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RIAs Join Raid on Wirehouse Advisors

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Options continue to multiply for wirehouse advisors looking to jump to the independent world. Large asset custodians such as [Charles Schwab & Co.](#)¹ and [Fidelity Investments](#)², big independent networks like [LPL Financial](#)³, and independent boutiques such as [Stanford Financial Group](#)⁴ have already been working hard to lure advisors. Now, the larger community of independent registered investment advisors (RIAs) is also getting in on the act and hoping to add a partner or a team from the wirehouses.

The concept of advisors exiting big brokerage homes and going independent was already generating notice before last year's financial markets collapse. Since then, it has become a white-hot topic as big-name firms crumble or reshape in the ongoing turmoil.

Anecdotal evidence from major firms that recruit wirehouse advisors to independent options shows a spike in interest – through calls, meetings, and actual departures – ever since the markets meltdown last September. And last week's announcement that [Morgan Stanley](#)⁵ will merge with [Citigroup](#)⁶'s [Smith Barney](#)⁷ brokerage may only accelerate the trend. A survey conducted on Friday in conjunction with a [FundFire Exchange](#) studying the Morgan Stanley deal found a resounding 83% of 66 quick-poll respondents saying the brokerage consolidation trend will drive more advisors to the independent channel. To view an archive of that Exchange, [click here](#).

Now, evidence mounts that individual RIA firms are angling for a share of the action. Though recruiting-minded RIAs are widely dispersed and each firm has a limited appetite, their numbers and the trend itself could grow significantly in this environment, says [Greg Menges](#), co-owner of newly formed [Boston Independent Advisors](#)⁸.

"This [phenomenon] is definitely more active than two years ago, and there will be more activity in the future," Menges says. "I just contacted an old colleague of mine from the wirehouse days who I wanted to recruit, and I found out he had already left and now he is doing the same thing I am."

The Boston-based outfit is aiming at wirehouse refugees, with plans to add four new advisors to two already hired in recent weeks, including a former [A.G. Edwards](#) advisor. Menges went independent himself two years ago after having been a [Wachovia Securities](#)⁹ and [Prudential](#) advisor. Though he operates his own hybrid advisory shop with fee-based and commission business through [Investors Capital](#)¹⁰, an independent broker-dealer in Lynnfield, Mass., he set up Boston Independent as a separate entity.

Menges is far from alone. Recent news reports outline the ambitions of RIAs in various markets to capitalize on the markets turmoil and recruit wirehouse advisors. The Kansas City Business Journal recently recounted how [Mariner Wealth Advisors](#)¹¹ of Leawood, Kan., plans to aggressively hire former brokerage advisors, according to [Martin Bicknell](#), the firm's CEO. And a recent report in the Business Review of Albany, N.Y., details how [Jeffrey Wetherbee](#)'s new [Wetherbee Wealth Management](#) shop in that city aims to recruit a half-dozen advisors from [Merrill Lynch](#)¹², [Wachovia](#), and other top brokerages. Wetherbee is a former [UBS Financial](#)¹³ advisor and manager, the report said.

Other RIA owners that have already recruited from big-name shops include [Neal Simon](#), who is CEO of [Highline Wealth Management](#)¹⁴ of Bethesda, Md., and last year recruited a former Merrill advisor and a Wachovia business development agent. Another is [Bannerstone Capital Management](#)¹⁵ in Deephaven, Minn., which was launched last May by a pair of former Merrill advisors who already have recruited a

former **Goldman Sachs**¹⁶ executive and are talking to wirehouse teams about joining them.

"I have a feeling a lot of the advisors at the wirehouses will leave in the next 12 to 24 months, some who want to be entrepreneurs but others who decide they don't want to set up the business themselves," Simon says. "A lot of the advisors at the wirehouses are frustrated. Their companies have been battered financially, and their reputations have been battered." Highline, which manages about \$750 million for clients with an average of \$7 million in assets, aims to add about one to two advisors a year.

A big draw the existing RIAs have is offering wirehouse advisors the option of not having to go through the chores and hassle of setting up a business themselves, says **John Shields**, a principal for **MainStay Consulting Group**¹⁷ who is based in Portsmouth, N.H.

Menges says he calls the concept "quasi-independence" because the breakaway advisors "don't have to pay the light bill or the cable bill or the rent. They spend their time managing their clients' assets and not worrying about operations." They also can get much higher payouts than at the wirehouses because several layers of bureaucracy are not there, he adds.

In addition, advances in technology in recent years now let small RIAs and independent broker-dealers offer a systems-and-services environment that rivals what advisors can get in a wirehouse, Menges says.

"You cannot overstate how the barriers to entry have gone away, with the Internet, technology, CNBC, inexpensive trading, inexpensive telephone, tremendous desktop systems – it's just a whole different world," says **Biff Robillard**, principal of Minnesota's Bannerstone.

RIAs recruiting brokerage advisors isn't a new idea but has long been "under the radar," MainStay's Shields says. Today, there seems to be a bigger pool of wirehouse advisors interested in the option and more RIAs tuned into the possibilities. But he says though firms like Schwab play matchmaker informally, there isn't a dedicated service yet that connects breakaway candidates to hiring RIAs.

"There is an opportunity here for somebody to set up a clearinghouse where advisors of both types can meet," Shields says, adding that **Advisor Assist**¹⁸, a resource site that his firm has launched, may try to provide the service.

The recent Morgan Stanley-Smith Barney announcement could well accelerate the departure of wirehouse advisors, particularly those producing less than \$400,000 – a level at which most of the large brokerages have already begun cutting their payouts to advisors as an elbow nudging them to leave. "It could be that a lot of really good people come out of a shakeout like that," Shields says.

Menges says his new outfit is looking particularly at those advisors in the \$300,000 to \$400,000 range who still have room to grow but no longer have a home at the wirehouses. "Those advisors are getting squeezed out," he says.

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