After Storming PIMCO, Dan Seivert Puts LA on RIA Map With High-Aptitude Summit

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Brooke's Note: I've said it before. Nobody has ever created a true RIA conference. Sure, RIAs get invited as the primary guests to events every week. But ultimately vendors of products and services make a giant dent on the agenda. It's off-the-shelf infomercial content in a Marriott -- with RIA stuff sprinkled in to lend an appearance of legitimacy. To have an RIA event, the conference organizer needs to channel their inner journalist and their inner RIA and presume good things will happen from there. Seasoned experts, process, open architecture, unvarnished truths, no sacred cows and no pay-for-play. In putting together his semi-transactionally named annual conference, **the Deal and Deal Makers Summit**, **Dan Seivert** put on an event that undersold and overdelivered on RIA spirit and principle. The take-no-prisoners content began with exposing every fault line at RIAs and roll-ups -- with giant help from Mark Tibergien in full Moss Adams mode -- and then utterly eviscerated wirehouses and their "unplanned obsolescence" business models with help from top-flight Wall Street recruiters. I missed a chunk of the event when my airplane refused to arrive in San Francisco to whisk me to Orange County but I never once heard a mention of robo-advisors. I think the topic gets abused both as a false enemy and a hype agent. None of that. In my article, I make quite a bit of the fact that me and 162 attendees got the run of the PIMCO place in Newport Beach. There was a sense that the RIA ragtag army had stormed a Bastille only to be treated as honored guests. Yes, PIMCO had a speaker, Joachim Fels, who was, perhaps, a concession to the economic reality of being an eight-person **ECHELON Partners** boutique putting on a big-time event. But Fels is a former Morgan Stanley chief economist and seemed to carry his own weight intellectually. I had ex parte conversations with media and business development PIMCO execs on premises who indicated a rising RIA focus and sensitivity at their firm. Seivert says he's in discussions for the PIMCO hall for next year's Sept. 10-11 event -- a sign, in my opinion, of the power of the RIA business to influence giants symbiotically rather than a self-defeating commercial concession.

Are roll-ups -- of which there are currently 18 -- a plus or a minus for the RIAs?

A laundry list of nuanced negatives were canvassed at the Deal and Deal Makers Summit this week in Newport Beach, Calif. including: Not everyone is ready for a liquidity event at the same time. And: One lawsuit can cause the whole thing to sink by revealing a dubious deal structure.

Then there were the flat-out cons: Fiercely independent entrepreneurs don't go in for being managed like fast-food franchisees.

"[Roll-ups] want a McDonald's mentality," said Dan Seivert, CEO of Manhattan Beach, Calif.-based ECHELON Partners at his event on Tuesday in Newport Beach, putting an exclamation point on his debate case.

Defending roll-ups as a net positive for the RIA industry was Mark Tibergien, CEO of Pershing Advisor Solutions. They give small "lifestyle" practices instant critical mass both in terms of scale and managerial expertise, he said, arguing a side that he later admitted he disagrees with on the balance.

Clicking little devices built into the PIMCO auditorium the audience of 162 RIA business practitioners gave Tibergien and his pro-roll-up arguments the thumbs up over Seivert -- in a near landslide.

"It's so eye-opening to put it out to the audience," Seivert said later, astonished at how the vote count went against him.

'Entre' nous

What the mostly RIA audience saw from its seats inside the ethereal Amphitheatre tucked into the headquarters of Pacific Investment Management Co., which mostly manages bonds and other fixed income products, it really liked.

In its sixth iteration, the event, billed as a confab by deal makers for deal makers can now be classified as an RIA strategy conference. Not by accident, it applies open architecture principles to the dissemination of industry research and expertise.

"We're not a custodian so we're not tippy-toeing and we're not on a razor's edge because we don't have people paying to present," Seivert says in an interview

Indeed, no constituency escaped withering scrutiny -- including RIAs -- or that American deity, "the entrepreneur" that owns them.

"'Entrepreneur' is a French word that means not to be accountable," quipped Tibergien during a conversation about the pitfalls of "lifestyle" RIA firms.

The event's refinement is traceable to a finding of self, Seivert says.

"When you do something the first time, you're a little tight. As we loosen up, we're open to being who we are."

Plu-perfect

The focus on broad RIA research is paramount when discussing the topic of deal making, Seivert adds. After all, the greatest determinant of whether a buyer or seller succeeds in M&A is how strong it is heading into the deal.

The willingness to look inward and outward is moving the 'Deal' conference upward. The event attracted a record crowd of 162, up from 120 attendees two years ago and 100 three years ago. Seivert said he got 10s consistently on exit surveys except for one category -- the venue. "People wrote in 10+ or 11," he says.

The venue was secured after PIMCO agreed to lend, with some sponsor consideration, its sublime meeting space. RIAs kept comparing the room to the United Nations or a performing arts facility for its pristine appearance, flowing architectural lines and the way it bristled with technology for audience interactivity.

Breakaway slowdown

PIMCO manages $1.6 trillion of assets. After a period of instability as its founder, Bill Gross, wobbled, and a hangover of asset outflows after he left, the company is riding high again, with only Vanguard Group and BlackRock its superiors in size and asset-gathering might.

Not incidentally, a PIMCO spokeswoman I met on the conference premises says that her firm's connection to RIAs is growing by refining its approach to RIAs -- upping its game especially in working with the largest firms.

Yet while RIAs were the stars at the event, they received the greatest scrutiny. Tibergien pointed out that RIA asset growth -- exclusive of market gains -- is steadily declining by the year and stands at about $4 trillion. The growth rate has dropped from 14% to 9% to 5% in recent years.

Another seemingly disturbing trend in the past year is that the number of breakaways has been drying up.

Yet both these RIA downers were explained away as being statistically misleading. The principal cause of the declining RIA growth rate is simply a lack of capacity at many of the quality RIAs that might otherwise onboard more assets, and the decline in breakaways is an anomaly attributable to exogenous factors, according to multiple speakers including Bill Willis, principal of Willis Consulting.

"The DOL [rule] cast a pall and caused confusion," he said.

Unplanned obsolescence

In recent years, 3,000 brokers that manage a combined $122 billion of assets break away from their firms band 63% of those brokers are from wirehouses, according to Seivert.

Wirehouses are suffering from "unplanned obsolescence," Willis adds, which all but assures that the breakaway movement will climb to new heights, according to a three-person recruiting panel that also included Mark Albers, principal of Albers & Associates Consulting, and Matt Sonnen, CEO at PFI Advisors. All three are based in the Los Angeles area.

The staggering change here, Albers said, is that in the past all his conversations with RIAs were the result of "outbound calls" made by him and that when he sat down with breakaway brokers he had to raise the topic of joining an RIA 100% of the time.

Now, Albers says the breakaway brokers bring up RIAs virtually every time -- for a host of reasons with bare-knuckle economics being hardly the least of them.

One breakaway prospect Albers recently interviewed was paying UBS $400,000 a month to be there, based on his payout and income.

"What are you getting for that [$20,000 per day]?" he asked in an interview after his panel appearance Tuesday.

Yet Seivert commented from the stage that many wirehouse brokers remain unmoved by certain economic arguments. For example, a senior broker at a wirehouse may be well-served to break away and become an RIA -- if for no other reason than to create an equity asset of their book of business than can be sold.

Uncharted territory

"We are blown away by how that [argument] falls on deaf ears," he said.

One attendee whose value proposition seems to be falling on functioning ears was Fielding Miller, CEO of CAPTRUST, who had flown to the West Coast from Raleigh, N.C. and whom RIABiz recently covered in an article about how he grew his firm to $220 billion of managed assets in $10-billion and $20-billion chunks.

Miller's unparalleled growth and the nature of his acquisitions that straddle wealth management and 401(k) has left him in uncharted territory.

"We don't have peers to model ourselves after," Miller said in an interview.

To illustrate the model, Miller said his firm recently entered the Minneapolis market in what he considers prototypical fashion for his firm: it acquired both a 401(k) firm and a wealth manager then put them in one office and rebranded them both as CAPTRUST.

Indeed, though the firm is known as a 401(k) RIA, Miller explains that the future lies increasingly with non-401(k) wealth management assets, of which CAPTRUST quietly manages $6 billion.

"That's the leg we're in now," he says. Of the 450 CAPTRUST employees, about 150 of them are dedicated to the $6 billion of wealth management assets.

No wall and no worries

Referring a recent RIABiz article where we characterized CAPTRUST as having hit a "wall" because of few remaining big, fat RIA-401(k) targets, he said his firm has identified about 300 potential targets -- albeit in in obvious places like 401(k) units of banks or benefits firms.

The synergies involved aren't those of a whiteboarded rollover factory where low- margin 401(k) assets become higher-margin wealth management assets under an IRA. On the contrary, Miller says that CAPTRUST is advising clients not to roll over assets with greater frequency and instead to to leave them in the fiduciary care of Fidelity Investments or T. Rowe Price.

"I think it's a growing trend," Miller says.

Instead, Fielding says CAPTRUST is putting its energy into "general operating scale" and "good systems." CAPTRUST uses its 45 research and investments personnel for both sides.

Covering the investments research side of the conference was Joachim Fels, global economic advisor at PIMCO. After canvassing a dazzling array of information, he said we could put a serious downturn out of our minds for now because the 10-year treasury are is 2.25% and the two-year note is at 1.40%.

"So, don't worry."