

# What's the true cost of being **independent?**

White paper



**EQUITABLE**  
ADVISORS



“true net financials” —  
your total economic value,  
after balancing expenses  
and compensation

## Meet Daniel

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- Age 50
- Financial advisor
- Banker

After working for a few years at a wirehouse, Daniel made a professional move to become a fully independent advisor. He was excited to have more control and to build his own practice, which was growing substantially. Being on his own, however, Daniel found it challenging to recognize his true value, and struggled to balance his compensation with the expenses of running his business.

Let's look at some of the key issues around true net financials, and how some advisors are enjoying the benefits of independence with fewer costs while building value for themselves and their clients.

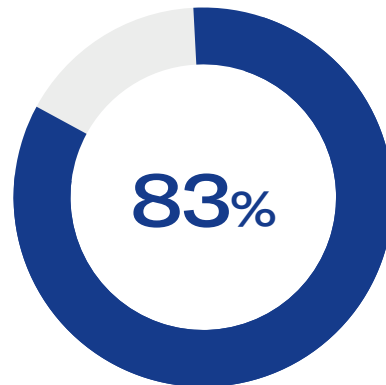
# Our research

It's a common challenge for many advisors. The benefits of being fully independent are strong. You have the power to choose your own path. With more flexibility and control, you get to decide how to structure your practice and how to strengthen your brand, all while being able to build equity and benefit from the business you've grown. According to research conducted nationwide by Equitable Advisors, 78% of advisors want to operate independently to build their practice. And 83% want to own their own book of business.

But there are many tangible and intangible expenses associated with running your own practice. These add up to have real impact on the true value of your business. It's important to have a clear understanding of what we call your "true net financials" — your total economic value, after balancing expenses and compensation. You need to find a way to scale the costs of running your practice, without overlooking the intangibles that may provide an uphill battle for the growth you want. By maximizing your true net financials, you can work to ensure that after you pay for what you need, you're making what you want.



**83% of advisors want to own their own book of business**



# True net checklist

Those tangible and intangible costs of running your own practice include things like the cost of operations, digital tools and technology, compliance management, and office real estate.

When you factor in all these out-of-pocket expenses, plus the cost of compensating your support staff, what's left for you as an advisor? According to a 2021 Cerulli Report, 85% of advisors said that offering competitive compensation and benefits for their staff is a moderate or major challenge. Paying for all these costs by yourself is expensive and makes a strong impact on your overall value. That's why some advisors may choose to partner with a firm that gives them a true sense of independence, where they enjoy business flexibility along with the strength and scale of an established firm. Somewhere that offers wealth-building opportunities as well as local operational support to help minimize out-of-pocket expenses. Firms that offer this kind of independent model provide advisors with the freedom and flexibility to build their own practice, while enjoying the benefits of an established wealth manager.

## Independence — with fewer costs

Finding a firm that truly supports your independence in this way will allow you to operate without bearing all the weight of the costs. This support can include:



### IT infrastructure

Having access to the tech and infrastructure of a large organization scaled to your needs can be critical to reducing costs and to driving your overall success. This can include resources like access to a digital support team, pre-vetted software, and negotiated rates.



### Operational support

Time is money. It's important to have a support infrastructure that will save you time, money, and reduce hassles when it comes to compliance and day-to-day operations. Leveraging local real estate and office space can give you a physical, local presence and a deep national footprint.



### Your own team

While many advisors choose to work more individually, the opportunity to create and grow a practice by adding capacity and capability — especially by integrating early career advisors — can be immensely valuable when the time comes. An independent firm can help when it comes to building your team. And a good team can lead to greater productivity. The 2021 Cerulli Report found 54% of advisors work in a team but 71% of practices managing an affluent or high-net-worth client core market are made up of teams. A team opens you up to reach higher levels of success and greater overall rewards.

As we learned in our research, 62% of advisors want administrative support and digital tools to run their practice efficiently and effectively. And 67% want a dedicated transition team that includes local, on-the-ground support to get their practice up and running and transition their clients.

Another independent advisor put it this way:

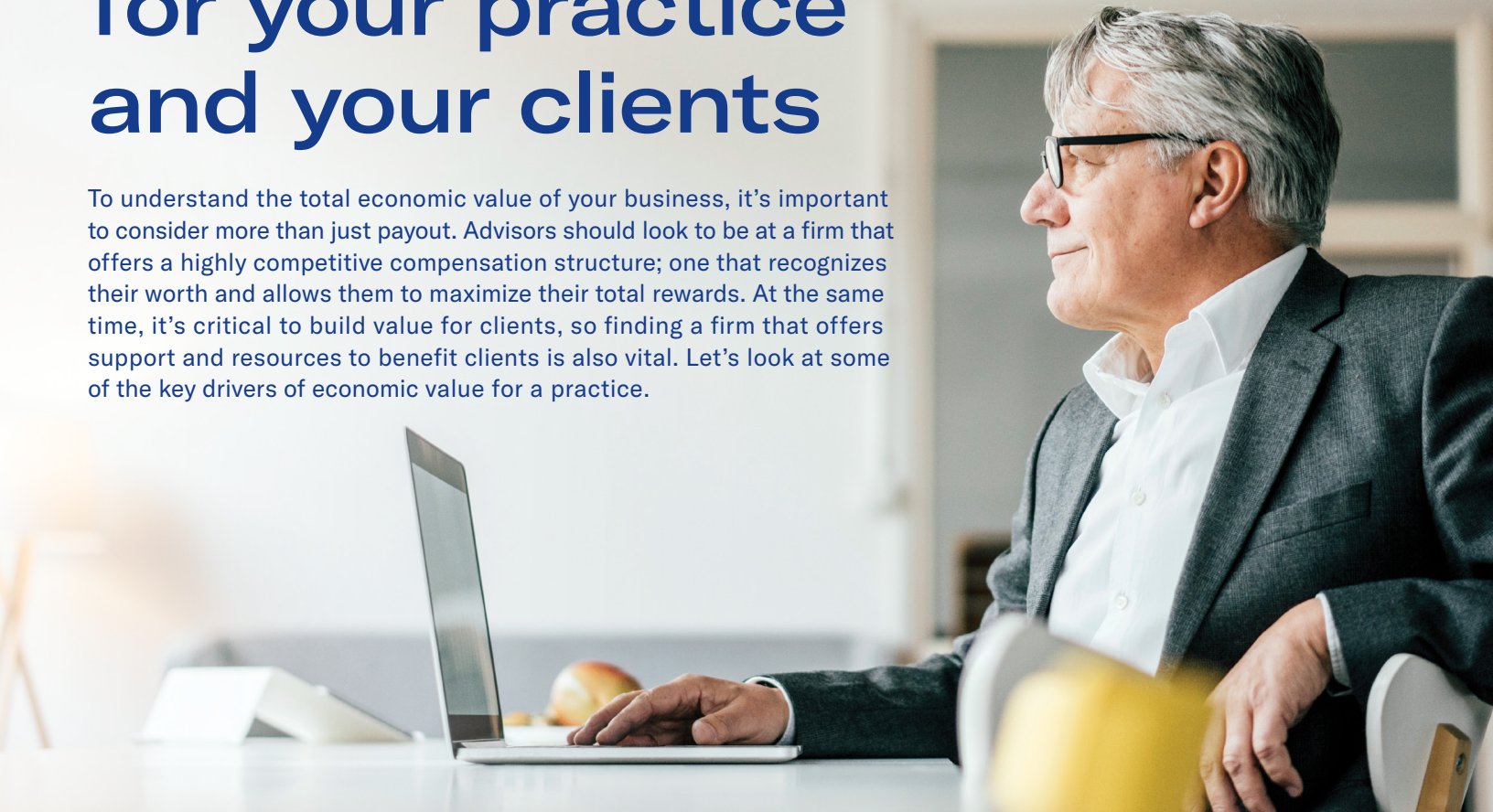
**“Give me the tools to do my job easily and efficiently — technology, transition, admin support — and then leave me alone.”**



**At an independent firm, you have more flexibility on what you can achieve for your clients, but you have to make sure you have the appropriate infrastructure and partnerships in place.”**

# How to build value for your practice and your clients

To understand the total economic value of your business, it's important to consider more than just payout. Advisors should look to be at a firm that offers a highly competitive compensation structure; one that recognizes their worth and allows them to maximize their total rewards. At the same time, it's critical to build value for clients, so finding a firm that offers support and resources to benefit clients is also vital. Let's look at some of the key drivers of economic value for a practice.



## Payout flexibility

According to a Fidelity Industry Report, the top influencing factor for advisors considering leaving a firm is for greater compensation, payout or compensation structure. Having the flexibility to structure this payout in a way that works for the individual advisor is essential. When asked about how they want to build their wealth, over  $\frac{3}{4}$  (78%) of the advisors we spoke to focused on industry-competitive payouts. About half (51%) focused on building wealth through an employee stock purchase program, grant and 401(k) match.

You should get compensated on your terms. It's important to be somewhere that offers the right mix of compensation, benefits, wealth-building opportunities, 401(k), profit-sharing, stock purchase plans, stock grants, equity programs and performance incentives and professional development. All of these add to your maximum total rewards.

However you opt to build your wealth, you need a compensation structure that gives you a strong financial foundation — from payouts to benefits and, of course, reduced costs of running your business. All of these factors work together to offer a highly competitive total economic value.

## Support and resources: building value for your clients and your practice

Fulfilling your vision for your practice means getting the right kind of support, as noted above. To succeed and be able to choose your own path as an advisor, you need to have the time necessary to focus on developing and scaling your practice — and helping your clients achieve their goals. The only way to find more time is by having the right level of support.

Advisors will benefit greatly by working with a local market leader and on-the-ground staff who can support their own growth and their clients' growth by helping identify and connect with a broad range of resources and opportunities. The right support and resources allow you to:

### Expand your capabilities

Support from in-house expertise is valuable for areas like advanced markets, practice development, investments, and financial planning strategies. As one advisor commented, “What clients always ask for is in-house specialists. So having them under your umbrella is a differentiator.” This kind of support can help you build actionable strategies to serve your clients' complex needs, helping you grow existing relationships or attract new ones.

### Increase productivity and unlock additional value

As noted earlier, the right firm will allow you to join a team or build your own. This will add capacity and help you reach higher levels of benefits, such as achievement bonuses and other enhanced compensation.

### Benefit from the business you've built

According to our research, 80% of advisors want the ability to build equity in their own practice, to create an asset that can later be monetized as an exit strategy. And 71% say the ability to sell their book of business and receive additional firm support to ensure continuity and maximize value is important. Advisors want to be confident as they move toward an end point. When the time comes to retire, having the option to collaborate with a local market leader on a succession plan is invaluable, to find the right advisor and terms to benefit from the business you've grown. This could include collaboration to buy or sell a book of business, and providing resources to help understand things like valuation, contingency planning, and personalized succession.

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What clients always ask for is in-house specialists. So having them under your umbrella is a differentiator.”

The bottom line always comes down to serving clients — and serving them well. That's the foundation for growth. To do that, advisors need to partner with a firm where they will be empowered to grow their client relationships, to serve clients by delivering comprehensive, unbiased advice, to scale their practice, expand their client base, build their book and advance financially as well as professionally.

# A firm foundation and true economic value

For financial advisors who have chosen a professional path of independence, it's critical to not only understand their true net financials, but to be somewhere that provides a strong financial foundation and real economic value.

At Equitable Advisors, we've built a model of **supported independence** that offers highly competitive compensation and helps reduce the costs of running your practice, while providing opportunities to maximize both short- and long-term compensation and equity. We give advisors the freedom and flexibility to build their own practice and to thrive, with all the benefits of being part of an established firm.

Equitable Advisors is a firm built by advisors for advisors. Equitable Advisors is the wealth management division of Equitable with a proven track record of helping advisors and clients pursue what's possible. As a U.S. company with roots going back to 1859, Equitable offers financial scale and resources that come with generations of experience and a commitment to helping improve financial lives.



To learn more, visit [equitable.com/exp-advisors](https://equitable.com/exp-advisors) or contact us at [equitableadvisors@equitable.com](mailto:equitableadvisors@equitable.com).



- 1 Equitable Advisors Wealth Management Language Strategy, maslansky + partners, June 2022.
- 2 The Five Stages of the Advisor Movement Journey: Insights from the 2020 Advisor Movement Study, Fidelity Investments.
- 3 U.S. Advisor Metrics 2021: Client Acquisition in the Digital Age, The Cerulli Report.

#### Important

**For purposes of this discussion, “advisor” is used as a general term to describe insurance/annuity, investment sales and advisory professionals who may hold licensing as insurance agents, registrations with broker/dealers and registrations as investment advisory representatives (IAR) of registered investment advisers, respectively. “Advisor” in this context is not intended to necessarily refer to IAR offered fee-based financial advisory/planning services.** Equitable Advisors, LLC, member FINRA, SIPC, (Equitable Financial Advisors in MI & TN) and affiliate, Equitable Network, LLC, (Equitable Network Insurance Agency of California, LLC; Equitable Network Insurance Agency of Utah, LLC; Equitable Network of Puerto Rico, Inc.) are Equal Opportunity Employers M/F/D/V.

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