

PARTHENON CAPITAL BUYS SIMPLY MONEY, ADDS IT TO HANSON MCCLAIN, AND 'PRESTO' A \$3.3 BN RADIO SHOW-BASED RIA ROLL-UP RISES

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Hanson McClain Advisors and Simply Money Advisors will merge to create an RIA with \$3.3 billion of assets -- forming the nucleus of a roll-up with mind-boggling growth prospects.

The Sacramento, Calif. firm with the weekly radio show, Money Matters, will join forces with the Cincinnati-based firm with the daily radio show setting the stage for a chain of firms that control assets and airwaves coast-to-coast. [Simply Money ADV from August is \$7 billion-plus and Hanson McClain just over \$2 billion in December.]

Simply Money's two principals -- and radio hosts -- are CEO Nathan Bachrach and president Ed Finke. The two men co-founded the firm in 1994.

The deal is the first reveal of Parthenon Capital's strategy since buying 70% ownership in Hanson McClain in July as a come-lately in a crowded field.

Actually, Simply Money may have been originally intended as the first Parthenon purchase, says **Dan Seivert, CEO of ECHELON Partners** of Manhattan Beach, Calif.

"I know Parthenon took a run at them a couple years ago and it didn't work," he says.

'Absolutely'

The choice to buy a fellow radio-based RIA may be a sign of things to come, says Hanson.

"I think, yes, absolutely and that [such firms are] a real opportunity for us," he says. Hanson McClain had net inflows of \$362 million in 2017.

The target market is substantial, according the Chip Roame, managing principal of Tiburon [Calif.] Strategic Advisors.

"There are many radio 'stars' in regional markets around the country. I bet there are 50-plus who have a substantial followings. Combining some set of those, introducing different personalities across different markets, etc. is all solid client acquisition and business strategy." See: Radio-star RIAs drive giant growth at national chains one \$400,000 investor at a time

Creating a radio host juggernaut was several years in the making, says Andrew Dodson, a managing partner at Parthenon.

"We have built a relationship with Nathan, Ed and the Simply Money team over the past several years and believe the combination with Hanson McClain represents a compelling combination of highly complementary firms, he said in the statement announcing the deal.

Hanson had a longstanding relationship with Bachrach after the two met years ago at a Tiburon CEO Summit.

"They're nearly identical to us," Hanson says.

Both firms use TD Ameritrade for their custody needs. The plan is for the two firms to operate autonomously initially but eventually to move them under one brand and one software system. Currently, Hanson McClain uses Tamarac Inc. and Simply Money uses Orion Advisor Services LLC.

Radio rainmaking

The complexity of the firms' identities stretches beyond the radio aspect.

"I appreciate the radio star roll-up" strategy, Roame adds "I believe that it is more insightful than that, in that they share overall target markets, marketing philosophies, and client service philosophies."

Indeed, though any RIA would be happy to have referral machine in the form of a radio program, McClain says that its benefits go beyond the obvious. The most expensive line item for an RIA is advisor salaries. Hanson McClain, he says, gets maximum efficiency from its staff by not having to apply advisor time to the task of rainmaking.

But the radio show angle has its drawbacks, Seivert counters.

"It's just the \$200,000 investor that follows up after a radio show and doesn't have an advisor," he says.

The new Hanson McClain-Simply Money combo includes a staggering 6,200 clients.

That said, Hanson says that Simply Money may have much to teach his firm about rainmaking because the firm has far greater expertise on television and its video can now potentially run in the Sacramento market.

Hanson adds that his firm is more adept at in-person seminars and digital marketing. A live Hanson McClain event attracted 2,500 attendees last year, he adds.

Banana peel

The Hanson McClain purchase may have been what Parthenon needed to close Simply Money on coming into the fold, Seivert says. The deal may have shown them that Parthenon is a capable buyer of RIAs.

The FA radio star market is loaded with unpicked plums and populated by some bad apples. Hanson McClain's next radio star may be picked by Adam Kint -- the firm rehired him for that purpose. But Hanson says the firm will be at pains to avoid those who attract would-be customers with the lure of indexed annuities, for instance, he says.

One banana peel discussion that was tabled until post-closing concerns which radio star's brand will survive unification.

Hanson, chuckling, says the tension was alleviated by Bachrach.

"He sent me a T-shirt that said: 'Simply Hanson.'"
