

Overcoming Recruiting Obstacles

July 1, 2007

Registered Rep.

By Mindy Diamond

Moving to a new firm? The devil, they say, is in the details. Don't let details scuttle an otherwise good deal. Often, you can "work it out."

There are always a couple of snags when you're switching firms. Fortunately, most obstacles are not as intractable as they might seem. Here are a few cases where patience, negotiation and creativity paid off:

Problem - Client Ownership: Brad, a wirehouse advisor producing in excess of \$5 million annually, serving only 22 client households, was wooed by a competing wirehouse. Brad and the new firm had come to terms on the size of the transition package (a total of 200 percent by the end of 24 months), start date and payouts. Everything seemed to be moving along at a comfortable pace until the contracts were presented and reviewed by his attorney. Counsel pointed out that the proposed agreement stipulated that all of his clients, both existing and those that would be acquired, would belong to the new firm. Upon learning of this, Brad was advised that he should not sign on the dotted line.

Solution: After attorneys for the parties had the opportunity to further discuss the matter, the agreement was modified to provide a "carve out" for Brad's existing clients. It was set forth that any clients brought to the new firm by Brad, plus any new clients added within 12 months of the transition date, would belong to him and any clients procured after that would be "owned" by the firm. Brad joined the new firm several months ago.

Problem - Parting with a Partner: Dave, one of the top four producers with a regional firm, was courted by a high-profile boutique firm. He had been in the business for almost 15 years and had always dreamed of working for this particular firm. He was grossing about \$4 million annually and had recently teamed with Richard, a second-career junior advisor. Presented with what he perceived to be the opportunity of a lifetime, Dave wanted to move with his new partner. His dream firm, however, did not believe that Richard was the right fit for them.

Solution: Dave agonized over this predicament for several weeks until he decided that there was a way for both he and Richard to achieve a "win-win" solution. Dave, who had kept Richard in the loop throughout the process, decided that he would join the new firm, leaving Richard behind with a number

of clients whom he wouldn't be able to serve at the new firm because they did not meet minimum asset requirements. Richard was appreciative of the opportunity and was supportive of Dave's move. Free of guilt, Dave made the move last month.

Problem - Title and Rank: Larry was a multi-million dollar producer with a private bank where he had been for the past 18 years. Five years previously, he earned the title of managing director. Because of the size of the deals on the street, a disconnect with his manager and a desire for greater professional challenges, Larry decided he wanted to make one final career move. After a lengthy due-diligence process, he was prepared to join the wealth management group of a wirehouse. The one major stumbling block was his managing director title. The new firm's policy was not to give this title to recruits, regardless of experience or production. He was prepared to forego the move, believing that losing his managing director title would be seen as a demotion by his clients.

Solution: After consulting with colleagues who had made similar moves and sounding out several of his largest clients, Larry realized that the managing director title meant more to him than to anyone else. Larry was also assured by the new firm that if he proved to be a good corporate citizen and met other production-related criteria, he would be eligible for the title in short order. He made the move to his new firm earlier this year and hasn't looked back since.

About the Author: Mindy Diamond is the President and CEO of Diamond Consultants, a boutique executive search firm specializing exclusively in the placement of investment professionals and managers nationwide, which she founded in 1997. Nationally recognized as an authority on recruiting in the financial services field, Mindy works with the nation's top brokerage firms and banks and consults with, trains, and coaches individuals and small and large groups on state-of-the art practices, with regard to recruiting top-quality investment professionals. For more information, go to www.diamondrecruiter.com.

Source: Mindy Diamond, "Overcoming Recruiting Obstacles," *Registered Rep.*, July 2007.