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## Taking Clients To Your New Firm Can Be Very Tricky

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It is an issue that many financial advisors will face during their careers. And it figures to significantly affect the course of their careers.

When you leave a firm to start your own or join another, how much can you do to recruit the clients at your current firm to come with you?

Lawyer Brian A. Carlis recommends caution. "You have a duty of loyalty (to the current firm)," the Lawrenceville, N.J.-based lawyer said.

It is a violation of that duty to recruit clients before you leave, he said. To avoid even the appearance of recruiting, it is best not to drop a hint or pose a hypothetical, such as saying to a client, "If I were to leave, would you come with me?" Carlis said.

Post-departure is a different story, said Carlis, who is a member of Stark & Stark's securities arbitration group. Generally, it is allowed to tell former clients where you went, or post a "wedding announcement" about your new endeavor, Carlis said.

However, some firms have employment contracts that forbid recruitment, or non-compete clauses that rule out taking on such clients for a certain period. One state that does not allow such restrictions, in the interest of public policy, is California, Carlis said.

But such restrictions can be trumped if both the new firm and the old recognize the advisor protocol that has been created to adjudicate such situations, he said.

Despite the obstacles that discourage recruitment, about 80 percent to 90 percent of an advisor's former clients wind up following him or her to a new firm, in Carlis's experience.

He suggests it is a good opportunity to clear away the deadwood clients that eat up too much of one's time.

Robert Schmansky has his own firm now in Livonia, Mich., Clear Financial Advisors LLC. He said it is difficult as a junior advisor at a firm to make much money, and many firms make purchasing an ownership interest too costly.

However, when he started his own shop, he was wary about recruiting clients. Most of the ones he has now he got through social media sites he is on, such as Facebook, Twitter and Linked In. Schmansky also has written blogs and stories for various publications such as *Forbes* and *U.S. News and World Report*. He says his presence in the media has helped him get clients.

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