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Are You REALLY Independent?

Why does the financial services industry refer to our business model as *independent* when that is not an accurate characterization? Is it simply because the Representative of the Independent Broker Dealer is a 1099 contractor? Or, is it because it creates a set of circumstances that are functionally advantageous to the Independent Broker Dealer?

Any "independent" Representative who thinks he/she is truly independent must reflect on the facts...and let me be extremely clear, the facts are indisputable. Unless you are your own registered FINRA Broker Dealer or an Investment Advisor registered under the 1940 act, the reality of your business is that you, your firm, and your clients, are impacted by the structure, vision, decisions, compliance, technology, wealth management systems, clearing structure, selling agreements, due diligence process, staffing, financial priorities, and business goals of the Independent Broker Dealer to which you are registered.

If you were “independent,” as defined by Webster’s dictionary, then your Independent Broker Dealer would not have the authority to make decisions and implement changes that ultimately impact YOUR business.

In·de·pen·dent

[in-di-pen-duh nt]

1. not influenced or controlled by others in matters of opinion, conduct, etc.;

In·ter·de·pen·dent

[in-ter-di-pen-duh nt]

1. mutually dependent; depending on each other.



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Therefore, the real structure of the business relationship between an "Independent Representative" and an "Independent Broker Dealer" is actually an interdependent one.

It is interdependent because both parties are reliant on each other to perform their critical roles and duties. The Independent Broker Dealer business cannot function without the compliance of the Representative and use of its tools, and adherence to its policies and procedures. Similarly, the Representative cannot function without the tools, systems, technology, and processing of the Independent Broker Dealer.

If you now understand this perspective of independence versus interdependence then I ask you...

What type of relationship do you share with your Independent Broker Dealer today?

More importantly, is it the type of relationship that provides you with a voice and a seat at the table? Do they partner with you to understand the needs of your business? Are they willing to customize a relationship that supports your business purpose and enterprise dream? Do you have a partner or a processor?

I believe that the Independent Broker Dealer industry has promoted the idea of "independence" because it makes their business model simpler, easier. It allows the Independent Broker Dealer to be at arm's length, less accountable, and focused on their matters of importance, not yours. It is a business model that intentionally limits the responsibilities of a large-scale Independent Broker Dealer to simply providing a Representative with some of the basic tools necessary to run his/her business, such as technology, processing systems, tracking systems, and compliance.

Do you have a partner
or a processor?

This particular take on independence also means that the Independent Broker Dealer does not have a responsibility to build a partnered relationship with their Independent Representatives. After all, it is *your* business, *your* decisions, and *your* dream. The Independent Broker Dealer simply needs to provide enough of a utility to be comparable to the rest of the Independent Broker Dealers within our industry.



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They count on the fact that change is difficult and therefore the "typical Independent Representative" will not leave his/her Independent Broker Dealer. Rather, the "typical Independent Representative" will continue to endure the distant, solitary structure of the relationship they have entered into and simply accepted as the norm.

The meaning of real partnerships and relationships — the type of engagements that promote true growth, achievement, and lasting purpose for your business — have been clouded and sacrificed by the large Independent Broker Dealer's promise of "efficiency and scale." Even worse is the fact that your success and the impassioned service you provide your clients, creates success for which the Independent Broker Dealers take credit. The growth of the Independent Broker Dealer is not the Independent Broker Dealer's...it is yours!

From my perspective, it should be the Independent Broker Dealer's obligation and calling to partner and serve their Representatives in a manner which creates a true bond and promotes community, best practices, transparency, and a shared purpose. Unfortunately, the majority of the Independent Broker Dealer space is focused on the volume of Representatives, transactions, commissions, and fees, which generate revenue for the Independent Broker Dealer. This directly conflicts with the relationship-based economies of scale, which drive interdependence.

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Interestingly enough, the world in which we live today makes it easier than ever before to build the utility provided by an Independent Broker Dealer. The convergence of technology, people, and processes makes the traditional value proposition of the large economies of scale Independent Broker Dealer significantly less important and very easily replicated. Every large or small Independent Broker Dealer can scale the utility of the business to make the operations and compliance function of a Representative's business more efficient. Independent Broker Dealers would not be in business if they could not do this. Said differently, it's much like the fact that a utility company would not stay in business if your lights did not turn on when you flipped the switch.

If the traditional differentiators of the Independent Broker Dealer space are crashing together because of the convergence of technology, people, best practices, and processes...

Then what will motivate an Independent Representative to remain connected to his/her Independent Broker Dealer?



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I argue that there it is only one of two factors that motivate an Independent Representative to make the decision to stay with his/her current Independent Broker Dealer: either...

The Representative accepts the status quo of the “independent” relationship they share with an Independent Broker Dealer.

1.

Or

2.

The Representative shares an authentic partnership with an Independent Broker Dealer that values their independence while embracing their mutual interdependence.

I believe the first point is a current outcome because the Independent Broker Dealer industry has continued a campaign of misinformation – constantly reiterating that a Representative is "independent," owns their own business, and therefore has no need of anything more than the utility that the Independent Broker Dealer provides, even when this does not accurately reflect the true nature of the actual relationship. It honestly makes perfect sense when no compelling alternative is being offered.

On the other hand, I believe the second point is the more likely outcome over the next decade. The value proposition of interdependence builds a relationship between an Independent Representative and an Independent Broker Dealer that promotes, encourages, respects, and requires authentic partnership. It provides a voice and seat at the table to each participant in the relationship and drives more fulfilling outcomes in which the ultimate shared purpose is the achievement of clients' goals and dreams.

If what you have read thus far resonates with you, there must be something small or large that has nagged at you about your current Independent Broker Dealer relationship. Chalk it up to intuition if you like, but that little voice inside your head knows that there should be a better model.



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As you consider this perspective and probably recognize that the idea of an interdependent model is something so obvious that you are surprised you had not considered it before, please understand that is the essence of human nature. It is often difficult to see the obvious things right in front of us because we condition ourselves to our current circumstance in order to drive happiness and harmony...or at least perceived happiness and harmony. We know change can be difficult and therefore we define things as "satisfactory," even when they are not.

Chalk it up to intuition if you like, but that little voice inside your head knows that there should be a better model to serve independent financial advisors.

Interdependence does not mean you become an employee.

Nor does it mean that the most virtuous aspects of independence are surrendered. You are not required to sacrifice ownership, control, nor your individual convictions. Rather, interdependence celebrates, promotes, and encourages the points of independence that are compelling and important and builds upon them.

Interdependence is collaborative.

It encourages active participation in mutual outcomes. It values perspective, transparency, and honesty. It creates community. Interdependence is a condition of implicit trust where the barriers to change crumble and in their place a new foundation of purpose, calling, harmony, growth, and dreams arise.

Simply, it creates a better business model for the relationship shared between an Independent Representative and an "Independent Broker Dealer."

The Independent/Interdependent Broker Dealer model is a disruptor to the entrenched establishment of the current Independent Broker Dealer industry. The Independent/Interdependent Broker Dealer has a significant competitive advantage over the large economies of scale Independent Broker Dealers because it can deliver the utility of the current Independent Broker Dealer model with the purposed relationship that can only exist where interdependence is acknowledged, celebrated, and delivered.

I am proud that Founders Financial Securities, LLC is the first Independent/Interdependent Broker Dealer in our industry. We have been very careful to examine what is great in our industry and to adopt or improve upon it.

At the same time, we are extremely intentional in the manner in which we build our business so that we always are capable of honoring the individual. This can only be done in a firm that cherishes the interdependence it shares with those advisors it is called and blessed to serve.

Upon examination, it is clear that this Independent/Interdependent Broker Dealer model will continue to attract those who become aware of the obvious, challenge the status quo, define their purpose as called servants of their clients' dreams, and explore their desire to be a part of something that some might say is a bit revolutionary.

Let me answer the question that was asked at the very beginning of this white paper...

*Are you REALLY Independent?
I trust you now understand that you are not.*

I hope this paper compels you to assess the relationship you share with your current independent broker dealer and to consider whether *interdependence* offers a better model.

About Bradley M. Shepherd

Bradley M. Shepherd is the President of Founder Financial, Inc., a private member enterprise serving independent wealth advisors, as well as the President of Founders Financial Securities, LLC, Member FINRA/SIPC and Registered Investment Advisor, is a wholly owned subsidiary of Founders Financial, Inc.

Brad has been with the company since 1997 and, as the company's visionary, he is also focused on the future growth of the company. "Founders Financial is a unique enterprise, built by and for our Member Partners. Unlike the typical Broker Dealer who is driven strictly by financial gains, we are motivated by the professional success of our Member Partners and the trusted relationships we have with each of them. This is what differentiates us, and what will allow us to continue to thrive." Shepherd said.

During the early stages of his career, Brad was the Senior Financial Planner with Brooks Financial Group, Inc., specializing in wealth management planning for individuals and business owners, with a particular focus on families, retirees and small businesses. He is a Chartered Financial Consultant, served on the Board of Directors of the Baltimore Chapter of the Society of Financial Services Professionals, and has served as Vice President for the Financial Planning Association of Maryland. He holds a Bachelor of Arts in Economics from *Dickinson College*. He also holds the Series 4, 6, 7, 24, 53, 63 and 65 licenses from Financial Industry Regulatory Authority.



★ *Securities* ★

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