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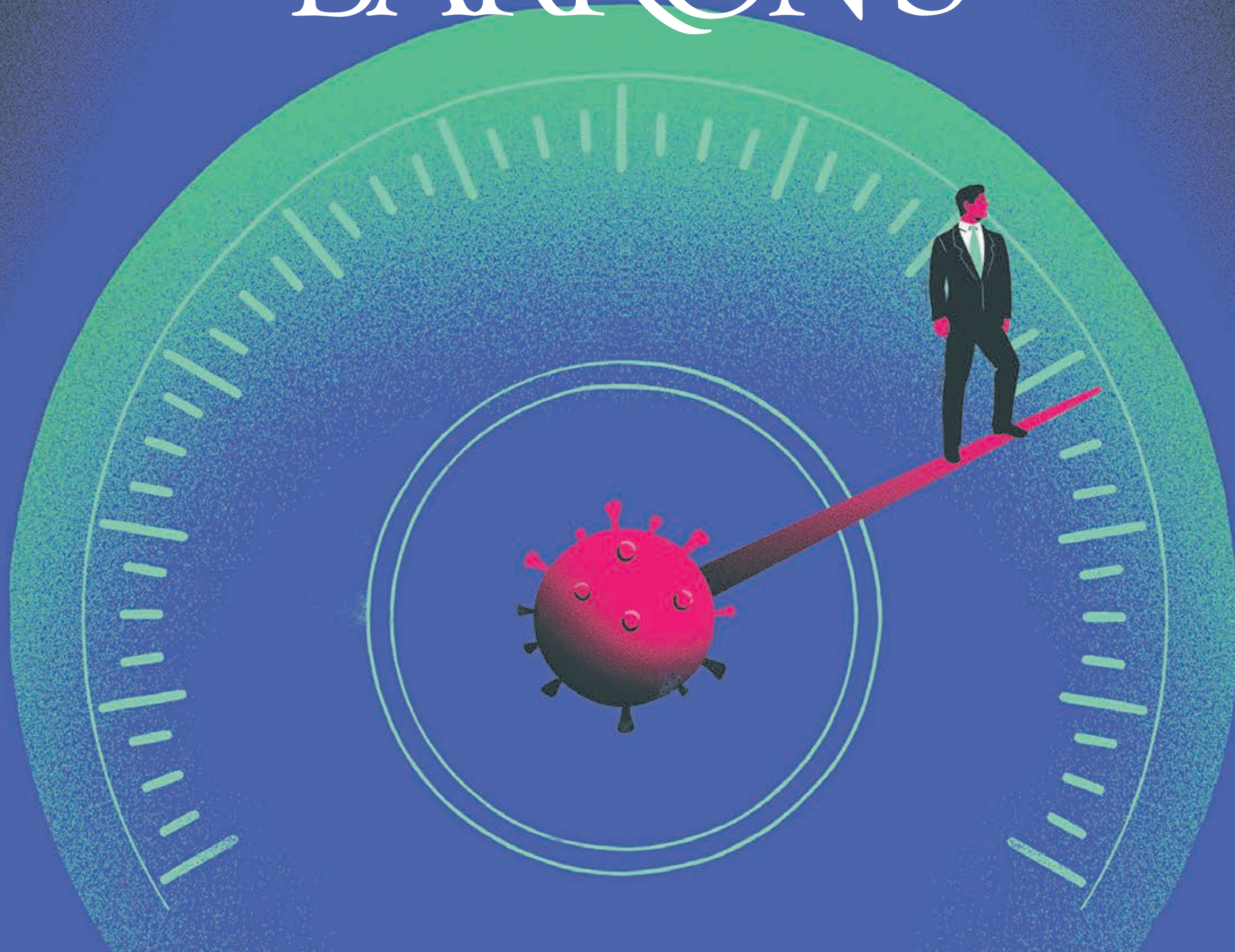

2020 Top Independent Advisors

Rate of *Inflection*

The independent advisory business was speeding through massive changes—in technology, in consolidation, in diversity. Then 2020 accelerated all of them. PAGE S2

AGENTS OF CHANGE

In a year full of first-of-a-kind challenges, independent advisors could have opted to tend only to the basics. Instead, they have redoubled their efforts to evolve their businesses.

By **STEVE GARMHAUSEN**

Illustration by Sébastian Thibault

The wealth management industry had already been changing rapidly. But this year, the rate of change kicked into overdrive.

The pandemic and its economic aftershocks have spurred consolidation. Small advisor teams that might have remained independent are being pushed to modernize or sell. Covid-19 made the adoption of technology—such as videoconferencing and digital account signup—an immediate priority. If you didn't have good technology, wealth managers realized, you were in for a rough ride.

Then Black Lives Matter protests erupted, increasing the pressure on advisors to take a hard look at the lack of diversity in their industry, at their firms, and among the clients they serve. As new independent firms form and grow, they hold the potential to dramatically change the demographics of both the industry and its clients. Driving change, after all, is what the indies do.

"The past several months have felt like we are working at warp speed to make sure we are ahead of the curve with respect to meeting clients' and employees' needs," says Shannon Eusey, CEO of Newport Beach, Calif.–based Beacon Pointe Advisors.

Those needs have been exacerbated by a confounding stock market. The pandemic initially spurred a market plunge; the S&P 500 index fell 34% between Feb. 20 and March 23. That severe decline was followed by the best-ever 50-day rally for the index. The dip served as a wake-up call for aging advisors who had delayed the sale of their firms to take advantage of the market's seemingly endless rise and the corresponding increase in their asset-based revenue.

"We're going to see more activity overall because you're seeing more people be thoughtful about the value of their practices," Creative Planning CEO Peter Mallouk said at a roundtable discussion hosted by public relations firm JConnelly. Creative Planning, based in Overland Park, Kan., manages more than $50 billion and lately has been an active acquirer. In August, Creative Planning made its eighth deal this year, buying Atlanta's TrueWealth Management, which manages $1.6 billion.

Deal-making bounced back fast after the market crash. Twenty registered investment advisor transactions had taken place at the midpoint of the third quarter, compared with 14 during the same period in 2019, according to mergers-and-acquisitions consultancy DeVoe & Co. The combinations put 2020 on track for a seventh-straight record year for M&A among RIAs, DeVoe said.

Ron Carson, head of $12 billion-asset Carson Group in Omaha, Neb., told the roundtable that his firm, which acquires whole and parts of practices, had 15 deals in its pipeline. "That's up significantly from fourth quarter of last year," he said.

Firms that have been active acquirers, like Beacon Pointe, argue that consolidation works to the benefit of both advisor and client. "The end consumer benefits when service and offerings are elevated," says Eusey, whose firm has $11 billion of assets under management. More scale can mean a bigger technology budget, for instance, and more clout in negotiating prices with third-party vendors.

After years of talk about the need to diversify, there's still a long way to go. Just 3.7% of advisors with the popular Certified Financial Planner credential are Black or Hispanic—groups that make up 31.1% of the U.S. population. And it's estimated that fewer than 20% of advisors are women.

Executive Class

Top 100 RIA firm executives who graduated into their management roles after starting out as ranked advisors

Name	Firm	No. of years as Top Indie Advisor	2020 Firm Rank
Steven Weinstein	Altair Advisers	13	83
Jeffrey Colin	Baker Street Advisors	12	50
Andy Berg	Homrich Berg	12	42
John Lesser	Plante Moran Financial Advisors	12	16
Brian Holmes	Signature Estate & Investment Advisors	12	26
David Lees	myCIO Wealth Partners	11	49
Ron Carson	Carson Group	10	12
Michael Yoshikami	Destination Wealth Management	10	99
Michael Nathanson	The Colony Group	10	17
Fred Fern	Churchill Management Group	8	35
Peter Mallouk	Creative Planning	8	4
Brent Brodeski	Savant Wealth Management	8	29
David Hou	Evoke Wealth	8	66
Rob Francais	Aspiriant	7	22
Joshua Gross	Mill Creek Capital Advisors	7	78
Richard M. Burridge Jr.	RMB Capital	7	55
Frederick Paulman	RMB Capital	7	55
Greg Sullivan	Sullivan, Bruyette, Speros & Blayney	7	71
Scott T. Hanson	Allworth Financial	6	27
Ric Edelman	Edelman Financial Engines	6	1
Martin Bicknell	Mariner Wealth Advisors	6	5
Paul Pagnato	PagnatoKarp | Cresset	6	34
Christopher Cordaro	RegentAtlantic	6	56
Patrick McClain	Allworth Financial	5	27
Michael van den Akker	Baker Street Advisors	5	50
Joel Isaacson	Joel Isaacson & Co.	5	88
Mark Sear	Evoke Wealth	5	66
Alex Shahidi	Evoke Wealth	5	66
Shannon Eusey	Beacon Pointe Advisors	4	30
Roger Wade	GW & Wade	4	40
Richard J. Buoncore	MAI Capital Management	4	36
Charles Thoele	RGT Wealth Advisors	4	58
Robert J. Skinner II	IEQ Capital	4	32
Larry Carroll	Carroll Financial Associates	3	72
Scott George	Mason Investment Advisory Services	3	51
Santiago Ulloa	WE Family Offices	3	76
Alan Zafran	IEQ Capital	3	32
Sarat Sethi	Douglas C. Lane & Associates	2	47
Stewart Mather	The Mather Group	2	80
Eric Harrison	IEQ Capital	1	32

A diverse staff is good business. "It gives us an edge, because we have different perspectives and life experiences," says Connie Mack, the head of RIA Advisors in Houston. Mack is African-American, and his 16-person team includes six women and people of color. "We're also focused on getting women more engaged at our firm; their perspectives on money are just as important [as men's]."

But stepping up diversity may be trickier for RIA firms, which have less recruitment firepower and arguably fewer opportunities for career advancement than might be found at Wall Street brokerages.

One of those firms, Merrill Lynch, recently released a detailed breakdown of its advisors by race and gender. Of Merrill's more than 17,500 advisors, 780 are Black/African-American, according to the company. That's 4.5% of Merrill's advisors, up from 2.5% five years ago. Hispanic/Latino advisors number 1,570, or 9% of advisors, up from 6%. The total female advisor population is 3,650, or 21%, up from 18% five years ago.

Diversity proponents say providing that level of transparency is important because it creates a baseline against which a firm can measure, and be held accountable for, its success in increasing diversity. The RIA industry's decentralized nature—there are thousands of firms—will make it tough for them to follow suit.

While progress on diversity has been slow, technology adoption has been fast. Advisors are meeting with potential clients online and asking them to sign up for accounts digitally. They're meeting with longtime clients via Zoom, pulling up their financial plans in digital format during meetings, and tweaking them together in real time.

"The days of having a client come in with all their financial statements, create a plan that sits on a shelf for five years, then you blow dust off it and look at it, that's over," says Eric Clarke, CEO of Orion Advisor Solutions. "Clients expect to interact with the plan on a day-to-day basis."

Moreover, clients expect the seamless digital experiences they've come to expect by doing business with the likes of Amazon, Netflix, and Lyft. "Every advisory firm needs to have a tech experience that is on par with [consumers'] experiences outside of financial services," Clarke says. "You've got to have great tech to be competitive in the marketplace, and the time to implement it is yesterday."

The technology isn't merely a temporary workaround for the pandemic, says David Canter, head of Fidelity Institutional's RIA business. It's permanently changing business practices, making advisors more efficient and allowing them to easily serve clients in new geographies. "You don't have to travel; you can Zoom in with a prospect or client, and in many cases they prefer it," Canter says.

Some advisors are even re-evaluating how much office space they need—if any. In a recent Fidelity survey, more than half of advisors at RIAs reported they would be comfortable conducting all future client business digitally and virtually. And 73% opined that the ease of working remotely would allow them to expand their geographic reach.

In the early days of the pandemic, the typical advisor had a healthy number of prospects in the pipeline. "Nearly five months later, we're very much in a situation where firms that have invested in digital prospecting are continuing to grow and do well," says Clarke, "while those who rely on traditional methods are beginning to struggle."

In general, RIA firms that are nimble in implementing technology and new business practices will have an advantage coming out of this tumultuous period, predicts Eusey. "Bureaucracy stifles entrepreneurship and creativity," she says. "We certainly would not have been able to adjust as swiftly as we did if we didn't have the technology already in place, the mind-set that evolution is a good thing, and a team culture that embraces new challenges and opportunities." B