The RIA Launch Kit

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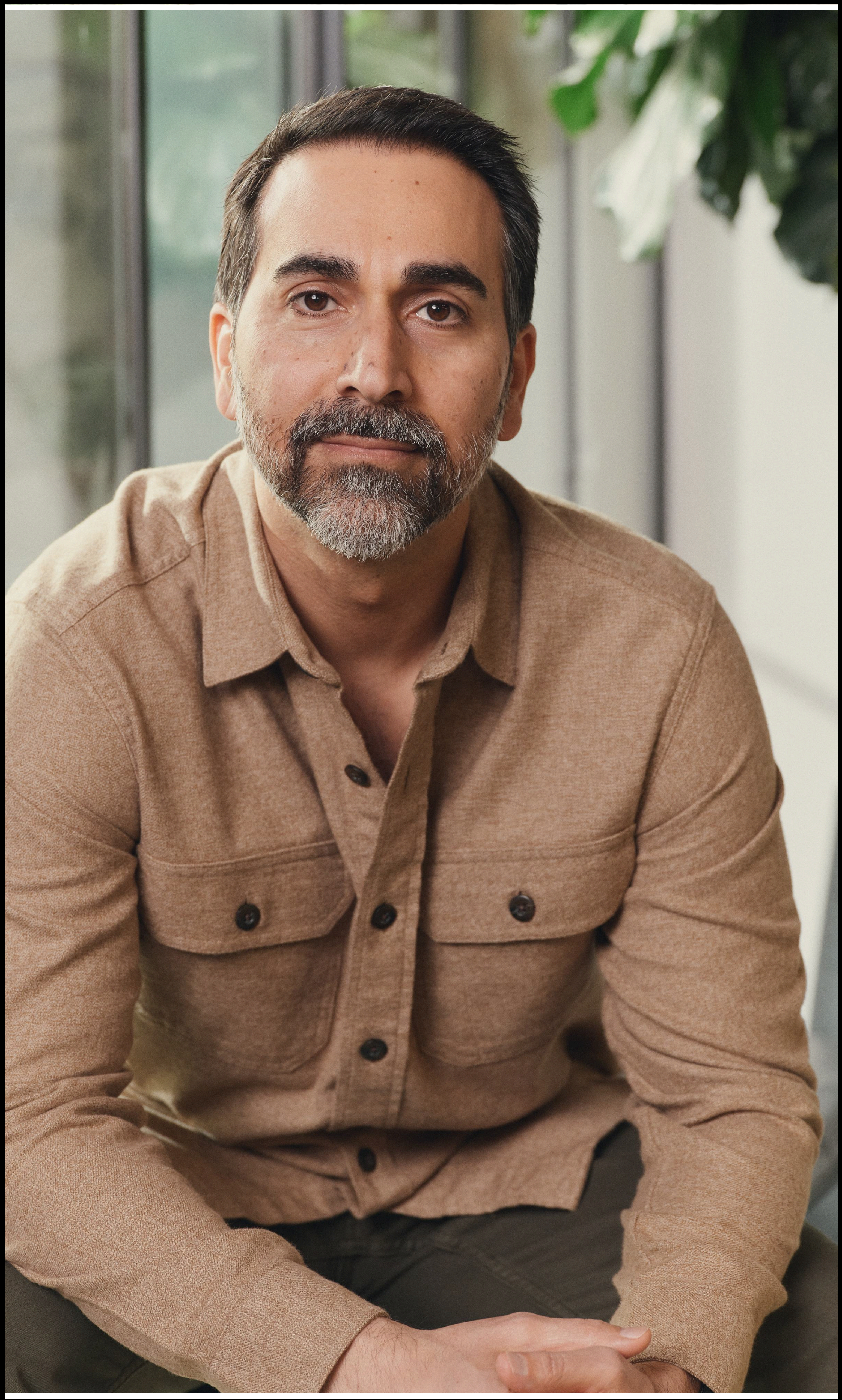
About 1,500 advisors break away every year. What's stopping you from becoming one of them?



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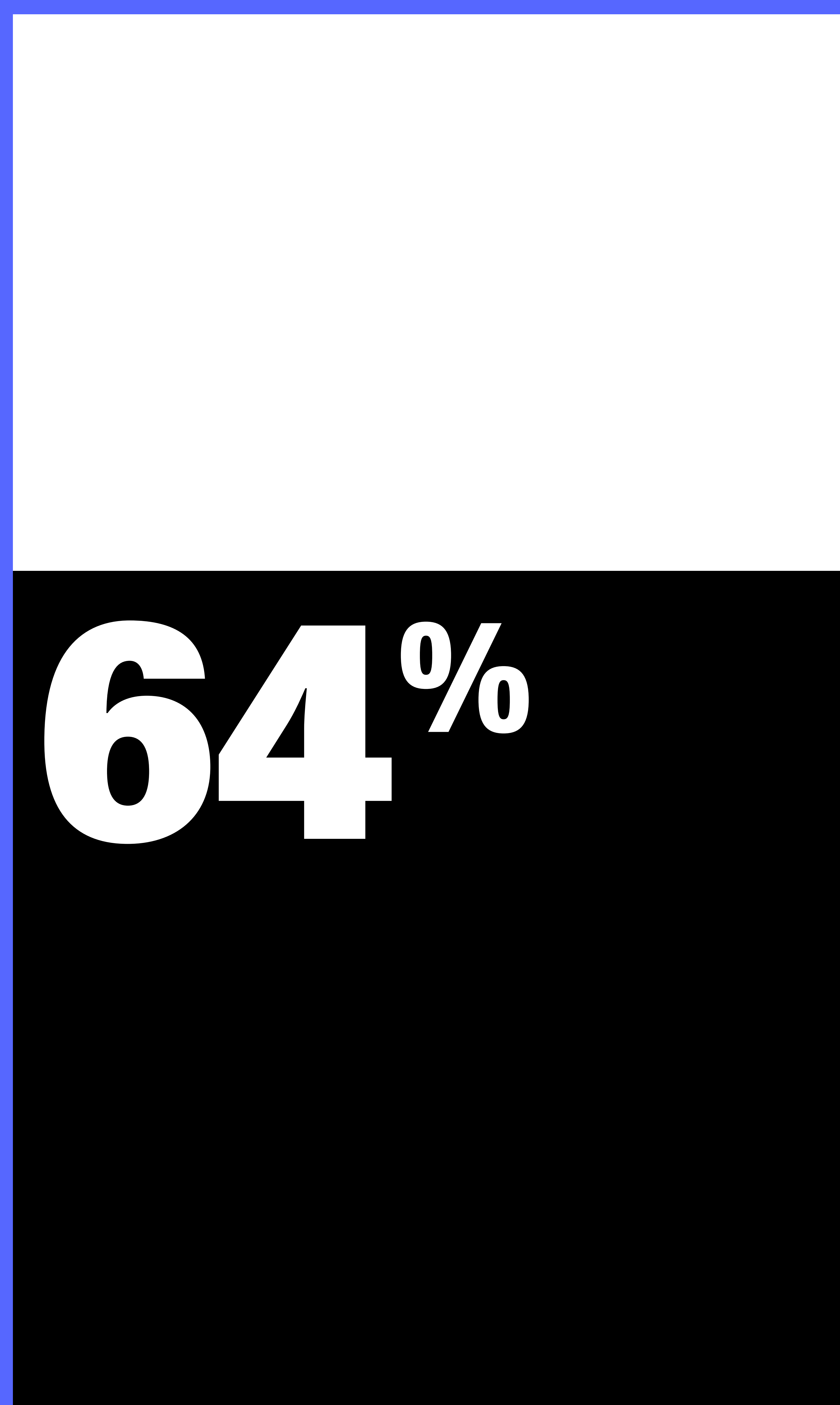
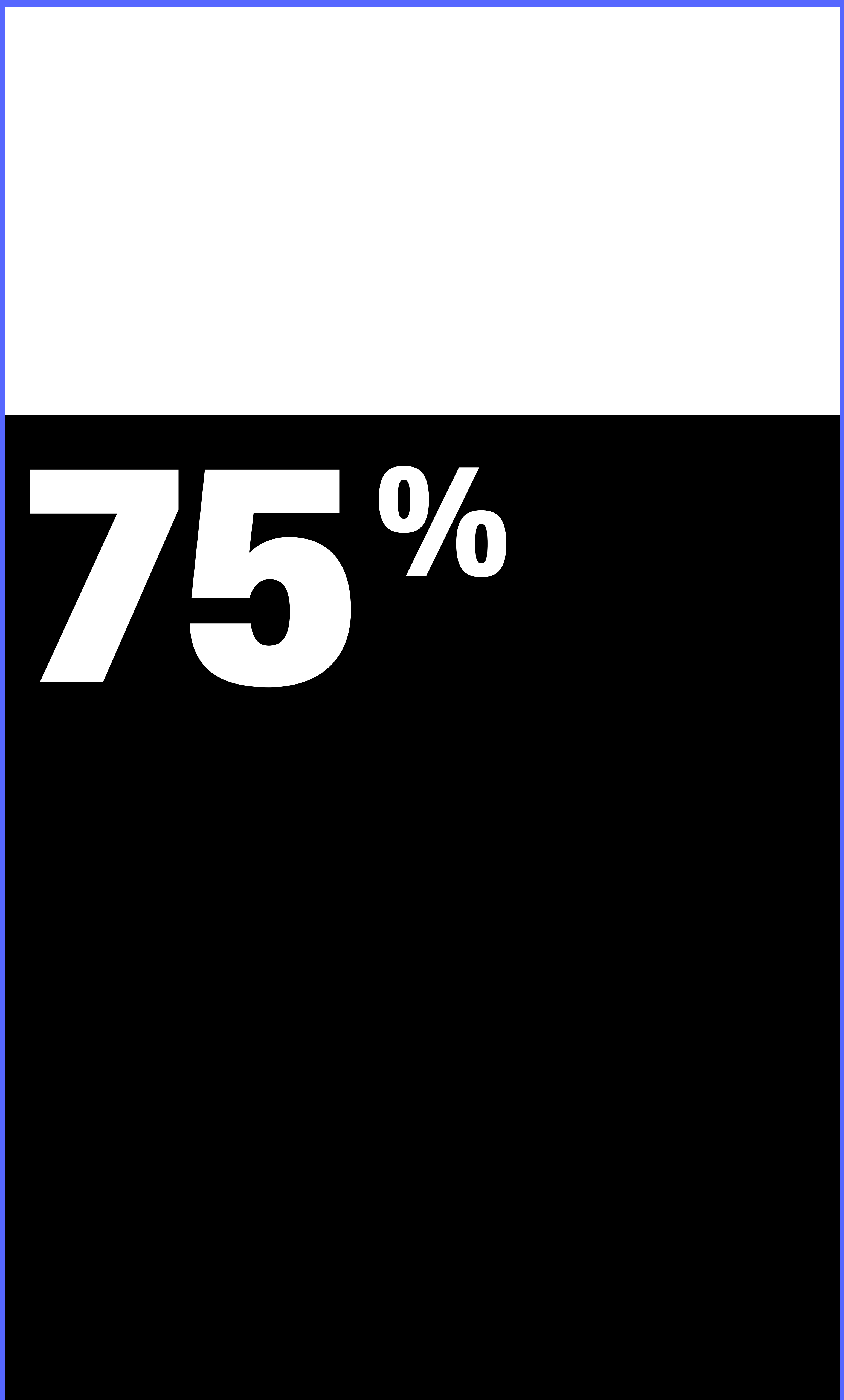
Starting and running your own RIA is easier than you think.



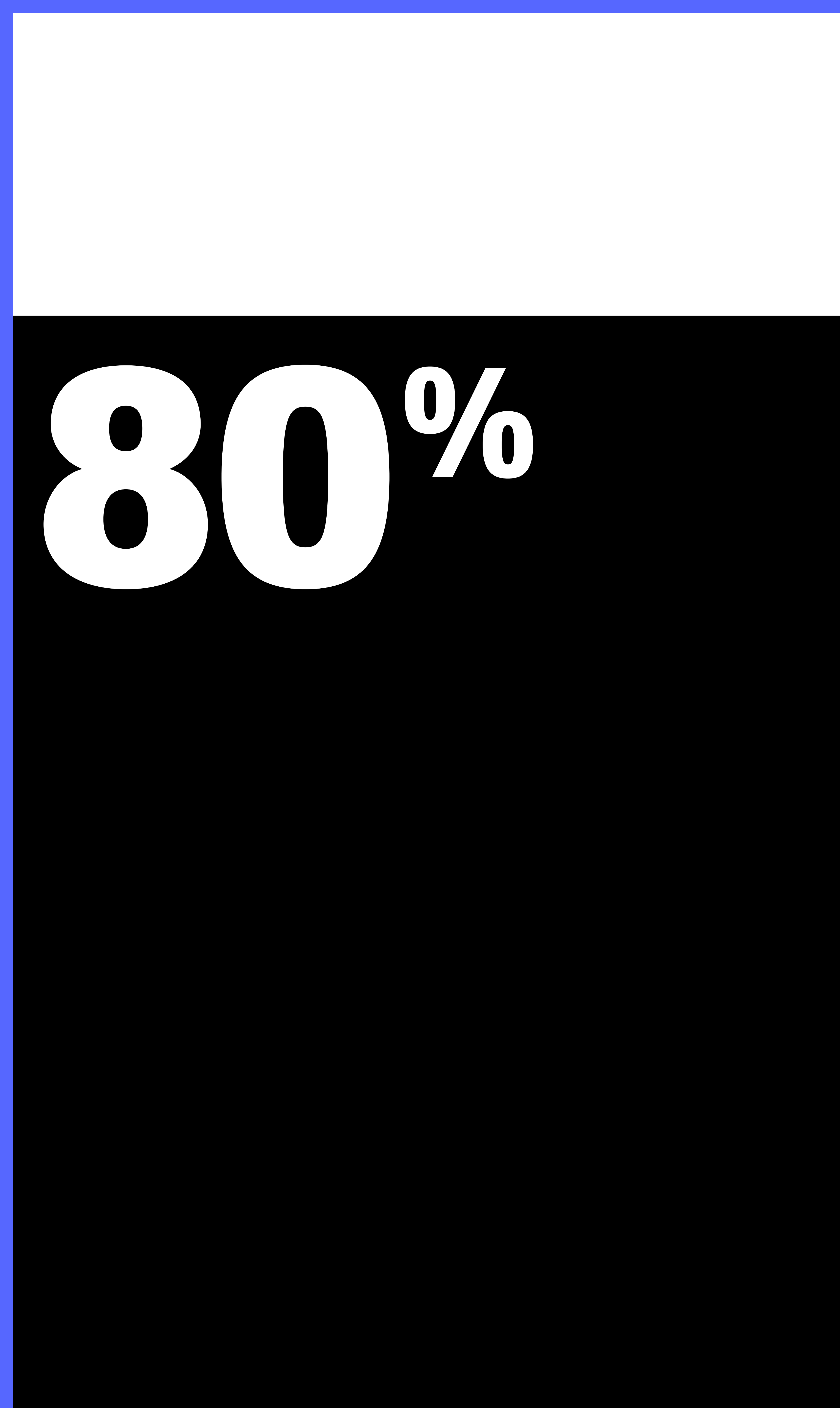
64% of independent advisors said managing their own business was easier than they anticipated.

Transitioning your business can go smoothly.



75% of advisors said the transition was easier than they expected.

Independence is worth the effort of breaking away.



80% of independent advisors said their current quality of life is better.

But advisors still find reasons to not go independent.

In that same survey, we learned that of the folks eyeing the move to independence ("potential breakaways"), their top reasons for delaying were as follows:

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69% think the transition seems "too difficult"

56% think their practice isn't large enough*

60% think managing legal and compliance will be too difficult

*In other words, the economics don't make sense given the perceived costs.

Strategy goes a long way.

We can address those common reasons for delay by breaking down the most strategic aspects of forming your own RIA.

1. Keeping the SEC happy by getting and staying compliant

2. Choosing a custodian

3. Constructing a tech stack to meet the needs of your business and your clients

4. Creating a seamless client transition

5. Preparing for the economics of a new business model

You'll see that the process is entirely manageable (including legal and compliance) and can be cost-effective even for smaller RIAs. And on the other side? More time, money, and control. Note: Yes, you'll also have to check off some time-consuming, tactical tasks (e.g., getting your Series 65, incorporation, business bank account, accounting software, insurance, etc.) — but they don't fall into the "strategic" category. And all of them are covered in the Timeline asset of this Launch Kit and the email course.

Let's get started.

Introduction

This guide is for advisors willing to take a risk to achieve better outcomes for themselves and their clients.

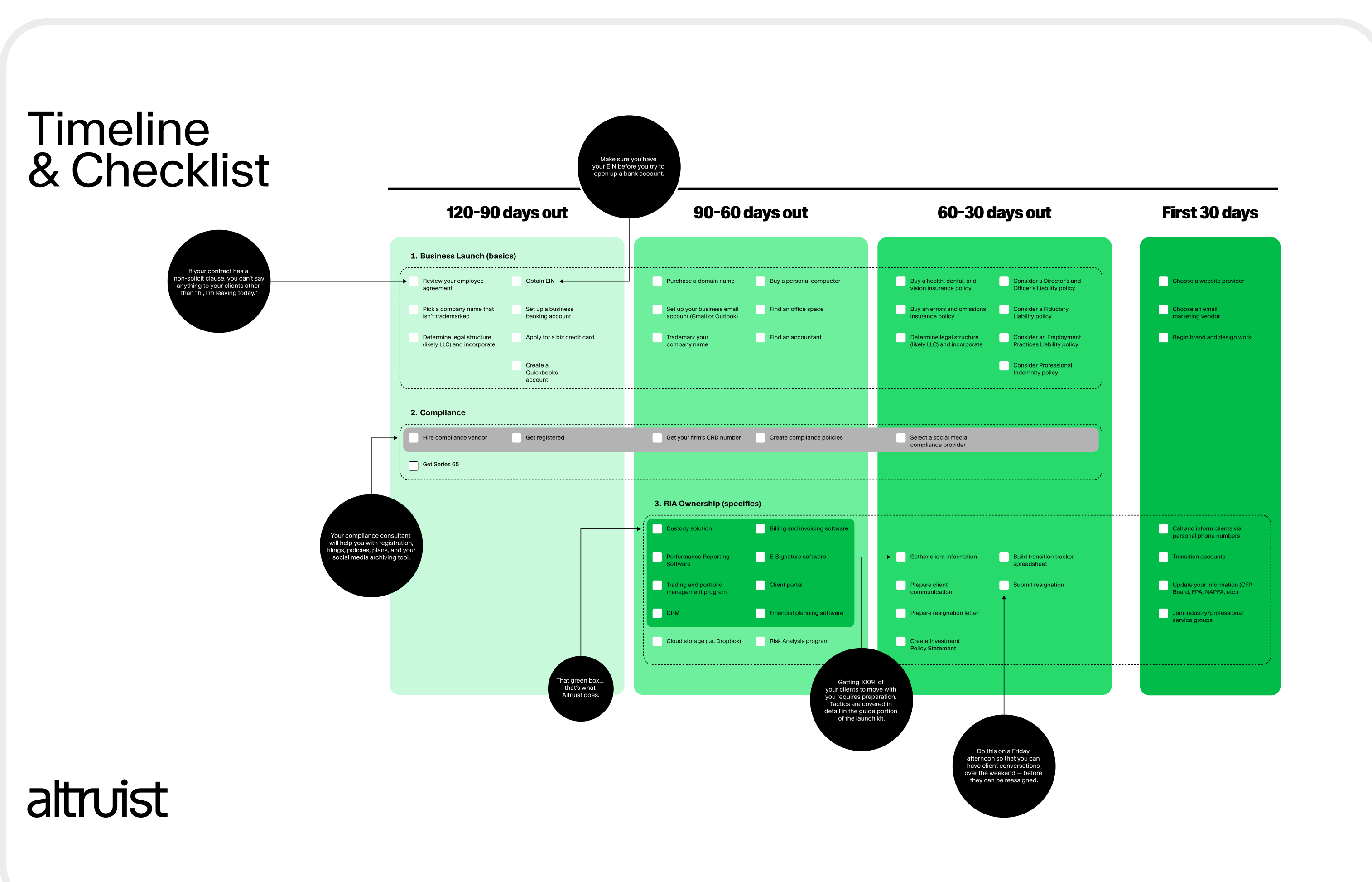
In this portion of the kit, we'll address the "why" of starting your own RIA and the five strategic challenges ahead. It's about a 25-minute read front-to-back and should be consumed with a cup of coffee or perhaps an adult beverage (depending on the time of day).

Why should you give us 25 minutes?

- The guide is detailed, tactical, and actionable.
- We've compiled the key milestones and strategic considerations into one place.
- You'll get the time back when you kick off the journey of launching your own RIA.

Disclaimer: Going independent is not a good fit for everyone.

It involves navigating a series of tasks that are at times unclear, complicated, unnerving, and occasionally all three at once. When it's just you and Google Search, this process can be less than enjoyable. But if you want more strategic control, a higher payout on the revenue generated by your book of business, a more enjoyable lifestyle, or a combination of all three, it might be for you.



In addition to this guide, you also received a timeline + checklist pdf that we recommend printing out, and an email course on launching a business is on its way to your inbox.

We like to keep things skim-able around here, so you'll see quite a few of these "Key Takeaways" boxes.

Key Takeaways

- 1500 advisors go independent every year, and 4 out of 5 are happier for it.
- Going independent is made more doable when the tasks, timeline, and considerations ar laid out in front of you (that's what this Launch Kit is for).
- You can navigate the most strategic aspects of breaking away (compliance, custody, tech, and the client transition) in about 90-120 days.

Just so there are no surprises...

We think breaking away is easiest when you do it with Altruist, and we're going to make that case throughout (we'll try to be tasteful about it).

Alright, let's dive in.

Compliance

Keep the regulators happy

In other words: get compliant. You'll want to hire someone that has a track record of keeping the SEC (or state regulators happy. Unless you're establishing an RIA with more than $350 million in AUM, a full-time CCO probably doesn't make sense. You'll need part-time support.

Key Takeaways

- Hiring a consultant is well worth the expense, given the complexity of registration, filings, policies, and ongoing requirements.
- Hiring the right consultant means coming armed with the right questions — covering the basics, asking about their book of business, and understanding if they'll be a cultural fit for your firm.
- Many of the advisors on the Altruist platform have had success with AdvisorAssist and Comply (on average, you can expect to pay about $4k).

Most advisors will hire a consultant

AdvisorAssist and Comply have some solidly priced services and have helped many of our customers make the move. But what makes this particular expense worth it?

Consider the alternative: forgetting a simple ADV update or not pre-clearing a routine trade could result in a fine, a costly deficiency letter, or an event you'll forever need to disclose to every client. Some consultants will promise the world, charge a fortune, and only give you off-the-shelf templated documents. It's easy to get caught up in their sales pitch if you're unfamiliar with the requirements. At a minimum, you'll need the following:

1. FINRA entitlement
2. Form ADV filing
3. Form U4
4. Investment Management Agreement
5. Privacy Policy
6. Compliance Manual & Code of Ethics
7. Business Continuity Plan
8. Information Security Policy
9. Social Media Archiving

Again, these are the absolute minimum documents you need.

Depending on the type of securities you're trading for your clients and your portfolio management strategies, you could need a dozen other policies and procedures and a robust compliance monitoring program.

Hiring a quality, cost-effective consultant will be vital to ensuring you satisfy your regulatory obligations, so when the SEC or your state securities regulator visits, you'll make it through the exam unscathed. How should you prepare for that? Like hiring an employee, you'll want to have your interview questions dialed in.

Hiring a consultant — what to ask

1. Cover the basics

It's important to ask questions like, "how long have you been working in compliance?" or "what positions have you held?" or "have you previously worked at a regulatory agency?" And while these are all great (and necessary) questions, what you want to uncover is the type of experience this person has and whether or not it lines up with the kind of compliance consulting you need.

2. Asking about their book of business

Make sure this person has the consulting background and experience you are looking for. Depending on your niche or approach, it may also be valuable to find a consultant or service specializing in compliance matters for firms of a similar size and registration type.

A compliance consultant who primarily works with broker-dealers is probably not the best fit for state-registered fee-only firms. In this scenario, it's likely that most of the resources the consultant reinvests in their own business will be geared towards FINRA-registered broker-dealers, leaving a smaller allocation for the remainder of their clients.

For example, perhaps you may have pinpointed a sharp compliance specialist who boasts a great resume but has a greater appetite for risk than you are comfortable with. Ensuring your risk profile aligns with your compliance professional can be part of a culture fit exercise as well.

At the end of the day...

Since compliance touches virtually every aspect of your business, having the right person in this role is critical when you decide to take the leap.

Custody

Choose a custodian

If we asked you, “what’s the most important decision you’ll make when launching your RIA?” and you said, “the company name”... you’d be wrong. Granted, it’s unlikely that you’d say that, but would you have said, “my custodian”? Probably not.

Key Takeaways

- You need a place to put your clients’ money. That’s where a custodian comes in.
- In addition to safekeeping assets and fulfilling basic brokerage functions, some custodial platforms are building additional services and advanced brokerage capabilities into their offering.
- In your evaluation, you should consider the following dimensions: access, cost, time savings, partnership, and client experience. We’ll lay it all out and show you how Altruist stacks up.

You should seek out a custodian that is aligned with your ambitions

RIAs provide the advice, and a custodian holds the client's cash and securities. In addition to safekeeping the assets, the custodian carries out the actions required to open, fund, and trade client accounts. The biggest names in custody are Schwab, Pershing, Fidelity, and Altruist.

The right custodian can also save you time and money, support the growth of your practice, and help you deliver better client outcomes.

This is what makes doing your due diligence so important. Some custodians have built significantly atop the foundation of asset safekeeping, compliance, and support. Let's break down the hierarchy of custodial functions...

Performance	**Automation** What has intentionally been moved from paper-based workflows to digital ones? Are you going to get time back on formerly manual processes?	**Costs** How transparent is the pricing? Are the fees as competitive as they could be?	**Support** How smooth will the initial transition be? What about the ongoing support? When you need help, do you get it?
Capabilities	**Client Onboarding** How long does it take to fully onboard new clients? What does the experience look like, step-by-step, for the client?	**Portfolio Management** What brokerage functions are available in addition to opening, funding, and trading accounts?	**Operations** What technology is baked-in to help you run streamline your operations business?
Custody	**Safekeeping** What policies and controls are in place to ensure that the assets and accounts are secure and available?	**Compliance** Is information readily available in the instance of a client-related inquiry?	**Execution** Are you getting best execution on your trades? What are the assurances around speed, price improvement, and routing optimization?

What should you be looking for?

A custodian's job is to safeguard client assets, process account-based actions (e.g., opening an account, transferring funds, purchasing or selling securities, adding or updating beneficiaries, etc.), and stay compliant. This responsibility is entrusted only to institutions with a proven ability to maintain a complex technical architecture and withstand rigorous, ongoing scrutiny from a longstanding network of taxpayer-funded regulatory agencies.

In the U.S., all custodians are regulated by the SEC, FINRA, DTCC, and 53 states and territories. This level of oversight explains why new custodians aren't popping up every couple of months.

Protecting client assets

All advisors should be aware of the SEC's Customer Protection Rule—Rule 15c3-3. This 50-page rule protects clients by mandating that all custodians keep client assets completely segregated from company funds, guarding those assets against potential misuse. It is a very good and important rule.

Also worth calling out is that all custodians clear assets through the Depository Trust and Clearing Corporation (DTCC). When you put money into a client account or buy securities on their behalf, those assets sit in a "digital box" at the DTCC in New Jersey. That's the case whether you're at Schwab, Fidelity, or Altruist. All that changes when you switch custodians is the box number and the firm responsible for the accounting of that box.

Insurance

All custodians carry insurance, including membership in the Securities Investor Protection Corporation (SIPC), errors and omissions (E&O) insurance, and fidelity bonds. Schwab, Fidelity, and Altruist also carry excess SIPC insurance policies.

SIPC and excess SIPC provide protection when businesses misuse funds or engage in fraudulent practices. For example, you may have a broker-dealer who's got a hedge fund business, an advisory business, and an underwriting business—they may even be running public funds. If one of those business units, due to some sort of macro-condition, starts running into trouble, they might start dipping into other business units or drawing on funds that they shouldn't have, doing things that they're not supposed to. If something precipitates an event whereby they're unable to meet their obligations, that's where SIPC comes in.

If you’re only an RIA custodian, and you’re following Rule 15c3-3, this point is largely moot. Altruist carries $150 million in excess SIPC insurance; Schwab carries $600 million in an excess SIPC policy. (Custodians carry excess SIPC policies in de minimis amounts relative to the amount of assets we’re actually custodying because we’re focused on 15c3-3 compliance.)

Asset Protection Guarantees

Like Schwab and Fidelity, if a client ever loses money in an Altruist account due to unauthorized activity, we cover that loss 100%. (Note: some basic security feature usage is required and this does not apply to market losses. To learn more about the guarantee, Altruist provides additional information here).

This strict set of safeguards—in an already meticulously monitored and highly regulated financial system—ensures that custodians are not only capable of protecting client assets but are, in fact, doing so. Altruist takes these regulations very seriously, and reports indicating our compliance are available at adviserinfo.sec.gov.

Client experience: Will my clients have a seamless user experience?

The role of the custodian is firmly in the background. In the areas of safekeeping and compliance, your custodian should have industry-leading insurance policies and some form of asset protection guarantee. Ideally, any time client involvement is required (e.g., account opening, account funding, account transfers, etc.) the task is simple and convenient.

Unfortunately, most custodians don't operate this way. They still require clients to sign paperwork, submit copies of old account statements, and send voided checks if clients want to do perform basic brokerage functions.

So how does Altruist stack up? (Here's why over 4,800 advisors choose Altruist)

While this regulation and functionality connect all custodians serving RIAs, there are also significant ways in which custodians vary. Below I'd like to explain why many advisors choose to custody client assets with Altruist over legacy incumbents.

Modern technology and security

Altruist's platform isn't burdened by the technical debt of on-premise systems. Advisors and clients benefit from the most contemporary cybersecurity features, with automation and digitization built into nearly every workflow. This not only reduces the risk of operational errors and fraudulent activity but frees up time for the more meaningful parts of the advisor-client relationship.

Better client outcomes and experiences

Our (ambitious) goal is to empower advisors to generate 150 bps in improved outcomes for their clients. To that end, we offer things like fractional shares, which help minimize tax drag, built-in tax loss harvesting features to help automate client tax savings, and a High-Yield Cash account with an industry-leading APY. Where legacy custodians are still relying on paper forms and outdated client portals, our client mobile app provides a retail-quality experience within an advisor-mediated offering.

Lower costs

At Altruist, there are no AUM minimums, platform fees, or hidden costs. Advisors get PAS and fee billing for free with all Altruist brokerage accounts, and we offer commission-free trading on ETFs, individual securities, and warrants alongside one of the largest NTF (No Transaction Fee) lists. When it comes to bond trading, our fees are among the lowest in the industry. By keeping costs low and maintaining a simple, transparent, and highly competitive fee schedule, advisors are empowered to build more cost-efficient portfolios. You can learn more about our pricing philosophy here (and if you want a clearer picture of how Altruist makes money, you can review that information here).

Built to serve RIAs

Unlike other custodians, we don't have a competing retail business. That means our entire focus is on helping advisors do their best work, whether that's through building powerful technology, co-creating our product with our customers via our Idea Portal, or offering reliable, highly-trained support. Advisors deserve a custodian that can act as a partner, not just a vendor.

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In 2022, Vanguard refreshed its longstanding Advisor Alpha study[1], showing how advisors can add as much as 3% in net returns annually through strategies like behavioral coaching, tax-efficient investing, and disciplined rebalancing—services that clients simply don't get through DIY platforms.

At Altruist, we have always known that advisors are a significant differentiating factor in building and preserving wealth. For clients, choosing the right financial advisor is critical. For advisors, the same is true of choosing a custodian.

The right custodial partner can be a competitive advantage.

If the custodian helps an advisor trade across accounts, create scalable model portfolios, rebalance effectively, bill, and has baseline performance reporting, then it empowers you to serve effectively while saving time and clutter for all parties involved. This decluttering and efficiency can also take its form through key integrations that a platform might have with other technology that you might already use.

These features offer uniformity in investment strategy, take the repetitive labor out of the work, and free up time for you to spend with your clients and prospects.

Tech

Build your tech stack

Yes, it's true that you signed up to be a financial advisor, not a part-time IT director. It's also true that the process of building a new tech stack is a major turn-off when it comes to forming an RIA. But it doesn't have to be.

Key Takeaways

- RIAs rely on a web of technology to deliver an exceptional experience to their clients.
- Tech can be expensive, and for its efficiency benefits, advisors are spending more time than ever integrating disconnected systems.
- Altruist consolidates the majority of your tech stack at an approximately 90% lower price point.

Take a look at the list of RIA-specific tools you need to run your business.

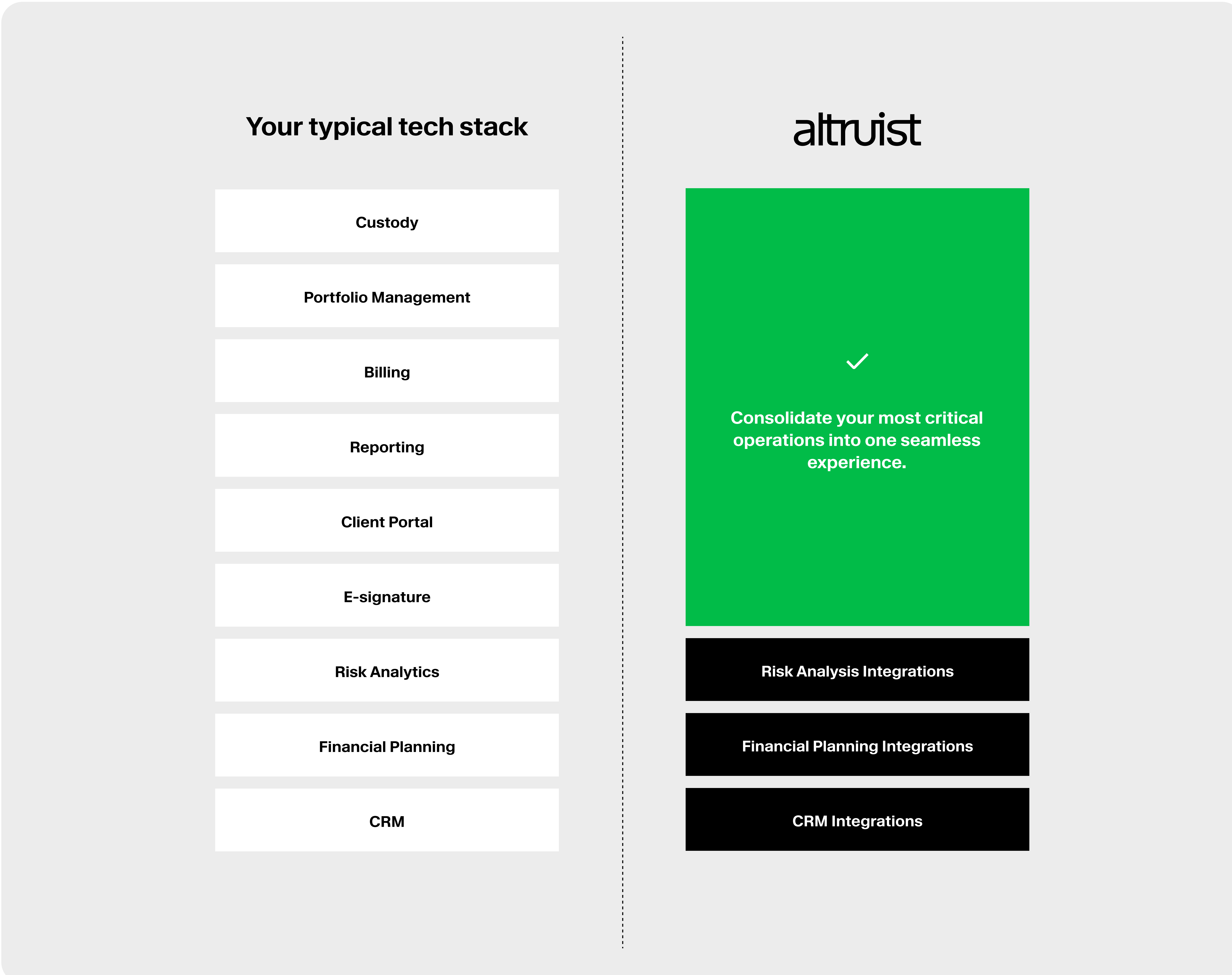
1. CRM
2. Performance reporting
3. Trading
4. Fee billing
5. Risk analysis
6. Financial planning
7. Document retention/archiving
8. Client portal

Until very recently an advisor needed to contract with 8 separate vendors.

Just to get access to everything on that list. With no fully integrated solutions available, that means advisors need to constantly switch between multiple applications just to prepare for one client meeting. To make matters worse...

With Altruist...

Advisors get a best-in-class software tech stack in a fully integrated platform. Commission-free trading, performance reporting, automatic trade rebalancing, portfolio management tools, e-signature, fee billing, and an elegant client portal all while allowing the advisor to keep everything she earns. We do not currently have proprietary offers for financial planning, CRM, or risk analysis, but we do have robust integrations with RightCapital, WealthBox, and Nitrogen, respectively.



The moral of the story

The cost of software is no longer a factor in determining whether to form an RIA. If you'd like to see Altruist in action, you can book a demo by visiting altruist.com/breakaway.

Since Altruist might not be a great fit (hey, it happens), here are a few notes on the technologies mentioned above.

1. **CRM**: While also a highly commoditized service, a quality CRM is crucial to managing an efficient practice. Firms like WealthBox build specifically for financial advisors, so you're more likely to get the most out of your subscription fee compared to Salesforce.

2. **Performance reporting:** Select a vendor that integrates with your custodian to show how an account has performed over a period of time.

3. **Trading program:** Without an integrated solution, you need a way to identify client holdings, reconcile them with your portfolio strategies and rebalance them accordingly.

4. **Fee billing:** Find a software provider that calculates fees you'll assess on your client accounts and allows you to capture those fees without subjecting yourself to the SEC's Custody Rule.

5. **Risk analysis**: Find a provider that shows you risk metrics, exposure, and intelligent ways to create the same expected return while minimizing expenses. We recommend Nitrogen.

6. **Financial planning tool:** If you're proficient, a simple tool like Google Sheets or Excel can serve as your primary planning workhouse. If your skills are lacking, there are several software vendors that can help. A vendor like RightCapital provides cash flow analysis, long-term planning, Social Security optimization, and tax-efficient strategies.

7. **Document retention/archiving:** RIAs are legally required to retain certain books and records. Your compliance consultant will identify these and (hopefully) recommend a provider like Smarsh, Global Relay, or Box to retain different records.

8. **Client portal:** Clients need a way to access their account, transfer funds, authorize ACATs, and view their holdings.

Client Transition

Transition clients to your new firm

If you're wondering, "will my clients move with me?" The short answer is: most likely. If your clients believe you understand what keeps them up at night and that you can help them sleep better, they'll follow you to any new RIA, custodian, or investment model. They've come to trust you — the human being — not the firm you represent.

However, you want their transition to be as seamless as possible, especially if this move is the first experience they'll have with your new firm. The process requires proper planning, preparation, commitment, and management of expectations.

Key Takeaways

- Understand what information you can gather, and more importantly what you cannot, before leaving your current firm. Know if the Broker Protocol applies to your situation.
- Prepare a transition guide that outlines important information to smooth out the conversations with clients and ready yourself for some hard-hitting questions.
- Organization is critical for turning short-term pain into long-term gain — format a master spreadsheet to track your progress.

Step 1: Check the legal boxes

Emotionally speaking, the relationship exists between you and the client. Legally speaking, the client relationship may be with the firm you're leaving. And in this instance (and most), the law wins. That's why we recommend hiring an attorney to review your employment agreement and help you understand what data you can collect and what information you can share with the clients you intend to bring with you. Here are two other recommendations:

1. Don't tell anyone at the firm that you plan on leaving. If word gets out, you may be terminated or forced to resign before you can gather any client information—a major blow.

2. Your resignation letter should be short and polite — it doesn't have to be more than two sentences. It is not the outlet for airing your grievances.

Step 2: Prepare a transition guide for client communications

Here are some valuable techniques for getting people to do slightly involved things:

- Set expectations early and often (our brains crave path, duration, and outcome — what will I have to do, how long will it take, and what happens when it's over)

- Get ahead of questions you know they will have (what would you be asking if you were in your clients' shoes?)

- Get personal! The power of the human touch really can't be overstated — especially when it's you vs. your previous firm.

With those themes in mind, your client transition guide should include the following:

1. Updated personal & firm details

Send clients your new contact information. Tell them to delete the old information so they aren't calling your former firm.

1. Phone

2. Email

3. Firm Name

4. Firm Address

5. Firm Website

2. Your rationale for the change - “Why I’m going independent” (Can be used in letter/email form or during client conversations)

Describe your personal motivations for seeking independence without badmouthing your prior firm. That might include mentions of...

- Entrepreneurship: you want more control over the business you’re running and believe you can deliver a better client experience this way.
- Services: you want to offer a more unique or broader slate of services to your clients, and this isn’t possible under the current arrangement.
- Impact: you believe, with the tools and flexibility available to independent advisors, you’ll be able to help more people.
- Any other genuine reason you feel comfortable sharing.

3. How it will affect your clients (“What this means for you”)

It’s clear why this is in your own best interests... but what’s in it for them? We’ll leave this one up to you, but depending on your goals, you might include...

- Better pricing
- Better client experience & service
- Better after-tax results (with more efficient tax location)
- Less paperwork
- More time with me (your advisor)

4. Get ahead of the tactical questions! ("You may be wondering")

According to Grier Rubeling, founder of Advisor Transition Services, some of the most common questions clients ask are:

1. Why didn't you tell us it would happen ahead of time?
2. Why are advisors from [Prior Firm] calling me? Is what they're saying true?
3. Why do I need to provide all my personal and financial information again?
4. How long will my accounts take to transfer over, and how will I know when it's done?
5. What happens to all my account history? Will my cost basis transfer?
6. Will my periodic transactions be interrupted?
7. Will my fee change? How and when will my accounts be billed?
8. Who can I call if you're not available? What happens when you're on vacation?
9. What happens to my accounts if something happens to you?

5. Lay out the timeline
("This is what you can expect")

This can be a quick, simple process or an involved and time-consuming one depending on the requirements of your new custodian (i.e., the amount of paperwork and wet signatures involved). In a nutshell, it usually looks something like this:

1. Advisor leaves the firm
2. Advisor communicates with clients, providing resources, collecting information, and preparing paperwork
3. Advisor sends a packet of paperwork (at Altruist, this is all done digitally) within a few days of that data gathering conversation
    - Investment advisory contract
    - Financial planning contract (if applicable)
    - ADV (no signature required)
    - Privacy Policy (no signature required)
    - Account Opening documents and supporting documentation
    - Account transfer forms
    - (Instructions on how to complete all these forms)
4. Clients complete forms (either digitally or with wet signatures) and return them to the advisor
5. Once the forms are returned, the advisor initiates the account opening process with the custodian
6. When accounts are open, account transfers can begin
7. Advisor notifies the client when all transfers are complete
8. Advisor handles issue resolution and overall tracking

Depending on the amount of paperwork required (some custodians still require wet signatures to open accounts, which means physical snail mail is involved) and the eagerness of your clients to complete that paperwork, this process can drag on for multiple weeks, if not months. However, it's safe to assume that most households will transition in approximately 10 days from start to finish. In the meantime, your old firm could be calling your clients and coaxing them to stay (which requires no paperwork).

This is what a transition looks like with Altruist

- You submit your clients' information into our advisor portal (a spreadsheet with the Broker Protocol information works great)
- We'll create all the accounts for you AND send out notifications to your clients to complete the account opening process (which amounts to roughly 3 clicks per account and some information collecting (if necessary) — name, address, DOB, SSN, and bank info)
- Once they've opened their accounts with Altruist, you can initiate a fully digital ACAT by selecting their former custodian and inputting their 9-digit account number(s)

And that's about it. You are asking them to bring some bank information, account information, and about 10 minutes of free time to the table — then the transition is done.

Step 3: Initiate and manage the transition process

This boils down to old-fashioned project management. Put all your clients and their respective accounts into a spreadsheet and keep track of who has received and completed the paperwork needed to open and transfer accounts. It might look something like this:

Household	Client Name	Account Name	Paperwork Sent	Paperwork Returned	Accuracy Status	Account Status	Transfer Status	Next Steps
Bennett	Tyler Bennett	Roth IRA	Yes	Yes	Correct	Open	Complete	Send an email when the UGMA is finished
Bennett	Tyler Bennett	Taxable Account	Yes	Yes	Correct	Open	Complete	Send an email when the UGMA is finished
Bennett	Tyler Bennett	Little Bennett's UGMA	Yes	Yes	Correct	Open	Initiated	Send an email when the UGMA is finished
Rossi	Isabella Rossi	Isabella's Traditional IRA	Yes	Yes	Correct	Not Open	n/a	Open Account
Clark	Jared Clark	Traditional IRA	Yes	Yes	Correct	Not Open	n/a	Open Account
Clark	Jared Clark	Roth IRA	Yes	Yes	Missing Information	Not Open	n/a	Send email with instructions to include updated address
Nguyen	Ashley Nguyen	Taxable Account	Yes	No	Missing Information	Not Open	n/a	Resend docusign
O'Connor	Liam O'Connor	Traditional IRA	No	No	n/a	n/a	n/a	Send paperwork on Monday
O'Connor	Liam O'Connor	Roth IRA	No	No	n/a	n/a	n/a	Send paperwork on Monday
O'Connor	Liam O'Connor	Taxable Account	No	No	n/a	n/a	n/a	Send paperwork on Monday
Dubois	Chloe Dubois	Taxable Account	No	No	n/a	n/a	n/a	Send paperwork on Monday
Dubois	Chloe Dubois	Roth IRA	No	No	n/a	n/a	n/a	Send paperwork on Monday

You can even create drop-downs in each of the cells with specific status criteria and conditionally format the options to turn certain colors when they meet that criteria. Thus, making a visual resource that can easily show your progress. At Altruist, a dedicated transition specialist will help you manage this process from end-to-end.

What are the major pitfalls to avoid?

- If you skip out on hiring an attorney, you may put yourself in the position of not fully understanding what data you are/are not allowed to take. While taking more information than is allowed by your contract can be problematic (litigation is expensive), leaving the firm with less client information than you otherwise could've taken is a missed opportunity.

- DO NOT TELL ANYONE that you are leaving — colleagues or clients — as this could lead to an early, forced resignation. Even if you have staff, you may want to wait to tell them until you're in a position to resign if necessary.

- If you don't have a vision for your new firm, your clients may not be compelled to make the move. Get your story straight and be excited to tell it with conviction.

- If you DO have a vision, your measure of success should be whether you transition the right clients, not whether you transition 100% of them. Launching your own RIA is your chance to differentiate yourself — make sure the clients you bring along are a good fit for the reinvention that you are aiming to achieve.

- It's really difficult to create a seamless transition for clients who have a significant amount of non-transferrable, non-advisory, or hard to transfer, assets (proprietary products, alternative assets, commission-based products, banking products, collateralized loans, etc). Do what you can to eliminate the headaches ahead of time or consider leaving them behind.

- Don't make assumptions - ask as many questions as possible of your new custodian. Know exactly what information you need from clients and what the process of getting accounts open and transferred actually looks like. The last thing you want to do is go back to the client multiple times for information.

- Track your progress - failing to track your efforts will get you in trouble FAST. Things can fall through the cracks, but the more follow up you do, the more likely it is that you'll catch mistakes before they become a big deal.

Economics

A big disclaimer before we dive into this section: The figures here are ball-parked — your situation is unique and the costs are going to reflect that. We've cited every price point in the appendix for folks to review our high/low end sources. Where we make assumptions, we will deliberately call them out. This is intended to demonstrate a point directionally, not specifically.

That said, the economics of breaking away are pretty compelling if you intend to be in the business of independent financial advice for the next 10 years. And if you like spreadsheets and models, this portion of the guide is right up your alley.

Broadly speaking, there are 5 categories we can use for startup expenses

1. Technology
2. Legal & Compliance
3. Office Supplies
4. Real Estate
5. Headcount

You can review the individual line items in the appendix. The chart on the next page breaks out the category and cumulative pricing in a waterfall from left to right.

Key Takeaways

- Your startup expenses will vary at the individual line item level, but the major factors that can drive up costs are whether you decide to get office space and/or hire an employee in your first year.
- By consolidating the majority of RIA software expenses, Altruist can drastically reduce your tech stack spend.
- We'll explore 3 scenarios that demonstrate how an RIA's higher payout rate can give you flexibility for growth and lifestyle choices in spite of the (1) additional startup/ ongoing costs, and (2) the missed opportunity of a lock up bonus.

Home Office Solopreneur			+Real Estate			+Headcount			With Altruist	
	low end	high end							low end	high end
Legal/ Compliance	$6,620	$14,390							$6,620	$14,390
Office Supplies	$4,140	$15,360							$4,130	$15,360
Tech	$12,210	$38,450							$5,150	$12,690
Cumulative	**$22,970**	**$68,200**							**$15,900**	**$42,440**
				low end	high end					
			500 sq ft Office Space	$14,310	$31,500				$14,310	$31,500
			Cumulative	**$37,280**	**$99,700**				**$30,320**	**$73,940**
							low end	high end		
						Employee	$56,000	$147,000	$56,000	$147,000
						Cumulative	**$93,280**	**$246,700**	**$86,220**	**$220,940**

On the far right-hand side of the chart, we've calculated Altruist's impact on the RIA tech stack portion of potential startup costs. Altruist consolidates fee billing, performance reporting, your client portal, trading, and rebalancing; the first 100 accounts are free and then every account after is $1 per month. The average advisor on our platform has less than 100 accounts, thus is not paying anything for the technology (keep in mind, other brokerage service fees may apply on your client's assets and those details can be found on our Legal page).

And what about ongoing costs?

After the first year, due to a combination of reduced or eliminated expenses across legal, compliance, office furniture/decor, and office supplies with a multi-year lifespan, the chart will look something like this (note the addition of marketing expenses).

Home Office Solopreneur			+ Real Estate			+ Headcount			Marketing			With Altruist	
	low end	high end										low end	high end
Legal/ Compliance	$1,830	$4,550										$1,830	$4,550
Office Supplies	$1,910	$10,250										$1,910	$10,250
Tech	$12,210	$38,450										$5,150	$12,690
Cumulative	**$15,950**	**$53,250**										**$8,890**	**$27,490**
				low end	high end								
			500 sq ft Office Space	$12,500	$22,000							$12,500	$22,000
			Cumulative	**$28,450**	**$75,250**							**$21,390**	**$49,490**
							low end	high end					
						Employee	$56,000	$147,000				$56,000	$147,000
						Cumulative	**$84,450**	$222,250				**$86,220**	**$196,490**
										low end	high end		
									2% of revenue	tbd	tbd	tbd	tbd
									Cumulative			**tbd**	**tbd**

A note on marketing expenses

You'll put on events, spend money on ads and content, send out direct mailers, invest in marketing tech… there's just a bit too much variability in the "marketing" category to build that into our model. And yes, you'll also likely get some "free" growth via referrals. For the sake of simplicity, we're assuming the average independent advisor spends 2% of revenue on hard-dollar marketing expenses (per Kitces).

Comparing Business Models

At a broker dealer or wirehouse…

You aren't paying for tech, real estate, office supplies, legal, or compliance — well, in a sense you are. In the form of a less-than-100% payout rate. In this section we'll break down three scenarios comparing a wirehouse advisor's cumulative take home pay over a 10 year period vs. an RIA. Again, we've made some assumptions here to build an oversimplified model to make a directional point — your numbers will be different.

Those assumptions are…

The advisor at the wirehouse

- has a payout rate of 47%
- has a tax rate of 40%
- manages $100m
- has a compound annual growth rate of 10%

The RIA

- is using Altruist
- has a payout rate of 100% (before business expenses)
- has a tax rate of 40%
- has a first year startup cost of $52k and ongoing costs of $35k (taking an average of low and high end for an advisor who is paying for office space but has no employees)

And the areas we've oversimplified are:

- We applied an across-the-board 40% tax rate on all revenue (in the RIA's case, revenue after expenses)
- We have not included additional brokerage fees in the take home payout calculation
- We are assuming a consistent CAGR
- We are not adding headcount alongside growth

Three scenarios

Scenario 1

Let's assume the RIA has a similar sized book of business ($95m), but is pursuing a less ambitious growth rate (3%) by only allocating 0.5% of revenue towards marketing. By year 10, this advisor will have taken home more than $1.6M in cumulative pay.

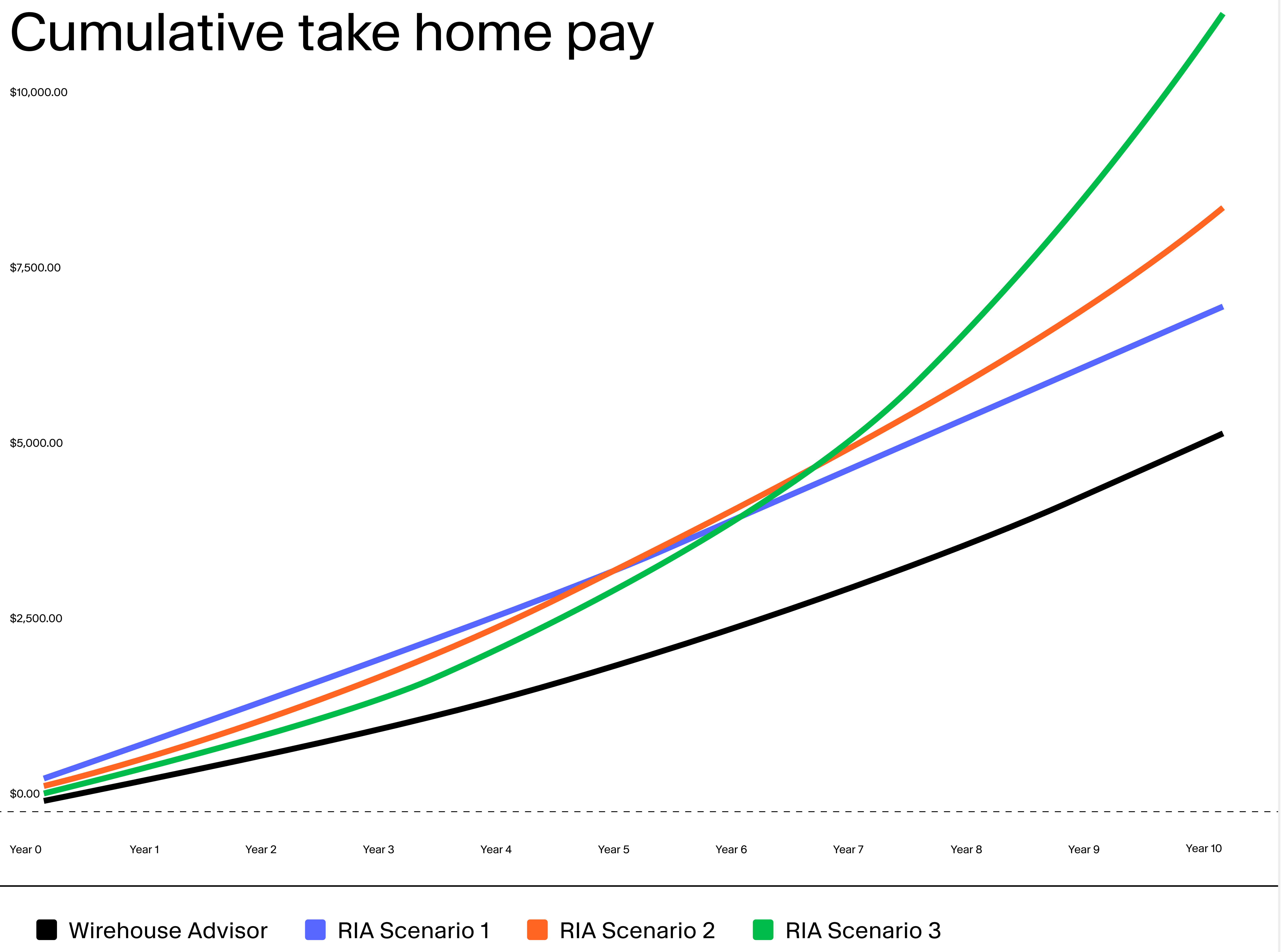
Scenario 2

Let's assume the RIA has a more niche book of business ($80m), and a comparable growth rate (10%) and is using the average 2% of revenue as a marketing budget. By year 10, this advisor will have taken home more than $3.1M in cumulative pay.

Scenario 3

Let's assume the RIA has a deeply niche book of business ($60m vs $100m), which is enabling him or her to achieve a higher growth rate (20%) and to maintain this growth they are increasing their marketing spend to 3% of revenue. By year 10, this advisor will have taken home more than $5.6M in cumulative pay.

Cumulative take home pay



And there's also the equity to consider

The cumulative take-home pay calculations are just one piece of the puzzle — you're also building equity in a business. According to M&A consultancy Advisor Growth Strategies, the 2022 median adjusted EBITDA multiple for RIAs was 10x! These two factors (in addition to more strategic control and better quality of life) may have something to do with why 4 out of 5 advisors who launch their own RIAs are happier for it.

A next step

We recommend that you take a crack at building your own model. The more specifics you can put onto a page (or spreadsheet) the more real this will feel.

Thank you for reading

We hope you enjoyed this guide. Make sure you check out the timeline & checklist, and keep an eye out for the business basics crash course in your inbox. And last of all, don't be a stranger — if you'd like to speak with someone at Altruist, we'd love to help you through this process. Visit altruist.com/breakaway-advisors to learn more.

Appendix

Business Model source data here.

altruist

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