LPL Leads a Big Quarter for Broker Dealer Moves

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Financial advisers continued to shuffle between broker-dealers during the first quarter, but the average size of the teams has crept higher, according to data compiled by InvestmentNews.

LPL Financial and Raymond James Financial stood out as the biggest winners during the quarter, in terms of net new adviser assets, while Wells Fargo Advisors saw the biggest drop in terms of both departing advisory teams and net assets under management by moving teams.

"This was a good quarter for us, but it wasn't that much different than what we've been experiencing the past couple of years," said Barry Papa, director of AdvisorChoice Consulting at Raymond James.

The InvestmentNews data, based on reported and published adviser moves, show LPL adding 126 teams during the first three months of the year, while losing four teams, generating $9.1 billion in net new assets under management

Raymond James added 26 teams, and also lost four, for $5.2 billion in net new assets.

Ameriprise Financial rounded out the top three by adding 23 teams and losing 10, contributing $3.1 billion in net new assets.

On the other end of the spectrum, Wells Fargo, which continues to suffer reputational damage from the infamous practice on the banking side of opening checking and credit accounts for customers without their knowledge, gained three teams and lost 42. The firm saw a net decline of $10 billion in adviser assets under management during the quarter.

Wells Fargo representatives declined to comment, beyond the following statement: "We're optimistic about our business. We have quality advisers, our recruiting pipeline is strong, and we're investing in better ways to train and mentor new talent. Our multichannel business model gives clients choices in how they want to access their advisers — and that serves us well in attracting high-quality advisors who do what's best for clients."

While Wells Fargo's woes might be unique, the bigger picture of adviser moves around the industry includes factors like technology and service, as well as uncertainty surrounding the Department of Labor's fiduciary rule.

"Across the advice industry you have declining profit margins, an evolving regulatory environment, an aging adviser population — and then the accelerant is the DOL rule around those trends," said Bill Morrissey, LPL's managing director in charge of business development.

As the biggest winner during the quarter, Mr. Morrissey credited the broker-dealer's multichannel recruiting efforts, technology resources and flexibility.

"We are able to cast a wide net and we are very nimble," he said.

However, while LPL was recruiting teams at a pace of nearly five times that of its nearest competitor, it also stood out as suffering two high-profile departures during the quarter.

Resources Investment Advisors, a hybrid RIA managing $4.1 billion, and Carson Wealth Management, which had $2.6 billion at LPL, both severed ties with the firm in January, representing the two biggest adviser moves during the quarter.

The size of those two moves also had an impact on pushing up the average amount of assets departing during the quarter.

According to the InvestmentNews data, the average amount of assets under management for each adviser move during the quarter was $269 million, which is up 9% from the previous quarter's average of $246 million.

The InvestmentNews database does not include adviser moves involving firms with less than $50 million under management.

Dan Seivert, founder of investment banking firm **ECHELON Partners**, said the sizes of the moves are definitely getting larger.

The five moves by advisers with more than $1 billion in the first quarter compares to 10 moves in that size range over the past three years, he said.

"This shows you that the golden handcuffs, or retention contracts, that many brokerage advisers signed are starting to expire," Mr. Seivert said. "It has to do with the 2008-09 downturn when a lot of these agreements were signed with 8- to 10-year durations."

According to Mr. Seivert, about 5% of the contracts expired in 2014, and about 10% expired over each of the last two years.

This year he said about 13% of the contracts will be expiring, and the trend will continue to climb through 2019.

"The size and increased frequency of these moves coincides with that," he said. "This is a factor in why there is this breakaway activity."