

IN THIS ISSUE:

How to Get Started 3
Insights from the
Webcast Advisor Panel 4

Transition News

FOR YOUR BUSINESS

ADVISOR PULSE

Independent Advisors Rank High in Survey

With the steep drop in financial markets last year, Americans became more worried about their family's financial security. A majority of them said they would consider turning to a financial advisor for help—and the independent advisor was named as the type of advisor most likely to provide the best advice.

These are among the results of a survey of 1,005 adults, conducted Sept. 11-14, 2008, by Opinion Research Corp. on behalf of TD AMERITRADE. Here are some of the key findings:

Americans who say they are concerned about their family's financial security and stability

92%

Think a financial advisor could help them given today's economic environment

55%

Considered most likely to provide independent financial advice:

- 38%** independent financial advisor
- 24%** friends and family
- 18%** accountant
- 7%** broker-dealer

Their need for financial advice over the next four years:

- 51%** will increase
- 39%** will stay the same

More comfortable receiving advice from an advisor who is:

- 60%** paid a flat fee or percentage of assets
- 23%** paid commissions for products sold

Results are based on a telephone survey conducted among a random sample of 1,005 adult Americans. The survey was conducted Sept. 11-14, 2008 by Opinion Research Corp.'s CARAVAN omnibus on behalf of TD AMERITRADE. The margin of error for the total sample is plus or minus three percentage points. Opinion Research Corp. and TD AMERITRADE are separate, unaffiliated companies and are not responsible for each other's products and services.

Listen Up: Advisors to Talk About Going Independent

As the financial landscape continues to undergo huge changes, more and more advisors are considering a move to go independent and take matters into their own hands. They have seen many well-known financial firms fall by the wayside, or be absorbed into another firm. They know that clients are concerned about the fate of the institutions that handle their money.

Amid the turmoil, advisors increasingly want the freedom to craft their own business models. They want to provide their clients a wide range of products and services. They want to build, and protect, the long-term value they've created with their book of business. All of these factors point the advisor in one direction: independence.

On February 26, TD AMERITRADE Institutional will host a webcast featuring three advisors who have successfully made the move to independence. The webcast, "Planning for Going Independent: An Advisor's Perspective," will cover the initial steps you'll need to consider if you are exploring a change.

The three advisors are:

- Robert Braglia, American Financial & Tax Strategies, New York
- David Dowell, Russell Capital Management, Lexington, Kentucky
- Jeff Daniher, Ritter Daniher Financial Advisory, Cincinnati.

These advisors come from varied backgrounds in the financial services industry.

They all have been financial professionals for more than 20 years, having worked at different times at a national wirehouse, a regional brokerage, an insurance company, a bank, and as an affiliate of an independent broker-dealer.

Since 1999, each one has made the transition to becoming an independent advisor—and has reaped significant

rewards as a result. All three are members of TD AMERITRADE Institutional's Mentor Council, a group of advisors who are available to talk to other advisors about going independent.

"Every advisor has an individual situation," says Mike Watson, Director of Product Management for TD AMERITRADE Institutional, who will moderate the webcast. "We'll use the webcast to talk about the kinds of business options you have, how you can create an identity in the market, and some of the due diligence and legal work that will be involved."

Braglia says that by going independent, he's been able to build his business the way he wants. "I can do more for my clients," he says. "In today's climate, you don't want to endure the results of someone else's actions. You should be the master of your own fate."

A deep support system

As Watson likes to point out, the decision to go independent is no longer made in isolation. Just a few years ago, advisors

Continued on page 2

WEBCAST DETAILS

"Planning for Going Independent: An Advisor's Perspective"

Date: Thursday, February 26, 2009

Time: 4:30 p.m. EST

To Register: www.tdainstitutional.com/advisor/web.html

With: Independent advisors Robert Braglia, Jeff Daniher, David Dowell

COVER STORY

CONTINUED FROM PAGE 1

had to do much of the heavy lifting on their own: reading trade publications, performing Internet searches, putting together computer systems and reporting software, resolving compliance issues, talking to local landlords, and more.

“My clients could see I was trying to increase their wealth, rather than just do a lot of transactions.”

— David Dowell

“We invented a wheel that no longer needs to be invented,” recalls Jeff Daniher. When he and his partner, John Ritter, decided to leave their positions at another financial planning firm, they scrambled to do it themselves.

Today, advisors will find a vast support system they can plug into as they consider independence. They can follow an established timetable to make their move, one that will allow them to open the doors to their new business with confidence. Along the way, TD AMERITRADE Institutional can offer many resources to help advisors figure out the best model for their business and smoothly transfer their client accounts.

In addition, our Affinity Services Program provides access to a number of third-party vendors who can help get advisors new businesses up and running. “Through Affinity Services, advisors can access legal and regulatory experts, office space and back-office providers, hardware and software companies, and many more resources, often at a substantial discount,” says Watson.

“An advisor can start with an idea of the kind of business he or she wants to run,” says Watson. “We can then present a template of plans that we feel would represent the best way to go. Just like an apartment buyer doesn’t have to worry about ordering

the hardwood for the floors or the appliances for the kitchen, you’ll have many of the startup options taken care of.”

Assessing client relationships

For Robert Braglia, the push to go independent increased with the frustration of working under an insurance company’s directives. “I found it was structured to move products and not really manage people’s portfolios,” says Braglia, who set up his own firm in 2005. “It became more and more difficult to do the right thing for clients.”

Similarly, David Dowell decided he was ready to make a move after his regional brokerage firm was bought by a large national wirehouse. “There was a dramatic change in the environment” with the wirehouse, says Dowell. “I realized it wasn’t working, for me or for my clients.”

One of the issues Dowell had was the traditional commission-driven model of the wirehouse. He had thought about converting to a fee-based business, but says he had no idea how to go about it, or how to explain the change to clients.

Once he decided to explore the independent route, says Dowell, the conversion

to fees became a simple matter of fact. “The RIA model gave me the opportunity to change my business cold turkey from commissions to fees,” he says. “I was going to do it, whether the clients came or not.”

As it turned out, almost all of his clients came with him. “They could see I was trying to increase their wealth, rather than just do a lot of a transactions,” says Dowell.

The relationships with your clients will be another key factor in determining your business model. You’ll want to carefully assess how many of your clients you expect will continue to work with you, and how much new business you figure you can generate.

The current volatility in the market can make this an especially attractive time to go independent, since many of your clients are essentially loyal to you, not the firm where you hang your hat. Even so, Daniher suggests that you should be conservative in your projections. “I’d check my list repeatedly to be realistic about who’s coming,” he notes. “And then I’d reduce the assets by 25%, just to be on the safe side.”

Along with these revenue projections, you’ll also want to develop some cost estimates; TD AMERITRADE Institutional’s Transition Specialists can help you create sample operating budgets. Many advisors and consultants say it takes six months to a year for an independent’s cash flow to reach the break-even point, so you’ll want to have adequate capital resources when you start.

The choice of business models

Another key decision will be whether you plan to work as a sole proprietor, or if you expect to have partners. Or you may decide to join an existing RIA firm, working as a contract employee, while keeping your book of business.

“You need to consider whether you have what it takes to be completely independent,” says Watson. “Are you an entrepreneur? Will you be ready to handle issues like staffing, technology, and managing an office? Or would you rather join with someone who is already established?”

Continued on page 3

STARTUP QUESTIONS

Several factors will help determine the optimal business model for a prospective independent advisor. Some are subjective questions about your motivations and goals, such as:

- Are you driven mostly by the financial value you can create with your firm?
- The standing or influence you have in your community?
- The legacy you want to leave your family?
- Your desire for a lifestyle change?

Then there are several quantitative factors to consider, such as:

- the assets you expect to have under management
- your length of time in business
- your professional experience: whether you come out of a wirehouse, a regional firm, a bank, or another type of institution.

How to Get Started

TD AMERITRADE Institutional has considerable resources to help you make your transition to independence. If you're ready to take a closer look, contact one of our Transition Specialists, who will work with you every step of the way. For general information, please visit our website or call our toll-free line. We understand this is a confidential decision and we guarantee your confidentiality.

You can find out much more by using our print and online tools at your convenience. Here are four resources that are available to you:

1. "Your Road Map to Independence"

This booklet is a detailed guide to the best practices of independent RIAs who have made the transition successfully. It provides a framework for evaluating whether to go independent and tips on everything from legal and regulatory issues to setting up an efficient back office.¹

"Your Road Map to Independence" was prepared by Moss Adams LLP—one of

the country's leading advisory consulting firms—exclusively for TD AMERITRADE Institutional. Ask a member of our Transition team for a copy.²

2. Transition Assistant Tool

TD AMERITRADE Institutional and Moss Adams also have teamed up to create the Transition Assistant, an exclusive online tool that provides estimated start-up costs and balance sheet data for your firm. The calculations are based on industry averages and case studies, so you'll be able to examine the various financial scenarios for your move to independence.

3. Web Training Sessions

TD AMERITRADE Institutional offers a series of online interactive sessions to help you understand what's involved in setting up your own advisory business.¹ These sessions let you hear from your peers, ask questions, and speak with third-party experts.

4. Account Transfer Team and Strategic Relationship Consultants

For qualified advisors, a team of experienced account transfer specialists can help you with every aspect of transferring your client accounts smoothly and quickly. Our Strategic Relationship Consultants can help determine the equipment and business processes you'll want for your new office. They'll provide both recommendations and training. Through our Affinity Services Program, you can get discounts on hardware, software, office space, and more.³

COVER STORY

CONTINUED FROM PAGE 2

For Daniher, the partnership route with John Ritter came naturally. "I was trained in a bank trust department, which always required a two-officer system: one for investments, one for administration," he says. "To wear both hats is incredibly challenging."

Since launching their firm in 1999, Daniher and Ritter have attracted more than \$90 million in client assets. Their partnership is a straight 50-50 split of both compensation and equity. "It's like a marriage," says Daniher. "If you're only looking out for yourself, it's not going to work."

David Dowell took a different partnership path: he brought about \$50 million in client assets to an established RIA firm run by an older advisor, Jack Russell. At their first meeting, Russell offered to make him an equal equity partner, while they would split the firm's expenses.

"People gasped when they heard that Jack has offered to give me half the business," says Dowell. "But it was a sound business decision. From his perspective, as a sole proprietor, there was no value if he retired or suddenly stopped working. The clients would be dissipated. My coming in would create a succession plan and add marketable value to the business."

Not everyone will find such an opportunity, of course. In fact, many newly independent advisors start out solo, as Braglia did. "I did some back-of-the-envelope work, but I just knew that I had to make a change," he says. "The move became inevitable."

To learn more about the webcast and to find out what TD AMERITRADE Institutional can offer you, visit www.goindependent.com or call 1-800-444-6100.

CONTACT US

General Information

1-800-444-6100

Online

www.goindependent.com

Please call our toll-free number to reach a Transition Specialist who can answer any initial questions and concerns you may have.

WEB TRAINING SESSIONS

You can check for dates of upcoming webcasts and register by going to: www.tdainstitutional.com/advisor/web.html

¹TD AMERITRADE Institutional does not provide tax or legal advice.

²Information provided by Moss Adams LLP, a company not affiliated with TD AMERITRADE Institutional. For more information about Moss Adams, please go to www.mossadams.com. For information about TD AMERITRADE Institutional, please go to www.tdainstitutional.com or call 1-800-934-6124. This is not an offer or solicitation in any jurisdiction where we are not authorized to do business.

³Access to Affinity Service Program vendors is provided solely as a service to financial advisors using the brokerage, execution, and custody services of TD AMERITRADE Institutional. These services are offered at a discount directly through the participating vendors. Participating vendors are independent and not employees or agents of TD AMERITRADE Institutional. TD AMERITRADE Institutional does not guarantee nor are they responsible for the quality or accuracy of any vendor's product or service. In no instance should the listing of a vendor be construed as a recommendation or endorsement by TD AMERITRADE Institutional. Furthermore, TD AMERITRADE

Institutional does not recommend or endorse any security described by any vendor.

Transition News is published by TD AMERITRADE Institutional for informational purposes only and should not be construed as legal or professional advice. TD AMERITRADE Institutional disclaims any loss or liability that is incurred as a consequence, directly or indirectly, from the use or application of this publication. Third-party articles and information are obtained from sources deemed reliable; however, TD AMERITRADE Institutional does not guarantee their accuracy or completeness and makes no warranties with respect to results to be obtained in reliance thereon. TD AMERITRADE Institutional may receive remuneration from third parties for articles and information published herein.

TD AMERITRADE Institutional, Division of TD AMERITRADE, Inc., member FINRA/SIPC. TD AMERITRADE is a trademark jointly owned by TD AMERITRADE IP Company, Inc. and The Toronto-Dominion Bank. ©2009 TD AMERITRADE IP Company, Inc. All rights reserved. Used with permission.

Insights from the Webcast Advisor Panel

In each issue of Transition News, we usually profile one of the members of the TD AMERITRADE Institutional Mentor Council. These independent advisors are willing to talk to other advisors who are interested in going independent. In this issue, we present additional comments from the three Mentor Council advisors who will take part in this month's webcast.

Robert Braglia, American Financial & Tax Strategies, New York



ROBERT BRAGLIA
Age: 53
Independence: 2005
Came from: Insurance broker-dealer
AUM: \$100 million

Q: What was your primary motivation to go independent?

A: I really wanted to do what was best for my clients, to pursue the mission of fiduciary responsibility. In a broker-dealer environment, you really couldn't do that. There, it's all about the sale.

Q: Doesn't running your own firm involve a lot more hands-on work?

A: Actually, in some ways it freed up my time. For instance, at the broker-dealer, I had to answer compliance inquiries weekly, because the trade oversight was done by an old annuity program that they stuck in the system. I would spend a lot of time answering the most inane questions, things that made no sense for the clients.

Q: What would you say to an advisor currently in a wirehouse who is offered an attractive retention or recruiting package?

A: The ones who are lucky enough to get a retention or signing bonuses need to realize that the next time, it may not go so well for you. Not because you're not worth it, but you're at the mercy of other people and other events at a wirehouse or large company. When you own your firm, no one can ever tell you, "You're not working here," or "Do it this way, not that way." It will be your shop; you're in command of the ship.

Jeff Daniher, Ritter Daniher Financial Advisory, Cincinnati



JEFF DANIHER
Age: 43
Independence: 1999
Came from: bank trust department
AUM: \$90 million

Q: How should advisors talk to clients about their new business model?

A: Right now, in a difficult market, clients will look at any change in compensation skeptically. Whatever fee structure you choose, you need to explain it to clients, to show them how it's in their best interest. And most of the time, it turns out to be a bigger issue in your mind than theirs.

Q: How did TD AMERITRADE Institutional help you when you went independent?

A: When we switched, I couldn't believe how easy it was. TD AMERITRADE Institutional can do a lot of things

for you, like the paperwork and the account transfers. But one thing they can't do is talk to your clients for you. That's up to you.

Q: How did you and your partner in founding the firm, John Ritter, come up with a successful way to run it?

A: I'll admit that we had some tension in the beginning. We're both opinionated and think we always have the answer. We finally worked it out, knowing that we respect and trust each other. Most of the time, we use the "lowest common denominator" approach to resolving any issues. If there are two ways we can go, and one of us is uncomfortable, then we'll walk away from it. We'd rather give up an opportunity than break up the partnership.

Q: Since you're equal partners, how would you decide on a sale of the business?

A: We have what's called a "shootout" buy-sell agreement. If the buyer's price is too low, the seller can come back with a higher bid, and they can keep negotiating. So if there's going to be a dissolution, it assures a fair price.

David Dowell, Russell Capital Management, Lexington, KY



DAVID DOWELL
Age: 55
Independence: 2004
Came from: wirehouse
AUM: \$200 million

Q: You came up through commission-driven brokerage firms. How did you view the RIA model?

A: It was a whole new venture for me. The more I looked at it, the more it made sense. I wanted to be able to take care of my clients. When you're on your own, you're free to make the right decision at the right time.

Q: You and your partner are willing to bring in more advisors to your firm, potentially as partners. What do you look for?

A: They have to be entrepreneurial. They need to understand that owning your own business is different than working for someone else. We want to make sure the personalities are right. We want them to be on the same page with us about how we do business. And we want to be comfortable with what they're doing for their clients.

Q: Are you finding more interest these days from advisors at brokerage firms?

A: The interest is definitely higher. In the old days, when their brokerage stock was worth something, the deferred compensation usually kept them in place. Now, they've seen their equity disappear almost overnight. A lot of their history, their brand name, has gone by the wayside.



TD AMERITRADE Institutional and the firms cited in this article are separate and unaffiliated. TD AMERITRADE Institutional is not responsible for information, opinions, or services provided by Robert Braglia, Jeff Daniher, David Dowell, or other third parties mentioned.