



## A Recruiter's Independent RIA Diligence Checklist

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By Simon Hoyle, [CityWire](#)

In this guest column, advisor recruiter and RIA Choice founder Simon Hoyle provides a guide to evaluate independent RIAs.

If you are an advisor considering a new RIA relationship, you are in good company.

Independent RIAs (IRIAs) with a recruiting mindset — also called tuck-in or turnkey RIAs — are rapidly drawing talent from broker-dealers as advisors are increasingly unwilling to give up revenue and autonomy in exchange for outdated infrastructure and excess administrative work.

Research firm Cerulli Associates reported there were 18,700 SEC-registered advisory firms as of 2024, up from 16,000 just a year prior, meaning advisors today face a vast and growing menu of RIA options.

It is easy to feel overwhelmed. But selecting the right partner does not have to be daunting. Simplify the process by focusing on three core pillars: flexibility, financials, and ownership. Shared values in these areas can make or break your long-term satisfaction after making a move.

### Flexibility

Compliance rules the roost, greatly impacting your day-to-day productivity while affecting future client wins.

Start by aligning your business needs with an IRIA's offerings and vision. Eliminate mismatches early and focus your time on firms where you see a real chance of alignment.

Evaluate your need for a broker-dealer. Some BDs allow you to 'hand off' legacy commission business while maintaining client relationships. A few offer consulting fees to non-registered reps who complete annual client reviews—paid from account-based fees. But be careful: some buyers of commission trails have solicited advisory assets behind sellers' backs. It is yet another reason to retain the full client relationship, if you can.

RIAs will assess your revenue streams, service model and growth strategy—do the same with them. Look for red flags from firms trying to squeeze revenue via questionable tactics, like cash sweep programs or high-fee in-house models disguised as index strategies.

Investment fees are a major margin lever. Do not let 'low' fees elsewhere distract from the real costs. Run a pro forma for your practice, as excessive client fees loom

large for regulators. Know where the money is coming from—and going.

Moreover, client fees significantly fund advisors' forgivable loans. How else can advisors' 95% payouts, when combined with notably low advisor fees, still provide capital for 40%+ forgivable advisor loans?

Compliance missteps by you or the RIA can choke flexibility and dampen growth funding. Do your homework. FINRA BrokerCheck can shed light on a firm's track record. Do product offerings match your comfort level? Keep in mind higher-risk IRIAs offer conservative advisors less benefit through unnecessary risk.

Finally, custodians typically reward AUM growth with better pricing. A quality RIA should pass that through. Custodian breakpoints are not just for the home office — they should benefit you, too.

## Financials

Look to join a financially sound firm.

Approach this like you would an investment. Dig into the RIA's AUM, growth history, core services, niche markets and three to five years of financial performance. A stagnant or shrinking firm may lack the scale to support you long-term, especially if your practice is growing fast.

Compare client-facing costs like trading fees, investment platform and third-party manager fees. Pay special attention to cash sweeps and advisory related platform fees

(I call them 'access fees' if no manual work occurs). No one should pay for that.

Moreover, compensation models are breaking the mold. Newer IRIAs are innovating with flat-fee models that unbundle pricing. Think 100% payout minus a \$20,000 affiliation fee and modest administrative fee — a very compelling proposition, especially for large, fast-growing firms looking to maximize margins.

This structure even appeals to practices with \$200m or more in client assets (which will likely consider registering their own RIA firm) because they can leverage preferred pricing and support while preserving economics. While some practices are tempted to start their own RIA, many opt to outsource and tap into better technology, better service, and more efficient processes.

As this model gains traction, IRIAs with streamlined, scalable pricing will continue to draw top-tier advisors.

## Ownership

Think about long-term value, as well as your stake in it.

RIA ownership models vary widely. Many firms are still privately held by founders, team members and staff — a draw for advisors concerned about private equity pressure. While PE firms have built successful RIA roll-ups, not every advisor wants outside investors steering the ship.

Some of the savvier IRIA structures limit individual partner ownership stakes to 49%,

ensuring no single person controls the firm. One example would be a four-partner firm split into 40%, 25%, 25% and 10% shares, with buy-sell mechanics in place to protect the balance during a succession event. When a partner plans to exit, changes can be made to ensure stakeholders maintain relative stock.

### Why go it alone?

IRIAs and platform partners should enhance your growth, not hold it back. Without the right support, even great practices can stall. Ask about succession planning, client-facing services and how firms address advisor feedback. Sharing your top three 'likes' and

one or two 'not-so-much's of your current affiliation structure can spark real dialogue and illuminate cultural fit.

In today's environment, RIA affiliations offer a much-needed reset for many advisors. Clean, cost-effective models paired with higher net revenue can transform your business and your quality of life.

Keep it simple. Find a firm that shares your values and let independence open new avenues for you.