How Frank Campanale's heist, so to speak, of young BNY Mellon Wealth Management stars fits into a bold millennial strategy

by Lisa Shidler

Brooke's Note: With all that Frank Campanale has done in his career, it is sometimes hard to remember a counterintuitive fact about him. He is only 64. (The new 44.) Some good things about being young are that you, in theory, have more energy, more enthusiasm and more willingness to plan for the long term. As his new venture, Lebenthal Wealth Management, heats up, all of those personal qualities are starting to shine through — in addition to the smarts and charisma that got him this far. What jumps out here are the high-risk, high-reward prospects that he is pursuing as he peoples his new firm that literally drapes itself over Park Ave. in Manhattan. On a one to 10 scale of degree-of-difficulty, these might be 10s. That's because they are young and not exactly leaving institutions with sweet little get-out-of-jail Broker Protocols. Yes, these are millennials. Heck, they might move back in with their parents and take up video gaming! But I doubt it. In fact these young advisors seem to have some real devil-may-care personality and forward-lookingness themselves. The quote from Brandan Goldstein in this article about throwing a party says it all. Try defeating that mentality.

What can the retired godfather of the Smith Barney wrap program bring to an unlikely formation of an RIA under an old municipal bond brand?

In a word: Courage.

What else could explain how Frank Campanale was able to recruit a second high-profile Wall Street wealth management team in the face of obstacles that go way beyond the usual perils implicit in these circumstances. Somebody needed to give these recruits tremendous encouragement to walk away from safe, plush, steep-learning curve circumstances.
See: Why Frank Campanale put his E.F. Hutton dream aside to join an OSJ.

The latest breakaways to Lebenthal Wealth Advisors, RIA of Lebenthal Holdings LLC, are Brandan A. Goldstein, 35 and William F. Patterson, 30. If all goes well, they'll be rejoined by the $600 million of accounts they were in charge of as The Goldstein-Patterson Group within BNY Mellon Wealth Management in New York City. In other words, they were responsible for client relationship and development and serving high-net-worth individuals, families and foundations. Goldstein was at BNY Mellon nearly five years and Patterson for more than three.

Make me a match

Making these advisors join Lebenthal Wealth Advisors took a master recruiting pitch. Now, making the marriage work will take the most seasoned yenta, according to **John Furey**, principal of "**Advisor Growth Strategies LLC**" http://www.riabiz.com/d/advisor-growth-strategies-llc in Phoenix, Ariz. His firm specializes in helping firms execute breakaways.

"These bank advisors are accustomed to a certain lifestyle and being rainmakers and growing the business, there has to be something with Lebenthal to make them believe they can be just as successful. It's going to go famously or it'll implode. They're used to making rain a certain way. If you're bringing over rainmaker, you have to guarantee compensation. This is the code people are trying to figure out – how can you bring a rainmaker who is good for the company and make it good for them too."

Brandan Goldstein: I think it is important to recognize that we're throwing a party and people will know where the party is.

Two sources, who have been close to BNY Mellon's operations, point out that both of these advisors were senior sales directors and did not manage client money or oversee asset allocations.

Campanale says that while the advisors didn't manage money per-se, that is fine with him.

"They're creating a strategic portfolio and then they're using underlying investment vehicles. I don't want Will and Brandan picking stocks. I want them managing relationships and managing the investment strategy."

BNY Mellon spokeswoman Susan Rivers confirmed that both men have left the company. Bernstein was a senior sales director, Rivers added.

Millennial bear hug

Goldstein and Patterson say that when it comes to "compensation", as addressed to a reporter by **Furey**, that they were thinking long term. Many of their sophisticated clients are seeking alternative investments that the bank does not have in inventory.

"It's important for advisors to embrace millennials," Goldstein says. "There's a massive trend of millennials who stand ready to receive trillions of dollars from previous generations. When you think of someone under the age of 35, more often than not they want pure-play investments and they want away from the commoditized products that typical banks offer. My point to you is the millennials are thinking of wealth management. It is our belief this massive shift in assets will really be an opportunity for teams like ours. This next generation is looking for something more than what the industry is offering today. Our team stands ready to evolve and grow." See: The 13 most telling quotes from UBS's Bob McCann in his Washington Post interview.

Those wacky boomers

John Furey: It's going to go famously or it's going to implode.

Campanale, 64, says that indeed there is a disconnect waiting to happen between baby boomer advisor and a millennial client.

For instance, younger clients first got introduced to the markets during 9/11 and lost a great deal of assets and also lost money in the 2008 to 2009 downturn. They're some of the most cautious investors out there next to the Greatest Generation, which has been described as ultra-cautious due to being raised during Great Depression.

"I'm a baby boomer and I'm a nut," Campanale says. "The first airplane I flew out of, I jumped out of. I'm a crazy investor and I take risks and it keeps me excited. But the millennials are a lot more like my parents were. This generation got beat up by 9/11. By the time they got into their first house and, whammo! 2008 to 2009 hit and everything they own is upside down. Their mortgage is upside down. Their cars are upside down. They're saddled with student loans and God know how to pay it off." See: Framing it as opportunity, Bernie Clark delivers a chilling market warning at EXPLORE about the coming post-baby boom market.

Fogey town

But industry insiders don't perceive Lebenthal as a millennial firm, says Ron Edde, president and chief executive of Millennium Career Advisors based in San Diego.

"I find it interesting that the partners expressed excitement about being at a firm that gets the idea of the next generation. There's some pretty senior folks on that staff who aren't that young at all. I don't know that I'd call it a next generation firm." See: What exactly lured a sparkling Morgan Stanley advisor and $1.2 billion to a retreaded brand name attached to a fledgling RIA.

But perhaps it is easier to woo younger advisors than it is the more seasoned baby boomer advisors and the reason Campanale could be going after younger advisors is that it may be too hard to get more seasoned advisors, according to Charles "Chip" Roame, managing partner of Tiburon Strategic Advisors in Tiburon, Calif.

“I would ask whether the shift to younger brokers as targets was thought out of or whether it was forced upon Lebenthal because of the competition of those they originally targeted? I just think that prying the leading baby boomer aged brokers away is a tough go. Maybe these young brokers have less — or no —deferred compensation and they also see their career as 30 years to go so betting on the new model like that at Lebenthal might be more logical at their tenure.”

Ron Edde: There’s some pretty senior folks on that staff who aren’t that young at all. I don’t know that I’d call it a next generation firm.

The strategy to lure younger advisors is quite purposeful, Campanale says and it’s actually harder to bring over younger advisors than it is to bring over baby boomers.

“It’s easier to bring over baby boomer advisors because they’re risk-takers. To bring over these younger advisors it is like negotiating world peace because they scrutinize every little detail. Me and my (baby boomer) counterparts look you in the eye and say, 'we’re coming over’ and that’s it.”

18-month hegira

In fact, Goldstein and Patterson —with a practice spiked by entertainers and professional athletes — were courted by a number of firms and took more than a year to make their decision. Deciding was complicated by their determination to deliberately ride the mega-trends, like generational transfer, taking place in wealth management.

“We saw this disconnect with many financial services companies across the globe. We embarked on a 1 1/2 year journey to find the perfect open architecture mosaic setting. We were extremely impressed with the (Lebenthal) business culture,” Patterson says. “We want to be completely objective in terms of planning and our capabilities to work with our clients. We see the revolution taking place from an investment stand point to providing open architecture but also from a wealth management perspective.”

Still, industry leaders say that while a team like Goldstein and Patterson looks impressive on paper, that typically advisors leaving posh private banks find it difficult to extract the assets of the clients they interacted with.

Down-the-road play

“My experience with these [transitions] is it’s usually not much of an asset transition. When I was at Schwab, bank advisors would usually transition only 10%. I think this is a long-term play to bring in long-term capital. These guys are smart and will grow organically quickly.”

William Patterson: We saw this disconnect with many financial services companies across the globe.

Not only will it be hard to move assets, but there are not a lot of high-profile teams that leave BNY Mellon so the executives there will be especially armed to keep them, says Steve Levitt, managing director and co-founder of Park Sutton Advisors LLC in New York.

Where’s the party?

“It is interesting to see a team leaving BNY Mellon. You don’t hear about teams particularly leaving there. In fact, I cannot remember when I last heard of one leaving there,” Levitt says. “Usually, it’s a lot harder to move those assets.” See: BNY Mellon is arming Pershing’s RIA unit to the teeth with banking products for ultra-high net worth clients.

BNY Mellon did not respond to e-mails seeking comment. But the company has been aggressively making its own play to be part of the RIA movement — perhaps seeing the writing on the wall. See: Pershing and BNY Mellon unveil a unified, 'dream' RIA and bank custody unit.

While Goldstein and Patterson are reluctant to discuss their own asset-gathering position, they are quick to say that they feel clients are craving solutions available at Lebenthal.

“All of the naysayers and folks say you can’t move assets from banks, but there’s a whole lots of people who are looking for alternative solutions and that’s where we are now. I think it is important to recognize that we’re throwing a party and people will know where the party is. We’re in the early days in our career,” Goldstein says.

His partner, Patterson agrees. “With our experience, we’ve seen many scenarios of families of all shapes and sizes and there are a plethora of people who are seeking more objective advice. It’s a breath of fresh air,” he says.

Pitched battle

The veteran Campanale has recruited many of bank teams in the past and says the majority of the time the assets move.

Still, sources familiar with BNY Mellon say that the advisors need to brace for an outright battle to keep the assets from BNY Mellon executive. But Campanale feels those fears are overblown.

“This isn’t my first rodeo,” Campanale says. “I was hiring private bankers and trust officers going back to my days at E.F. Hutton and then at Smith Barney and at First Allied. My experience in doing that is when you find competent private bankers in almost every case they have been successful at bringing business over and growing substantially.” See: Frank Campanale’s E.F. Hutton reboot starts to take shape as ex-Hutton executives sign on.

One challenge of moving higher-net assets from banks is that clients take more time to make the decision, says Andy Grillo, president and chief operating officer of Lebenthal Wealth Advisors.

For instance, he says that typically a team can move over 80% to 90% of the assets in the first 60 days, but says with teams that have higher-net-worth clients (perhaps from banks), it takes longer.

Andy Grillo: They told us from the beginning that it would take more than 60 days. Candidly, I was circumspect of that, but it’s proven true.

Time to ponder

The most recent team Lebenthal wooed over, Carrie Gallaway, 37, and Andrew Stern, 38, is taking longer to move assets. See: What exactly lured a sparkling Morgan Stanley advisor and $1.2 billion to a retreaded brand name attached to a fledgling RIA.

“The interesting thing is they told us from the beginning that it would take more than 60 days. Candidly, I was circumspect of that, but it’s proven true,” says Grillo. “We’re dealing with ultra-affluent clients who don’t jump into decisions. They take time to make a decision.” See: The 6 biggest trends affecting the RIA business.

Assets back to BNY Mellon through the back door

The new team expects to custody the majority of its assets with Pershing even though Lebenthal is not serviced by RIA custodian Pershing Advisor Solutions of Jersey City, NJ, but rather the Lebenthal's broker-dealer and corporate RIA use Pershing LLC — the company's clearing arm. See: Ryan Marcus leaves RBC Advisor Services as clients and recruiters openly speculate that his drive was mismatched with his giant employer's bankerly ways.

"Lebenthal is a valued client who we serve as its primary provider of broker/dealer clearing services," says Jim Crowley, Pershing's chief relationship officer.