

## Case Study: Transitioning from the Wirehouse to Independence

### Opportunity:

A wirehouse advisor with \$100 million in assets under management becomes increasingly frustrated with constant change at their current firm. The changes are restrictive in performing the advisor's job effectively for clients. The firm's compliance procedures are time consuming and often unnecessary. Additionally, there is a firm-wide goal to take investment discretion from the advisors and move investment management to back-office portfolio models – a one size fits all approach – the advisor knows this doesn't resonate with high-net-worth clients. The inherent conflicts of interest in compensation are becoming harder to ignore when the firm continues to institute sales and bonus programs tied to success of selling banking products. The advisor finds it increasingly difficult to act as a fiduciary on behalf of clients due to the current firm's cross selling mandates.

### Goals for Change:

After 20 years with the current firm, the advisor stressed that a change must be beneficial to both clients and the practice overall. When evaluating options for new firms, the advisor prioritized the following goals:

- Dedicated administrative support
- Flexibility to work from home or in an office
- Increase compensation or advisor payout grid
- Removal of sales hurdles and cross selling obligations
- Realization of deferred compensation and restricted company stock
- Unbiased and open architecture platform with comprehensive product capabilities

### Meeting with Lake Street:

During the initial meeting with Lake Street, the advisor was encouraged to speak with like-minded individuals who too faced the same challenges at the wirehouse. Advisor realized Lake Street is a younger group focused on growing their business the right way and keeping pace with industry and technological trends to better serve their clients. During their conversation, Lake Street and the advisor addressed the following transition and operational concerns at length:

- Investment Management: The advisor wanted to be able to mirror their current investment philosophy and product lineup to avoid interruption within client portfolios. After reviewing Lake Street's investment access, the advisor found the product offering to be more robust, especially in the alternative and private placement space. The advisor no longer needed operate with a limited product and investment offering and can now truly serve clients without conflict.
- Client / Book Portability: When the Lake Street team evaluated the advisor's practice, 100% of the investment holdings were transferrable to the new platform. The independent platform has the same banking, insurance, and trust resources clients have become accustomed too.
- Real Estate: The advisor would be provided a private office for the first 6 months of transition; then given the option to keep a full-time office, use it part-time or work from home. The current wirehouse model bundles office space into advisor's compensation regardless of use.
- Deferred Compensation: Lake Street reviewed the advisor's deferred compensation and offered an upfront payment to accelerate realization of any potential forfeited deferred compensation and restricted stock.
- Advisor Payout Grid: The advisor was encouraged with a compensation plan that offered better economics and rewarded growth of their practice. Moreover, the advisor would never have to worry about compensation changes, sales hurdles, or bank incentivized cross-selling.

### The Result:

After an 8-week due diligence process, the advisor was ready to resign and transition to Lake Street. On transition day, the advisor had the support of a full transition team to process paperwork and answer questions as they were raised from on-boarding clients. After 3 weeks from departing the wirehouse, 95% of the advisor's client assets had transferred successfully.