The FPA NorCal Conference Burnishes Its Image With Big RIAs

Originally Published By Brooke Southall, RIABiz

Brooke's Note: These colorful recaps, graphically (he takes the pictures) and literally (he writes it all), simply wouldn't be possible without Tim Welsh doing it. That he does it, bam, as the conference ends and with careful attention to detail, is a bonus. Folks, Tim's effort isn't like posting on Facebook. Thank you, Tim.

Proving once again that San Francisco is the center of the RIA universe, the five chapters of the Financial Planning Association in the Bay Area convened their 41st annual FPA NorCal conference here this week. See: Why the San Francisco Bay area is almost certainly the capitol of the RIA business.

While typical regional FPA chapter events and symposiums are small, local affairs, FPA NorCal is the association's top regional conference. With its national reputation, the confab routinely sells out and has a long waiting list of sponsors hoping to be part of the show. Over 700 advisors and representatives of the industry's leading vendors convened over two days at the fabulous Palace Hotel in downtown San Francisco.

Inspired by the collaborative spirit and vision of NorCal's FPA chapter leaders over 40 years ago, the event consistently brings in the industry's top speakers, content experts and is a virtual "Who's Who" of the Bay Area RIA elite. See: At FPA's Norcal event, wary advisors are told how to stop worrying and love the cloud.

Attendees from the big billion dollar firms such as Aspiriant, Wetherby Asset Management, Hewins Financial, First Republic, Brownson, Rhemus & Foxworth, and many more were in attendance to learn firsthand about the latest investing, financial planning and business management trends impacting the industry today.

No success without succession

As a regional event, FPA NorCal is unique in that it has the size, scale and cachet to attract the industry's top practice management experts and consultants as speakers in the many breakout sessions.

Headlining the top issue in the RIA industry today — succession planning — were two industry luminaries holding court on the various strategies. **Dan Seivert** of **ECHELON Partners** provided an interactive valuation session to help advisors understand how firms are valued, what the key drivers are and ways to optimally position firms for transition.

"There is a misperception by many sellers as to what they are worth vs. what value they can bring," **Seivert** says. "In many cases, sellers don't realize the synergy value they have in an acquisition due to the combined entities often ending up with a much higher valuation from cost savings. Routinely, sellers leave six or seven figures on the table and that is something that they could have negotiated." See: Roll-up-like deals back on the rise in first quarter as RIAs look for succession plans.

Seivert advised attendees that just because they understand wealth management, that doesn't necessarily mean they understand finance or investment banking. "There is too much at stake for advisors to adopt a Do-It-Yourself approach. There are no 'do-overs,' transactions are complex, involve asymmetric information and the clock is ticking."

According to **Seivert**, "the top valuation drivers are growth and scale," so advisors should focus on those as they consider their options.

Next up on the succession topic was Tim Kochis of Kochis Global. Kochis, the former CEO of mega-RIA Aspiriant, and now a self-described industry "missionary," held court to a full house. See: Ex-RIA chief: 'How I learned more in a month as a client than in 20 years as CEO'.

Attendees were anxious to learn the lessons and approaches Kochis had put in place to embed succession into Aspiriant as a growth strategy. See: Aspiriant sets the stage for its next big buy — and only RIAs with more than $1 billion in assets need apply.

Step 1 is reflection. "You need to pull yourself out of the business and imagine what you want it to be, over time, and then develop a detailed plan to get you to that vision," Kochis advised. His top reasons for why advisors need to have a succession plan range from new technologies, changing demographics, expanding geographies and of course to the inevitable passage of time. "No one and no thing lasts forever." See: Buckingham Asset Management creates a structure with Focus Financial that enables it to roll-up the 120 RIAs that entrust it with $13 billion of DFA TAMP assets.

To get started in the process, Kochis recommended that advisors put a spreadsheet in place and start to fill in the blanks with the specific outcomes they want for such things as business strategy, culture, client service, firm management, marketing, equity transition and the like. "You need to be very specific in terms of what outcome you want, who is responsible for making it happen, on what time frame and the exact steps you will take."

"Ultimately, if you have a plan in place then you can be very opportunistic in how you implement it."

The Starbucks experience

Rounding out the practice management content were several sessions on marketing, business development and ways to develop a unique client experience.

Stephanie Bogan of gave a sneak peak into the inner workings of fast growing United Capital and some recent consumer research her firm has completed. See: Stephanie Bogan: Put me in, I'm ready to play.

"We are basically doubling the firm every two or three years and in order to make that work, we need to have systems in place and a standardized service offering," she said, citing how Starbucks can be a great model for advisors to learn from.

"With over 40 offices now, the only way we can manage this growth is to have a consistent and standardized service experience, transforming how financial planning is done."

Greg Friedman in his dual role as CEO of Private Ocean and CEO of Junxure, the industry's leading CRM, shared how he is combining business management and technology to more profitably run a growing wealth management firm.

"I am basically the poster child for every problem in our industry," Friedman explained, based on how he has worked through just about every business management issue from starting his own firm, merging it to create a much larger enterprise as well as all of the succession planning, staffing, compensation and organizational structures that go along with that growth. See: Greg Friedman is set to finally bring Junxure to the cloud and beat back the Salesforce-ification of the industry.

The top issues Friedman is currently managing include marketing and ways to free up his current advisors so that they can do more business development.

"Ten years ago, marketing was just answering the phone for another client referral. Now it is so much more competitive."

As part of his presentation, Friedman showed how advisors can use the many components of CRM technology to measure where advisors spend their time and then to create business analytics to identify ways firms can be more efficient, thereby increasing capacity for advisors to cultivate new business. "We are building both a sales and service culture to maintain our growth." See: 12 key events of 2012 that rocked the RIA technology landscape, Part 1.

The balance of the agenda consisted of many innovative financial planning topics, workshops and ways to manage client situations, led by industry heavyweights such as Michael Kitces, Carolyn McClanahan, Dave Yeske, Elissa Buie, Bill Winterberg and Norm Boone. Also in attendance were the CEO and president of the FPA, Lauren Schadle and Michael Branham.

The new economics — Deficits are good

Economists and investment gurus dominated the keynotes, providing controversial opinions and thought-provoking views on the markets and government policies.

Leading that charge was Stephanie Kelton, chair of the dept of economics at the University of Missouri, Kansas City. In her highly energetic and engaging keynote, Kelton highlighted how misplaced fears about government finance are costing us trillions.

Kelton argues that government deficits are actually a good thing, in that they are created by another aspect of the economy that is running a surplus. According to Kelton, basic double entry accounting requires that if the public sector is in a deficit, then the private sector will be in a surplus. If the opposite happens, with decreasing deficits or surpluses, then that means that the public sector is in a deficit and there is a major drag on the economy.

"We need to understand that our government is not constrained like a household or business and is able to run deficits for as long as our tolerance for inflation will allow it," Kelton advised. "The U.S. government can never become insolvent and there will always be a market for risk-free government debt because the issuer of the currency can always pay. We are not tied to the gold standard or some macro-currency like the euro. The Fed can create money just by a simple computer entry."

Kelton pointed out that the recovering economy combined with increased taxes is making the current deficit fall too quickly. "The fiscal cliff and the sequester are 'customer killers,' meaning that people have less money to spend and it is creating a massive drag on the economy. We need to cut taxes or increase spending now — debt is only half of the balance sheet."

While Kelton's counter-intuitive arguments made perfect sense, it definitely had the crowd buzzing, as most advisors preach the benefits of a balanced budget.

I left my heart in San Francisco

One of the key aspects of FPA NorCal that attracts such a big crowd is its traditional location in San Francisco.

Attendees took advantage of the many restaurants, venues and activities that make San Francisco a top destination. While quite a few of the local attendees hit the ferries and BART to make it home for dinner, the rest stopped by the Asset Dedication reception across the street at the venerable House of Shields bar or dined in groups in and around the South of Market (SOMA) area.

About ECHELON Partners

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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