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## SMALL WONDERS

SMALLER BROKER-DEALERS VOW TO RETAIN THEIR PERSONALIZED SERVICE AS THEY PURSUE AMBITIOUS GOALS.

BY ELIZABETH O'BRIEN

### "PURE" INDEPENDENTS

While many small to midsize broker-dealers remain founder-owned, rising costs have pushed others to sell themselves to parent firms like larger broker-dealers or insurance companies, which began acquiring B-Ds in the 1990s. Small and midsize broker-dealers that are still owned by their founders say their "pure" independent position creates stronger ties with their advisors than if they answered to a corporate parent. To some industry participants, "independent broker-dealer" means a firm whose reps are independent contractors who own their client books. Founder-owned firms call their ownership status an extra layer of independence.

Executives at small and midsize broker-dealers say the majority of reps who join them come from larger independent B-Ds. They say these reps follow a similar course: Many leave wirehouses to become independent, only to find their independent broker-dealer aligning with a larger entity that changes the company's character. So they make the move to a smaller firm. "They're looking for a broker-dealer that's more objective," says Nathan Stibbs, vice president of business development at 325-rep Triad Advisors. These reps find themselves caught in déjà-vu: **"All of a sudden they're back in that world where there are call centers, where no one picks up the phone,"**

says Dave Fischer, chief managing officer of 200-rep Independent Financial Group.

Marshall Leeds, CEO and president of 180-rep Summit Brokerage Services, says the reps who join Summit are "looking for their last home." They know Summit won't pay them the big signing bonuses that some bigger firms offer, but instead, Leeds says, reps have the security of knowing that they're joining a broker-dealer that is not for sale. That is, they won't have to face the upheaval that comes with a change in ownership. With a sale, changes can come in the form of technology—or even more troubling to advisors, in the form of company policy. For example, Leeds says, a larger company might decide that reps are no longer allowed to operate under their own RIA.

Lon Dolber, chairman and CEO of privately held American Portfolios, has an equity-sharing plan for his 450 reps. They own units of "phantom stock," based on their production. Dolber, who is still a producing rep as well as the company head, doesn't intend to sell his firm. He previously worked at two firms that were acquired, and he was dismayed by the outcome. His equity-sharing plan isn't just an intellectual exercise: Dolber says it gives him a ready-made ownership mechanism should he take his company public.



David A. Fischer  
Managing Director,  
Independent Financial Group



## UP&amp;COMERS

COMPANY	TOTAL REVS.		COMMISSION REV.		FEE REVENUE		OTHER REVENUE	
	\$000s	% CHANGE	\$000s	% CHANGE	\$000s	% CHANGE	\$000s	% CHANGE
Transamerica Financial Advisors	53,646	10.3	44,040	10.0	8,338	16.8	1,268	(13.4)
Berthel Fisher & Company Financial Services	52,054	8.2	42,167	6.9	4,959	23.7	4,928	5.6
American Portfolios Financial Services	51,152	23.1	44,114	18.0	6,150	74.2	888	40.3
Pacific West Securities	47,200	9.8	38,330	13.8	6,379	22.6	2,491	(39.3)
Geneos Wealth Management	46,829	48.7	32,195	38.1	13,458	78.5	1,176	86.7
The O.N. Equity Sales Co. (ONESCO)	46,077	10.4	44,278	9.7	1,589	38.5	210	2.9
LaSalle St. Securities	42,651	1.6	35,500	22.8	7,151	78.8	—	(100.0)
WRP Investments	40,000	33.3	31,000	29.2	9,000	50.0	—	—
Triad Advisors	39,107	28.5	24,779	26.2	12,909	33.3	1,419	28.3
Sammons Securities	38,234	1.6	38,234	6.6	—	—	—	(100.0)
Great American Advisors	37,771	10.6*	36,254	10.8*	1,063	59.6*	454	(40.7)*
Crown Capital Securities	36,468	—	27,092	—	6,537	—	2,839	—
Breck & Young Advisors	35,797	26.6	25,496	25.7	10,301	29.1	—	—
United Planners' Financial Services	34,826	2.6	28,526	3.2	6,300	26.8	—	(100.0)
The Investment Center	33,981	25.7	27,387	19.3	5,294	29.6	1,300	—
Advantage Capital	33,149	5.6	22,341	3.1	6,034	15.3	4,774	6.6
Summit Brokerage Services	30,000	29.3	25,500	28.1	3,500	52.2	1,000	0.0
PlanMember Securities	30,000	13.9	9,800	24.2	20,200	9.5	—	—
Harbour Investments	24,470	4.1	22,900	4.1	1,570	4.7	—	—
<b>Independent Financial Group</b>	<b>23,374</b>	<b>41.4</b>	<b>17,831</b>	<b>39.2</b>	<b>3,539</b>	<b>43.9</b>	<b>2,004</b>	<b>59.7</b>
Kovack Securities	22,000	37.4	13,750	41.5	8,250	56.3	—	(100.0)
Century Securities Associates	17,500	15.0	13,500	21.2	4,000	29.8	—	(100.0)
Pension Planners Securities	15,426	10.5	13,826	13.9	1,600	6.7	—	(100.0)
Medallion Investment Services	13,586	25.4	9,135	32.6	3,951	14.7	500	0.0
First Midwest Securities	12,781	45.0	12,277	60.6	500	20.6	4	(99.5)
Ensemble Financial Services	12,681	39.7	7,021	34.0	5,660	53.0	0	(100.0)
Broker Dealer Financial Services	11,702	16.3	10,400	11.8	500	354.5	973	49.7
Eagle One Investments	7,241	25.9	7,061	25.8	180	27.7	—	—
Equitas America	6,315	8.2	5,053	8.2	1,130	7.1	132	16.8
Intervest International Equities	5,492	(11.3)	5,234	(10.6)	—	—	258	(30.1)

  

COMPANY	PRODUCING REPS		TOTAL REPS	PAYOUT \$000s	AVERAGE PAYOUT		PRODUCTION \$	
	TOTAL	% CHANGE			TOTAL \$	% CHANGE	AVG. TOP 20%	QUOTA
The O.N. Equity Sales Co. (ONESCO)	847	7.6	1,285	38,803	45,812	2.9	149,519	10,000
Transamerica Financial Advisors	811	(9.6)	840	45,384	55,961	21.6	200,229	12,000
Great American Advisors	645	(0.6)*	715	32,804	50,859	10.1	177,000	—
Sammons Securities	607	2.7	647	36,258	59,733	11.7	201,126	20,000
WRP Investments	395	12.9	425	34,500	87,342	13.2	160,000	40,000
PlanMember Securities	355	(8.5)	355	17,400	49,014	24.5	258,000	25,000
American Portfolios Financial Services	332	(10.3)	385	42,561	128,196	60.3	370,245	50,000
Medallion Investment Services	307	11.6	313	11,758	38,300	9.7	152,000	—
Berthel Fisher & Company Financial Services	305	(19.1)	371	38,500	126,230	36.4	492,851	—
Triad Advisors	302	20.3	364	31,878	105,556	9.0	514,000	100,000
The Investment Center	300	(0.7)	300	24,852	82,840	2.0	296,055	100,000
Breck & Young Advisors	300	(1.3)	356	28,483	94,943	35.9	277,728	50,000
Pacific West Securities	299	9.5	337	37,351	124,920	13.5	—	—
United Planners' Financial Services	295	(4.5)	325	31,250	105,932	16.6	315,000	75,000
LaSalle St. Securities	290	(3.3)	315	34,500	118,966	6.0	345,000	80,000
Crown Capital Securities	285	—	285	31,224	109,558	—	348,000	—
Advantage Capital	252	(8.0)	319	24,468	97,095	15.0	306,195	150,000
Broker Dealer Financial Services Corp.	241	4.3	276	6,989	29,000	—	155,000	25,000
Geneos Wealth Management	230	15.0	243	41,395	179,978	32.8	500,000	100,000
Kovack Securities	230	4.1	260	19,800	86,086	49.9	182,000	50,000
Pension Planners Securities	185	7.6	201	12,709	68,697	11.5	252,000	25,000
Harbour Investments	184	4.5	220	21,500	116,848	(3.7)	190,000	45,000
Century Securities Associates	180	2.9	190	—	—	—	250,000	80,000
Summit Brokerage Services	170	13.3	170	26,000	152,941	17.6	525,000	150,000
<b>Independent Financial Group</b>	<b>153</b>	<b>27.5</b>	<b>170</b>	<b>19,689</b>	<b>128,686</b>	<b>11.1</b>	<b>481,000</b>	<b>75,000</b>
First Midwest Securities	104	9.5	115	10,850	104,327	37.1	200,000	100,000
Ensemble Financial Services	88	8.6	105	11,256	127,909	62.3	400,532	—
Equitas America	71	(4.1)	78	5,406	76,141	13.3	245,000	100,000
Eagle One Investments	59	13.5	68	5,918	100,305	11.0	301,000	—
Intervest International Equities Corp.	56	1.8	62	4,387	84,823	(6.7)	293,132	50,000

\* % change is based on revised 2005 figure. ( ) Indicates negative number. — Does not apply.