Financial Planning
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Secrets of 3 Exclusive Study Groups for Advisors

BY CHARLES PAIKERT AUG 8, 2013 3:11pm ET

At a recent meeting of Steve Lockshin's study group, one of the members had a problem. The executive was trying to structure a transaction for an upcoming deal, but kept hitting roadblocks over price and terms as negotiations dragged on.

He presented the issue to the study group — the Young Presidents Organization Financial Forum — and got quick feedback. "In about an hour, we were able to review the deal with him and give him ideas we had from different points of view," says Lockshin, chairman of Los Angeles and Potomac, Md.-based Convergent Wealth Advisors. "As a result, he was able to approach the transaction differently — and he estimates that the input he got saved him about $10 million."

It really is lonely at the top, it turns out. So a number of wealth management executives are now turning to groups of their peers for advice with ongoing firm issues. "If you run a company, you can't really talk to others in the company about the problems of running a company, because you're the only one with that problem," Lockshin says. "That's why study groups are so valuable."

3 PROMINENT GROUPS

The most informal of a trio of prominent such associations, Lockshin's group also includes Ron Carson of Omaha, Neb.-based Carson Wealth Management Group, John Benevides (president of Harris myCFO Family Office Services in Chicago), Beacon Pointe Advisors President and COO Shannon Eusey (Newport Beach, Calif.) and Andy Putterman, CEO of Rockville, Md.-based platform provider Fortigent. The group meets once every eight to 10 months for a day and a half.

Zero-Alpha Group, the oldest and most formal of the three study groups, was founded in 1995, dedicated to a fiduciary standard for serving clients and a "common investment philosophy" utilizing a passive and strategic approach to portfolio management. The group, which meets twice a year and collectively manages more than $8 billion, has seven members: Rockville, Ill.-based Savant Capital Management, Foster Group of Des Moines, Iowa; Carlson Capital Management (Minneapolis), Resource Consulting Group (Orlando, Fla.), Petersen Hastings (Kennewick, Wash.), Plancorp (St. Louis) and Beaird Harris Wealth Management (Dallas). Its annual operating budget can run as high as $500,000 and the group has a full-time executive director, Katie Cullen.

The third group, the Alliance for RIAs, is the new kid on the block, founded last year by RIA industry consultant **John Furey** as a way for firms focused on so-called non-organic growth (read: mergers and acquisitions) to share best practices, research and build value. Alliance members, who meet twice a year and manage approximately $20 billion between them, also include Solon, Ohio-based Stratos Wealth Partners; Exencial Wealth Advisors of Oklahoma City; as well as Beacon Pointe, Carson and Savant. The group is close to hiring an outside professional administrator, **Furey** says.

The groups differ in goals and structure. The YPO group doesn't charge a membership fee, and members share the cost of get-togethers as they occur. Zero-Alpha Group charges members between $30,000 and $50,000 in annual dues; aRIA declined to give specifics, but said members contribute equally depending on the annual budget (which is currently around $100,000, **Furey** says).

Yet the groups do have a few common characteristics: Membership in all is by invitation only, and the number of members is deliberately kept small. And all of the groups allow the executives to let their hair down and learn valuable business lessons from each other. "There are no holds barred," says Brent Brodeski, chief executive of Savant and a founding member of Zero-Alpha Group. "We're like a board of advisors for each other."

COMMON GROUND

At Zero-Alpha Group, a discussion of client retirement issues led Savant and Foster Group to go into business together to co-manage a 401(k) platform. "Passage of Dodd-Frank, increased [Department of Labor] oversight and heightened regulations inherent in the ERISA world forced our hand," says Jon Evans, lead advisor at Foster Group.

"Savant had internal expertise in areas like plan design, administration, and compliance that we didn't have," Evans adds. "They also had dedicated staff who worked exclusively with 401(k) plans who our clients would gain access to. They had already done much of the work that we were looking to build out ourselves — so instead of re-creating the wheel, we decided to partner."

After nearly 20 years, the heads of the ZAG firms are now focused on being better leaders and managers, Brodeski says. ZAG members collaborated earlier this year on a Leadership Institute to help train the member firms' next generation of advisors. The group has also created the ZAG Collaboration Forum, a "financial advisor collaboration platform," to help advisors implement best practices. (The forum's seven subcommitees include human capital, marketing and technology, and get input from such vendors as asset managers Dimensional Fund Advisors, practice management specialists Actifi and Acacia Insights, a consulting and coaching company.)

“Our businesses and our clients have grown, and our roles have evolved from being entrepreneurs, workers and in sales to being leaders, visionaries, mentors and coaches,” Brodeski explains. “Leadership is new to us and ZAG is a great way for the founders to compare notes about governance and management and organization structure. It mirrors our latest iteration from entrepreneurial start-ups to professionally managed companies.”

LESSONS FROM PEERS

Neal Simon, CEO of Highline Wealth Management and a founding member of aRIA, says the group’s common outlook offers a practical payoff.

“The members have a shared vision about where the industry is going,” Simon says. “We all believe firms will either be very large or unable to achieve meaningful growth. We believe in economies of scale and that there are real synergies that can be exploited by combining businesses. We think the industry in general has done a terrible job of taking advantage of that and all of us in some way want to be at the forefront of this next evolution.”

The transaction-oriented members of aRIA want to “share knowledge through intellectual capital,” **Furey** notes. “As a result, we’re more case-study and research driven, so advisors can share practical examples to help them grow.”

Simon says seeing how another member of aRIA handled the integration of new advisors was particularly eye-opening. “He had a more formulaic approach than we did for integrating advisors with books of business,” Simon recalls. “It was more cookie-cutter versus customization, but it got me thinking about how we do things, and how we could do things differently. It ended up being a terrific learning experience.”

Meeting with outside experts on the industry has also proved helpful, Simon adds. For example, a meeting with a private equity executive gave study group members valuable insight into how that industry made decisions about investments in the wealth management space and acquiring practices, Simon says.

“It was a real value-add for the group to see how these firms were thinking of deploying capital in wealth management, what they were looking for and what they perceived as valuable,” he explains.

MIXED VIEWS

By contrast, Lockshin says his study group sought out a mix of viewpoints. “We consciously looked for firms who are very different,” he says. “We wanted a very broad mix.”

Forum members share everything, he says. “Everything is an open book,” Lockshin says. “There’s complete confidentiality. We look at what works and what doesn’t.”

One of the big-picture issues the group is looking at is the emerging competition from direct online rivals, he reports. “Online providers are creating real fee pressure and are creating the impression that wealth managers are charging premium prices for a commodity service,” he says. “Right now they are still immature businesses, but the industry is going to have to come to grips with them.”

Lockshin’s advice for those considering starting their own study group?

“Find people you respect,” he says. “Even if there are just one or two whom you don’t respect, they can drag the whole group down.”