FinSights | Voices of the Industry: Making Sense of the Broker Protocol

	The Innovator	The Architect	The Facilitator
	 **Steve Lockshin,** Founder and Principal, AdvicePeriod	 **Matt Sonnen,** Founder and CEO, PFI Advisors	 **Melissa Morganti-Zizza** SVP of Client Experience, Fidelity Institutional
1. Share one prediction about how a post-Protocol world will impact the wealth management space.	A post-Protocol world may impact our industry short-term by temporarily slowing the transition of advisors to independent business models. However, the ubiquity of clients data is soon to neutralize this impact; if not accelerate the transition of advisors. One key factor that typically keeps advisors from moving is the friction of paperwork and data transfer. As data becomes more accessible and transparent, that friction should dissipate.	As major firms leave the Protocol, I believe we'll see a drastic reduction in "check hoppers"; advisors who bounce from one firm to the next every seven years when their retention packages expire. This may be exactly what the big wirehouses were hoping to accomplish. I think that is a positive outcome for the industry because the focus goes back to "what's in it for the client" vs. "what's in it for the advisor." I believe the recent moves highlights what many already know; independent models provide more choice, more flexibility, and more freedom.	When the Broker Protocol was originally developed in 2004, it gave investors more freedom and flexibility when deciding to follow their advisor if he or she switched firms. If that freedom is restricted and we revert back to a time where there are more disagreements between firms related to customer data, I believe investors will ultimately become more knowledgeable of the different models for financial advice. Terms like "fiduciary" and "best interest", may increasingly become key decision points for investors who are in the market for a new financial advisor.
2. How will it impact your firm's recruiting strategy?	This Protocol change will have little to no impact on our recruiting efforts. At AdvicePeriod, we focus on the quality of the individual advisor and how they will fit into the AdvicePeriod culture; specifically, are they planning-focused and do they embrace technology to enhance the client experience? If we need to work a little harder to help advisors transition their end-clients, it is time and energy well spent.	PFI Advisors works with elite RIAs and breakaway advisors that are entrepreneurial-minded and seeking the best solution for their clients. Our clients will continue to seek operational expertise regardless of the status of the Broker Protocol. However, since the initial announcement of Morgan Stanley's departure, we 've seen M&A-savvy RIAs with well-known brands ramp up their efforts in reaching out to the wirehouse community, stressing the importance of a client-first culture.	While most of the major players have been part of the Broker Protocol since 2004, several large firms never joined. The Client Experience team at Fidelity has helped hundreds of advisory teams chart their course to an independent model over the past decade. Dozens of those teams came from firms that never joined the Protocol. The good news is that we have established processes to help advisors achieve their transition goals and realize their vision; no matter what firm they are coming from.

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3. What advice would you give a team that is considering independence?	For teams considering independence, our advice is always to adhere to your agreements and choose a partner for the long-haul, not a short-term paycheck. Consider where the industry is heading and how you would like to operate in the coming decade. Most importantly, make sure there's a cultural match with your new partners. For many advisors, their next move will be their last. Do your due diligence to make sure it is a good one. Keep in mind the irony that wirehouse firms are trying to limit their employees' ability to leave by exiting the Protocol, while at the same time automating investment management via robo tech. They're telling brokers, "You can't leave and we're replacing you with technology."	The first step when considering independence is to do some serious self-analysis. There are varying degrees of "freedom" across the independence spectrum, it's just a matter of determining what would best suit the advisor and the business model they hope to deliver to their clients. They need to determine how involved they want to be in the running of the business, coupled with how much ownership and control they want to have. There is no right or wrong answer; advisors just need to understand the pros and cons of each path they consider. If the recent Protocol news drastically altered how they answer, then maybe they should reevaluate the initial reasons they were considering independence. The best part of my job is counseling advisors through this process and hearing them exclaim, "I wish I had done this sooner!"	While the new Broker Protocol landscape may put a curve in the road for some advisors, I believe the movement toward independent business models will continue. For teams that are interested in considering independence, I suggest advisors consult with an experienced provider. Fidelity has helped many teams understand the economic and personal considerations involved in making a move. We have Fidelity professionals and relationships with service providers and acquirers who specialize in easing the transition process. If you are ready to have the conversation, we are here to help!

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