



David vs. Goliath

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The competition is largely invisible to the average financial consumer, but large brokerage firms like Merrill Lynch and Goldman Sachs have been engaged in fierce competition for customers with smaller independent advisory firms for the past three decades at least. The brokerage firms have the advantage of enormous marketing budgets and brand names that everyone recognizes, and they generally have much higher profits per customer because their representatives are encouraged to sell investment products that are most lucrative to the firm. Independent advisory firms have the advantage of making a different, more attractive offer: as a matter of business routine, they give advice that is in the best interests of their clients, and generally offer more personal service extending beyond investments to helping their clients meet their personal and professional goals.

Generally, when companies can buy Super Bowl advertisements with their pocket change, they have to be considered the favorite to beat out the smaller competition. But in fact, over time, the opposite has happened. As more consumers start to realize the difference between a sales offer and an advice offer, their loyalties have gradually shifted from the bigger entities to the smaller firms. Over the most recent ten-year period where statistics are available, the Financial Industry Regulatory Authority (which regulates sales activities of brokerage firms) reports that the total number of wirehouse/brokerage firm representatives declined from 669,794 in 2012 to 612,457 in 2021. This continues a long-term decline going back to the 1980s.

But consumers still have to look hard to find an advisory firm that will give advice in their best interests. According to the Securities and Exchange Commission (which regulates financial advisory and financial planning firms) the number of independent advisory firms has grown, since 2012, from 31,420 to 35,063. These firms generally experience much smaller profits (the difference between sales and advice) and, where they have them at all, have marketing budgets that would provoke derisive laughter from corner offices on Wall Street. David won't drive Goliath off the market any time soon, but this incremental shift in market share suggests that a better offer can sometimes overcome a bigger brand name and advertising expenditure.

Source:

<https://www.fa-mag.com/news/number-of-reps--brokerages-declined-in-2021--says-finra-67922.html>

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

Please feel free to forward this article and offer to anyone you know who might have financial questions or need some unbiased advice. Most financial advice is sales advice. In stark contrast, we are fee-only (non-commissioned) fiduciary advisors. We just provide truthful, unbiased advice to our clients.



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