



## Making Your Move?

*I've found Henschen & Associates incredibly knowledgeable about the securities industry. They have been a reliable and valuable resource.*

—John De Vol, PA

Are you an independent financial advisor looking for a new broker/dealer?

Changing broker/dealers can be a major business disruption, costly in time, money and client confidence. How long this disruption lasts and what it ends up costing partly depends on the competence of your new firm's transfer department and the cooperation of your former firm. But it can also directly relate to the amount and type of planning done beforehand. Advance planning can smooth your transition, cut your costs and shorten the process from months to weeks.

That's where we come in.

Henschen & Associates is a confidential, objective resource for finding the ideal independent broker/dealer for your unique situation, needs and clientele. Our experience, knowledge and contacts bring clarity to your search, saving you time and money, and easing your clients' concerns.

We trust this guide to moving your book will help make your transition easier, and that you will contact us about your situation, needs and goals, and with additional placement questions.

## Types of Transfers

Several types of book transfers are available. Though all types of transfers may not be appropriate for all advisors, they are:

**BLOCK TRANSFERS** – The easiest type of transfer, block transfers enable advisors to change broker/dealer of record for all client accounts held by a product company without obtaining client signatures. This is done using a block transfer approval letter signed by the releasing and accepting broker/dealers, and with

New Account forms signed by the advisor's clients.

- Standard processing times for product changes vary. For mutual fund changes it is normally two to three weeks; for variable annuities it is normally five weeks. Insurance product changes take longer because advisors must be re-appointed with each carrier before block transfer requests can be completed.
- Broker/dealers typically allow advisors up to six months for New Account forms to be completed, signed and submitted for each block transfer client; new business with these clients requires New Account forms signed at the time of purchase.
- Block Transfers have become very scarce in the market place. It used to be that the new firm would send out a negative response letter to the clients giving them two weeks to respond, otherwise their accounts would switch over. Regulators have now changed this to where the old firm is required to send out the negative response letter if they so choose. Most firms choose not to send out the letter, thus preventing any block transfer.

**INDIVIDUAL CLIENT CHANGES** – For advisors unable to make block transfers for directly held investments, individual client changes are an alternative. Applicable forms are:

- New Account forms with client signatures for each account, submitted to the advisor's new broker/dealer.
- Individual Client Change of Broker/Dealer forms for all accounts with each product sponsor, signed by each account holder and submitted to each product sponsor.

Advisors keep copies of these forms as a record of account transfers, using them to follow up with clients switched to the new broker/dealer. Processing times for individual account changes are typically one-to-five days following receipt of the necessary forms by product sponsors.

**AUTOMATED CUSTOMER ACCOUNT TRANSFERS (ACATS)** – This method consolidates and transfers client accounts from one clearing house to another.

ACATS require the following to be completed and signed by the client:

- ACAT forms
- Applicable IRA transfer forms
- New Account forms

Typical processing times for ACAT transfers are five to ten days for transferring accounts within the same clearing firm (example: Pershing to Pershing); 10 to 20 days for transferring accounts to different clearing firms (example: Pershing to Goldman Sachs).

In addition to faster processing times, advantages of staying with the same clearing firm include:

- Clients receive familiar statements.
- Some clearing firms charge exit fees for account transfers.
- Some broker/dealers add their own transfer charges to clearing firm exit fees.

## Transfer Planning Timelines

Though, as noted, the competence of your new broker/dealer's transfer department and the cooperation of your former firm are important factors in any transfer, the following guidelines will facilitate the planning process:

### ONE TO TWO MONTHS BEFORE TRANSFERS

- Inform the new broker/dealer about product companies you work with to prepare for future block transfers and to arrange licensing with these companies as needed.
- Complete and submit new broker/dealer initial licensing kit, including fingerprint cards. Notify broker/dealer of intended start date.
- Obtain forms for completing block transfers and ACAT transfers. If the new firm does not permit block transfers, obtain and complete Individual Client Change of Broker/Dealer forms.

- Begin designing new stationery and business cards. Some firms require the broker/dealer to be the primary identity. Always get compliance approval for all stationery and business card designs before having them printed.
  - Become familiar with the new broker/dealer's website, obtaining a temporary User ID and Password from the home office.
  - Discuss any special concerns and situations with the new broker/dealer's Compliance department. Review logs, blotters, account file procedures and protocols, and become familiar with the new broker/dealer's *Operations Manual*.
  - Draft a notification letter to alert clients to your pending move. Most broker/dealers have specimen client announcement letters to use as a guide, but always submit the final draft to the firm's Compliance department for approval.
  - Complete the necessary transfer forms, but hold off on obtaining client signatures until after you've given notice. Some firms will help complete this paperwork.
  - Divide clients into Class "A," "B" and "C." Meet with "A" clients personally to discuss your upcoming broker/dealer change. Meet personally or by telephone with "B" clients. "C" clients may be telephoned or given no prior notice, as appropriate.
  - Approach the broker/dealer if you will need help with your personal website. Most broker/dealers offer discounts with Web designers for this purpose.
- ### TWO TO THREE WEEKS BEFORE TRANSFERS
- Complete a master client account list to track clients who have mailed back their transfer forms.
  - Prepare client communications packages for future mailing. Include the following:
    1. New business card (approved)
    2. Client notification letter (approved)
    3. Resignation letter (obtain samples from your new broker/dealer)

### ONE WEEK BEFORE TRANSFERS

- Complete client mailing kits.
- Update and complete client mailing list.

### GIVING NOTICE

- Fax resignation letter to your current broker/dealer.
- The new broker/dealer typically will be able to pick up your U-5 form one or two days after you have given notice.
- Once the new broker/dealer picks up your U-5, you will receive a telephone call from the firm's Licensing department letting you know that you are officially onboard and giving you a representative number.
- Put your representative number on all client ACAT, Customer Information, Block Transfer and Individual Change of Broker/Dealer forms.
- Meet personally with "A" and "B" clients to have them sign account transfer forms. Consider hosting Client-Appreciation Dinner(s), and asking attendees to sign the necessary transfer paperwork at the end of the event.
- Mail transfer forms to "C" clients and follow-up with them by telephone. Some advisors may decide to mail the forms to "B" clients and to follow-up with those clients by telephone, as well.
- Mail transfer forms to the home office as soon as they are signed by the clients.

### Special Considerations – Do's and Don'ts

- Don't burn your bridges when leaving your former broker/dealer. They can make your life miserable by not completing block transfers, inflicting U-5 defamation or by withholding commissions.
- Don't owe money to your former firm, or leave customer complaints or criminal complaints unresolved.
- Do confirm if your contract with your former broker/dealer specifies a time period (typically, 30 days) during which you will continue to be paid trails and commissions.

- Do discuss your compliance history or other concerns with us. We know which firms are more forgiving.
- Don't expect all firms to make block transfers. In fact, a growing movement among broker/dealers is not to make block transfers on direct business.

### What Transition Help is Available from Broker Dealers?

Contact us. We can identify the different types of transition help broker/dealer firms are now offering. For example:

- Onsite transition teams to help with paperwork, guidance, technology training and website design, and to assist with office staffing
- Home office training for advisors and office staff
- Funding to help with stationery, business cards, client mailings and other transfer expenses. Typical compensation is 1% – 3% of trailing 12-months' production paid when you transfer to the new firm
- Some independent broker/dealers offer forgivable loans. These are typically 10% of trailing 12-months' production paid when you transfer to the new firm, and are forgiven over five to six years. If your production drops substantially, the broker/dealer can call the note and request the balance owed
- Some firms offer low-interest or no-interest loans up to 20% of trailing 12-months' gross production. These loans are repaid through reduced payouts. Once loans are paid off, payouts return to normal levels

## Why Henschen & Associates?

Henschen & Associates has specialized in broker/dealer recruitment since 1997. We know the industry, the trends and the players, saving you time, money and unnecessary aggravation in finding an independent broker/dealer that matches your unique style, temperament, goals and needs.

## We Uncover Progressive Opportunities

It takes know-how and experience to find such progressive opportunities for our clients as:

- Equity participation via stock options
- Transition loans/buyout partnerships
- Broker/dealers successful with large producer groups
- Producer groups providing marketing programs
- Firms specializing in stocks and bonds
- Syndicate offerings, IPOs, making markets in stocks
- Broker/dealers catering to futures funds, individual commodities and institutional trading
- Proprietary research on mutual funds, asset allocations and stocks
- Lower ticket charges and monthly fees
- 100% payouts on VA and VUL; 97% - 100% payouts on advisory
- 5 bsp. advisory administration fees and 12b-1 pass-throughs
- Advisory with Schwab, Fidelity, TD Waterhouse and DataLynx

By outsourcing the necessary financial and cultural due diligence to Henschen & Associates, you will make your move knowing that you won't just be leaping from one broker/dealer fire into another.

Call Henschen & Associates today for a no-obligation exploration of your current situation and broker/dealer relationship.

## What Our Clients Say

*Henschen & Associates' ability to listen and thoroughly analyze my needs and objectives totally changed the approach I was taking in my search, and this change was right on the money. I applaud Henschen & Associates' determination to put their clients' needs foremost in their guidance, where firms I've dealt with previously had little concern or understanding of my business goals. I appreciate Henschen & Associates for listening and taking a personal interest in my future.*

—Don Richard, FL

*Had it not been for the help of Henschen & Associates, I would not have known the ideal independent broker/dealer match for me. They made my search painless. I'm sincerely grateful for the services they provided.*

—Mary H. Trexel, CA

*I'd looked at three broker/dealers before talking to Henschen & Associates. They immediately found a firm that fit my special needs and circumstances, saving time and money.*

—Jerry Mofield, MD

*It's a pleasure to recommend Henschen & Associates. I had some needs that had to be addressed in my efforts to find a new broker/dealer relationship, and Jon Henschen went to great lengths to make an excellent match. Their professionalism is without question, and I highly recommend Henschen & Associates to other advisors making a change.*

—Gary Cowen, FL

*When my partner and I started looking for a new broker/dealer, I contacted Henschen & Associates through an ad. They were able research the broker/dealers that met our requirements and gave us honest, up-front answers to our questions. What they did for us in just a few days would have taken my partner and me weeks to accomplish, while at the same time, allowing us to stay focused on our business.*

—Jeff Ridder, NE