

Opinion: Stop calling it independence if someone else can fire you
In this guest column, Dynasty Financial Partners founder and CEO Shirl Penney responds to the industry's ongoing debate over what independence really means and argues that most of what gets called 'independent' today is something else entirely.

By [Shirl Penney](#)

This is not an article about which model or platform is 'better' but about being clear on where you sit.

Every year, someone writes a column endeavoring to address what 'independence' means for financial advisors. And every year, the answer gets a little softer, a little more accommodating, a little more willing to stretch the word to cover business models that would have been laughed out of the room 25 years ago as anything but independent.

I want to draw a harder line.

Here is the test I'd ask every advisor in this industry to apply to their own business, right now, today: *Who can fire you?*

If the answer is anyone other than your client, you are not independent. You may be autonomous. You may be well-compensated. You may even enjoy your work and feel like you have room to make your own decisions. But you are not truly independent, and the sooner our industry stops letting firms borrow that word without earning it, the better served advisors and their clients will be.

The zoo test

Picture two animals. One lives in a small cage at a roadside attraction. The other lives in a sprawling, thousand-acre wildlife park with rolling hills, water features and enough room to roam for days without seeing the same tree twice.

Ask them both one question: who decides when you eat, where you sleep and whether you stay?

The size of the enclosure is irrelevant to the answer. Both animals are captive. One just has better real estate.

This is exactly the trap so many advisors fall into when they evaluate so-called 'independent' platforms today. They tour the space, they look at the technology, they meet the team and they come away impressed by how much room there seems to be to roam. What they don't ask, what almost nobody asks, is who controls the fence line? Who owns the Form ADV? Who can terminate the relationship, restrict the book or change the terms?

A bigger enclosure is not freedom. It's just a more comfortable version of captivity.

Whose ADV is it, really?

Start with the most basic, least glamorous question in our industry, perhaps the one advisors spend the least time thinking about: Whose Form ADV are you actually registered under?

If you are an investment advisor representative sitting on someone else's ADV, be it a corporate RIA, an aggregator's centralized registration or a platform that 'sponsors' your advisory business, then legally and functionally, you work for that firm. They are the registrant. They carry the regulatory obligation. They can restrict what you offer clients, dictate your model portfolios, cap your fees, review your client communications, and yes, terminate you. Not your client. Them.

Call that whatever you want. Call it flexible. Call it supported. Call it a great partnership. Just don't call it independence, because independence is a legal and economic condition, not a marketing adjective. If someone else's name is on the registration, someone else is your principal, and you are by definition their agent.

Compare that to an advisor who owns 100% of their own RIA, holds their own ADV and answers only to their regulator and their client. That advisor cannot be fired by a platform, a broker-dealer, an aggregator or a financial backer. They can only be fired the way independence is supposed to work: one client relationship at a time, based on the quality of the advice delivered. That is the only form of accountability independence was ever meant to create.

‘Independent’ broker-dealers are still broker-dealers

I want to be direct about something the industry tends to whisper around: The ‘independent broker-dealer (IBD)’ is one of the more successful rebranding jobs in financial services history, and it deserves more scrutiny than it gets.

An IBD advisor is, structurally, still operating in a commission- and conflict-laden ecosystem, just a smaller, less centralized version of it. The revenue model hasn’t disappeared; it’s just been redistributed. These firms and their advisors can still earn cash sweep spreads, revenue sharing from asset managers and fund families, markups and markdowns on principal trades, 12b-1 fees and referral arrangements with insurance and annuity carriers, frequently while also layering on an advisory fee charged directly to the client.

That is not a fiduciary relationship. That is conflict without the scale, resources, or brand-name accountability of a wirehouse. At least the wirehouses, for all their faults, tend to have compliance infrastructure and capital behind the conflicts they carry. The independent broker-dealer model often asks the advisor to shoulder similar conflicts with less oversight and less institutional support to manage them well.

Being paid by the product you recommend and being paid by the client for the advice you give are two fundamentally different economic relationships, and no amount of marketing language changes the math. If your compensation depends even partly on which product you place, you

cannot honestly claim to sit on the same side of the table as your client. You're sitting across from them, however friendly the conversation feels.

True independence requires a fiduciary standard applied without asterisks, where the compensation model is simply the end client paying for the advice delivered and nothing else, from no one else. If a firm won't put that in writing, a real fiduciary agreement, not a marketing brochure, ask yourself why.

Equity is not a detail. It's the whole test

The second half of the independence test is ownership, not just of your ADV, but of your equity, your economics and your cap table.

This is where a lot of 'independent' models quietly reveal themselves as something else. Advisors sell a majority stake, sometimes the whole business, to a private equity-backed aggregator, and in exchange they get a bigger platform, more resources and a story about growth. What they often don't fully appreciate until later is what sits behind that transaction: a capital stack layered with preferred equity, liquidation preferences, PIK (Payment-in-Kind) interest accruing quietly in the background, and a waterfall structure that determines who gets paid first in a liquidity event and who gets whatever's left.

Advisors in those structures frequently discover, usually at the worst possible moment, that the equity they thought they held has been structurally subordinated to institutional capital they never fully understood. The people who put in the growth capital get their return first, with a preference, ahead of the founder and the team who built the client relationships in the first place.

That is not equity aligned with the people who serve clients every day. That is equity designed to protect a financial sponsor's minimum return expectations first and capture excessive gains second, dressed up as a partnership.

Real independence means you control your own cap table. Your equity sits with the people delivering the advice: your team, your next generation of advisors — the people your clients actually trust — not behind a waterfall engineered to protect someone else's fund returns. You decide when and if you bring in outside capital and on what terms, and you keep control of your future regardless of that decision.

Pseudo-independence is still captivity

I'd ask advisors to be honest with themselves about a phrase I think we need to start using out loud: **captive independence**. It's a contradiction, and that's the point, because that's exactly what a lot of today's 'independent' models actually are.

You might have some autonomy in how you run your practice day-to-day. You don't have autonomy over whether you keep your practice, your ADV, your equity or your client relationships if the platform above you changes strategy, gets acquired, decides to consolidate registrations or simply decides your book no longer fits their model. This is especially true if an attempt to deviate from that platform's new strategy will get you sued.

If you are the kind of advisor who genuinely wants full autonomy, complete choice over custodians, complete choice over investment products and managers, complete control over your compensation and your team's compensation, complete ownership of your equity and your future, then don't settle for a nicer cage. Go all the way, or don't call it independence.

The only real test

So here's where I'll leave every advisor reading this: Stop asking whether your current platform feels supportive, feels flexible or feels like it gives you room to operate. Ask the only question that actually determines whether you're independent.

Who can fire you?

If the honest answer is anyone but your client, you may have room to roam, but you don't have freedom. And in an industry that has spent 30 years fighting to give advisors real ownership over their businesses and real fiduciary alignment with their clients, 'room to roam' should not be good enough for anyone who calls their business independent.

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