

TOP 100 INDIE B/D ADVISORS 2010: SAVORING INDEPENDENCE

Aug 1, 2010 12:00 PM

A decade ago, the independent broker/dealer firms were filled with part-time advisors, certified public accountants and insurance agents. The channel has moved on, but in many ways, its reputation hasn't. Some still see it as a place for those who just can't hack it on Wall Street. Our Top 100 list of independent broker/dealer advisors tells a different tale. Today, the channel is home to some of the most successful advisors in the industry with hundreds of billions in client assets.

Take Gerard Klingman. He is an independent b/d lifer having spent all 27 years of his FA career in the independent channel. "Never an employee of any firm," he says with pride. Klingman is number 4 on our list this year with over \$900 million in assets. Plus, 95 percent of his revenue comes from fee-based business. Surely any wirehouse would love to employ him.

But Klingman says he'd be more interested in defecting to the fee-only RIA channel. Klingman is already dually-registered and says he is considering eventually dropping his Series 7 license and starting his own RIA. For many successful advisors in the independent channel with hundreds of millions in assets and plenty of fee-based revenue, the RIA route may seem like a natural next step.

Therein lies the next big challenge for the independent b/d channel — keeping those who want to run their own RIAs on board. Some firms, such as Raymond James and LPL, already have platforms that will accommodate such advisors. But most IBD firms do not.

"The largest and often most successful independent reps continue to form their own RIAs and eventually move their business to the custodian platform," says Philip Palaveev, president of Fusion Advisor Network of Elmsford, NY. He says IBDs need to do a better job at delivering sustainable valuable services and support to the hybrid market, or they could lose clients.

Scott Smith, a senior analyst at Cerulli Associates, agrees. "Independent b/ds have to earn their keep," he says. "They have to give their top advisors compelling reasons to stay. Otherwise, some of these top advisors will eventually realize they don't really need the b/d anymore."

ASSET BREAKDOWN

IBD marketshare of retail advisory client AUM should continue to grow over the next few years, but slowly: Wirehouses are still dominant.

Channel	2007	2008	2009E	2010E	2011E	2012E
Wirehouse	48.5%	47.7%	45.4%	43.9%	42.3%	40.7%
IBD	14.3%	14.3%	14.9%	15.3%	15.6%	15.9%
Regional	14.1%	13.9%	13.8%	13.5%	13.1%	12.8%
RIA	9.8%	11.0%	11.6%	12.1%	12.5%	12.9%
Dually registered	7.4%	7.5%	8.2%	8.9%	9.7%	10.5%
Insurance	3.7%	3.4%	3.3%	3.1%	2.9%	2.8%
Bank	2.0%	2.2%	2.7%	3.2%	3.8%	4.4%

Source: Cerulli Associates

PROJECTED ADVISOR HEADCOUNTS BY CHANNEL

The ranks of dually registered and RIA firms should grow the most through 2012.

Channel	2008	2009E	2010E	2011E	2012E
Bank	16,406	16,720	16,916	17,114	17,314
Wirehouse	54,865	51,710	49,384	47,162	45,040
Regional	35,960	35,557	34,986	34,423	33,870
Insurance	70,405	70,220	70,030	69,841	69,652
IBD	98,707	98,886	98,875	98,865	98,854
RIA	18,582	20,289	22,021	23,901	25,941
Dually registered	14,769	18,758	23,731	30,022	37,981
Total advisors	309,694	312,140	315,942	321,327	328,653

Source: Cerulli Associates