

A GUIDE *to*
FINANCIAL ADVISOR
BUSINESS MODEL OPTIONS

WHAT'S *YOUR*
BEST FIT?



The information is intended only for the use of the individual or entity to which it is addressed and may contain information that is privileged, confidential or subject to copyright. Distribution or dissemination of this document to any other person or entity is strictly prohibited. Information provided in the attached report is general in nature and should NOT be construed as providing legal, accounting and/or tax advice. Should you have any specific questions and/or issues in these areas, please consult your legal, tax and/or accounting advisor. This document should not be construed as an offer of employment or solicitation from your current place of work. This document is for informational purposes only.



TABLE OF CONTENTS

Introduction.....	3
01 What Are My Options?.....	4
02 Navigating The Risk/Reward Trade-off.....	15
03 Thinking About Switching It Up	17
04 Finding The Right Fit	22
Key Takeaways	28



INTRODUCTION

AS A FINANCIAL ADVISOR OR PORTFOLIO MANAGER (PM) IN CANADA, YOU HAVE A UNIQUE BOOK OF BUSINESS, PROFESSIONAL SKILLS, AND GROWTH OBJECTIVES.

YOU ALSO HAVE A VARIETY OF BUSINESS MODEL OPTIONS FOR HOW TO POSITION YOURSELF AND OPERATE WITHIN CANADA'S WEALTH MANAGEMENT SECTOR.



**THE KEY QUESTION IS:
WHAT'S YOUR BEST FIT?**

This guide aims to help you answer this question by providing:

- A clear overview of the business model options available to you
- The pros and cons of each business model
- Key considerations that may influence your decision to switch between models

There's no one-size-fits-all in this industry. Instead, it's about finding the best fit for your clients, your business, and your career.

WHAT ARE MY OPTIONS?

01



To find the best fit for you and your clients, you have to know what's possible.

This guide covers 6 main business model options for financial advisors and PMs in Canada:

IIROC-registered financial advisor or PM	1. Employee of an existing IIROC-registered firm
	2. Independent agent of an existing IIROC-registered firm
	3. Registrant of your own IIROC-registered firm
Provincially registered PM	4. Employee of an existing provincially registered PM firm
	5. Independent agent of an existing provincially registered PM firm
	6. Registrant of your own provincially registered PM firm

Although there are other options (e.g. MFDA advisor), they fall outside the scope of this guide.

WHAT'S THE DIFFERENCE

Six of one, half dozen of the other? Not quite.

The business models in this guide differ considerably in terms of your relationship with your firm, your level of business independence, and your operational environment.

Even within the same business model, these factors can vary significantly from one firm to another.

Understanding these differences will help you determine which models best align with your business and goals.



“BE CLEAR ON WHAT YOU WANT. DO YOU WANT A SUPPORTED MODEL WHERE YOU CAN FOCUS ON JUST CLIENTS, OR ARE YOU LOOKING TO CREATE AN OUTSIDE-THE-BOX SOLUTION THAT BETTER MEETS YOUR CLIENTS’ NEEDS?”

KAMAL BASRA
Financial Advisor
Sophia Financial of Raymond James Ltd.

ORGANIZATIONAL STRUCTURE

Salaried employee, sole proprietor, or incorporated entity?

Your options for structuring your business and receiving securities revenue depend on your business model:

- As an employee, you operate as a salaried employee (T4); as an independent agent, you operate as a sole proprietor. In both cases, you are not permitted to receive securities revenue directly into your own incorporated entity.
- As the registrant of your own firm, you are permitted to operate as an incorporated entity. Doing so is generally considered the best way to achieve tax and other succession-related advantages.



AS AN INDEPENDENT AGENT, YOU CAN INCORPORATE A **MANAGEMENT COMPANY** AND PAY SOME OF YOUR FEES (INCLUDING INSURANCE AND PLANNING REVENUES) TO THIS ENTITY TO MANAGE SUPPORT STAFF, LEASES, ETC.

IIROC-registered financial advisor or PM	1. Employee	Salaried employee (T4)
	2. Independent agent	Sole proprietor
	3. Registrant	Incorporated entity
Provincially registered PM	4. Employee	Salaried employee (T4)
	5. Independent agent	Sole proprietor
	6. Registrant	Incorporated entity

“AT RAYMOND JAMES, YOU OWN YOUR BOOK AND HAVE FLEXIBILITY. YOU CAN BE OPEN ABOUT YOUR PLANS TO SWITCH BUSINESS MODELS. THEY WILL SUPPORT THIS AND ENCOURAGE TRANSPARENCY. THERE’S NO RISK IN THIS SENSE.”

MARC-ANDRÉ TURCOT

Portfolio Manager

Demos – Gestion de Patrimoine Familial



INDEPENDENCE

Your business, your way?

Independence covers a wide range of topics, from the clients you can work with and the services you can offer to your office environment and how you market your business.

This spans a spectrum from the least independence as an employee to full independence as the registrant of your own firm. As an employee or independent agent, your level of independence depends on your firm's policies and culture. Of course, whatever your business model, your independence is framed by the regulatory environment in which you operate.

It's also important to recognize that increased independence typically comes as a trade-off with greater responsibility and less direct support from your firm.



ALTHOUGH YOU
HAVE MORE SAY IN
RUNNING YOUR BUSINESS AS AN
INDEPENDENT AGENT, YOU MUST
STILL MEET THE REQUIREMENTS AND
FOLLOW THE POLICIES SET BY
THE FIRM WITH WHICH YOU
ARE REGISTERED.

IIROC-registered financial advisor or PM	1. Employee	Independence determined by your firm's policies & culture
	2. Independent agent	
	3. Registrant	Full independence
Provincially registered PM	4. Employee	Independence determined by your firm's policies & culture
	5. Independent agent	
	6. Registrant	Full independence



**“INDEPENDENCE IS WHAT’S
BEST ABOUT OUR CULTURE
AND WHY I HAVE NEVER
LOOKED AT ANOTHER
SHOP FOR MY CLIENTS’
FINANCIAL WELL-BEING.”**

NADINE ALLEN
Financial Advisor
Raymond James Ltd.

BOOK OWNERSHIP

If you own your book, you own your future.

Your options for structuring your business and receiving securities revenue depend on your business model:

As an employee or independent agent, whether you own your book comes down to your firm’s policies and culture. In general:

- If you’re at a bank, you don’t own your book
- If you’re at an independent firm, you might own your book

IIROC-registered financial advisor or PM	1. Employee	Book ownership determined by your firm’s policies & culture
	2. Independent agent	
	3. Registrant	Full ownership of your book of business
Provincially registered PM	4. Employee	Book ownership determined by your firm’s policies & culture
	5. Independent agent	
	6. Registrant	Full ownership of your book of business

“WHEN IT COMES TO
SUCCESSION PLANNING,
I HAVE LITTLE TRUST IN
BANK-OWNED FIRMS TO
DO WHAT IS BEST FOR MY
CLIENTS AND MY TEAM.”

WAYNE MCNEILL

Senior Vice President & Wealth Advisor
Raymond James Ltd.



COMPENSATION

Your business model influences the type of compensation you are allowed to receive:

- **IIROC-REGISTERED ADVISOR OR PM**
You can charge commissions and transaction-based fees, fees for service, or a combination of these approaches.
- **PROVINCIALY REGISTERED PM**
You may only charge fees for service; you may not charge commissions or transaction-based fees.

Your business model also influences the percentage of total fees and/or commissions you receive:

- As an employee or independent agent, you are typically paid a percentage of the fees and/or commissions paid by your clients, with your firm retaining the balance.
 - As an independent agent, your payout percentage is higher than as an employee, but you also incur local overhead costs for running your business (e.g. office rent).
- As the registrant of your own firm, you receive 100% of the fees and/or commissions paid by your clients.
 - However, you also incur overhead costs for running your business such as registration and compliance costs, as well as custody and trade charges, unless you pass these through to your clients.



FOR THE EMPLOYEE MODEL IN PARTICULAR, YOUR COMPENSATION STRUCTURE CAN VARY ENORMOUSLY FROM ONE FIRM TO ANOTHER. IT MAY INCLUDE ANY COMBINATION OF THE FOLLOWING: BASE SALARY, BONUS, AND A PERCENTAGE OF THE FEES AND/OR COMMISSIONS PAID BY YOUR CLIENTS.

COMPENSATION

IIROC-registered financial advisor or PM	1. Employee	0%–60% of the fees and/or commissions paid by your clients
	2. Independent agent	60%–85% of the fees and/or commissions paid by your clients
	3. Registrant	100% of the fees and/or commissions paid by your clients
Provincially registered PM	4. Employee	0%–60% of the fees paid by your clients
	5. Independent agent	60%–80% of the fees paid by your clients
	6. Registrant	100% of the fees paid by your clients

Note: The ranges above are approximations of the direct drive component (i.e. fees and/or commissions) of your compensation. They can vary depending on your firm's base salary and bonus structure.

“I’M ABLE TO STRUCTURE
MY BUSINESS TO GROW
AND EVENTUALLY BE SOLD
IN THE MOST TAX EFFICIENT
MANNER POSSIBLE.”

ROB POLLARD

Senior Vice President & Portfolio Manager
Raymond James Ltd.



NAVIGATING THE RISK/REWARD TRADE-OFF

02



There isn't one 'best' business model for advisors and PMs in Canada.

Instead, each option has pros and cons, and determining the best fit for you depends on your experience, preferences, and career goals.

Consider these key issues when assessing the risk/reward trade-off:

	Independence	Compensation	Operational Support
Employee	Independence increases along the spectrum from employee to independent agent to registrant Increased independence also comes with risk/reward trade-offs	Potentially eligible for restricted stock units and corporate retirement plans	Almost everything is provided in a plug-and-play environment
Independent agent		Receive a higher payout compared with being an employee	Independence to set up your own business as you see fit while depending on your firm for key systems, compliance, etc.
Registrant			Responsible for all technology, but you may leverage a custodial platform for some/all administrative, technology, and product solutions

STRIKING THE RIGHT BALANCE

	Branding	Team Building
Employee	Little control and must remain aligned with your firm’s branding policies	Potential for having a say in hiring an assistant, but otherwise the composition of your team/branch environment is largely determined by your firm or branch manager
Independent agent	Some firms allow for co-branding, meaning you develop a unique brand for your business while also leveraging your firm’s brand recognition	Build your own team and company culture, which gives you greater control in shaping your working environment
Registrant	Full control over the branding of your business	



“IT’S ALL ABOUT RISK AND REWARD. WE COUNSEL OUR CLIENTS ABOUT RISK AND REWARD, AND IT’S THE SAME THING WHEN YOU’RE COMPARING THE EMPLOYEE MODEL AND INDEPENDENT AGENT MODEL.”

BERNARDINE PERREIRA
 Financial Advisor
 Perreira Wealth Advisory of Raymond James Ltd.

THINKING ABOUT SWITCHING IT UP

03



What does it take to switch?

Switching from one business model to another varies in complexity and difficulty depending on a variety of factors, including which models you are switching between, where you are located, and whether you are also changing firms.

WHAT IT TAKES TO SWITCH

Each business model has specific requirements related to the following:

- Financial resources
- Relevant investment management experience
- Appropriate securities licensing

In addition, there are general requirements that will help to facilitate any change in business model, including:

- A mentor or experienced peer
- Transition support
- Planning and patience
- Strong client relationships
- Entrepreneurial mindset



CONSIDERING AN INDEPENDENT AGENT OR REGISTRANT BUSINESS MODEL? BE PREPARED FOR THE GRITTY SIDE OF ENTREPRENEURSHIP. THIS MEANS MANAGING HR, OVERSEEING OPERATIONS, AND RUNNING FINANCE. IT INCLUDES FITTING OUT AN OFFICE AND BUYING COPIER PAPER AND TOILET PAPER. IN OTHER WORDS, IT'S LOOKING AFTER ALL THE DETAILS, BIG AND SMALL.

“CONSIDER WHAT SUPPORT YOU NEED TO GET UP AND RUNNING, WHAT YOUR SHORT-TERM AND LONG-TERM PRIORITIES ARE, AND HOW IMPORTANT TRUE, FULL INDEPENDENCE IS TO YOU.”

RENE BABIN

Financial Advisor

Raymond James | Rene Babin



WHAT ARE THE BARRIERS?

Changing business models is a significant step and may require you to overcome certain barriers, such as:

- Awareness (you can't switch to a new business model if you don't know it exists)
- Fear of the unknown
- Meeting licensing and proficiency requirements when switching between IIROC and provincial registration
- Navigating a complex transition process
- Shifting clients from a commission and transaction-based model to a fee-based model
- Risk of client dissatisfaction or alienation under the new model

None of these barriers is insurmountable.

What it takes to succeed is thoughtful planning, sound advice, and a clear understanding of where you're headed with your business and career.

**“CONTROL OVER THE
SUCCESSION OF MY
BUSINESS IS VITAL.
MY SUCCESSOR MUST
SHARE MY VALUES AND
COMMITMENT TO MY
CLIENTS’ WELL-BEING.”**

DOMINIQUE VINCENT

Vice President & Portfolio Manager
3Macs, a division of Raymond James



FINDING THE RIGHT FIT

RAYMOND JAMES®

04



What's right for others may not be right for you.

Finding the business model that fits best with your needs and aspirations may take time, but it is worth the effort if it leads to greater professional alignment and satisfaction.

“AT RAYMOND JAMES,
ADVISOR SERVICES ARE
FRONT AND CENTRE, RATHER
THAN AN AFTERTHOUGHT.”

ERIK MOISAN

Vice President & Portfolio Manager, Private Client Group,
Raymond James Ltd.



TIPS FOR FINDING YOUR FIT

➤ **DO YOUR DUE DILIGENCE**
If you are considering switching to a different business model, speak with colleagues or a mentor with firsthand experience who can help you understand the opportunities and requirements.

➤ **SEEK OUT A FIRM OFFERING MULTIPLE BUSINESS MODELS**
Changing business models is much easier if you can do it within the same firm. Firms offering multiple business models can give you greater flexibility and support to transition at the right time for your business and career.

➤ **ADOPT A LONG VIEW WITH A STEPWISE APPROACH**
Going from employee of an existing firm to registrant of your own firm is a big leap in terms of required experience and financial resources. A stepwise approach in which you go from employee to independent agent to registrant can be a good way to reduce the risk and friction of this transition.



Keep in mind that the best fit for your business may change over the course of your career.

“AT FIRST, I WAS LOOKING AT GOING STRAIGHT FROM AN EMPLOYEE MODEL AT A BANK TO AN INDEPENDENT AGENT MODEL AT RAYMOND JAMES, BUT I REALIZED THAT CHANGING FIRM AND MODEL WOULD BE TOO MUCH CHANGE AT ONE TIME.”

TERRY WRIGHT

Wealth Management Advisor & Senior Portfolio Manager
LT Wealth Management Partners of Raymond James Ltd.




BEST FIT QUESTIONNAIRE

Need help identifying **the right business model for you?**

Start by answering these questions:

- 1 What's best for your clients – your current business model or a different one?
- 2 What aspects of your practice do you like best?
- 3 How big is your book of business currently, and what do you see as its realistic growth potential over the medium term?
- 4 What are your succession plans/aspirations for your book of business?
Does your current business model allow for your ideal succession outcome?
- 5 What securities licenses do you currently hold?
- 6 Do you have entrepreneurial experience?
- 7 Would you enjoy the sometimes gritty operational aspects of running a business?
- 8 Do you have a solid team that can form the core of your own business?

A man with short, light-colored hair is smiling and leaning on a black metal railing. He is wearing a grey blazer over a white button-down shirt, blue jeans, and a brown belt. He has a watch on his left wrist. The background is a blurred brick building with windows.

“TO ME, BUYING A BUILDING,
ORDERING PAPER, RUNNING
A BUSINESS – THIS IS WHAT
I LIKE TO DO. I LIKE DOING
THE WORK. THAT’S WHY FOR
ME, THE INDEPENDENT AGENT
MODEL IS THE BEST OPTION.”

LES CONSENHEIM

Portfolio Manager & Wealth Advisor

Consenheim Wealth Management of Raymond James Ltd.

KEY TAKEAWAYS

For financial advisors and PMs, finding the right business model is about determining where you can truly thrive.

So how can you determine your best fit? Start here:

- 1 **Educate yourself** on the business models available to you
- 2 **Assess** your current business and where you want to take it
- 3 Weigh the **risk/reward trade-off** for different models
- 4 Find a **mentor or peer** and lean on their experience and expertise
- 5 To switch models, **plan thoroughly** and do your **due diligence**
- 6 Recognize that your best fit **may change** throughout your career

Finding your best fit comes down to finding the sweet spot – for your clients, your business, and your career. Good luck!

**“IF YOU’RE GROWING AND
SUCCESSFUL AT THE BANKS,
I DON’T UNDERSTAND WHY
YOU’RE THERE. IT’S NOT
TOO DIFFICULT TO MAKE THE
SWITCH TO INDEPENDENT.”**

DAVE LOUGHEED

Branch Manager, Portfolio Manager & Wealth Advisor
Lougheed Wealth Management of Raymond James Ltd.

RAYMOND JAMES®

**INTERESTED IN DISCUSSING YOUR
FUTURE AT RAYMOND JAMES?**

Please contact :

David Tasker CPA,CA,CFA,MBA
President, Raymond James
Investment Counsel Ltd.

416-777-7113
david.tasker@raymondjames.ca

David Burnes
Senior Vice President Correspondent
Services, Raymond James Ltd.

416-777-6418
david.burnes@raymondjames.ca

WE PRIORITIZE PRIVACY AND DISCRETION.

The information is intended only for the use of the individual or entity to which it is addressed and may contain information that is privileged, confidential or subject to copyright. Distribution or dissemination of this document to any other person or entity is strictly prohibited. Information provided in the attached report is general in nature and should NOT be construed as providing legal, accounting and/or tax advice. Should you have any specific questions and/or issues in these areas, please consult your legal, tax and/or accounting advisor. This document should not be construed as an offer of employment or solicitation from your current place of work. This document is for informational purposes only.