Wirehousees Drop RIAs Pick Up More Assets

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The independent registered investment advisor channel saw its aggregate assets under management climb by 15.4%, or about $200 billion, over the past two years, while its wirehouse counterparts saw their assets decline, according to data compiled by the Aite Group. So reports *Dow Jones*.

The recent growth follows a trend that has seen independent RIAs increase their assets, market share and net inflows since 2007. RIAs ended 2009 with $1.5 trillion in client assets, up from $1.3 trillion at the end of 2007. But the same period wasn't as lucrative for the major brokerages, which previously numbered five but consolidated in that timeframe to four players. Merrill Lynch, Morgan Stanley Smith Barney, Wells Fargo Advisors (the former Wachovia) and UBS Wealth Management saw their combined end-client assets drop by 17.5% from the end of 2007 through the end of 2009, bringing assets from about $5.7 trillion in 2007 to about $4.7 trillion at the end of last year.

The losses at the wirehouses occurred despite their acquiring advisors and assets through a number of takeovers and mergers. Aite data shows that Merrill, Morgan Stanley and Smith Barney lost a combined total of about $150 billion in 2009 – about 3% of their total client assets from 2008. In the period spanning 2008 and 2009, the same wirehouses lost about 10,600 advisors. According to *Dow Jones*, the major brokerages lost 0.9% of the entire $12.4 trillion wealth management asset pool, giving them a 38% share of the market in 2009. RIAs added 1.5%, giving them a 12% share of the total assets and making theirs the fastest-growing wealth management channel.

Large regional and discount brokerages also made net gains, but recorded smaller percentage increases. The greatest losses were suffered by independent brokerages, *Dow Jones* reports. However, **Dan Seivert**, CEO of investment bank **Echelon Partners**, says while advisors and investors could be moving assets away from brokerages they see as too closely linked to Wall Street, the gains by RIAs could also be attributed to their strength in gleaning assets at an organic level.

But the data compiled by Aite appears to support the belief that RIAs are benefiting at the expense of wirehouses. Fidelity, which added a record 191 advisor teams to its RIA and independent brokerage platforms in 2009, tells *Dow Jones* "several billion dollars" a year in net new money that was previously placed with wirehouses has flowed its way since 2004. Meanwhile, Charles Schwab, which operates the largest RIA custody business, says in 2008 and 2009 its Advisor Services unit added $101.5 billion in net new assets, with its overall assets under management growing from $570 billion to about $590 billion, *Dow Jones* reports.

About ECHELON Partners

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