

Schwab's solution for hybrid advisors

For advisors who maintain both advisory and brokerage business, Schwab's solutions provide hybrid advisors with open architecture and flexibility to help you meet your business model needs.



Many advisors are choosing a hybrid business model to maintain both advisory and brokerage business.¹ The hybrid model may open new possibilities for advisors to offer clients a range of services and product solutions that complement their advisory philosophy. And it presents considerations that may be important factors in the decision to go independent or develop a hybrid practice.

Evaluating the hybrid channel

Your answers to some key questions may help you decide whether a hybrid model is the right structure to meet your business needs and the needs of your clients:

- What kind of business model is the right one for you and your clients?
- What type of support will you need now, and how will those needs evolve over time (e.g., compliance, reporting, practice management, investment proposals, etc.)?
- What is your investment philosophy, and how do you approach trading or rebalancing your clients' portfolios?
- What kind of services and solutions do you plan to offer your clients (e.g., insurance, mutual funds, equities, options, alternative investments, etc.)?
- What percentage of your assets and revenue will be advisory, and what percentage will be brokerage?

How do you anticipate this will look in the future?

The Schwab advantage: Meeting the needs of hybrid advisors

If you decide that the hybrid model suits your business strategy, Schwab has a range of solutions you may want to consider.

To better serve the needs of hybrid advisors, Schwab has established relationships with a number of leading² independent broker-dealers (IBDs) to give you the flexibility to choose the structure best suited to your business model and your clients' needs.

Schwab and your affiliation with an IBD can help you manage your advisory business

Independent advisors working with Schwab Advisor Services™ establish an advisory relationship with Schwab and also affiliate with an IBD for their brokerage business. In addition to the infrastructure support, practice management resources, and custody services that Schwab makes available, many IBDs also offer complimentary services to help manage your practice.

For advisors in transition, a range of turnkey infrastructure solutions is available to support specific needs.

Services and Capabilities	
Client Management	<ul style="list-style-type: none"> ▪ Client relationship management ▪ Client profiling and proposals ▪ Asset allocation modeling
Investment Management	<ul style="list-style-type: none"> ▪ Research ▪ Rebalancing ▪ Trade order management ▪ Portfolio management
Performance Monitoring	<ul style="list-style-type: none"> ▪ Data aggregation ▪ Reconciliation ▪ Performance reporting
Operations	<ul style="list-style-type: none"> ▪ Billing ▪ Compliance tools ▪ Back-office support
Business Development	<ul style="list-style-type: none"> ▪ Marketing tools ▪ Websites ▪ Email communications
Practice Management	<ul style="list-style-type: none"> ▪ Benchmarking ▪ Consulting ▪ Programs ▪ Workshops

Some of the above services are provided by third-party firms that are not affiliated with Schwab. Receipt of these services at a preferred rate may need to be disclosed on your Form ADV. Please consult with your own legal/compliance counsel regarding your obligations to your clients. Charles Schwab does not provide legal, compliance, or tax advice to its clients.

Roles and responsibilities

- **Advisor**—Develops your business strategy, manages your practice, and focuses on developing client relationships.
- **IBD**—Provides access to a wide range of commissionable investment products, as well as services to help you manage your practice.³
- **Schwab**—Provides access to investment products and custodial services in support of the advisor's fee-based advisory business. Also makes available technology and practice management support for your business model.

Interested
in learning
more?

To learn more about Schwab's hybrid platform and the outsourcing services Schwab can provide to advisors, contact your Schwab representative or call **1-877-687-4085**.

Ask for a copy of our white paper *Understanding the Hybrid Practice*, designed to help you understand hybrid model options and other considerations for advisors in transition.

¹ We define advisory as business for which an advisor, acting in the capacity of an independent advisor representative of a Registered Investment Advisor, typically charges a fee as percentage of assets under management. However, some wirehouse advisors or those affiliated with an independent broker-dealer (IBD) may consider advisory business to include fees from mutual fund revenue—e.g., trailers paid as a share of the 12b-1 fees the broker-dealer (BD) receives from the mutual fund—or fees from other investment vehicles such as variable annuities. In these instances, the advisor is conducting business as a registered representative of a BD. Therefore, we classify this type of business as brokerage.

² Our definition of leading broker-dealers corresponds with information presented in the *InvestmentNews* special report "Largest Independent Broker-Dealers Enjoy Double-Digit Revenue Growth," published April 26, 2015.

³ Depth of services may vary across all categories and IBDs.

Schwab does not recommend or endorse any particular IBD. Schwab is not affiliated with any of the IBDs available on the hybrid platform. Schwab makes no representation or warranty about any IBD or its suitability for your clients. Services may vary depending on which IBD provider you choose.

Options carry a high level of risk and are not suitable for all investors. Certain requirements must be met to trade options through Schwab. Please read the Options Disclosure Document titled "Characteristics and Risks of Standardized Options" before considering any option transaction. Call Schwab at 1-800-435-4000 for a current copy. Supporting documentation for any claims or statistical information is available upon request.

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