

LPL Financial Seeing Explosive Recruiting Growth

The turbulence sweeping the financial services industry, coupled with the continued deterioration of some of the nation's largest securities firms, is triggering explosive recruiting growth at LPL Financial, the nation's largest independent brokerage firm.* In the first two months of 2009, recruiting climbed 160%, according to Bill Morrissey, executive vice president of branch development, independent advisor services.

Wall Street's wirehouses, battered every week in the headlines, have proved to be the most fertile source of new recruits. In normal times, wirehouse brokers account for about 30% of reps who decide to move their affiliation to LPL Financial; so far in 2009, they represent about 42%, according to Morrissey.

Surprisingly, retail clients have provided a major impetus for many advisors going independent. "Clients are asking them to explore new business models," Morrissey reports. "Their clients read the same things in the newspaper they do."

In 2008, new leads to LPL Financial from wirehouse reps increased 146%, which translated into a 66% increase in meetings. Moreover, revenue

generated by the average wirehouse recruit in 2008 jumped 27% from 2007. "This year the difference is even more pronounced," Morrissey says.

The brokerage business is a mature one, and market conditions have shrunk the number of new entrants into the industry. This means many independent firms find themselves competing for the same pool of reps.

Yet in this area as well, LPL Financial is continuing to see a significant spike in interest. Morrissey says his firm saw a 109% increase in new leads from independent reps in 2008, with 72% of those leads turning into meetings. "A lot of folks are re-evaluating their broker-dealer," he explains.

LPL Financial's size, scale

and technology may be contributing to the acceleration in recruiting. With between 50 and 60 transition specialists on staff, each recruit is assigned a point person and this specialist works out a series of milestones and deliverables to smooth out the process. The firm also offers new reps a suite of benefits, including deferred compensation and even LPL Financial stock ownership, which usually is awarded to advisors twice a year based on revenue levels and growth.

The firm's recruiters have also managed to leverage the resources of other departments, notably the marketing and research departments. Late last year, LPL Financial launched a program dubbed

Clients First, designed to help both reps and new recruits find and convert new clients as well as keep existing ones. This program was developed by executive vice president and chief marketing officer Ruth Papazian.

Part of the goal, according to Papazian, was to help advisors with prospecting and advertising. LPL Financial has conducted and acquired market research revealing that the majority of investors in the so-called "mass affluent" segment are "staying in the market, and looking to recoup" their losses, she says. To help advisors on the prospecting front, LPL Financial is purchasing new lead lists to identify potential new clients.

With portfolio sizes down across the business, growth "is really about growing your book," Papazian says. With a great deal of money in motion, many advisors are focusing on new client acquisition and communication with existing clients. Three outside sponsors (Prudential, Van Kampen and Lincoln Financial), are participating in the program and delivering marketing consultations. The second phase of the program will focus on marketing and segmentation and will have four additional sponsors.



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