$1.2 billion RIA breaks it off with LPL as new beaux Fidelity and Pershing vie ardently for favor

by Lisa Shidler

After 17 years, Waldron Wealth Management LLC is leaving LPL and moving its assets to Pershing and Fidelity in the belief that the change will enable the $1.2 billion-firm to better serve its ultrahigh-net-worth clients.

Leaders of the Bridgeville, Pa.-based firm say they were happy at LPL Financial but were seeking more sophisticated processes to meet the needs of its high-end business. Of 140 clients, about 25 are multi-family office clients whose assets are typically around $20 million. According to Barron's 2012 ranking, Waldron's typical client has $7.5 million in assets and a net worth of $15 million. Both Pershing Advisor Solutions LLC and Fidelity Institutional Wealth Services offer family-office services, a feature that LPL currently lacks.

Waldron is using Fidelity Family Office Services and Fidelity Institutional Wealth Services for many of its multifamily-office clients and will place the majority of its other clients with Pershing. Waldron is in the process of selecting another broker-dealer for the 5% of its business that involves commissions. See: Fidelity is winning family office assets at a terrific rate.

Even though the RIA is leaving LPL, it has chosen to use an LPL subsidiary, Fortigent LLC, as its technology provider, citing the unit's strong offerings for ultrahigh-net-worth clients. See: What Fortigent advisors said in Santa Barbara, and what execs say may be next for the LPL-owned outsourcer.

Tough choice

"We think that Fortigent is a great partner and will help us to be competitive in the family-office space," says John Waldron, 52, founder of the firm. "LPL has done a great job. Choosing Pershing and Fidelity is just a natural evolution of the growth of our business. The types of clients we serve have evolved, and we think our clients will be better served with other companies that provide services for ultrahigh-net-worth. We made this decision for our clients, and we feel we can be in the position to serve them in the best possible way. The ultrahigh-net-worth space is very competitive, and we had to find the best place to provide services for those clients."

The ultrahigh-net-worth business is crucial to the practice and Waldron actually started out as an accountant in the 1980s working at PricewaterhouseCoopers LLC and Deloitte where he handled complex issues for UHNW clients. He forged relationships with them and when he began his own firm, he was able to bring some of those clients over with him giving him a healthy start for his business. See: Why Deloite Touche talent is such a coveted building block at some esteemed RIAs.

Waldron says it was tough to leave LPL, but he feels that LPL is at a disadvantage because the firm doesn't offer the same services for high-net-worth clients as Pershing and Fidelity. See: Fidelity nabs a top LPL RIA executive for new ultra-affluent unit.

Bill Dwyer: We respect Waldron Wealth Management's decision to diversify its range of service providers. See: An $18-billion RIA tacks on a $24-billion U.S. Trust cast-off as the grab for UHNW magnets continues.

"We know that LPL is putting things in place so that it can focus on the ultrahigh-net-worth market, but we wanted to be with partners who already have those services in place," Waldron says. See: LPL loses a mega-client — but not to a competitor.

Still friends

For LPL's part, Bill Dwyer, president of national sales, acknowledges that his firm is working to bolster its services for superrich clients. He says he's pleased that Waldron will be continuing its relationship with LPL by using Fortigent.

"We respect Waldron Wealth Management's decision to diversify its range of service providers, consistent with the continued evolution of its business model toward a sole focus on ultrahigh-net-worth and multifamily-office clients," Dwyer says. "We look forward to maintaining a mutually productive relationship with John Waldron and his team."

Dwyer concedes that LPL doesn't have a family-office offering, but adds that the firm has a wide range of capabilities that can be utilized by family offices — including Fortigent's reporting, turnkey asset-management platform capabilities, alternative-investments platform and compliance technology. See: LPL makes big advance into the RIA business with Fortigent acquisition.

"We intend to continue enhancing our capabilities that are useful to family offices — among other advisory businesses — so that customers serving high-net-worth families can leverage LPL Financial for a host of support and services, while assuming certain other responsibilities such as tax, family budgeting and estate planning at a local level," Dwyer says.

Strategic approach

Waldron officials said they hired consultant **John Furey** of Phoenix-based **Advisor Growth Strategies LLC** to search for new vendors. He helped them craft a request-for-proposal process to various firms. LPL, Charles Schwab & Co., Fidelity, Pershing and TD Ameritrade submitted proposals.

Furey says the process allowed Waldron executives to compare each firm on a level-playing field to see what services each one offered.

"I can assure you that Waldron … took a very strategic and very systematic approach," he says.

"LPL is a great platform with great people and they're the leader in their class with reps, but through this process, [Waldron executives] felt the other two providers they went with were just a little more strategic in alignment with where they wanted to go in the future," **Furey** adds. "What Waldron is doing now is broadening their team with new partners with Fidelity's platform and Pershing's platform — which are both just a little more suited for Waldron than LPL."

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Keeping the door open

Even though Waldron no longer will have assets under custody with LPL, its leaders say they have confidence in LPL and feel very strongly about Fortigent's services.

"We're looking forward to continuing the customer relationship with Fortigent, and at some point we may cross paths again with LPL," says Matt Helfrich, an advisor at Waldron who helped head up the search efforts. "If we didn't have confidence in LPL, we wouldn't be with Fortigent. We have high confidence in them."

Helfrich says the firm likes Fortigent's approach to its reports for HNW clients. "We really thought their technology allowed for a fair amount of flexibility for how high-net-worth clients view their assets. We also thought their approach to tracking and monitoring alternative investments was very unique." See: How Fortigent got $50 billion on its platform by treating an RIA pain-point.

Furey also hints that Waldron's decision to stay with Fortigent shows that Waldron is keeping an open mind to an additional relationship with LPL.

"I think with remaining with Fortigent, they're still keeping a relationship with them and the door is open for a relationship with LPL," **Furey** says. "Fortigent has a great research team and it helps [Waldron] solve some of the unique aspects of their business."

Enough for all

Custodian leaders at Pershing and Fidelity are thrilled to be splitting the assets of this firm, though there's no question they'd prefer to have the entire account.

Mark Tibergien, chief executive of Pershing Advisor Solutions, says this was a big win for his company, even though the family-office business will go to Fidelity Institutional Wealth Services. Tibergien is counting on Pershing's getting the wealth management clients. All told, he feels that the assets will likely be evenly split between Fidelity and Pershing.

Waldron expects to start moving assets at the first of the year.

However, Fidelity's Mike Durbin says his firm is excited to be providing custody for the assets of Waldron's most affluent clients.

Durbin and Tibergien have no qualms about sharing Waldron's business because both feel they're gaining a quality RIA and they liked the fact that Waldron used an RFP, which allowed the RIA to stack custodians against one another in a comparative way.

Matt Helfrich: We decided we could get the best of both worlds.

"You want them to make a fact-based decision," Tibergien says. "If we win on the facts, then we are going to win the relationship. It'd be disingenuous to say I wouldn't want to handle all of the business, but we feel there's close correlation between their firm and ours. From our standpoint, it's more important that we have primary relationships with these firms than worry about whether they're splitting the assets."

Durbin also feels his firm is well-suited for this RIA, calling Fidelity and Waldron "kindred spirits." He also appreciates the search process Waldron used.

"I'm impressed with the process they deployed," Durbin says. "They came to their own conclusion, feeling they needed to do something different. When we get a prospective client, we have our eyes set on winning the maximum asset base that we can, but what was abundantly clear was this team really did their homework. We couldn't be more delighted to be asked to service their largest and most complicated set of clients."

11th-hour decision

Helfrich says his firm had focused initially on choosing one custodian or broker-dealer. But the firm's leadership felt Pershing and Fidelity each offered something unique. Waldron executives were attracted to Fidelity's family-office approach. It has 23 other offices as part of the group. There's no question the Boston-based firm has a handle on complex issues related to multifamily offices, Helfrich says.

On the other hand, Waldron advisors were attracted to Pershing's custodial offerings and the company's robust practice management unit.

"The executives were really torn. We went down the path to a single-custodian solution, and it was an 11th-hour decision where we decided we could get the best of both worlds. We really thought we could see the benefits of having relationships with both organizations," Helfrich says.

Taking things slowly

Helfrich now feels the company is poised for future growth, albeit not too quickly.

"I wouldn't characterize our plans as wanting to grow aggressively. We view our firm like a multifamily office and want to welcome in other families who can grow with our approach to wealth management," Helfrich says.

Waldron attracts clients who have inherited wealth from previous generations as well as entrepreneurs and high-income executives such as attorneys and doctors. While the firm is based outside of Pittsburgh, just 30% of clients hail from that area and most are scattered throughout the Eastern part of the country.

"We fall under the radar," Helfrich says. "We don't get clients through advertising or through seminars. We won't take any client that comes in off the street. We want to make sure the client has the level of complexity where we can add value."