



The Rep Letter

Dated April 2015

“They’ve made a deal with the devil...” *By Yoda - Apr 26, 2015*



The age old question has never been more important than it is today. Employee vs. Independent. It is a debate that has raged within the industry for decades and seems to be reaching a true crescendo as we speak. Independents and RIAs have finally reached scale and many of the most well-known wealth management firms (ML, MS, WF etc) were dramatically altered during the financial crisis. Many advisors who have ‘crossed the rubicon’ from a legacy firm into the independent space ask the question – why do my colleagues not make the move as well? Many objective and level headed opinions exist on each side – here are two significant voices laying out the litany of “why’s”:

“Most of the advisors who comment are fed up with anything from the culture of the firm to how they are getting paid. What I do not get is, why do they put up with it? Why do they continuously sell their souls to the devil for the up-front money aka an unforgivable draw?”

“Haven’t these advisors realized by now they are sheep and the firms they work for are the wolves. In many ways you’ve made a deal with the devil if/when you sign a recruiting contract with these firms. Do you think these firms actually care about you or your families? All they care about is how much money they can make off you and you are nothing but a pawn in their game. Who cares if you hold a title like, First Vice President or been with a firm for 30 years. The fact is that unless you have a designation like CFP or CFA behind your name, the artificial title that these firms provide give you nothing of substance in the long run. These firms give you these titles based upon how much money you make them, all the while for every \$100 you produced, you keep \$35-\$40, possibly \$50 and the firm keeps \$60 to \$65 in most cases, with part of your earnings going to pay for marketing, client events or other revenue generating activities. The question is why do you put yourselves in a position where the firm you work for is stealing from you blindly. For the support they provide, is giving up that much in income equitable for any advisor? I do not think so. Do these firms supply you with introductions to the types of clients an advisor would want to work with or do they make marketing harder than what it needs to be based upon their ridiculous compliance standards?”

“Be as it may, going independent allows an advisor to keep upwards of 95% of their gross revenue, not GDC or PCs, they have access to the same products and services and they can market however they may want. The offset is you pay for your office and assistant. After expenses, you are still keeping roughly 70% of your revenue. Instead of First VP, VP, AVP or any other of these phony titles, replace it with President of ABC Investment Management...your own firm with CFP, CFA or even CIMA behind your name. The custodian for client accounts are a TD Ameritrade, Schwab or Fidelity so clients can feel secure. When I get in front of a new prospect and they tell me that they are working with a First VP...I say that’s nice, do they have any real designations like any of the 3 I outlined above? The typical answer has been no. I tell them about my background and designations, how I help clients..etc. When they give me the go ahead to develop a financial plan and I go through their financials, including tax returns; I usually am not surprised that there was very little planning went into what was done. Their portfolio is usually takes on too much risk and does not get enough return or there is a definite lack of a strategy.”

Any good advisor does not need a big name to retain and attract clients. Working for a large firm has become a detriment to attracting and retaining good clients.

We here at Polar are in almost complete agreement with the foregoing. Indeed, dealing with the “legacy” firms is usually always more expensive from the client’s perspective. What the article (and quotes) noted above do not point out are the advantages of “independence, beyond mere payout percentage. For instance, access to products the “legacy” firms do or cannot permit. In addition, let us not forget the tax advantages of having your own professional corporation and carefully designed retirement plan.

We would be pleased to discuss what a move to independence may mean for you and our family. Any such discussion are confidential and without obligation.

Excerpts of the above were taken from www.advisorhubinc.com (04/26/2015)



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