

E*TRADE PUTS ITS STAMP ON THE RIA CUSTODIAN SPACE

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*Now that Trust Company of America is part of the discount broker, RIAs hope that E*Trade will send clients looking for financial advice their way.*

E*Trade's \$275 million acquisition of Trust Company of America, which was completed Monday, is expected to send the second-tier custodian into growth mode thanks to beefed-up resources, technology and marketing muscle.

The first step in that direction comes in the form of a name change for the \$18 billion custodian to TCA by E*Trade, which leverages the brand of the \$400 billion discount brokerage business.

"It will be interesting to see what E*Trade does with the custodian business, and how they move into the RIA space," said **Carolyn Armitage**, managing director at the investment bank **ECHELON Partners**.

Launched in 1972, TCA has quietly grown by constantly reminding registered investment advisers that it is not one of the "big box custodians," represented by Schwab, Fidelity, TD Ameritrade and Pershing, which combine for more than \$2 trillion custody assets.

But by hitching its wagon to E*Trade, Ms. Armitage said TCA should benefit by "coming out of the shadows."

"You don't see TCA at conferences, and they don't host their own conferences, and they have a mis-branded name that makes people think they're a trust company," she said. "With E*Trade's resources and terrific technology, I'm interested to see where it goes from here."

Mark Pearson, founder of Nepsis a third-party money manager for advisers with \$300 million under management, in December ended an 11-year relationship with TD Ameritrade to join TCA because of the E*Trade deal.

"We've been waiting for this day right here," he said of the completion of the acquisition, which was announced in October.

"I've been waiting for E*Trade to enter this business because their retail business is very strong," he added. "We're at a time when there's a shift in terms of investor expectations. This industry badly needed another major force to compete in this marketplace."

In addition to what is expected in terms of support, money and services from E*Trade, Mr. Pearson said RIAs on the TCA platform will be licking their chops for E*Trade retail clients looking for a smooth transition to a financial adviser.

"A lot of those retail investors will be looking for financial advice to take them to the next level because this industry is getting more complicated," he said.

Pat Sweeny, co-founder and principal of Symmetry Partners, which has \$9.5 billion under management and subadvisement, has been a custodian client of TCA for 18 years.

"This is going to make TCA bigger and allow E*Trade an entrance into the RIA space, which I think is a good move," he said. "I think this is an opportunity to refer some business to RIAs."

E*Trade declined to comment for this story beyond a statement that said in part, "TCA makes our investing advice continuum more complete, enabling us to serve a broader base of clients, from self-directed investors seeking best-in-class digital platforms and guidance, to investors who seek higher-touch relationships and advice."

In terms of whether that continuum will pit E*Trade against RIAs in competition for retail investors, Mr. Sweeny downplayed it as "more perception than reality."

"E*Trade will have to be careful about that, and I'll be interested to see how they handle it," he added. "But if you're a qualified financial planner, competition is everywhere and you build your business based on your own merits."

Joshua Pace, TCA by E*Trade president, brushed off the potential for a competitive conflict with E*Trade.

"We have always been committed to forming non-competitive partnerships with our advisers, and we continue to stand by that," he said.

The momentum is apparently on the side of TCA, which has seen its custody assets grow by nearly 8% since the October acquisition announcement.

"Some of our largest clients have doubled down on TCA since the announcement," Mr. Pace said. "There is so much money in motion right now and, by virtue of the E*Trade brand we now become part of the conversation."
