



GOING INDEPENDENT GUIDE



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INTRODUCTION

Going Independent with Scottrade Advisor Services

Congratulations! Your opportunity has arrived. You are on your way to becoming an independent advisor where you set the goals, make the decisions and truly run your own business.

Of course you have questions that need to be answered, and we've prepared this guide to help you with this exciting new endeavor.

We invite you to discover for yourself how Scottrade Advisor Services can help you every step of the way. The following sections contain key information that you should consider as you go independent.

Considerations Before Committing

Before leaving your current firm, you must understand the challenges that you may face. These include separating from your previous firm, building your business, assisting with which positions you need to

fill first and understanding your risk management and insurance options.

Legal & Regulation Information

While rules and legal speak can be confusing, as a business owner you should understand as much as you can while keeping resources, like this guide, easily available. Because in the business world, it is better to always be prepared for the unexpected.

Risk Management

With any new business venture, there are many risks involved. Do you have the skills and determination to make the right moves and minimize risk? Of course with experience your choices become more informed, but any successful business owner must naturally have a good sense of how to assess and manage risk.

Technology & Tools

The success of any independent advisor relies on how well equipped they are to support their strategies

and clients. Now you have the power to create and build your own arsenal of tools that work best for building your business.

Marketing & Advertising Your Firm

In many instances, the task of marketing can be overwhelming. But with Scottrade Advisor Services' strategic resource partnership program, we make it easier by providing you with business connections and tools to help you advertise your own firm.

Opening Your Office

As you begin your search for your new workspace, it is important that you first figure out how much office space you will really need. Also, before you commit to a contract, understand the leasing arrangements so that in the near future, you can remain focused on running your business and not worry about lease or contract details.

Deciding How Much Staff You Need

As you build your staff, you'll want to avoid over- or under-staffing.

Over-staffing could lead to wasted resources, while under-staffing can overwork your team and hinder your ability to build your business at the rate you want. Think carefully about your office's workflow and who will be responsible for each daily task.

Building Your Staff

Evaluating talent and choosing the right people to join your team is one of the most crucial parts of building any business. Before you begin interviewing, it's imperative that you have a business strategy and a complete idea of the type of person you need to fill specific roles.



THE ROAD TO BECOMING AN INDEPENDENT ADVISOR

The needs of each advisory firm have a varying level of complexity. However, the majority of advisors who separate from their current firm to establish independent RIA practices are able to transition within 3-6 months.

While many of the steps that we have outlined below can be handled within your firm, Scottrade does suggest you hire legal counsel along with a third party compliance consulting firm to assist you with many of the processes outlined below.

Step 1: 1-3 Months

- Develop a legal exit strategy prior to separating from your current firm
- Investigate any non-compete you may have with a current/former employer or firm
- Choose the type of business entity you wish to be structured under (LLC, S-Corp, Sole Prop, etc.)
- Hire a compliance consulting firm or securities attorney to review non-compete, prepare appropriate advisor registration documents and process (ADV required)
- Select Scottrade Advisor Services as your partner to handle custodian needs
- Seek out office locations

Step 2: 1-3 Months

- Get registration approval from proper jurisdiction such as SEC or state securities division (assisted by your compliance consulting firm or attorney)
- Develop your firm's mission and value statements
- Develop your compliance policies and procedures (assisted by your compliance consulting firm or attorney)
- Ensure you have proper error & omissions insurance to handle the number of assets you anticipate managing

- Select risk management and insurance programs (property & casualty, liability, etc.)
- Create privacy statements, client agreements, policy and procedures manual (assisted by your compliance consulting firm or attorney)
- Complete Scottrade Advisor Services enrollment paperwork

Step 3: 1-3 Months

- Begin structuring your technology, including your CRM system, portfolio management, internal accounting, billing and vendor programs
- Recruit the right people who fit your business model
- Create your brand, including necessary marketing materials (such as logo, business cards and office stationery)
- Develop and launch your company website
- Begin client transition, utilizing Scottrade Advisor Services client transition support (such as account opening and transfer of existing client accounts to Scottrade)

Step 4: 1-3 Months

- Train your staff ensuring they understand the programs, technology and process you have selected and created
- Set up your financial management systems, and communicate those goals to employees
- Begin networking and promoting your firm through any possible channels including centers of influence (CPAs, attorneys, insurance agents, realtors, bankers, etc.)

Step 5: 1-3 Months

- Begin meeting and working with your clients



CONSIDERATIONS BEFORE COMMITTING

Starting your own business is exciting. But to make your move towards independence, there are many items to consider. Take some time to read through the points below – they will help you better assess whether independence is for you.

What to Consider Before Going Independent:

Business Management Skills

Once a firm goes independent, many peripheral issues typically arise, which can slow growth. That includes increased overhead, a drop in service and lower profits. Because of these pressures, it is essential that an independent advisor has what it takes to lead his business, whether that be by having sales and marketing skills, I.T. skills or the ability to build a

talented professional team that has the capacity to be trained for a variety of other tasks. Independent advisors must be very resourceful in knowing where to find reliable help when necessary.

Business Expenses & Taking Risks

Being independent can be expensive due to the costs of rent, payroll, maintenance and more. That also includes expenses to hire sales and marketing support, as these are essential for growth. As you begin, you should always utilize revenue projections and set periodic goals. It is also successful practice to save at least one year's worth of working capital (that includes salary, legal, marketing, technology and additional office expenses) before beginning your own business, of any kind.

Just like any business, risk is involved in almost every move you make. Whether it's in hiring, operational expenses or compliance issues, you need to be prepared to take on the challenge and make intelligent decisions during times of stress and prosperity.

Technology & Staff Management

First decide on the technology your business will need to operate. Then decide how many people you'll need to employ to cover all of the business' daily tasks. People are your biggest asset in making money, while they are also your biggest expense. By spending more time on your people, you can help relieve the financial strain of salaries and benefits, making sure they are skilled and trained to help your practice grow even when you're not around.

Success Factors

While financial performance is the most common measuring tool for success, there are many more factors to consider. For example, the growth rate and potential of your office, improving the lives of your clients, and having your office involved in supporting your local community.



RIA LEGAL & REGULATION INFORMATION

It's imperative that as an independent advisor, you fully understand the legalities that apply to your business. The following information discusses the federal Investment Advisors Act of 1940 ("Advisors Act"), SEC rules and other regulating factors. The Advisors Act of 1940 is followed by SEC-registered advisors while state-registered advisors each follow their applicable state's statutes, rules and regulations. Review this section carefully, and be sure to also look over the comprehensive list of compliance partners:

Definition of an Investment Advisor

The Advisors Act defines an investment advisor as any individual or entity that (1) provides advice by making recommendations regarding securities or sureties markets; (2) for compensation; (3) who regularly engages in the business of providing advice regarding securities.

As an investment advisor, you must meet three criteria:

1. Compensation. You receive any type of income from your business activity including

advisory fees, commission or some combination.

2. Engaged in the business. You

provide investment advice to your clients. The SEC defines this more specifically as:

- You hold yourself as an investment advisor
- You are compensated for providing investment advice
- You provide specific investment advice frequently

3. Advice about securities. You provide advice about specific investment strategies and products like stocks, bonds and mutual funds.

Become SEC or State Registered?

Advisors that don't meet the SEC asset requirements (those with less than \$100 million of assets under management) are subject to state regulation and prohibited from registering with the SEC unless registered in 15 or more states. Large Advisor businesses (those with more than \$100 million of assets under management) are subject to federal regulation of Advisors and must register with the SEC.

For the purpose of determining whether you must register with

the SEC or under state law, “assets under management” is defined as the “securities portfolios” where as an RIA you provide “continuous and regular supervisory or management services.”

If you are an advisor who provides continuous and regular supervisory or management services, then you must register with the SEC. Determining your assets under management is the total value of your account or accounts. Confirm with your own state’s registration requirements and material definitions as it relates to your investment advisor business.

What is a Securities Portfolio?

It is an account or accounts where at least 50% of the total value is securities. Cash can also be considered a security. When determining your assets under management, the entire value of the account(s), and not only securities, is included.

Accounts that you have authority over and provide ongoing supervisory or management services are defined as accounts that receive continuous and regular supervisory or management services.

Hire a Compliance or Registration Service?

To take some burden off of your shoulders when it comes to legalities and regulations, you

can outsource the responsibility to a reputable company that has comprehensive knowledge of the subject. If you choose to hire a service, a good place to start looking is Scottrade’s strategic resource partner directory or by asking colleagues who they would recommend.

Prohibited Practices and Fiduciary Obligations

The Advisors Act and state laws make it unlawful for you to engage in practices that can be defined as fraud or deceit. The antifraud provisions of the Advisors Act apply to all RIAs. The most substantive common provision in the Advisors Act states an RIA may not:

- Employ any scheme to defraud clients or prospective clients
- Engage in practice which operates as a fraud upon any client/prospective client
- While acting as a principal for its own account, knowingly sell any security to, or purchase any security from, a client without disclosing to the client the capacity in which the advisor is acting
- Engage in any practice that is fraudulent, deceptive or manipulative

As a fiduciary, an RIA owes its client an affirmative duty of utmost good faith to act solely in the client’s

best interests and to make full and balanced disclosure of all material facts, especially with respect to actual or potential conflicts of interest.

The SEC and the states have articulated a number of requirements that flow from an RIA's status as a fiduciary, including a duty to:

- Place the interests of clients ahead of the Advisor's businesses interests
- Refrain from trading on the basis of material, non-public information (such as inside information)
- To allocate investment opportunities fairly and not favor client accounts that may benefit the RIA financially, such as proprietary accounts or accounts paying performance fees, absent adequate disclosure
- To use soft dollars only for the benefit of clients and make full disclosure of this practice
- To obtain best execution for client transactions where the advisor directs brokerage transactions
- To resolve trade errors in the client's favor and bear the cost of correcting any errors
- To ensure that investment advice is suitable in light of the client's objectives, needs and circumstances

Filing Your ADV Form

RIAs required to register with the SEC and states must complete the Uniform Application for Investment Advisor Registration (or Form ADV). Form ADV includes two parts:

- Part I calls for information about your business location, ownership structure, basic operations and past disciplinary events.
- Part II calls for information about your fees, investment style, potential conflicts of interest, brokerage practices, affiliations with other securities professionals, education and business background, and other information relevant to a client's decision to hire you.

Disclosure Obligations

The Advisors Act generally requires every SEC RIA to deliver Part II of Form ADV (or a brochure containing all the same information) to each client and each prospective client. Part II must be provided to clients either (1) at least 48 hours before entering into an advisory agreement or (2) at the time of entering into an advisory agreement if the client has a right to terminate the contract without penalty within five business days.

An RIA also must make actual delivery of a current copy of its Form ADV Part II, or make a written offer

to its clients to deliver a current copy of its Form ADV Part II, on an annual basis and without charge.

An RIA must completely disclose potential conflicts of interest with its clients on Schedule F of Form ADV Part II and ensure it is in plain English for your clients to understand.

Book & Recordkeeping

The SEC requires RIAs to maintain and preserve specified books and records, making sure they are available for inspection at anytime.

It presents an extensive list of these books and records, as well as the place and length of time they must be maintained. Also, electronic documents, including e-mails, must be maintained if they fall into any required record category described further in the Appendix.

It is a general rule that all books and records be properly maintained and preserved in an easily accessible place for five years from the end of the fiscal year during which the record(s) was created the first two years in your office. Articles of incorporation, partnership documents, minute books, stock certificates and other corporate or organizational documents must be maintained continuously in your office until the end of your business and in an easily accessible place where the SEC has been notified for three years after termination of the firm entity.

Books and records are required to be maintained on a “current” basis.

Insider Trading Policies, Procedures and Code of Ethics

As an RIA, you are required to establish, maintain and enforce written policies and procedures reasonably designed to prevent the misuse of material, nonpublic information by you or any person associated with your business. RIAs often add to these policies and procedures with proactive programs to review and place restrictions on personal trading by employees and other potential conflicts of interest. Common ways RIAs work to protect themselves are with educational programs and the adoption of blackout periods and restricted lists.

Custody

According to the Custody Rule put forth by the SEC, an RIA has custody of client assets when it holds, “directly or indirectly, client funds or securities or [has] any authority to obtain possession of them.”

Along with providing a definition of custody, the rule also provides three examples of circumstances where you would have custody of client funds or securities:

1. Possession of a client’s funds or securities: An advisor that holds a client’s certificates or cash

has custody. The rule, however, expressly excludes inadvertent receipt of such assets by the advisor, provided the advisor returns the asset(s) to the sender within three business days of receiving them. The rule further explains that while an advisor can assist a client to forward funds and/or securities, the advisor cannot directly forward them (such as taking direct possession of a security and sending it via overnight delivery to the client's broker or custodian on behalf of the client) without being deemed to have custody.

Finally, the rule clarifies that an advisor that receives a check drawn by a client and made payable to a third party is not deemed to have custody.

2. Authority to withdraw funds or securities from a client's account: An advisor with any ability to withdraw funds or securities from a client's custodial account (such as check-signing authority, general power of attorney, direct debiting of advisory fees) is deemed to have custody.
3. Acting in any capacity that gives an RIA or their supervised person(s) legal ownership of, or access to, a client funds or securities (such as RIA acting as both the general partner and investment advisor to a limited partnership, or trustee of a trust in which an advisory client is a grantor or beneficiary of the trust).

Understanding Compliance Policies

The Advisors Act makes it unlawful for an SEC RIA to provide investment advice unless the advisor has adopted and implemented formal written policies and procedures designed to: Prevent violations of the Advisors Act and the rules there under by the advisor or its supervised persons; detect violations that have occurred; and promptly correct any violations that have occurred. Fundamentally, the rule requires that each SEC RIA:

- Establish and implement written policies and procedures reasonably designed to prevent violation of federal securities laws.
- Review the firm's policies and procedures on at least an annual basis.
- Designate a chief compliance officer to be responsible for the administration of those policies and procedures.

Contractual Requirements

Section 205(a)(1) of the Advisors Act limits the ability of an RIA to charge performance-based fees. That includes advisory contracts that compensate based on a share of capital gains of a client's funds.

The Advisors Act contains exceptions from this prohibition allowing performance fees to be charged to clients who are registered investment companies and private investment companies exempt from registration under the Investment Company Act pursuant to Section 3(c)(7) of that Act.

In addition, Rule 205-3 provides an exception allowing performance fees to be charged to certain high-net-worth clients called “qualified clients.” More specifically, an RIA may charge a performance-based fee to clients who:

- Have \$750,000 in assets under management with you immediately after entering into an advisory contract; or you believe, immediately prior to entering into the advisory contract, have a net worth of \$1.5 million.
- Are qualified purchasers as defined in Section 2(a)(51)(A)

of the Investment Company Act (which includes “knowledgeable employees” of your business).

- Some states allow Accredited Investors to have \$1 million in assets or \$200,000 a year in single income or \$300,000 a year in married income. Please consult with your applicable state.

Written contracts between an advisor and clients are not expressly required by the Advisors Act. However, as a matter of good business practice and for the purpose of enhancing internal controls and mitigating risk, you should require that all of your contracts are in writing.

See the Appendix for additional information on the laws and regulations governing investment advisors.



Compliance & Regulatory Partners

Compliance Registration Services

Advanced Regulatory
Compliance, Inc.
www.advreg.com

AdvisorAssist.com
www.advisorassist.com

Lexington Compliance
www.lexcompliance.com

MGL Consulting Corporation
www.mglconsulting.com

NCS – National Compliance Services
www.ncsonline.com

NRS – National Regulatory Services
www.nrs-inc.com

The Law Offices of
Patrick J. Burns, Jr., P.C.
www.pjblawoffice.com

RIA Compliance Consultants
www.ria-compliance-consultants.com

RIA in a Box
www.riainabox.com

U.S. Compliance Consultants, LLC
www.uscomplianceconsultants.com

Compliance Technology Partners

Complinet Inc.
www.complinet.com

IPS Advisor Pro
www.ipsadvisorpro.com

Smarsh
www.smarsh.com

Regulatory Web sites

FINRA
www.finra.org

Investment Advisor
Registration Depository
www.iard.com

North American Securities
Administrators Association
www.nasaa.org

U.S. Securities and
Exchange Commission
www.sec.gov

RISK MANAGEMENT FOR YOUR RIA BUSINESS

As an RIA, you are responsible for every major decision. And with the advantages, there are also risks you must manage for the success of your business.

One of the first items of business you should attend is obtaining compliance and/or legal counsel. It is an essential step in preventing roadblocks, headaches and financial loss as you try to build your business.

Checklist

- ___ Make a comprehensive list of the types of insurance your business and employees will need
- ___ Create a timeline and allowable budget to implement insurance policies selected

- ___ Ask for assistance and insight from third parties and insurance companies
- ___ Plan your insurance coverage to stand by the opening of your business
 - **Professional Liability Insurance** – This insurance is also known as E&O. It protects your business and personal assets from legal liability resulting from any errors and omissions dealing with your client service deliverables. As a Scottrade Advisor, you have the benefit of expert strategic resource partners, including Errors & Omissions (E&O) providers.
 - **Commercial Property & Liability Insurance** – This insurance is also known as P&C (property and casualty). It protects against risks to property such as fire, flood, earthquake, home and boiler insurance.

Checklist, continued.

The casualty policy covers losses caused by unforeseen events like hurricanes and other natural disasters.

- **Fidelity Bonds** – This insurance protects your firm from dishonest and fraudulent losses caused by dishonest employees.
- **Employment Practices Liability** – This insurance protects you and your firm from charges of discrimination in hiring practices, wrongful termination and other liabilities.
- **Directors and Officers Liability Insurance** – This insurance protects you and your firm’s directors and officers from liability with claims having to do with breach of fiduciary duty.
- **State Surety Bonds** – There are some states that require these bonds

to register your business or as another option when trying to meet minimum financial requirements.

- **ERISA bonds** – Before your firm can make investment decisions for ERISA plans (Employment Retirement Income Security Act of 1974) you may be required to be bonded.

Errors & Omissions Partners Carriers

Cambridge Alliance
www.cambridgealliance.com

TOOLS & TECHNOLOGY

Success for Independent Advisors relies on technology that can enhance, operate and deliver. Developing a technology plan and choosing the right software and hardware is essential in helping your business attract and retain clients.

Tier I (Scottrade recommends to get you up and running)

- Customer relationship management system (CRM)
- Portfolio management software
- Financial planning software (if you are intending on providing financial services)
- Data storage and redundancy systems
- Accounting/billing software (some CRM systems offer this feature)

Tier II (Strongly considered after you're up and running and budget allows)

- Data aggregation providers
- Client portal services
- Implementation of work flow processes through technology (some technology providers talk to each other)

Section Checklist

- ___ Develop a strategy for how technology can support your business and clients
- ___ Put a budget and timeline into place for all technology related items
- ___ Take a look at Scottrade's strategic resource partners and see how they will be able to benefit your business

As you make technology decisions there are many questions to be answered and situations to anticipate. To help guide you toward making the best choices, consider the following:

1. What is the process for which work will flow in and out of my office?
2. What technology will best support my firm?
3. How do you see your business using the technology? More specifically, is it simply for client communication, research or compliance and safety?

Keep in mind that as an RIA with Scottrade, you have a Dedicated Relationship Team that is available to answer all of your technology questions.

Choosing the Right Technological Solutions For Your Firm

With so many choices, it can be an overwhelming task for any level of RIA to select the best, most efficient programs to run their business. Here are some tips to consider before you make your decisions:

1. Plan for Today & Tomorrow

- Anticipate the future of your business and be prepared.
- Think of your potential client-base and what they will need. Be sure you are ready to serve them, without having to perform costly updates and conversions.

2. Be Mindful of How Much You Use Technology

- Create a list of the technology you use right now.
- Compile a list of tasks your new firm will need to complete, and add the technology you'll need to complete those tasks.

3. You'll Need More Than One Program

- Unless your firm has a narrow strategy, you'll need multiple services.

- Understand most firms end up needing 6-10 programs to operate successfully.

4. Utilize Scottrade Transition Support

- Never underestimate how time-consuming it can be to train yourself and your staff on new technology.
- Your transition team will help you through every step of the process. They are always available to answer your questions and offer insight as you build your business.

5. Get Yourself Trained & Involved

- Many software partners offer training. Take advantage of it and become an expert yourself.
- Join the partner's online forums and user groups associated with the software. This can provide an invaluable source of insight and assistance.

6. Ask Questions

- When working with technology partners, don't be afraid to ask how much support you'll need to effectively run the software.
- Ask if the software is associated with a service

bureau or Application Service Provider (ASP) which can assist your business to keep things running smoothly.

7. Advisor Online Community

- Once you're an advisor partnering with Scottrade Advisor Services, learn how other advisors are running their business and ask questions that will garner direct, personal responses.
- Connect with fellow advisors and share stories, insight and strategies.

Software Solutions

To be more productive and provide a high level of service, Scottrade Advisor Services offers a wide array of technological solutions and partners to meet the specific needs of Independent Advisors. Many of these partners offer discounts to Scottrade Advisors.

Technology Resource Partners

Portfolio Management:

Portfolio Director
www.portfoliodirector.com

Advent Software
www.advent.com/solutions/independent_advisors

AllBackoffice Consulting
www.allbackoffice.com

AssetBook
www.assetbook.com

Beiley Software
www.fundmanagersoftware.com

Capttools/net
www.capttools.com/ctnet/info/

Cornerstone PowerAdvisor
www.poweradvisor.com

Interactive Advisory Software
www.iassoftware.com

Morningstar Advisor
Workstation(sm) Office Edition
www.global.morningstar.com/Office

Financial Planning Applications:

Interactive Advisory Software
www.iassoftware.com

IPS Advisor Pro
www.ipsadvisorpro.com

MoneyGuidePro by PIE
Technologies
www.moneyguidepro.com

Money Tree Software
www.moneytree.com/groupdiscount

CRM:

Interactive Advisory Software
www.iassoftware.com

RedTail Technology
www.redtailtechnology.com

SmarshCRM
www.smarshcrm.com

Upswing CRM for
Financial Advisors
www.upswingcrm.com

Client Portals:

Family Office Network
www.familyofficenetwork.com

Operational Solutions:

AllBackoffice Consulting
www.allbackoffice.com

Broadridge (Formerly ADP Investor
Communications Services)
www.broadridge.com

DiskAgent Business Continuity
Services
www.diskagent.com

Family Office Network
www.familyofficenetwork.com

FedEx
www.fedex.com

Joel Bruckenstein, CFPR
www.joelbruckenstein.com

Laser App Software
www.laserapp.com

Laserfiche
www.intuitionpro.com

OfficeMax®
www.officemaxsolutions.com

Standard & Poor's
Newsletter OnDemand
[http://fc.standardandpoors.com/
corp/index.jsp](http://fc.standardandpoors.com/corp/index.jsp)

Outsourcing Partners:

AllBackoffice Consulting
www.allbackoffice.com

Joel Bruckenstein, CFPR
www.joelbruckenstein.com

The McNamara Group
www.mcnamaragroup.com

Other:

Your Silver Bullet
www.yoursilverbullet.net

MARKETING YOUR FIRM

Marketing your business is one of the most important elements in how your firm will grow. First, you must start with a plan focused on an intelligent strategy. Also, if you are coming from another firm, make sure you honor your agreements, especially when it comes to recruiting former clients.

Below are the elements of what makes up a successful marketing plan, starting with core essentials and moving on into growing your business.

Core Marketing Strategy

Create a Situation Analysis

Look at your market, what competitors are doing and identify opportunities for ways you can differentiate or improve.

Define Your Market

Take a step back and analyze where you see existing and potential business coming from. In other words, you are creating the target market for your business.

Segment Your Targets

Once you have defined who your customers are, divide them into groups by categories including high-value clients, long-term clients, geography and age. From here, you can further zero-in on which type of customers you need to be gearing your marketing materials toward.

Watch Your Competition

By analyzing your competitors, you can let them do a lot of the work for you when deciding how to target your marketing materials. Look at their messaging strategies, promotions and who they're speaking to. Then look for competitive advantages and ways to differentiate your business.

Create Your Own S.W.O.T. Analysis

S.W.O.T. = Strengths, Weaknesses, Opportunities and Threats. Fill out this information about your business to help you develop a strong message and marketing strategy.

Marketing Strategies For Your Growing Business

Develop a Marketing Plan

Your marketing plan will be a blueprint for success as you keep your marketing efforts focused.

Brand Position

Decide on what your business can offer better than anyone else. Then make sure this is communicated through every marketing piece.

Objectives & Strategy

Make a list of what you want your marketing efforts to accomplish. And with each marketing piece, program and campaign, analyze whether or not you achieved your objectives and goals.

Plan & Budget

Of course you'll need to create a separate budget specifically for your marketing efforts. Also, it is a good idea to make a calendar for the quarter or year of what campaigns and marketing materials you'd like to execute.

Results

Measuring the effectiveness of your marketing efforts is essential for making sure you have success in the future. You can pinpoint where your marketing dollars are most and least effective, along with how much your messaging is resonating with your target audience.

Recommended Marketing Materials

First thing, you need:

- Logo—a mark that is all your own. (It is best to have a professional designer create this for you, as it will be on every piece of communication.)

The following communication pieces should also be considered:

- Website
- Business cards
- Stationary
- Letterhead
- E-mail signature
- Newsletters
- Client events
- E-blasts
- Direct mail
- Brochures & pamphlets
- Presentation materials

Alternative Marketing Strategies

While your marketing and advertising materials are powerful tools, to be successful, you need to broaden your strategy into promotional tactics.

The Power of Networking

Join professional organizations with fellow advisors, investment workers and organizations in your community like charities and business councils. Get involved with athletic teams and even country clubs. Get to know attorneys, CPAs and other potential clients who could refer you to their friends and family.

You should consider hosting live events that feature a guest speaker or educational training seminars. By providing educational opportunities, you're doing more than earning their business, you're also earning their trust.

Also, premiums and giveaways with your name and logo are an easy way to spread the name of your business and create goodwill with potential and existing clients.

Utilize Free Social Networking Tools

There are several free tools to help you network online. Twitter, Facebook and LinkedIn are examples of social networking websites that are used by advisors to network and build their clientele.

Before you begin, it is important that you fully understand FINRA's Regulatory Notice 10-06 and consider the time commitment of maintaining these sites. Once a presence is established, it is imperative that you provide useful information on a regular basis.

To start, consider creating a LinkedIn profile. There are several steps to explore when creating this profile. First, fill out your profile with your resume and any items that differentiate you from your competition (memberships, community service, etc.). Then, join 'Groups' and follow 'Companies' that are relevant to your business and target audience. Once this is complete, frequently update your status with relevant information. Once you are comfortable on LinkedIn, consider expanding your social presence by creating Facebook or Twitter pages.

Strategic Marketing Resource Partnerships

Scottrade offers strategic resource partners specializing in marketing that give advisors like you an exclusive advantage. Advisors are encouraged to learn more about each one and discover ways you can use them to help you reach your goals.

Marketing Resource Partners:

Advisor Designs from CEP Advantage
www.advisordesigns.com

AdvisorPR
www.advisorpr.com

Advisor Products Inc.
www.advisorproducts.com

Standard & Poor's Newsletter OnDemand
<http://fc.standardandpoors.com/corp/index.jsp>

Professional Organizations:

Alliance of Cambridge Advisor
www.acaplanners.org

American Institute of Certified Public Accountants – AICPA
www.aicpa.org

Financial Planning Association - FPA
www.fpanet.org

Garrett Planning Network
www.garrettplanningnetwork.com

National Association of Personal Financial Advisors - NAPFA
www.napfa.org



OPENING YOUR OFFICE

As you begin your search for your new business' headquarters, it is important you first determine how much office space you will need. You'll need to consider logistics, your business model, the type and size of technology you'll be using (computers, printers, servers) and how you see your business growing in the future. Also, before you sign a contract, you need to make sure you fully understand the leasing arrangements.

Section Checklist

- ___ Decide what is important to you in regards to location and space
- ___ Consider how long you plan on staying at the location, before a possible expansion
- ___ Create a budget and timeline for your move
- ___ Consider any enhancements or necessary changes your space will need
- ___ Consider consulting an attorney to help you fully understand your lease or contract

Getting Your Office Up & Running

Step 1: First, Consider Every Avenue

Look at the pros and cons of any potential space you acquire for your business as it is typically the most costly decision as a business owner. You have several options to consider, including the following:

Home Office

This can be a convenient option, especially if you are starting out by yourself or with a very small staff. If you favor a home office, consider where you will meet with clients to ensure there is an appropriate and adequate amount of space. Also consider any technological requirements that your home may need to support.

Executive Suite

This is an ideal choice for advisors who want to watch how their business expands over a short period of time before committing to a long-term lease. Briefly, it's an offering of standardized services and office support. This is most appealing to advisors who prefer to keep their lease terms and budget to a minimum, and those looking for an incubator space so they can witness how their business

will be running day-to-day. The main drawback is the limited customization you can make to the office.

Work From Home & The Office

An increasingly popular option is to set up your own office space at home, while renting a space where you can meet with clients while providing a workspace for your employees. It's an ideal combination and choice should you prefer to spend more time at home while helping to grow and expand your business at the same time.

Subletting

Although similar to an executive suite, subleasing has one major difference in that the leasing agreement is customized, so you can adjust terms to meet your needs.

Because you're sharing an office, you'll have some unique advantages. For example, you can customize your space while being cost-efficient. You can also learn by observing other businesses and perhaps position yourself alongside them. Lastly, you'll have access to peripheral benefits like conference rooms, a kitchen and administrative support.

Commercial Office Space

This option offers the most freedom in how you want to setup and run your office. But it is also the most expensive. Lease terms typically range from three to five years,

but there are significant advantages included.

You can negotiate and customize a contract that fits your needs; contracting directly with a landlord gives you peace of mind that your space is secure. Because this is a longer term contract, make sure you fully understand every part of your lease agreement. This also includes making sure building improvements and repairs are covered so that you can remain focused on building your business.

Step 2: How Much Space Will You Need?

As you tour office spaces or examine space within your home, remember you'll need more than just an office and front desk. You'll also need to consider kitchens, supply rooms, meeting rooms and area for growth. Also be mindful of the workflow of a typical day and where client meetings would occur while the rest of your office is working. How could your office run most efficiently and how will that fit into your business model?

Step 3: Finally, Hire a Lawyer and Review Your Lease

Have an attorney look over your lease agreement before you sign. It may be a small fee upfront, but it could save you thousands of dollars and headaches in the future.

BUILDING YOUR STAFF

Building a successful team is crucial to the establishment of your firm. You have the freedom to choose who you want to make up your staff. Don't let this task become overwhelming as you work toward creating a strong and dedicated foundation; instead keep the following checklist in mind to ease you through this process. (This information assumes that your practice has more than one or two people on staff.)

As you start your business, you may need to hire a variety of different employees to help you reach your goals. Here are the most common types of employees advisors hire:

Professionals:

This includes anyone with direct client contact who helps them understand your strategies and services. They will be responsible for meeting revenue target, always working toward finding new clients and ways to improve business. Also keep in mind that they should have already earned the necessary FINRA licenses, including their Series 7 and 65.

Support Staff:

These employees may not meet with clients directly but they play an important role in serving their needs in a behind-the-scenes manner. This group could include sales assistants, technical analysts, traders and administrative staff. Administrative staff typically perform daily office functions - this includes answering phones, mailings, human resource support and anything else that can help your office run more efficiently.

Staffing Checklist

- ___ Make a list of your office goals and values
- ___ Create your client service model and business flow chart
- ___ Define the positions and roles that you need to fill
- ___ Consider your budget and timeline for making hiring decisions
- ___ Have your non-compete agreements and any other necessary contracts ready and reviewed by an attorney
- ___ Begin searching for and contacting the right people

Example Checklist for Your Office Staff & Roles

Professionals

Principles

Financial Advisors/Consultants
Chief Compliance Officer
Portfolio Manager
Director of Business Development & Marketing

Office Staff

Office Manager
Client Services Coordinator
Financial Analyst
IT Support
Junior Portfolio Manager
Administrative Assistant

Effective Staffing Strategies

The service model you develop for your business plays an important role in how your office will be staffed. You must consider the combination of skills, personalities and intangibles that you're bringing into your business with each person you add to the team.

As you build your team, there are some questions you should ask yourself to make sure you make the best possible decisions:

1. Would you prefer to meet with clients often or would you prefer to do most of your correspondence over the phone and through E-mail?

2. What type of client-to-staff ratio is most efficient for your business model?

3. How many clients do you foresee your business having?

4. What part of your job do you enjoy most and how can you continue to be able to perform that role?

5. What parts of your job would you like to hire others to do?

6. Would you rather work alone or a team setting?

7. What services will your business provide at no-cost?

8. What type of office culture do you want to cultivate?

Creating a Budget For Your Staff

With each staff position comes unique costs, compensation and benefits. Here is a rundown of the most important things to consider as you budget:

- Compensation: This includes salary and bonuses.
- Retirement & Benefits: 401(k) plans and health insurance for your staff are an essential part of attracting the best talent.
- Equipment Costs: For each

position, you'll have to consider infrastructure costs, such as a computer, phone, office supplies and more.

- Training: Because technology is always progressing, you'll need to make sure your staff is always up-to-date and knows how to utilize the latest tools.

Hiring Rules & Regulations

The SEC requires every RIA firm to have a designated Chief Compliance Officer (CCO). You can designate yourself with this role, but as your business grows, you will probably prefer to hire another advisor who can take charge of these responsibilities.

The CCO performs a number of roles including ensuring the safety of client data, enforcing adherence to federal, state and self-regulatory organization securities regulations, and creating and supervising the firm's code of ethics, policies and procedures.

You will find that there are companies that will offer you compliance packages to provide you peace of mind with these tasks. It is essential you understand that bringing on a compliance package does not fulfill your need for a CCO.

Creating the Right Culture & Values at Your Office

While creating your own office can be a liberating experience, it's also critical that you bring on people that fit the type of culture you want to develop. Every person you bring on board will impact your work place and your clients' success.

Refer back to your mission and make sure each person you bring on board fits that statement. Evaluate candidates by more than their resume, choose them more based on how they can help your business reach its goals.

Tips to Recruit a Winning Team

Include What's Unique About Your Business

If there are differentiating ways you plan on running your business, include them in job postings. It could help to attract the right candidates. For example, if you offer continuing education, this is a great way to bring in resumes that match your goals.

Be Clear & To the Point

Make sure you describe the role and responsibilities of the position in as much detail as possible. Also include educational requirements,

professional certifications, years of experience and the type of personality you're looking for.

List Compensation

The right candidates will appreciate the convenience of knowing a salary range and benefits package. It's also effective in filtering out the wrong candidates. If you are afraid the range will work to your disadvantage, consider only advertising compensation packages for specific positions.

Keep the Following in Mind...

Follow The Law

As you begin hiring employees, remember that Federal and state anti-discrimination laws apply to you. Be sure to visit the U.S. Equal Employment Opportunity Website (www.eeoc.gov) to find out more about equal employment opportunity laws and how they can affect your business.

You should also check out the U.S. Department of Labor Website (www.dol.gov) which houses information for new businesses who are interested in finding out how certain laws pertain to them.

What Will Your Business Focus On?

Will you be performing customized portfolios? Then consider hiring

a research analyst. Will you be offering financial planning? Think about hiring a junior advisor.

Use Your Assets Under Management (AUM)

By reviewing this you will more accurately be able to determine requirements for staff. For example, if your office's revenue is below \$750,000 you probably do not need to hire a junior advisor. But if your revenue is above \$1,500,000, you should consider bringing on board an arsenal of junior advisors and administrative staff to stay in contact with and serve your clients.

Determine Your Capacity

It's useful to set up a table where you manage your workload by figuring out how many hours each client will require of your advisors. For example, if you have 100 clients and 4 advisors, your capacity would be 25 clients per advisor.



CONCLUSION

Build a Strong Foundation for a Bright Future

As you become an independent advisor, you'll soon see that it's a business full of opportunity, freedom and personal fulfillment. But before you begin on your path toward independence, you must face the reality that making a smooth transition may not always be easy. There are many challenges that await you and you must be prepared to overcome them. Let Scottrade Advisor Services assist you in this exciting endeavor.

Using this guide is a great first step toward building your business the right way, as you now have a basic understanding of the following critical topics:

- The steps to take in becoming an independent advisor.
- The considerations you should take before going independent.
- Dealing with legal and registration issues that may affect your business.
- Overseeing risk management.
- Developing a streamlined approach with the right technology to achieve efficiency from top to bottom.
- Creating a marketing strategy that can help you grow.

- Getting connected with organizations that can provide with you networking opportunities.
- Hiring the right people to fill the right roles for your business.

While your new title is called an “independent” advisor, remember that you don't have to go at it alone. By using the many resources and tools within your reach, you can build a successful advisory business that can prove rewarding for many years down the road.

This guide is not meant to be a replacement for regulatory, legal or tax advice. Please consult a specialist with questions specific to your business.

The material is for information purposes only and is subject to change without notice. Scottrade is not responsible for errors or omissions.

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