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Advisor Movement Opens Doors for Managers

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A busy year of wirehouse financial advisors switching brokerage firms or forming independent shops is giving money managers that offer separately managed accounts the opportunity to prospect new advisors as well as the chore of transitioning client accounts and restructuring customer service relationships.

Increasing advisor movement has opened doors that many managers previously overlooked, particularly in the independent channel and registered investment advisor (RIA) sector, says Ashley Rabun, managing director of InvestorReach, a consulting firm in Mobile, Ala. She says one example is LPL Financial, a network of independent advisors that a few years ago had negligible SMA assets but now has roughly $4 billion after attracting many wirehouse refugees.

“The point is that this is becoming a huge opportunity for managers,” Rabun says. “Quite often the top brokers can impact whether managers get into the program of the new clearing firms or independent broker-dealers.”

While managers are keen on preserving their existing relationships with advisors on the move, the shake-up in advisor ranks also is creating opportunities for prospecting. Managers are seeking openings to advisors who previously relied on – or were limited to – SMA products on their wirehouse platforms.

“With money in motion, [managers find] an excuse to call,” says a sales and marketing executive at one of the five largest SMA managers by assets under management, who requested anonymity.

A sign of the trend is a steady flow of manager calls into Syntrinsic Investment Counsel in Denver, a wealth manager overseeing $550 million for nonprofit institutions and high-net-worth investors. Benjamin Valore-Caplan formed the firm over the summer after he and his team left UBS Financial Services.

“Many of [the calls coming in] are very good managers that have a specific focus on the RIA world, and don’t want to work with wirehouses,” Valore-Caplan says. “These are folks that have some really innovative strategies that were not accessible to us before.”
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A flood of manager calls also targeted Lori Van Dusen after she and her team left Smith Barney in August to join Convergent Wealth Advisors, a boutique wealth manager based in Rockville, Md. Working out of her office in Rochester, N.Y., Van Dusen has already brought over nearly all of the $4.5 billion in assets she manages for institutions and high-net-worth investors.

"I was getting calls every day on my cell phone because we didn't have permanent phone lines at first," she says. "That's frankly one of the harder things in a transition – you're buried in repapering work and client requests, and getting a lot of manager calls as well."

Just as managers see opportunity when advisors move, the advisors also seek openings to broaden their investment lineups. That was important to both Valore-Caplan and Van Dusen, who say their teams serve a wealthier and more institutional client base than the typical wirehouse advisor, and often needed to go beyond the standard wirehouse product set.

Valore-Caplan says Syntrinsic now has access to more investments, including institutional share class mutual funds, offshore-focused hedge funds of funds, and even SMAs that are closed on wirehouse platforms but open to his firm as an RIA. Meanwhile, Van Dusen also says she has more flexibility, recently being able to move more quickly than she could have at a wirehouse on due diligence for a manager "with a strong pedigree" that briefly opened access to an opportunistic credit-related strategy. "They reopened selectively, and we were able to secure capacity there for our clients," she says.

But capitalizing on new business opportunities still calls for plenty of preparatory work, such as finding out when top-producing advisors make a move. Todd Harlicka, director of marketing at Cornerstone Investment Partners, an Atlanta-based SMA manager, says that can be time-consuming. "They are desirable to go after," he says. "But the first problem is finding them. We'd love to be able to ramp up more for that effort."

The executive at the top-five SMA manager says the advisor-tracking challenge led the firm to create a special on-call transition team. Everyone in the firm is asked to forward news of a departing advisor to the team, whose four members set aside their full-time duties to confirm the move and, as necessary, manage the lengthy account transition process for the advisor's clients. "A whole lot of machinery kicks into action," the source says.

But even once managers build new advisor relationships – or preserve existing ones – after a move, they still face chores such as ensuring that advisors can access their SMA products at a new location, smoothly transferring client accounts, and properly adjusting relationship management or wholesaling forces.

Ensuring that wirehouse advisors landing at a new location can access the manager's SMA product is a big task, because even wirehouses don't have exact product overlap. For instance, the source at the top-five manager says while it has SMA products on both the Smith Barney and Merrill Lynch platforms, not all of its strategies sit on both. That creates sticky situations when a manager has closed products or when a wirehouse has rigid due diligence policies. Some advisors move to a new wirehouse expecting to easily transition assets to the same product, only to find out that they can't access it or face higher pricing, the source says.

For wirehouse advisors going independent, managers have to ensure that they can work with the new firm's custodian or turnkey asset management platform, though the top-five SMA manager executive says most of the new RIAs select workable options.

Transitioning or opening new client accounts after an advisor moves is also a big effort, because the manager needs staffers who are "experts" in the pricing, availability, compliance, and contract specifications of each SMA strategy, as well as the extensive paperwork and conversion process for each individual client. The manager also has to keep track of client accounts that stay behind – or are pending a move – at the wirehouse, usually housed under an interim advisor.

In the longer run, managers may also have to shift client service efforts. The transition is easier when advisors move from one wirehouse to another, which usually entails reassigning wholesaler contacts. But when advisors move to the independent world, managers often have to turn to new teams and even new service models, says InvestorReach's Rabun.

Syntrinsic's Valore-Caplan says most SMA managers his firm uses have smoothly shifted gears, though one "is being a little bit clumsy in that they're not really staffed up on the side of the house that works with RIAs." For the rest, the firm now has new contacts more versed in the RIA business.