RIAs Poised to Land Wirehouse Recruits

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Wirehouse reps have been unlikely sources of recruits for RIA firms, but that may be changing, according to speakers Tuesday at **ECHELON Partners**' **Deals and Deal Makers Summit** in Newport Beach, Calif.

Prior to the financial crisis, very few wirehouse reps went to RIA firms, said Bill Van Law, president of Raymond James' RIA custody business. In fact, back then about 80 percent of advisors at RIA firms came from bank trust departments, CPA firms and independent broker-dealers, and just five percent of advisors had a wirehouse background, he said.

Today, every wirehouse advisor wants to hear about independent options, said Mark Albers, chief executive of Albers Associates, which consults with wirehouse reps on going independent.

"It comes up 100 percent of the time" in discussions with wirehouse advisors, Albers said. A decade or two ago, few if any would consider anything but another wirehouse. "Today the universe is totally open," he said.

Matt Sonnen, founder of PFI Advisors, a consulting firm for large teams looking to go independent, expects more billion-dollar advisors to leave the wires. "For every one of the [big] breakaways, three more stick their heads up," curious about their colleague who went independent, he said. "We'll see more and more [large recruits] come from their buddies."

The trend in the RIA space now is for recruits to join existing RIAs, which is easier than starting a new firm from scratch, said recruiter Bill Willis, president of Willis Consulting.

Van Law agreed, noting that half of the recruits signing on to Raymond James' custody unit over the past year joined existing firms.

The wirehouses' push to build fee-based assets over the years has created a pool of potential recruits for RIA firms, Willis said, a sort of "unplanned obsolescence" that RIA firms can exploit.

But recruiting isn't easy or quick. RIA firms wanting to bring on a wirehouse rep must listen to and educate wirehouse prospects about the independent channel.

"There's still a lot of brainwashing" of reps at the wirehouses that independent platforms can't offer all the products and services they're used to, Sonnen said.

Most of the issues with captive advisors are emotional, Albers said, like the fear of losing clients or not having what they'll need.

"They're scared to death of compliance," Sonnen added. And some can't get away from the idea of getting paid to move, even though it's almost a certainty their assets will grow more at an RIA, he said.

These advisors "are very sophisticated with their clients, but very unsophisticated with running a [business]" or understanding their options, Albers said.

But the issues within the big firms are enough for some wirehouse advisors to make the jump.

Underlying the desire to move from the big houses is "the utter lack of control" advisors have over the businesses they've built, Willis said. Large firms need to manage to the lowest common denominator, a problem amplified by managers who sometimes don't care.

RIA firms can attract wirehouse people by being able to show how they will be "loved and appreciated in that model," Willis said. A well-developed marketing plan that attracts new business will also draw recruits, he added.