to think about, between legal costs, a dizzying number of custodians and technology partners to choose from, and keeping their new company a secret from their current employer until they're ready to resign. But even with all that, the top concern for many comes back to the clients they've been serving for years and sometimes even decades—especially in our current environment.

The Pandemic Problem

A recent Advisor Movement Study conducted by Fidelity¹ found that 70% of advisors felt it would be distressing to their clients if they left their current firm during the pandemic. In fact, advisors' top three concerns overall about switching to a new firm or starting their own in our current environment related to their clients:

- 54% reported worrying about difficulties transferring some clients and their accounts to the new firm in a virtual environment
- 41% indicated concerns about unanticipated client service problems with the new firm
- 39% worried that current clients wouldn't follow, given market volatility and overall uncertainty

Their concerns are legitimate, since the one of the best ways to mitigate the unpredictability of starting an RIA—in any environment—is to bring as many current clients along as possible, putting the new company in a position to accrue revenue right from the start.

Where Do Clients Really Stand?

The same Fidelity study indicated that on average, advisors wanted 82% of current clients to move with them to their new firm. Here's the good news: 78% actually did.

Not only that, but nearly all advisors reported that their clients were ultimately supportive of their decision to leave their current firm, with over half being supportive right from the start.

Client retention during a breakaway period has a lot to do with the relationships you've built over time. If your clients have confidence and trust in you, it's likely that they'll be inclined to keep working together—especially if you can clearly articulate why your new RIA is better for them and not just for you.

Many advisors considering breaking away indicate that being able to offer conflict-free advice to their clients is a powerful motivating factor. When you broach the subject of leaving your current firm, share that motivation with your clients.

4 Steps for Retaining Clients on Your Breakaway Journey

As you prepare to submit your resignation letter and officially start your firm, keep these four steps in mind to make the process a little easier.

1 Know when to contact

Due to rules like Broker Protocol², you can't talk to your clients about your move before you leave your current employer and officially start working at your new RIA. The first order of business is to know what client information you can bring with you (names, emails, addresses, and phone numbers are about it) and not get too antsy about making that first outreach. However, that doesn't mean you should wait until resignation day to have a plan.

² "Broker Protocol – What You Can Bring and How to Format it for" 26 Mar. 2019, <https://advisorhub.com/resources/broker-protocol-information-what-you-can-bring-with-you-and-how-to-format-it-for-success/>. Accessed 5 Feb. 2021.

2

Create a communications plan in advance

The most important part of retaining clients is having an easy-to-understand message for them about why the RIA path is a better choice—for you, but also for them. Spend time crafting your initial message and make sure it says everything it needs to say to act as a persuasive communication. Keep in mind what the actual benefits will be for your clients once your new RIA is up and running.

3

Follow up

One message may be enough for a client you've worked with for a decade, but it perhaps not enough to convince everyone to join you on your breakaway journey. Part of your communications plan should be built on repeat follow up. Don't rely on just an email: make a phone call, write a personal letter, and stay in front of clients who might be slow to make a decision. Additionally, know that your old broker will also be reaching out to try to keep those clients and assign them to a new advisor. You're going to have to refine your sales pitch and unique value proposition if you want all your clients to make the move.

4

Plan ahead for the account transfer process

Once your client does agree to move their accounts to your new firm, there's more work (and more important work) to be done. Your custodian and technology partners can help make sure you know the account transfer paperwork, timing, and overall process like the back of your hand. Explaining exactly what will happen when accounts transfer and what clients should expect will make sure that their trust and confidence doesn't falter when they make the move to independent life with you.

The Tech Factor

Following our four-step process can help you convince clients to make the move with you. The right technology can help keep them with you. As you consider taking the first steps on your breakaway journey, think about your current technology—specifically, any gaps in the client experience it empowers you to provide.

For example, does your client portal offer a truly centralized location for all of your clients' financial information, or do they need to juggle multiple disparate log-ins to access their full financial picture?

What about the financial planning experience—is it intuitive and even inspiring for clients to set goals and check their progress, or is the entire process cumbersome and unpleasant?

Does your trading technology make it easy for you to create tax alpha through tax-loss harvesting and capital gains deferrals? Do your reporting solutions allow you to present dynamic, customized views of your clients' performance—without spending hours creating them?

Evaluating what you're missing will help guide your selection as you look for a tech partner to help you retain your clients while you build your new business.

Is it Time for You to Break Away?

Consider this: 83% of breakaway advisors reported an increase in AUM since they made their move, with a median increase of 30%.³ Not only that, but many indicate that the only regret they have is not doing it sooner.⁴

Establishing an independent RIA is often the best career choice an advisor can make. If you're considering starting your journey to independence, Orion can help. Get in touch with us today, or visit our dedicated Breakaway Resource Center for best practice tips, actionable strategies, and real-world advice from advisors who have been in your shoes.

³ "The Five Stages of the Advisor Movement Journey - Fidelity" 10 Sep. 2020, <https://institutional.fidelity.com/app/proxy/content?literatureURL=/9899914.PDF>. Accessed 5 Feb. 2021.

⁴ "Breakaway brokers share stories of obstacles and ... - InvestmentNews." <https://www.investmentnews.com/breakaway-brokers-pandemic-200090>. Accessed 5 Feb. 2021.



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