

Genuine Open Architecture IS Available to Hybrids

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Open Architecture is a popular phrase among wealth management firms today, but a firm’s commitment to open architecture can vary widely. Many broker-dealers prohibit the use of open architecture due to the concern over loss of revenue or the costs associated with building the tools required to properly supervise business conducted away from the firm’s primary platform. This often presents a conflict of interest which can be confusing to clients as it must be disclosed to them.

In a true open architecture environment, the firm and its advisors work collaboratively to lead the charge to empower the use of the best solutions. This collaborative process can yield a wide array of investment services without creating financial entanglements that present conflicts of interest.

RIAs have the flexibility to choose from an expansive menu of strategic partners to leverage their resources. Hybrids should have that same freedom and flexibility. These resources are integrated with advanced technology, enabling the advisors to achieve scalability, profitability and efficiency. Advisors should have access to a team

of in-house experts and a support network to keep the operation running smoothly without a broker-dealer dictating managerial, “one solution fits all” requirements.

“Open architecture is about flexibility and not limiting the ability of advisors to deliver customized advice that is tailored to their clients,” said Sheila Cuffari-Agasi, Vice President of Partner Development at United Planners Financial Services.

Flexibility should permeate the organization, from investment management to custodial services to financial planning tools and more. The advisor should not be required or even incentivized to sell his firm’s proprietary or recommended investment products/services or use proprietary expensive platforms and technology.

“Hybrid advisors want freedom of choice, that’s what we mean when we say ‘open architecture,’” said Billy Oliverio, Vice President of Investment Advisory Services at United Planners. “We give advisors a platform that will help them build a sustainable, profitable and scalable business. We provide advice, insight and guidance to help



“Most firms push advisors to clear with a specific RIA custodian and maybe there’s a markup involved,” said Dave Shindel, President at United Planners. “We encourage our advisors to use what works best for their business model and their clients. If an advisor is using TD Ameritrade and his clients absolutely love their TD Ameritrade relationship, then stay with it.”

them grow, and as they grow, we grow along with them.”

The formula is working at United Planners, which has about 400 advisors today who manage approximately \$9 billion in total client assets. AUM at United Planners has roughly doubled to \$4 billion since 2010 as entrepreneurial advisors utilized the flexibility and the freedom to build thriving businesses.

“Open architecture at United Planners is not just a marketing ploy,” said Oliverio.

“One-third of our advisors choose to work as independent RIAs and two-thirds are under our corporate RIA. Our broker/dealer custodian (clearing firm) only has 25% of our AUM; it’s not even the custodian with the largest share of our AUM. That fact alone shows how our open architecture business model works.”

Select from the Best

With freedom of choice comes the opportunity to select from the best service providers in the industry. For example, advisors who partner with United Planners can custody assets with Fidelity, Pershing, Schwab, Trust Company of America and TD Ameritrade. These offerings exist whether an affiliate of the firm is under the Corporate RIA, or has their own Independent RIA.

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The same goes for selecting financial planning service providers, portfolio reporting systems and portfolio analytics. United Planners’ advisors can access financial planning solutions from Finance Logix, eMoney and MoneyGuidePro. They can access portfolio reporting solutions from Albridge and Orion, which also provide data aggregation services. They can tap into portfolio analytics and research from Morningstar, AdvisoryWorld, AI Insight and Broadridge. Their choices are equally extensive for client management and business infrastructure tools.

For an experienced RIA with a well-established book of business, working in an open architecture environment can unlock new levels of entrepreneurial success. “They have an entrepreneurial mindset, but have experienced limitations with their firm,” said Oliverio. “This type of experienced RIA needs more of a partnership where they make the choices and gets the support they needs from their firm.”

Consider investment management. The United Planners advisor has access to more than 20 top money management platforms that provide access to hundreds of strategies. “We do not have a proprietary platform that adds cost to these solutions. We do not mark up these relationships,” said Oliverio.

Due diligence is conducted on all money management platforms, giving advisors that extra layer of confidence that they are dealing with prudent business partners. “Advisors should not



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have to do the heavy lifting of due diligence; we can bring that expertise to the table. This type of support alleviates the burden from the advisors so they can focus on running their business and servicing their clients,” said Oliverio.

It’s similar for choosing an RIA custodian. In those areas, expertise from United Planners helps the advisor weigh the options and make the selection that is in his clients’ best fiduciary interest.

“When it comes to RIA custodians, it’s not just about price. There are so many factors to consider, from reporting options to data feeds to best execution to technology capabilities,” said Shindel. “United Planners takes a consultative approach with our advisors, and we help them make those important decisions.”

Scalability and Transferability

Having access to great service providers is important, but it’s equally critical that the advisor can use those services to their best advantage. That’s where the connectUP and linkUP technology solutions from United Planners come into play. These unify practice management and business infrastructure solutions in a secure, web-based platform that is fully supported by UP’s technology team.

The result: a more efficient and scalable business. “Typically, we see an advisor taking on too much on their own – they take on marketing, client management, administrative and operations tasks, technology management, investment research, asset management, and so on,” said Oliverio. “Only a

couple of those activities are generating revenue for the advisor’s practice ...and at the end of the day, that’s what they need to primarily focus on and outsource the rest.”

connectUP and linkUP help to streamline technology experiences through a single sign-on portal. Deep integration of data management and seamless transfer of client data from one platform to another ease asset management, reporting and client management. Functionality for mobile technology is available, giving on-the-go advisors (and their clients) even greater capabilities.

“The goal is to provide value and to help advisors make their business scalable and dynamic so that they can allocate their time more effectively,” Oliverio said.

Research has shown that effective outsourcing to achieve scalability typically results in higher business valuations and increased transferability. “Advisors who want to sell or transfer their businesses need to make sure the business is not overly dependent on them,” Billy Oliverio said. “If they are doing all of the money management, for example, instead of a third party, then it makes it harder to transfer that business and brand to another advisor.”

Making the Leap

Many veteran advisors understand the benefits of having a scalable business and they want the freedom that the open architecture model can provide. But they are worried about the time and effort required to make the transition, especially if it also entails making a leap to another firm.



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"Those fears are understandable," said Shindel. "Learning new systems and transferring clients to a new firm can disrupt the normal course of business."

The transfer can be costly to implement even if the status quo means remaining locked into products and providers who have stunted the growth of the advisor's business. "Our role is to solve those problems and provide a smooth path for transitioning advisors," said Shindel.

To ease that transition, United Planners takes a consultative approach that begins far before a new advisor is formally affiliated. "We like to understand our advisors' trading patterns, reporting and data conversion needs, client base, technology needs, and so on," said Cuffari-Agasi. "We're looking to make the advisor and client experience better, and start by recommending research begins on the platforms that make the most sense for the way the advisor wants to do business. Otherwise, open architecture can be intimidating."

"Because United Planners can draw on the experience of working with nearly 400 advisors, it's likely that someone else has faced similar challenges, and our team has worked with them," Cuffari-Agasi continued. "It's a best practice approach that gives advisors the best of both worlds: the independence they value and the support they need."

Break into New Markets

Having a scalable, flexible business model also generates another major

benefit: a strong base from which an advisor can pursue new business opportunities. Many advisors at United Planners are using the company's expertise to help them dive into two of the most promising areas of investment management: managed accounts and retirement plan services.

Managed Accounts. There has been a strong trend in the industry for advisors to shift towards the use of managed accounts. By tapping into the expertise of third-party money managers, advisors can offer broader investment options than they can provide on their own. Many advisors now see themselves as managing money managers rather than as direct managers of their clients' assets.

United Planners supports the use of managed accounts so advisors can easily move to the use of turnkey asset management programs (TAMPs), solicitor arrangements, separately managed accounts (SMAs) and/or unified managed accounts (UMAs).

"Our advisors have the freedom to utilize any combination of these money managers or platforms," said Oliverio. "And, again, this is without any additional cost; whatever contract price we've negotiated at the enterprise level is exactly what they pay. Broker-Dealer mark ups only add cost and confusion for clients, and that's contrary to our philosophical approach."

Retirement Plan Services (ERISA and Non-ERISA). The management of retirement plans represents an immense opportunity for advisors. Arguably, it's the most underserved part of the market. Yet, it's challenging to



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grow this type of business and it can get complicated quickly.

United Planners has vetted many retirement plan service providers and has developed strategic partnerships with a select few. They include third-party administrators, record-keepers, investment managers and developers of plan management tools.

Once again, the open architecture philosophy guides the business. “We encourage advisors to utilize the best of brand to service retirement plan clients at the highest level,” said Oliverio, who also oversees the retirement plan service business.

United Planners has a dedicated Retirement Plan Services Consultant on staff to assist advisors to grow and manage this line of business. “Additionally, we have created a Retirement Professionals Network to bring like-minded advisors together to leverage their collective knowledge and foster an environment for them to develop strategic relationships with each other,” Oliverio added.

Conclusion

Experienced advisors know how to run their businesses and deliver high value for their clients. Unfortunately, many of them work at firms that dictate which products and services they can provide, as well as how they provide them.

These advisors are seeking greater freedom of choice on how to build their brand and manage their practices. They understand that with greater freedom they can create a scalable, highly profitable and transferable operation that best services the needs of their clients.

By offering a selection of best-in-breed service providers, custodians, money managers, investment platforms, financial planning packages, client management tools, and more, and managing it with sophisticated technology integration, United Planners provides intrinsic value that puts advisors on the path to greater success. There are a select few other firms that offer open architecture at this level. Hybrids successfully achieve genuine Open Architecture with United Planners.

Affiliating with United Planners

Advisors have a choice when they become a United Planners’ partner. They can be independent RIAs or they can operate under the firm’s corporate RIA. Today, one-third of the firm’s advisors are independent RIAs and two-thirds use the firm’s corporate RIA.

“The payout we offer is higher for independents because they are taking on

added responsibility to fulfill that last leg of compliance and administration” said Dave Shindel, President at United Planners.

But even for an independent advisor, United Planners delivers extensive training programs and support. “We talk with advisors about what they are doing now, and what they need,” Shindel said. “We



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have the flexibility for them to make adjustments as their needs change.”

However an advisor affiliates with United Planners, choices abound in selecting a custodian and money manager. For example, at United Planners, 80% of AUM is handled by advisors as the portfolio

manager, but third-party money management is a fast-growing 20% (with no mark-up from United Planners). Over the past three years, the AUM in the third-party money manager category has increased by double digits each year. And 75% of AUM is held with custodians outside of United Planners’ broker/dealer custodian.

How Open Architecture Leads to Excellence

Consultants who look at the wealth management industry say that highly successful firms have three things in common:

1. They outsource investment management so that advisors can spend more time with clients and building the business;
2. They focus on client management by communicating regularly and effectively with clients to deepen their relationships, increase their “share of wallet” of the client’s portfolio and build strong referral networks; and
3. They embrace technology to become more efficient.

“Open architecture is correlated with each of those three attributes,” said Billy Oliverio, Vice President of Investment Advisory at United Planners.

“Many advisors spend the largest chunk of their time on money management. But maybe their time can be better spent in other revenue-generating areas such as client acquisition and business development,” he said. “If we have identified a strategic

partner that can streamline their money management process, this can position them to grow, be efficient and create stability and sustainability. Additionally, this will increase the value and transferability of the business.”

Transforming the firm also comes from being able to provide clients with the information they need, in the form they need it. An open architecture solution that incorporates innovative technology is essential to that equation.

United Planners has developed linkUP, which is a deep integration approach to enhancing the interaction between various technologies that advisors utilize. LinkUP is essentially a “middleware” service to customize integrations and streamline key processes.

“We believe that a wealth management firm has to excel in meaningful technology integrations to enable its advisors to succeed,” said Oliverio. “Through linkUP, we facilitate the heavy lifting of the technology projects for our advisors, so they can focus on what really matters to them. LinkUP will not hold an advisor’s data hostage either, that is not our style, nor our culture.”

More important is what true independence does for my clients. They know they are doing business with me, and that I'm responsible for them

**Josh Heims, AIF®
Managing Partner &
Chief Investment
Officer
Lincoln Sparrow
Advisors
Williamsville, NY
800 clients
\$140 million AUM
Joined United
Planners: 2011**



Case Study 1: Josh Heims, Lincoln Sparrow

Like so many advisors, Josh Heims started his career in a corporate training program for a big brokerage firm. After three years of cold-calling, he got the itch to go independent so he signed up with an “independent” broker-dealer and brought along two partners.

But they soon learned that true independence is hard to find. “It was good for a while, but then the broker started to add their own products, such as an in-house RIA and their own third-party money managers,” he said. “They started to cut back on the options for my clients...and the writing was on the wall.”

In 2011, Heims sold out to his partners and went searching again. He found United Planners.

“It’s about having the choices, the ability and the opportunity to invest in whatever products are best for my clients,” said Heims, managing partner and CIO of Lincoln Sparrow Advisors in Williamsville, NY. “True independence can’t be found at a broker-dealer with proprietary products. It brings up discussions I just don’t want to have with my clients.”

When they first joined United Planners, Lincoln Sparrow worked under the firm’s RIA as Heims and his partner Michael Cudlipp, AIF®, gradually continued to build. But because United Planners operates an open architecture model, they more recently started their own RIA. The hybrid firm has a total of \$100 million AUM, of which \$40 million is through the Lincoln Sparrow RIA.

“There are so many benefits to having a completely independent and segregated business,” said Heims. “One is that if Michael or I want to exit, we’re untethered, and it’s going to be much easier.”

“More important is what true independence does for my clients. They know they are doing business with me, and that I’m responsible for them,” Heims continued. “I make the best choices for them. When I was working under another broker-dealer, it could change the policy or the services we offered – and that was it. I had no control.”

Control is critical for giving each new client the right mix of services. “If you come to me as a prospect, I have no idea what you’re going to need until I do a full review,” said Heims. “If you need traditional money management, we do it under our RIA, and we discuss commissions and fees. But if you have a need for something special, something outside of the RIA, like an annuity or a limited partnership, then I have access to those products as well.”

Scalability is also crucial for the ambitious firm. “We’re now at the point where we can really grow – and I have some serious growth plans,” said Heims. “I know that United Planners has us in a place where we can get as big as we need to, and as quick as we need to, as those clients come in.”

The bottom line: “I feel like we don’t work for United Planners; United Planners works for us,” said Heims. “That’s what I tell my clients when I explain what it means to be truly independent.”

**James Loftin, CFP®,
CIMC, RFC®
Chief Executive
Officer
GER Loftin Wealth
Advisors, LLC
Atlanta
1,000 accounts
\$95 million AUM
Joined United
Planners: 2010**

Contact Partner Development for a consultation on how open architecture can be of value to you and your clients.

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Casestudy 2: James Loftin, GER Loftin Wealth Advisors, LLC

Even by the nomadic standards of the advisor profession, James Loftin's career in wealth management has had an extraordinary number of ups and downs.

Beginning in the late 1990s with a small firm and moving on to a national wirehouse and then to a large regional broker-dealer, Loftin faced more than his share of pressure to hit the numbers. And though he did it again and again, he found himself on the wrong side of policy reversals at more than one company.

Then, in 2008, he met George Rall, Jr., RFC®, founder of an advisory firm in Atlanta. Loftin and Rall clicked, and together they set about weathering the financial crisis with about \$55 million in AUM, as they worked under the RIA of a national broker-dealer.

In the aftermath of the crisis, the broker-dealer tightened the noose, claiming both regulatory and financial pressures. "We didn't need anybody telling us what to do," said Loftin. "Sure, we wanted guidelines, but we had to get out of the corporate structure environment."

So Loftin and Rall decided to set up shop as independents: GER Loftin Wealth Advisors, LLC. "We interviewed brokers around the country, and United Planners was a first-class operation," said Loftin. "They made it clear that our clients would be our clients...that it would be our business to grow and nurture."

Even on a first meeting with United Planners, Loftin met most of the principals and came away impressed. "It seemed like the whole board was there, all ready to help us and to answer our questions," he said. "We weren't a big firm, but they gave us their full attention."

They joined United Planners in 2010, and the company's attention has not wavered. "They work hard to give us the tools to stay on the cutting edge," Loftin said, crediting the relationship with enabling GER Loftin to surge to about \$95 million AUM today.

United Planners also helped the firm devise a strategy to ramp up its growth: purchase firms from older advisors who were ready to retire, and incorporate those businesses into their scalable operation. GER Loftin has purchased two small firms, and it's on the lookout for more.

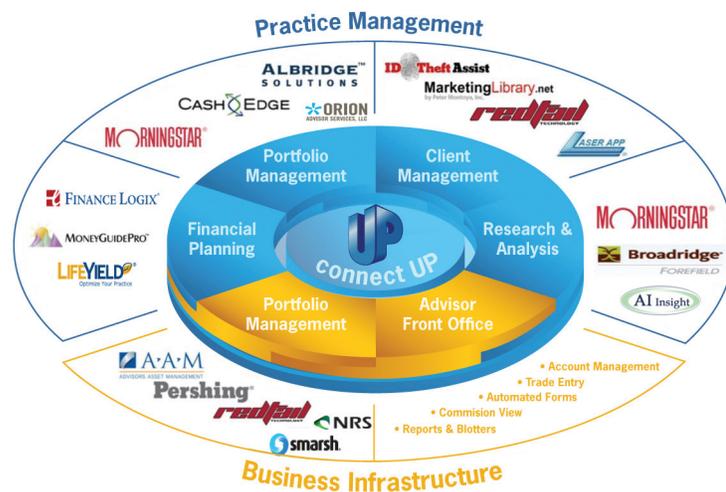
"There's a huge demographic shift coming, with those advisors ready to retire, and their wealth being transferred," said Loftin. "United Planners is smart: it knows that if we buy the firms, then we keep the business here."

What really makes it click for Loftin are the people of United Planners. "It's an open and easy relationship; management treats you like an equal partner. It's them asking what can we do for you: 'We'll build it, we'll buy it, we'll get it for you, because when you succeed, we succeed.'"

Custodial Strategic Partners Include:

TD Ameritrade,
 Charles Schwab,
 Pershing Advisor Solutions,
 Pershing LLC,
 Fidelity Institutional,
 Trust Company of America

Technology Strategic Partners Include:



Contact Partner Development for a consultation on how open architecture can be of value to you and your clients.

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