

# Advisors In Search Of The Ideal Broker-Dealer

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— Sheila Cuffari-Agasi, AIF, Executive Vice President, Partner Development



**F**inancial advisors are frustrated with their broker-dealers for a number of reasons, but it doesn't have to be that way.

In many cases, advisors have to deal with a significant lack of continuity with their broker-dealers due to the on-going trend of mergers and acquisitions. As a result, advisors never know who their next corporate partner is going to be, and whether that partner will end up having a completely different set of objectives. While advisors can be independent with their clients, they are only really as independent themselves as their broker dealer will allow them to be. "Advisors are tired of being bought, sold and traded like a commodity," says Sheila Cuffari Agasi, AIF, Executive Vice President, Partner Development. "Independent advisors are business owners. As a result, you would think that they would have more 'destiny control' over the ownership of their broker-dealer. However, they often make a decision to affiliate with one firm, and soon find themselves hamstrung and underserved by a completely different corporate partner."

A second challenge advisors face with many broker-dealers relates to an

inherent misalignment of interests, as a result of broker-dealer structures that have to answer to shareholders, private equity firms, or corporate parents that dictate proprietary products. As a result, these parent companies end up "calling the shots," so, even if the broker-dealers want to do more for their advisors, they may be paralyzed by their owners.

Other frustrations felt by advisors can be directly related to financial concerns (profit squeezing, "penny scraping," and/or higher costs) which cause poor responsiveness and service from the broker-dealer and higher costs to advisors and their clients.

## The Challenges Take Their Toll on Advisors

Historically, significant departures from broker-dealers have been attributed to inadequate service and the unsuccessful deployment of proprietary technology. These broker-dealers fail their affiliated financial professionals by not providing the necessary support and tools to succeed. This can hinder advisors' efficiency and productivity, compelling them to seek more reliable and supportive broker-dealer environments.

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— Sara Vogelsanger, Transition Manager



From 2009 to 2013, REITS and alternative investments caused a wave of litigation that affected both advisors and broker-dealer sales, with numerous broker-dealers closing as a result.

Since 2013, there has been a surge in broker-dealer sales, driven by owners eager to cash out when offered high prices, frequently showing little concern for the firm's future stability. "We often encounter advisors who switch broker-dealers after determining the upcoming acquisition did not align with the best interest of their clients, only to see their new firm later acquired by the same entity they avoided a few years earlier," says Sara Vogelsanger, Transition Manager at United Planners.

The recurring sales of broker-dealers raise significant concerns, as owners prioritize immediate financial gain over the long-term impact on the firm's continuity, leaving financial professionals wary of potential future sales.

#### **What Does an Ideal Broker-Dealer Look Like?**

For advisors who are considering partnering with a new broker-dealer, there are several important issues to investigate.

1 - Look for a broker-dealer of the appropriate size - one that is not too big so you don't get "lost in the shuffle," but not too small so that you have access to the strength and service you need.

2 - Look for a broker-dealer with financial strength and scale, a stable history and stable future, and reasonable growth plans.

3 - Look for a broker-dealer with an excellent reputation. This includes industry experience and a mature

Home Office staff. "Advisors are no longer looking at broker-dealers as a commodity or necessary evil," says Mike Baker, President & CEO of United Planners. "First and foremost, quality advisors are evaluating broker-dealer partners as to their historic, current, and future commitment and alignment to the core values of honesty, independence, collaborative and supportive client centric service, and friendly family culture."

4 - Look for a broker-dealer with depth and breadth of the resources you need. This includes training for advisors and office staff, practice management coaching, and assistance with the ever changing regulatory environment.

Advisors are seeking broker-dealers that can effectively guide them through the regulatory landscape, offering support in selecting, integrating, training, and implementing cost-effective technologies, products and services. Importantly, these advisors prioritize stability and strong compliance standards to avoid broker-dealers that adopt compliance practices catering to the lowest common denominator, ensuring their clients receive the highest level of service and protection.

5 - Look for a broker-dealer with a supportive culture. This includes the relationships you can develop with the broker-dealer's home office and with your peers (networking), as well as access to senior management in the broker-dealer firm. Together, these elements create a culture that not only supports advisors' day-to-day operations but also contributes to their long-term professional development and satisfaction. A broker-dealer with a

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— Sheila Cuffari-Agasi, AIF, Executive Vice President, Partner Development

supportive culture invests in its advisors' success, promoting a collaborative environment where everyone thrives.

6 - Look for a broker-dealer with strength in technology and support for that technology. This includes hybrid open architecture that allows freedom of choice, as well as supportive and flexible products and platforms. This provides independent advisors with the flexibility to operate without restrictions from proprietary products or platforms. An open architecture approach is essential, allowing the freedom to select platforms that align best with your clients' needs.

7 - Finally, look for a broker-dealer with a strong commitment to service. Ethical, fiduciary "client-first" advisors are naturally attracted to broker-dealers and home office teams that share their values, treating advisors with the same respect and care they extend to their clients who are more focused on being the best, rather than the biggest.

#### **What United Planners Brings to the Table**

United Planners Financial Services was founded in 1987 as a nationwide full-service independent broker-dealer. It has since become one of the preeminent hybrid broker-dealers and RIA firms, with continuing and consistent fiscal strength.

"We have had a number of advisors who were with us for a number of years, were then lured away, thinking the grass was greener on the other side, but eventually came back to us," says United Planners' Cuffari-Agasi. "They found

they were giving up stability, service, and the opportunity to make decisions for a slightly larger check, and so came back to us."

While United Planners differs from other broker-dealers in a number of ways, there are four very important differentiators:

**Structure** - United Planners operates in an unconflicted environment and puts its advisor partners in control. Unlike most of its competitors, United Planners is not conflicted about putting advisors first and do not subordinate their best interest to public shareholders, private equity firms, or corporate parents. The Limited Partnership structure, transparency, and the Partner Advisor Team keep United Planners' unconflicted focus on advisors and ensures the company's independent longevity and viability. The advisors, through their independence, enjoy these same unconflicted benefits in service to their clients.

"United Planners created a unique structure when the firm was founded in 1987," says United Planners' Cuffari-Agasi. The founders structured the partnership with the limited partners (producing advisors) having a majority ownership of the entity, with voting rights on major issues.

"We don't have a parent company," says Cuffari-Agasi. "We are structured as a limited partnership, and our advisors are partners." In specific, 45 percent of the firm is owned by general partners who are located in the firm's home office. The remaining 55 percent of the firm is owned by limited partners, who are the



**As an independent firm, United Planners does not build proprietary products or services, and does not mandate our advisors sell such proprietary products or**

— Mike Baker, President & CEO



advisors and who have voting rights.

As such, the advisors are able to create and maintain the direction of United Planners, since are they voting members and own the majority of the firm. "In sum, the limited partners control, from an ownership standpoint, the majority of the firm," she says. For example, the advisors can readily "lock elbows" and prevent a sale, even if the general partners were to encourage it. "This unique structure essentially returns 'destiny control' right back into the hands of the advisors," she says. "As a result, no hostile takeover can occur." For example, in 2007, United Planners was the only one of four insurance-owned subsidiaries in which the unique structure avoided a corporate takeover, demonstrating that the structure could withstand the tests of time. In addition, according to Cuffari-Agasi, 55 percent of the profits go right back to the advisors who helped create them in the first place.

**Open Architecture** - United Planners offers significant flexibility to its advisor partners. "As an independent firm, United Planners does not build proprietary products or services, and does not mandate our advisors sell such proprietary products or services," says United Planners' Baker. "Our advisors enjoy the freedom of choice to select the product or service that best fits the needs of the client."

"We are focused on creating an open architecture environment where, under the firm RIA or as an independent RIA, an advisor can choose any of the approved custodians we work with," says Cuffari-Agasi. "We supply supervision and compliance to make the experience even better. Removing our conflicts of

interest help us best serve advisors and offer the best pricing to their clients."

**Business Solutions** - United Planners offers unsurpassed support. Advisors benefit from the best of both worlds by working at a mid-sized broker-dealer, where they have direct access to executive management, while also enjoying the extensive support and resources typically offered by larger broker-dealers.

"We are not recruiters," say Cuffari Agasi. "We are consultants. We learn about an advisor's practice and coach in areas where the advisor can create efficiencies or lower costs for their practice and their clients. We are focused on partnering with advisors who really want what's best for their clients. If we are the right firm, we can create efficiencies for the advisors and save them and their clients money, and if we can help them provide better products and services to their clients, then we will be a great match, so that it makes sense for the advisor to work with us."

United Planners partners with technology firms, not to make its own back office especially more efficient (which is a common practice among some other broker-dealers), but to help make the advisors more efficient. "The more efficient the advisors are, the better off we all are," says Cuffari-Agasi.

United Planners' advisors are owners of the firm, contributing to executive management through monthly conference calls and other opportunities for dialogue. These interactions help identify ways to improve efficiency and enhance the firm's ability to better serve both advisors and clients.

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— Brian Gotta, Gotta Retirement Services Inc.

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**Culture** - Finally, United Planners makes advisors feel "at home." Due to the company's size and conservative growth strategy, United Planners cultivates strong, trusting relationships with each of our advisors, their staff, and often their family members. This level of connection is difficult to achieve in large, impersonal corporate setting, and brings value to advisors.

#### **What United Planners Looks for in Advisors**

Given the fact that United Planners allows its advisor partners to participate so actively in the firm's decision-making processes, it is selective in the types of advisors it seeks as partners. "United Planners has high standards for the type of the advisor invited to join the firm," says Cuffari-Agasi. "We are very selective in choosing the advisors with whom we associate, since they are partners. Not everyone is right for this firm. We are looking for top-quality advisors, who are fiduciary-minded. We take our time selecting advisors and conduct a two-way due diligence process."

"Advisors must have a high level of integrity, experience, and commitment, and be unconflicted regarding putting the needs of their clients before their own needs," says Baker.

#### **Case Study - Gotta Retirement Services**

Brian Gotta, registered principal with Gotta Retirement Services (Braintree, MA), has been with United Planners for more than 25 years. His father, Ernest Gotta, became involved with United Planners in 1988 and was one of the original limited partners. Ernest remained with the firm for

12 years until his retirement.

Brian joined United Planners in 1990 after a seven-year career, with an insurance firm. "I joined United Planners due to my desire to work with my dad and also the ability to be an independent entrepreneurial advisor," he says.

These days, Brian appreciates the ability to run his business with a significant amount of independence, which he believes is very important in this current heavily-regulated environment. "Our compliance department is very fair and reasonable with us in the field," he says. "I also appreciate the many personalities and variety of advisor peers throughout the country I can talk with, share, and learn from."

The support he receives from United Planners helps him do what he is in business to do - serve his clients. "We have family members who are dying of cancer, and we are working hard to make sure they have enough liquidity to help them in their crisis situation," says Brian.

In fact, helping advisors meet the needs of their clients has been the driving purpose of United Planners since it opened its doors more than 35 years ago.

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*Contact Partner Development for a  
consultation on how open architecture can  
be of value to you and your clients.*

**800-966-8737**

***United Planners Financial Services  
7333 E. Doubletree Ranch Road, Suite 120  
Scottsdale, AZ 85258  
UnitedPlanners.com***

