Biggest RIAs Seek Ways to Get Bigger

12/10/15 Originally Published By Charles Paikert, Financial Planning

In recent years a handful of RIAs around the country have come to the fore as regional powerhouses among independent peers. But their status isn't on par with that of big regional broker-dealers — names such as Raymond James and RBC Wealth Management — and their strategies aren't embraced by all growth-oriented indies.

Fed by big-team defections from big firms and enabled by service-platform providers (whether wealth-firm aggregators or third parties like Dynasty Financial Partners, more RIAs are seeing the benefits of size and brand recognition in a competitive marketplace.

For one thing, the scale that comes from having a few billion dollars under management and a small network of offices "makes it easier to recruit, acquire and do tuck-ins," says **Daniel Seivert**, who runs wealth-firm dealmaker and industry consultancy **ECHELON Partners**.

In turn, "connections to neighboring areas," drive "office expansion into those areas," he adds.

In time, ties to marquee prospects and referral-building centers of influence become stronger as "three degrees of separation becomes two degrees and then one," adds Seivert. "This makes it easier to win trust and win assignments, which drives growth."

As examples of regionally-dominant RIAs, Seivert points to outfits like Savant Capital Management in Rockford, Ill., Dowling & Yahnke in San Diego and First Foundation Bank's First Foundation Advisors in Irvine, Calif.

But regional dominance among RIAs is relative, says First Foundation's strategy chief Tyler Resh. Though his firm may not compete too much with like-size RIAs for business in and around California's Orange County, it frequently runs into wirehouses and other big brokerages. "Even at $3.4 billion," he says in reference to his employer's assets under management, "we find pockets where no one has heard of us."

As a result, First Foundation works to maintain its standing as a quasi-niche player for clients who want credit, trust and philanthropic services as well as investment advice, Resh adds.

But the probability of a hard slog hasn't dissuaded Brett Davis and his colleagues at True Private Wealth from vying for regional dominance.

Formed about three years ago by two ex-Merrill Lynch teams, it has since added a partner in Portland, Ore., and a couple more FAs in Salem.

"We spent the first couple of years making sure we had a model we could replicate," says Davis, whose firm manages about $550 million.

Designed to accommodate advisors who simply want to be hired, those who prefer a plug-and-play approach and those who want a bigger part of the action — and the risk — in partnership with its founders, True Wealth now plans to set about adding headcount in Oregon, Washington state, Idaho, Utah, Montana, Wyoming and northern California.

To accomplish this, True Wealth targets smaller teams and solo practitioners at RIAs and brokerages.

“For a team with $500 million under management, the world is your oyster because everyone wants you,” says Davis. “But when you have $100 million, $200 million, even $300 million these days, it gets a lot harder to be profitable.”

With players of this size in its sights, Davis sees no bar to growth for True Wealth as it reaches for regional-powerhouse status with the help of employees, affiliates and partners in search of scale.

But purely regional growth isn’t for every independent wealth firm.

For Summit Trail Advisors, an RIA founded last summer by former Barclays wealth managers, a national footprint — even a faint one — makes more sense than regional dominance.

That’s why the firm, which manages about $800 million from offices in San Francisco, Chicago and New York, is out to acquire RIAs and brokerage teams “in six to ten select cities” in the U.S., says managing partner Jack Petersen.

“We don’t want 200 advisors,” Petersen emphasizes. “We’re looking for two to three teams in each major financial center, for 15 to 30 teams in all.”

From there though, the idea isn’t to rest — or seek a buyer for the whole shebang. Rather, it’s to get down to the business of contending with established players and newcomers alike for organic growth in every region it’s in, with the advantage of operating against a backdrop of diminished regional-economy risk.

“Growing organically takes longer than buying firms,” says Petersen. “But it’s better growth in the long run.”