

CONSOLIDATION PUSHES A VETERAN INTO RIA SPACE

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Most people think of breakaways as coming from wirehouses – and indeed, most do. But advisors who have grown up in the wealth management divisions of banks are also striking out on their own, for many of the same reasons.

The number of bank breakaways may increase over the next couple of years. Analysts expect consolidation among private banking divisions as parent companies readjust to lower revenue. About 5% of advisors work for banks, managing about 2.2% of the assets under management in the nation, according to Boston-based Cerulli Associates. The number of advisors at banks is likely to remain about level through 2012, while their share of assets under management is expected to increase to 4.4%.

It was consolidation – the third round of it — that finally pushed Matt Mathias, 39, out the door after his 18-year-career as a banker.

Godfather offer

Beginning in 1992, he worked for First Union in Naples, Fla., sticking with the bank after it acquired Wachovia and took on the name. By 2005, he had risen to become managing director of Wachovia Wealth Management Group in Southwest Florida.

Then “I got a godfather offer,” he says with a laugh.

U.S. Trust, which was then owned by Schwab, made him an offer he couldn't refuse (though there was no dead horse involved). U.S. Trust had a great reputation. It was known in the business for narrow but deep training, says **Dan Seivert**, chief executive of **ECHELON Partners**, an investment bank and consulting firm in Manhattan Beach, Calif.

Mathias, who became regional president, doesn't dispute that. He remembers a meeting in which a portfolio manager spoke about the need to find wealthier clients. Asked what he planned to do about that, the portfolio manager responded, “That's not my job, that's the sales person's job.”

Management by spreadsheet

He thought he'd be with U.S. Trust for the rest of his career, breaking down walls or doing whatever else needed to be done – when Schwab sold U.S. Trust to Bank of America. Two things happened. First, he became increasingly uneasy about the shift toward a culture of sales and products.

"It was managed by spreadsheet," he says. "Not managed by your connectivity to your clients."

The second thing: the merger of the two offices in the area put the Bank of America executive on top.

Mathias thought about going independent, but decided he didn't have enough money to bankroll the move without taking on debt.

This time around, he got a call from National City Wealth Management Group, which was building its wealth management service in Florida, under Mark Stevens, who had been the executive behind building Northern Trust's presence in Florida.

"I was clamoring for the opportunity to work with him," Mathias says.

Then, in November 2008, PNC acquired National City.

The career path opens up

This time, Mathias gave the independent path a closer look.

"Every time there's a merger, it's a disruption for your clients. There's a change of investment management platform," he says. "It's crazy."

It wasn't just the consolidation. Though the bank environment is not as product-focused as a wirehouse, he says, the underlying pressures wore on him.

"Every firm had a family of mutual funds," he says. "At each of those firms, they did offer open architecture ... but we were consistently reminded of the profitability of the firm's family of funds."

He considered the various channels, but decided the RIA channel offered the lowest overhead and the purest environment. "It was free of conflicts," he says.

He was thrilled by what he found at Schwab.

"It's a much broader universe than I would ever have expected at any broker-dealer," he says.

Due diligence leads to Black Diamond

His severance package from PNC (he waited to make the move until he had one) is giving him plenty of time for due diligence. After investigating the options, he decided on Black Diamond for his portfolio management software and performance reporting. He is particularly impressed by the daily reconciliation and the extent to which it can be customized.

"I can slice and dice and look at modern portfolio management theory," he says.

He is using IPS AdvisorPro to create "a very well-drafted investment policy statement."

And he has used software from Forefield Inc., which provides him with calculators for Roth conversions, tax consequence calculators, updates on tax law changes. He uses it to create client communications.

His base is building. As a manager, he didn't have a book of business to bring with him. Bank employees may or may not be covered by the Protocol for Broker Recruitment, depending on their job titles and whether their employer is a signatory. But the issue didn't arise in Mathias's case.

"When people break away and leave, they are anticipating a revenue stream following them. When I left, I didn't have a book of business. I was in management. I wasn't the client facing person. It wasn't as if I had this recurring cash stream."

What he did have was an extensive network developed over 18 years in the same market. He's reaching out through that network, to clients at his jobs before National Trust/PNC, and through his community connections. He serves on the boards of several charitable foundations.

Old-style community network

He aims to build a practice of very high-net-worth individuals. He hopes to sign on 25-30 clients and reach about \$500 million of assets under management.

He is inviting people to come visit his new office in the "Chamber Building" in Naples, which also houses the Naples Area Chamber of Commerce.

"I'm very targeted," he says. "I've not heard a flat-out no yet: the pipeline is big."

He hired another advisor, Richard S. Beebe Jr. "He and I work hand-in-hand," Mathias says.

With two clients so far, MWM Investment Consulting, which opened its doors on Sept. 22, has \$52 million in assets under management.

Along with investment management, the group offers multi-family office solutions, including risk mitigation, overseeing estate planning and tax planning issues and property management.

2009 was a big year for Mathias in many ways. He started his own business, got married and had a new baby, now four months old.

"That added some nervousness," he says. "It also added some resolve."

ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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