

AMG is suddenly among the RIA roll-up elite after the Baker Street deal pushes it past \$25-billion of AUM

by Lisa Shidler

Brooke's Note: Remember roll-ups? Back in the day these M&A-driven consolidators were all the rage with as much buzz and media magnetism as robo-advisors and Tony Robbins. In the last few years, these efforts have become quiet and the bigger ones have transitioned to strategies of organic growth. More recent startups of roll-ups — like Cantor Fitzgerald — well, we just haven't heard much. So it's refreshing to see a good old-fashioned hell-for-leather inorganic effort with quality buyers and sellers.

When the AMG plan for rolling up RIAs started three years ago it sounded a little too good to be true.

Affiliated Managers Group Inc., which consolidated scores of asset managers into what is now more than \$600 billion of combined managed assets, would stake a former Goldman Sachs executive some money and tell him to recreate that one-plus-one-equals-three aggregation success on the RIA side.

But now that ex-GS talent, John Copeland and his West Palm Beach, Fla.-based unit, AMG Wealth Partners, have signed a deal with Baker Street Advisors that will put their RIA/roll-up at \$25-billion of managed assets, the second-act story is starting to look plausible for AMG.

By reaching the milestone, the firm is already among the elite and well ahead of efforts like Newport Beach, Calif.-based [United Capital Financial Advisers](#), founded in 2005, which manages \$10 billion, though way behind New York-based [Focus Financial Partners LLC](#) and its \$80-billion, founded in 2006. Chicago-based HighTower Advisors LLC has just over \$30 billion in assets after being founded in 2008. See: [It won't be long before HighTower's fee-for-service channel revenues draw even with its partner firm revenues.](#)



Jeff Spears: They don't pay advisors like a Wall Street broker, they pay them like a partner and that's pretty cool.

Fine pedigrees

Perhaps more importantly, the quality of the four AMG component RIAs is ostensibly first rate.

In Baker Street, founded in 2004, AMG gets \$5.2 billion in AUM and a management team of former Goldman Sachs and MyCFO executives who cater to an ultrahigh-net-worth client base. Past its fame, myCFO was founded as a multi-family office for Silicon valley's richest by one of those rich men, James H. Clark, founder of Netscape. What's left of it is owned by BMO Harris Bank in Chicago and is a family-office-like environment using technology to work with ultrahigh-net-worth clients. See: [How two ex-myCFO guys are winning big RIA clients by using a pilot fish strategy to win Advent clients without harming the host.](#)

But some of its key people soldiered on to form Baker Street, a firm that invests primarily in funds managed by Dimensional Fund Advisors firm, holds its assets at [Schwab Advisor Services](#) and [Fidelity Institutional Wealth Services](#).

Those vendor relationships will not change under the deal and the firm will still operate under its brand name. Terms of the deal were not disclosed. See: [How two ex-myCFO guys are winning big RIA clients by using a pilot fish strategy to win Advent clients without harming the host.](#)

"They've taken the best practices of myCFO to have an in-house CPA as part of the full-service offering built in," says Jeff Spears, founder \$2.5 billion RIA Sanctuary Wealth Services LLC in San Francisco.

Stealthy moves

Leading the Baker Street effort is a low-key Jeff Colin.

"They've grown this firm by being stealthy. Jeff Colin is really a planner. He just happens to have worked at Goldman Sachs and that makes you think he's just like the other brokers, but he's not. He's got some of that, but that's not his MO. He's really phenomenal," says Spears.

Baker Street is the perfect firm for AMG, says John W. Copeland, president of AMG Wealth Partners.

"It's a very high quality management team highly committed to the business. They have the ability to serve clients and attract more clients." See: [Why the San Francisco Bay area is almost certainly the capitol of the RIA business.](#)

Not fancy, not schmancy



John Copeland is making a late but effective charge in the roll-up game.

Spears is convinced Baker Street's ability to manage costs has differentiated it from other firm. For one thing, the firm is not situated in high-end posh San Francisco space.

See: [Why the San Francisco Bay area is almost certainly the capitol of the RIA business.](#)

"They've managed their business differently and what I mean is they've maintained costs. They're not in one of those fancy schmancy buildings in San Francisco. I just think they've done a good job. From what I know, they also don't pay advisors like a Wall Street broker, they pay them like a partner and that's pretty cool."

The low costs equate to higher profits, Spears adds. The low costs also allow the firm to keep its fees low.

At Baker Street, a \$100 million client would pay about 26 basis points.

Goldman Sachs/myCFO alums

Copeland and Baker Street founder Colin are both Goldman Sachs alums and have known each other for years, sources say.

The former Goldman and myCFO executives are still running the operations at Baker Street. Colin and Jim Milligan, managing directors; Michael van den Akker, partner. Chris Wilkens, another partner, will remain with the firm.

Colin founded Baker Street Advisors in 2004 but has had stints at Deutsche Bank, Alex. Brown and was the managing director in charge of private client division at Robertson Stephens. See: [As Joe Piazza's 'Robertson Stephens' venture gears up for '\\$40 billion,' he adds Mercer, Addepar, Fidelity and Schwab and subtracts Fortigent.](#)

He co-founded the investment advisory services group of myCFO and also worked as vice president in the private client services division of Goldman Sachs. van den Akker also spent five years at myCFO as managing director of the San Francisco office. He led the personal finance specialist group and asset management consulting practice at PricewaterhouseCoopers in San Francisco. See: [How two ex-myCFO guys are winning big RIA clients by using a pilot fish strategy to win Advent clients without harming the host.](#)

Milligan was at Goldman Sachs from 1987 to 2008. Wilkens previously worked at Merrill Lynch and was also a currency derivative specialist at Goldman Sachs before.

Picky



John Furey: They take equity and management team to run the company but they won't tell the firm how to be financial advisors.

One tenet of AMG's success is its pickiness, says **John Furey**, principal of [Advisor Growth Strategies](#). There may be only 50 or 60 firms that even fit AMG's criteria and perhaps another 100 or so firms that may be emerging and could fit that criteria in the coming years.

"They're only interested in the biggest and the best in the industry," he says. "A lot of it has to do with the fact that they've got a specific minimum size before it will even hit their threshold."

AMG Wealth Partners now has minority ownership in Tarrytown, N.Y.-based \$4.5 billion Clarfeld Financial Advisors and Veritable LP in Newtown Square, Pa. Veritable's assets were at about \$10 billion when AMG acquired majority ownership back in 2012 and the assets have grown to more than \$13 billion. AMG also has Welch & Forbes, a legacy RIA that its parent company had purchased before the company launched its wealth management division and its assets are at \$4 billion. See: [AMG makes a dramatic entry into wealth management arena, buying majority stake in \\$10B Veritable](#).

"I understand what they're doing. It's pretty straight forward," **Furey** says. "It makes them a bit unique. They're a pure financial investor and economic buyer, which is attractive to an RIA. They take equity and management team to run the company but they won't tell the firm how to be financial advisors. Advisors want liquidity and financing but the advisor still has control over their business and that's appealing for them. It's a very clean deal." See: [AMG delves deeper into the RIA business with second deal — of \\$4-billion player in NY](#).

Going big

Unlike some of the other big firms such as HighTower Advisors and Focus Financial, it's not unusual for AMG to go more than a year without a deal.

The latest deal shows the type of discipline that AMG takes when it is considering purchasing a wealth management firm, says Peter Ruhlin, of FallLine Strategic Partners. "I think they have made a big splash in different ways. It's just a different model. They're sticking to their knitting. It could be very easy to deviate from the master plan and buy smaller firms, but they haven't." See: [Why AMG's poach of Rich Gill could be the missing ingredient for its V-8 roll-up engine](#).



Peter Ruhlin: I think the threshold is \$4 to \$5 billion. But they're not just looking at assets, they're really looking at revenues.

Firms that are around the \$2 or \$3 billion level typically just aren't big enough to attract AMG's attention and don't have the level of revenues that AMG is seeking, Ruhlin added.

"I've seen them walk away from conversations because a firm wasn't big enough. I've heard them say we'll come back and talk to you once you've gotten to a certain size. I think the threshold is \$4 to \$5 billion. But they're not just looking at assets, they're really looking at revenues," Ruhlin says.

New muscle

While the wealth division is mostly run by a small team, the firm brought over some additional ante last fall by poaching Rich Gill from Focus. See: [Why AMG's poach of Rich Gill could be the missing ingredient for its V-8 roll-up engine.](#)

When asked about Gill, Copeland said: "He is a terrific addition and terrific colleague" but he downplayed Gill's influence in closing this deal. "The AMG Wealth Partners is a small team and we're all rowing the same oar."

Spears says that AMG's ability to walk the talk does not surprise him in the least.

"When John Copeland called me and told me he was taking the job at AMG, I always thought they were going to be formidable competition not for Sanctuary but for Focus Financial, which is really their No. 1. competition." When the AMG plan for rolling up RIAs started three years ago it sounded a little too good to be true.

© 2009-2015 RIABiz LLC.
All Rights Reserved.