BRIDGEMARK STRATEGIES

RECRUITING DEAL ECONOMICS

What the Numbers Really Look Like Across Wirehouses, IBDs, and RIAs

EXECUTIVE SUMMARY

Every advisor who has considered a firm change has been handed a number. A package. A payout rate. A headline that the recruiter representing that firm wants you to focus on. Not dissimilar from elite professional athletes when considering changing teams, the numbers matter, but is it really the only thing that matters.

That number is real. It is also incomplete. Among studies of elite athletes, other considerations besides “the money”, such as winning culture, or coaches can be even more impactful to decisions. The full picture of what a transition actually means financially - what you will take home, what you are committing to, what you are giving up, and what you stand to gain - is more complex than any single figure can capture.

The numbers matter. In both financial advisor recruiting and elite athletes, there is a lot more to a decision than the numbers. Decisions can make and literally break careers. Being too focused on just the numbers increases the risk of making a bad decision. However, it can be just as important to make sure you understand the numbers presented.This white paper will help to understand recruiting deal economics across different channels.

The recruiting market for financial advisors spans three fundamentally different channel types, each with its own deal structures, its own economics, and its own logic for how advisors are compensated and how their practices are valued. Moving to a wirehouse or other similar W2 firm has entirely different terms than moving to an independent broker dealer (IBD), which also looks entirely different from a transition into an RIA. Comparing them without a shared framework leads to a lot of confusion which can lead to bad decisions.

This white paper builds that framework. I am going to walk through what recruiting deal economics really look like across all three channel types - wirehouse, independent broker-dealer, and RIA - with plain-language explanations of how the numbers work, what the tradeoffs are, and what questions every advisor should be asking before they sign anything.

After 33 years in this industry, I have seen advisors make great transitions and painful ones. The difference almost never comes down to which firm had the best payout. It comes down to whether the advisor understood what they were actually agreeing to.

1. HOW FIRMS EVALUATE YOUR PRACTICE BEFORE THEY MAKE AN OFFER

Before we get into what different deals look like, it is worth understanding something most advisors overlook: the firm across the table is not doing you a favor. They are making a **capital allocation decision.**

Every recruiting offer - whether it comes from a wirehouse, an IBD, or an RIA - is built on a calculation. The firm is estimating what your practice is worth to them over a defined time horizon, then making an offer that reflects the return they expect to earn on that investment.
Understanding that calculation changes how you approach every recruiting conversation.

What Every Firm is Looking At

What Firms Evaluate	Why It Matters to Them
Assets Under Management (AUM)	The foundation of long-term recurring revenue; larger AUM means a longer revenue runway
Trailing 12-Month Production (T12)	The primary basis for package size calculation; a proxy for current business scale
Revenue Mix: Fee vs. Transactional	Fee-based revenue is predictable and commands higher multiples; transactional revenue is unpredictable and less profitable
Client Demographics	Total number of clients, Average client age, client net worth are all factors to understand the book of business to predict long term profitability
Growth Trajectory	A growing practice signals future upside; flat or declining production reduces offer competitiveness
Client Portability	How likely are your clients to follow you? This is the most scrutinized factor, and the hardest to verify.

Advisors with high fee-based revenue, strong client portability, and a demonstrable growth story attract the most competitive offers across all three channel types. If your practice checks those boxes, you have real leverage, and you should understand how to use it.

A Practical Benchmark

A mature fee-based planning practice generating $1 million in annual production may represent $5 - $8 million or more in long-term enterprise value over a ten-year horizon. That is the number a firm is actually underwriting when they make you an offer. Understanding that dynamic may change how you think about negotiations, and what you accept.

2. WIREHOUSE-TO-WIREHOUSE: THE W-2 TRANSITION

For advisors who have spent their careers at a major wirehouse or similar firm such as Morgan Stanley, Merrill Lynch, or others, the most common and comfortable transition path is a move to another similar firm.

How Wirehouse Recruiting Packages Work

Wirehouse recruiting deals are structured as forgivable promissory notes. The firm advances you a lump sum - typically expressed as a percentage of your trailing 12-month production (T12) - and that note is forgiven ratably over a defined period, often 10 to as many as 15 years, provided you remain at the firm and meet certain production thresholds.

In the current market, wirehouse packages for competitive advisors typically range from 200% to 400% of T12, with the most sought-after practices occasionally exceeding that range. A senior wirehouse advisor with $3 million in T12 and $500 million in AUM could see a package including back-end production bonuses in excess of $10mm.

What Wirehouse Packages Include - and What They Don’t

The forgivable note is the headline, but most wirehouse deals include additional components:

→ Upfront transition bonus: The primary lump-sum payment, forgiven over the note term.

→ Deferred compensation: Payout amounts that vest over time - always watch out for payout rates that are deferred payments.

→ Asset transfer awards: Tranches tied to asset transfer success - the more of your book you move, the more you unlock.

→ Growth bonuses: Increase your book of business and receive additional compensation for the growth years into the future.

→ Technology and transition support: Costs associated with moving client accounts, often reimbursed or subsidized.

The Economics Wirehouse Deals Don’t Talk About

What a wirehouse package doesn’t change is your grid payout. Wirehouse advisors are W-2 employees, and their ongoing compensation is determined by a tiered production grid that typically pays between 35% and 55% of gross production, depending on the firm and the advisor’s production level.

That grid is the economic reality you live with every day after the note is signed. A multi-million payment is meaningful - and it is also spread over 10 to 15 years in forgiveness. The after-tax annual value is significantly lower than the headline number suggests. Meanwhile, your ongoing compensation remains at grid rates that have historically compressed over time at many major wirehouse firms.

Illustrative Example	Year 1
T12 Production	$2,000,000
Grid Payout Rate	45%
Annual Grid Compensation	$900,000
Forgivable Loan (300%)	$6,000,000
Annual Note Forgiveness + Interest	$630,000 (÷ 10 years)
Total Taxable Income	$1,530,000
Estimate Tax at 40% tax	$612,000
After Tax Income	$288,000
Note Remaining	$5,400,000

The note forgiveness is taxable income plus interest each year it is forgiven, which advisors sometimes overlook. Work with a tax advisor to model the after-tax reality of any package before you sign - assuming a 40% Federal and state tax rate in the above example may be different than most people pay.

What You Are Giving Up in a Wirehouse-to-Wirehouse Move

The less-discussed side of a wirehouse transition is what you leave behind. Most wirehouse advisors have deferred compensation balances - unvested amounts from prior years that are forfeited when you leave. Those balances can be substantial: for a senior advisor with a long tenure, unvested deferred compensation may run into the millions.

A legitimate recruiting package from a new wirehouse may account for your unvested balances. If it doesn't, you are accepting a deal that looks larger than it is. Always calculate the net value of a package after subtracting what you forfeit by leaving.

→ Calculate your unvested deferred compensation balance before evaluating any offer.
→ Ask explicitly whether the new firm's package accounts for your forfeiture.
→ Model the net value of the deal, not the gross package.
→ If this is your last move, understand how a sunset program works this could have a significant negative impact to a net for net comparison.

When a Wirehouse Move Makes Sense

A wirehouse-to-wirehouse move makes sense when the platform genuinely improves your ability to serve clients, when the culture and leadership align better with how you want to practice, and when the net economics - accounting for forfeiture and the ongoing grid - represent a real improvement. It does not make sense when the primary driver is the headline package number and you haven't honestly evaluated the platform and cultural dimensions.

There are thousands of advisors at wirehouse bds that are happy and have happy clients. The economics, combined with the service, support, and culture can be a successful transition.

3. INDEPENDENT BROKER-DEALER: THE IBD TRANSITION

The independent broker-dealer channel represents a structurally different relationship between an advisor and their firm. At an IBD, you are not an employee. You are an independent contractor affiliated with the firm's broker-dealer license and compliance infrastructure. That distinction has significant implications for both your ongoing economics and the deal structure when you arrive.

How IBS Recruiting Packages Work

IBD recruiting packages are also often structured as forgivable notes, but they operate on different benchmarks than wirehouse deals. Package sizes in the IBD channel typically range from 30% to 125% of T12, with the most competitive offers concentrated among advisors with established fee-based practices and proven portability. Forgiveness periods generally run five to ten years.

Some IBDs also offer transition assistance separately from the forgivable note: technology subsidies, office build-out support, marketing assistance, and operational resources to help advisors get their practices running efficiently at the new firm.

The Payout Structure That Changes Everything

The most significant economic difference between the wirehouse and IBD models is the ongoing payout structure. While wirehouse advisors take home 35–55% of production on a W-2 basis, IBD advisors typically retain 80–95%+ of their gross production as independent contractors.

That spread is real. But it requires the right context to evaluate honestly.

The Payout Rate Comparison Advisors Get Wrong

A 90% IBD payout versus a 44% wirehouse grid sounds like a 46-point improvement. It isn't, because those two numbers are not measuring the same thing.

At a wirehouse, the firm absorbs compliance, technology, office, benefits, E&O insurance, and administrative infrastructure. At an IBD, those costs transfer to you. A rough adjustment: add 15–20 percentage points to your wirehouse grid rate before comparing it to an IBD payout. A 44% grid may be comparable in net terms to a 60–64% IBD payout — meaning a 90% IBD payout still represents substantial improvement, but not the full 46-point spread.

Platform Fees: The Hidden Cost of High Payout Rates

Most IBDs charge platform fees on top of the stated payout structure. These include transaction fees, ticket charges, account maintenance fees, technology fees, and supervisory charges. At some firms, these costs reduce an advertised 90% payout to a true net of 80–82% before personal business expenses.

When evaluating an IBD offer, ask for the all-in cost of affiliation expressed as a percentage of production - not just the gross payout rate. That is the number that actually reflects your economics.

What IBD Business Expenses Actually Look Like

Business Expense Category	Approximate Annual Range
Platform and affiliation fees	8–20% of gross production
Technology (CRM, planning, reporting)	$5,000 - $10,000
Errors & omissions insurance	$3,000 - $6,000
Health insurance and benefits	$15,000 - $30,000+
Office and administrative	$0 (home office) to $50,000+
Total estimated range	$25,000 - $135,000+ annually

Even accounting for these costs, the net economics of an IBD affiliation typically represent a meaningful improvement over wirehouse grid rates for established advisors - particularly those with fee-based practices that generate predictable recurring revenue. The math just needs to be done honestly.

Practice Ownership: The Economic Advantage That Doesn't Show Up in Year One

The most significant economic advantage of an IBD affiliation versus a wirehouse is not the payout rate. It is practice ownership.

At a wirehouse, the firm owns the client relationship. Your clients are on the firm's platform, in the firm's systems, and affiliated with the firm's brand. When you leave, the firm tries to retain the relationship - and advisors who have left wirehouses understand how firms will reassign accounts with an attempt to retain the clients.

At an IBD, you own your book. Your clients are your clients. When you leave, they go with you. That ownership has financial value that compounds over years: it means you are building an asset, a practice with real enterprise value, rather than generating production for someone else's business.

When an IBD Move Makes Sense

An IBD affiliation typically makes the strongest case for advisors who want to own their practice, have clients who will follow them, and are prepared to manage the operational responsibility that comes with independence. Advisors with primarily fee-based practices, strong client relationships, and an entrepreneurial orientation toward their business are generally the strongest candidates.

4. RIA AND HYBRID: THE INDEPENDENCE TRANSITION

The registered investment advisor (RIA) model represents the most significant structural departure from the wirehouse and IBD channels. It is also the model with the greatest long-term economic potential for advisors who are the right fit for it.

Understanding RIA economics requires setting aside the framework that governs wirehouse and IBD comparisons. There are no payout grids. There are no forgivable notes, in the traditional sense. The economics of an RIA transition work on entirely different terms and they require a different set of questions.

The Fundamental Economic Difference

In the wirehouse and IBD channels, an advisor's compensation is a function of their production - a percentage of what they generate flows to the advisor, and the rest flows to the firm. The advisor is a revenue producer operating within someone else's business.

In the RIA model, the advisor is the business owner. They collect the revenue, pay for their infrastructure, and keep the remainder. There is no payout percentage because there is no firm taking a cut of production, there is only the advisor's revenue net of operating costs.

This distinction has significant implications. The net margins available in a well-run RIA can substantially exceed what is achievable in any grid-based or payout-based model. But achieving those margins requires building scale and managing infrastructure that the wirehouse or IBD absorbs on the advisor's behalf.

How RIA Transition Economics Actually Work

RIA transitions typically do not involve the large forgivable note structures common in wirehouse and IBD recruiting. What they involve instead is a different set of economic considerations:

→ Custodial platform incentives: Custodians such as Schwab, Fidelity, Goldman Sachs and Pershing compete for RIA business and may offer transition support, technology incentives, and operational assistance to advisors bringing significant assets to their platforms.

→ Supported independence platform packages: Some hybrid platforms offer economic incentives (sometimes including forgivable notes) to advisors who affiliate with their infrastructure model.

→ Operating cost investment: The advisor funds the startup costs of an independent practice - technology, compliance, office, insurance - which are real upfront costs but become ongoing operating expenses rather than permanent haircuts from production

→ Equity building from day one: Unlike wirehouse or IBD models, the RIA advisor is immediately building enterprise value in a business they own.

RIA Net Margin Economics

As I mentioned, well-run RIA practice generates net margins that are not achievable in grid-based compensation models. The range is wide depending on practice size, revenue mix, and infrastructure decisions, but advisors who have built scaled fee-based practices in the RIA model typically achieve net margins of 65%+ of revenue, after all operating costs.

Compare that to a wirehouse grid of 44% (before taxes, with no practice equity) or an IBD net payout of 75–85% (before business expenses that bring the effective margin down meaningfully). The RIA margin advantage compounds over time and is amplified by the enterprise value the advisor builds along the way.

Illustrative Economics	Wirehouse (W-2)	IBD	RIA/Hybrid
Annual Production	$1,500,000	$1,500,000	$1,500,000
Payout/Revenue Retained	$675,000 (45% grid)	$1,275,000 (85% payout)	$1,500,000 (all revenue)
Platform/Affiliation Costs	Included in grid haircut	$135,000–$180,000 est.	N/A (no firm split)
Business Operating Expenses	None (W-2 employee)	$50,000 - $80,000 est.	$300,000 - $450,000 est.
Estimated Net Take-Home	$675,000	$1,015,000–$1,090,000	$1,050,000 - $1,250,000
Practice Equity Building	None - firm owns clients	Yes - you own your book	Yes - you own the business

These figures are illustrative and will vary materially based on individual practice characteristics, operating decisions, and platform costs. The purpose is to show the structural differences, not to predict specific outcomes. Model your own practice carefully before drawing conclusions.

The Supported Independence, or Hybrid RIA, Path

For advisors who want RIA economics without building the full infrastructure of an independent practice from scratch, the supported independence, or hybrid, model has matured into a credible mainstream option. Platforms in this space provide compliance infrastructure, technology, custodial relationships, and back-office resources in exchange for a platform fee, while the advisor owns their practice and brand.

Supported independence platforms increasingly offer deal structures that include economic incentives, and some offer equity participation in the platform itself, creating an additional layer of potential upside beyond practice ownership.

Enterprise Value: The Economic Advantage Most Advisors Underestimate

The most underestimated element of RIA economics is the enterprise value an advisor builds over time. In the wirehouse model, that value accrues to the firm. In the IBD and RIA models, it accrues to the advisor.

A fee-based practice with $200 million in AUM and $1.5 million in revenue, built in an RIA or IBD structure, has a market value in the range of $3–$8 million or more depending on revenue quality, growth trajectory, and deal structure. That is wealth the advisor captures at transition, in addition to every year of compensation they have taken along the way.

Median M&A multiples for advisory practices reached 11x adjusted EBITDA in 2024, according to Advisor Growth Strategies and Fidelity research. Buyers paid a 20% premium for practices with more than 95% recurring revenue. Those are real numbers with real implications for advisors who are building in models that allow them to capture that value.

When an RIA or Hybrid Move Makes Sense

The RIA and hybrid models are strongest for advisors with primarily fee-based revenue, strong client portability, a long enough time horizon to benefit from enterprise value building, and a genuine entrepreneurial orientation toward their practice. Advisors who prefer the support structure of an employer relationship and are not interested in the operational aspects of running a business will typically find the wirehouse or IBD model a better fit.

5. COMPARING THE THREE PATHS SIDE BY SIDE

Every advisor's situation is different, but the structural comparison across these three channel types holds across practice profiles. Here is the summary view.

Dimension	Wirehouse (W-2)	IBD	RIA/Hybrid
Compensation structure	Salary + grid; W-2 employee	Independent contractor; gross payout minus costs	Business owner; net revenue after operating expenses
Typical payout/net margin	35 - 55% of gross production	75 - 85% net after all costs	65%+ net margin at scale
Recruiting package	Largest headline packages; 150 - 350%+ T12	Moderate; 30 - 125% T12 depending on firm and profile	Varies; custodial incentives; some hybrid platform packages
Client/practice ownership	Firm owns client relationships	Advisor owns book of business	Advisor owns the business
Enterprise value	None; accrues to firm	Meaningful; book has transferable value	Highest; practice is a full business asset
Equity opportunity	None structural	Limited; some firm equity programs	Strong; practice equity plus potential platform equity
Operational responsibility	None; firm handles	Moderate; advisor manages business expenses	High; advisor builds and manages infrastructure
Succession options	Firm-controlled; limited advisor input	Advisor-controlled; multiple buyer options	Advisor-controlled; widest range of succession paths

6. THE QUESTIONS YOU SHOULD BE ASKING BEFORE YOU DECIDE

The channel comparison above is a starting point, not a decision. The right move for your practice depends on your specific situation - your revenue mix, your client demographics, your time horizon, your operational needs, and what you are trying to build. Be honest with yourself, evaluate what you need today, but also consider what you may need tomorrow.

Before you sit down across from a recruiting team in any channel, these are the questions worth answering for yourself.

About Your Practice

→ What percentage of my revenue is fee-based and recurring vs. commissions or transactional? How will that change in the future?

→ What are my assets and revenue in precise terms, broken down by revenue type — and how has that number trended over the past three years?

→ How portable are my client relationships? If I left tomorrow, what percentage of my clients would follow me — and what is that estimate based on?

→ What is my practice actually worth in today's market, and does the model I'm in allow me to capture that value?

→ What are my near term and long term goals?

About Any Offer You Receive

→ What is the all-in cost of affiliation, not just the gross payout rate?

→ What am I forfeiting by leaving my current firm (in deferred compensation, unvested equity, or other committed amounts) and does this package account for that?

→ What are the production thresholds attached to the note, and how confident am I that I will meet them?

→ If there is an equity component, what is it actually worth — and what would it take to realize that value?

About the Firm or Platform You're Evaluating

→ What is the track record of advisors who have joined this firm or platform in the past? Are they thriving, or are they experiencing the same frustrations they left behind? Have you spoken to any of them?

→ If the platform is PE-backed, what is the capital structure, and what does a future liquidity event or recapitalization mean for affiliated advisors?

→ What does leadership stability look like, and what happens to my practice if the firm is acquired again before my note is forgiven?

→ Have you properly explored the tools, technology and products?Did you listen to a firm's recruiter telling you about the capabilities, or did you map your needs, wants, must-have's and can't-haves?

Don't Negotiate Against Yourself

The most consistent mistake I see advisors make is evaluating an offer without knowing what the market would actually pay for a practice like theirs. A low first offer can look reasonable in isolation. It looks very different when you understand what comparable practices are attracting across the market.

Payout rates, platform fees, technology credits, transition support, and equity participation are all negotiable at most firms across all three channels. Know what the market is paying. That knowledge is the baseline for every productive negotiation.

7. USING THE FEEL, FIT, AND FINANCIALS™ FRAMEWORK

The deal economics matter. They are not, however, the right place to start the evaluation.

In our experience working with advisors across all three channel types, the advisors who make the most successful transitions are the ones who evaluate every opportunity through three lenses — in the right order.

Feel: Culture and Leadership

Does the firm's mission, leadership behavior, and philosophy align with how you want to run your practice? Feel is the hardest dimension to quantify and the one most likely to determine whether you are still satisfied with your decision five years from now. Advisors who move for financial reasons alone, without genuine alignment on this dimension, have a notably higher rate of making a second move within five years. The caution in evaluating Feel, is to simplify it to likability. Too often advisors choose a firm because they like the people at the firm. **Likability is important, but not a reason on its own to join a firm.**

Fit: Platform and Operational Alignment

Does the platform give you the technology, products, compliance support, and operational infrastructure your clients actually need? Fit encompasses your non-negotiables — the things you cannot operate without — and your deal-breakers. Define these before you start evaluating firms, but be flexible as this list will evolve and even shift in prioritization. **Don't let the firm across the table define these for you.**

Financials: Total Value, Evaluated Honestly

Financials come last, not because they are unimportant, but because evaluating them well requires the context that Feel and Fit provide. Total value means the full picture: payout structure, platform costs, transition package, unvested forfeiture, long-term equity, and enterprise value building, not just the headline number.

When all three legs of this stool are in place - Feel, Fit, and Financials are aligned - you are not just changing firms. You are making a deliberate business decision that positions your practice better for the next decade.

CONCLUSION

Recruiting deal economics across the wirehouse, IBD, and RIA channels are not directly comparable using a single metric. They operate on different structures, different timelines, and different assumptions about what you are trying to build.

A wirehouse package may have the largest headline number and the smallest ongoing economics. An IBD affiliation may offer meaningfully better payout with the added responsibility of running a business. An RIA or hybrid transition may involve no headline package at all, but the greatest long-term economic potential, particularly for advisors who are building the kind of fee-based practice that commands strong enterprise value.

The right answer depends on your practice, your goals, and what you are trying to build. What doesn't vary is the importance of understanding the full picture before you decide.

How Bridgemark Strategies Can Help

We work exclusively with financial advisors evaluating their options - across wirehouse, IBD, and RIA channels - at no cost to the advisor and with no affiliation with any firm or platform.

Our role is to help you see the full picture: what your practice is worth in today's market, which channels and firms are the right fit for your specific situation, how to evaluate and negotiate deal terms, and how to execute a transition that protects your clients and your business.

If you are starting to ask the question, whether that means seriously evaluating a move or simply wanting to know what the market looks like, it is worth having the conversation.