

11 advisors and execs answer: What is an IBD? PREMIUM

By Tobias Salinger June 30, 2020 4:05 PM



Ask 10 wealth managers what an IBD is, and you may very well get 10 different answers.

Years ago that question used to elicit a fairly simple response. IBDs were characterized by FINRA registration (as BDs) and 1099 independent contractor status (for financial advisors). But that just doesn't cut it anymore. For one, the sector is home to some of the largest RIAs, as Cetera Financial Group CEO Adam Antoniadis points out.

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It's important to ask this now as the landscape has changed. IBDs provide increasingly crucial resources like technology and compliance, but they also must find new growth as they aim to keep up with advisors' evolving needs. .

In this complex milieu, asking them about their choice of IBD affiliation elicits industry jargon, a sense of support from the home office and a deeply felt duty to their clients.

Advisor Wesley Burns of Seattle-based Burns, Toussaint & Associates made [an IBD affiliation change](#) in December that resonated on a deeper level than a technical switch from one firm to another. "You can't be a Black-owned business if you're not a Black-owned business," he says.

Fellow LPL Financial-affiliated advisor Sandra Cho of Los Angeles-based Pointwealth Capital Management chose Golden State Wealth Management as her practice's hybrid RIA and office of supervisory jurisdiction. The setup alters the feel of an IBD where she feels "a bit ignored" at top producer conferences, she says.

"I believe it is a tremendous uphill salmon river swim to get to that point as a minority and a woman, and you already feel excluded by the broad white male population of the financial advisor community," Cho says. "My hybrid RIA makes me feel included. That's why I think a hybrid RIA can be very important."

The range of services has clearly expanded from those undertaken by insurers who [gave rise to the IBD sector](#) in 1968 by filing for their securities registrations. Today, advisor Laura LaTourette of Dahlonega, Georgia-based Family Wealth Management Group defines an IBD as "the biggest partner in my wealth management business," she says in an email.

"In the past, an IBD was really just a firm that you affiliated with to access technology, compliance support, and products; there were small differences amongst firms but, for the most part, a lot of the offerings between IBDs were very similar," LaTourette says. "Today, that has totally changed."

Scroll down, to see the full range of how LaTourette and 10 other advisors and industry executives answer the question of "What is an IBD."

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Advisor Group

Jamie Price

CEO, Advisor Group

Location: Phoenix

Advisors: 11,300

Total client assets: \$450 billion

2019 revenue: \$3.36 billion

For Price, the answer comes down to the combination of providing technology and other capabilities “for an advisor to be more holistic with their clients.” He also argues that the SEC’s Regulation Best Interest is speeding up changes across the industry.

“The lines inside of wealth management are coming to a complete blur,” Price says. “The piece of the value chain that is closest to the customer becomes more valuable, not less.”



Renaissance Financial

Financial Planning

Financial advisor, Renaissance Financial

Location: St. Louis

IBD: Securian Financial

Total client assets: \$27 million

Thompson assesses her IBD affiliation by weighing factors like autonomy, quality of life and the benefits of their size, such as an investment officer and a retirement plan department under the OSJ-like Renaissance. Clients rarely ask about the BD, unless they're inquiring to her about her future plans, she says.

"They're like, 'who's Securian?' and even then, I tell them and they forget," Thompson says. "This is what allows us to have this open architecture of investments, and this is what allows me to focus on you."



Cambridge Investment Research

Amy Webber

CEO, Cambridge Investment Research

Location: Fairfield, Iowa

Financial advisors: 3,400

Total client assets: \$114 billion

2019 revenue: \$1 billion

Webber uses the term "financial solutions firm" for several years, and she says she "cautiously" applies the label of a consulting firm as well to describe Cambridge's tech since the firm doesn't sell it to any others. Just like Price, she predicts that "a blurring of the models" across the industry will continue into the future.

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work with quality financial professionals, regardless of what their affiliation is.”



Shehab Mohammad

Financial advisor and OSJ manager, NWF Advisory

Location: Los Angeles

BD: Royal Alliance Associates (Advisor Group)

Financial advisors: 90

Total client assets: \$4 billion

The OSJ’s relationship with Royal and Advisor Group revolve around tools to drive organic growth, home-office recruiting aid and facilitation of M&A succession deals, according to Mohammad. Advisor Group has enabled NWF to make 25 such acquisitions in the past five years, he says in an email.

Advisor Group’s “succession planning function has a team of dedicated professionals and significant resources that we’ve leveraged very effectively,” Mohammad says. “For any BD – Super OSJ collaboration to work, it’s crucial for the BD to avoid treating the relationship in a purely transactional way.”

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Sandra Cho

Financial advisor, Pointwealth Capital Management

Location: Encino, California

BD: LPL Financial

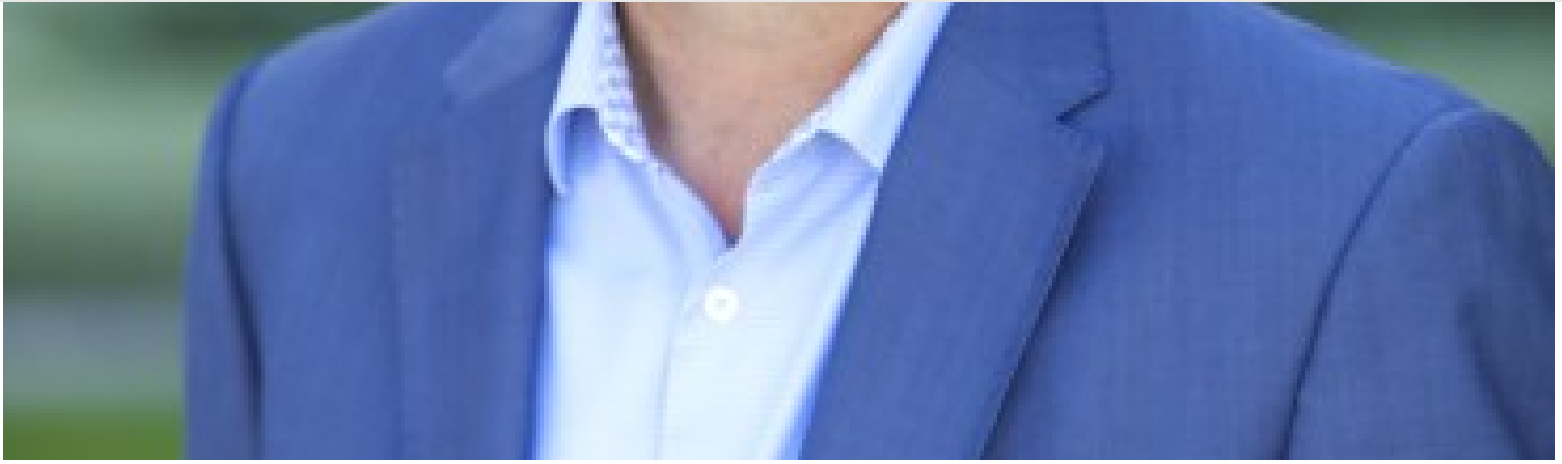
OSJ and hybrid RIA: Golden State Wealth Management

Total client assets: \$155 million

When Cho left the employee channel in 2015, it took only two weeks for the majority of her client assets to migrate to her new BD and RIA, she says. Affiliating with LPL “goes hand in hand” with her decision to use Golden State as her RIA, Cho says. She also points out the significance of regulations that protect clients from harmful conduct.

“It's incredibly difficult to understand and digest and follow the hundreds of regulations,” Cho says. “That's the first and most important element that an independent brokerage company can provide to a financial advisor, and I feel it's the most important thing that a hybrid RIA or RIA can provide to an advisor and thus, indirectly, to our clients.”

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Adam Antoniades

CEO, Cetera Financial Group

Location: Los Angeles

Financial advisors: 7,700

Total client assets: \$264.7 billion

2019 revenue: \$1.92 billion

Since they're also some of the largest RIAs, IBDs are "advice firms," Antoniades says. Noting a "shifting landscape" ahead for the industry, he cites resources like the firm's Resiliency Pack to help advisors navigate the challenging moment. Antoniades also notes that the network acts as a unit for services like compliance and risk, even though Cetera has five brands.

"It's important to understand that we are a scaled organization, and scale matters in this world," Antoniades says. "I don't want everyone thinking about us as five small firms. I want them thinking of us as an enterprise."



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Financial advisor, Burns, Toussaint & Associates

Location: Seattle

BD: LPL Financial

OSJ: The Financial Services Network

Total client assets: \$150 million

IBD and OSJ affiliations should derive from a cost-benefit analysis of the value advisors get from the fees they pay to the home office, according to Burns. The CFP is currently studying to become a CPA as the practice builds out its tax services in the future. Research and compliance services from LPL and the practice's OSJ help Burns avoid getting bogged down, he says.

"It's where creativity and your business model go to shine; you can do that in the independent space," Burns says. "Think of it as a partnership where you don't have to do all things and run the business and be chief rainmaker and be HR."



Kris Chester

COO, Kestra Financial

Location: Austin, Texas

Financial advisors: More than 1,700

Total client assets: \$88 billion

Private equity-backed Kestra owns two IBDs, a trust company, a breakaway RIA channel and an RIA M&A firm. For the firm's COO, the answer to what is an IBD is simply enabling advisors to "focus on what they do really well" and let Kestra do the rest.

"It's the financial advice that they deliver; it's the product shelf that they offer; it's the technology solutions that are available to their clients and to them to serve their clients well," she says. "And we're here to provide that to them."



Laura LaTourette

Financial advisor, Family Wealth Management Group

Location: Dahlonega, Georgia

BD: LPL Financial

OSJ: The Wealth Consulting Group

Total client assets: \$48 million

LaTourette would never consider dropping her BD and OSJ to go fully indie RIA, she says, noting “an incredible network” for her at LPL and The Wealth Consulting Group. She also cites an outsourced CFO service from the home office as an example of how LPL is expanding its services, in addition to praising the company’s support for her as a lesbian advisor.

“They began the pilot program for our LGBTQ Allies education this year and have developed educational material and data to help advisors know how to service the LGBTQ community,” LaTourette says. “They continue to partner with me and other LGBTQ advisors in conversation around questions they have related to understanding more about our diverse community to make sure they are consciously giving us a voice at the table.”

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Maura Creekmore

Head of global client relationships, BNY Mellon's Pershing

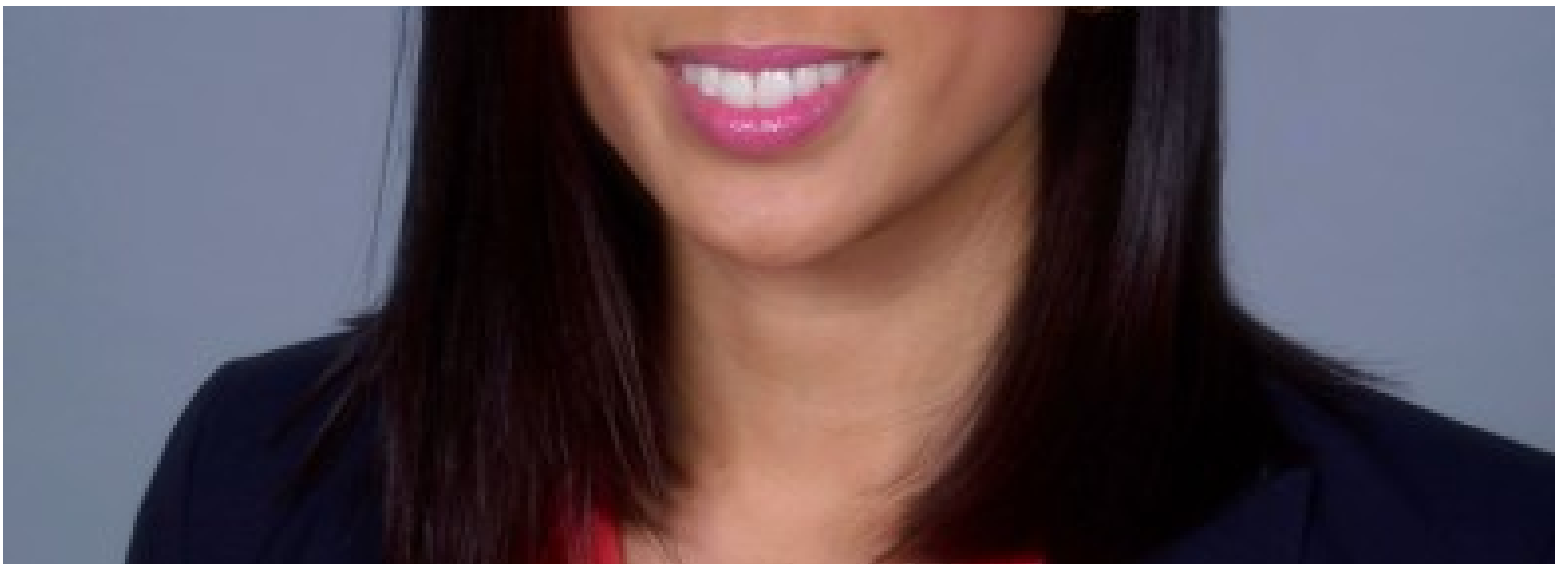
Location: Jersey City, New Jersey

RIAs, BDs and other custodial relationships: 1,300

Total client assets: \$1.8 trillion

Creekmore notes the IBD sector's "evolution from product distribution to comprehensive financial advice" in recent years. Remaining attractive to advisors focused on helping clients reach their goals is a priority for IBDs, Creekmore says in an email.

"The shift to lower cost products means traditional product revenue streams and their payouts dry up," Creekmore says. "We are seeing IBDs increasingly looking to be viewed and valued as financial advisory firms. Top firms are aggressively adding innovative technology, products and services to shift their business models toward holistic advice and long term financial planning."



Anh Tran

Financial Planning

BD: LPL Financial

Total client assets: \$260 million

LPL has been “instrumental” to the growth of Tran’s practice through its compliance, tech and account platforms, she says in an email. Still, she says she would consider the full RIA channel with a platform provider or consolidator “if the economics make sense for my clients and business” and she could provide them better service.

“IBDs have had to change their structure over the last few years to compete with the increase of RIAs and hybrid RIAs,” Tran says. “IBDs are viewed more as business partners nowadays and not just an investment platform.”

Tobias Salinger Senior Editor, Financial Planning  



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By **Tobias Salinger**

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