John Furey is creating a think-tank out of six big RIAs that want to grow like roll-ups without the pressures of an IPO

by Lisa Shidler and Brooke Southall

Brooke's Note: Roll-ups and aggregators have big cash, big-time boards of directors, real business plans (well, most), top executive leadership and palpable belief. They also offer the prospects of an IPO. But when you talk to advisors within these groups, two of the aspects of their roll-ups that they cite as being of even greater value are camaraderie and the ability to share information with other top firms. What ***John Furey*** *is doing with the formation of this study group, aRIA, is to capture some of the better aspects of a roll-up — while maintaining the best aspects of staying independent i.e. control over your own destiny. An IPO sounds like easy riches but it can also make it potentially harder to listen to your own financial biorhythms.* ***Furey****, a former Schwab director was already known as a key player on the RIA stage to people inside the business. Now the 'secret' may start to get out.*

A group of six RIAs with a combined $18 billion in assets — including Ron Carson — has formed a study group, dubbed aRIA (The Alliance for RIAs), to investigate inorganic growth. See: Why exactly is Ron Carson forming an RIA and why is it happening now?.

The group was conceived, and is managed, by **John Furey**, principal of Advisor Growth Strategies LLC. These firms will meet on a regular basis, sharing ideas and suggestions as well as their own war stories about bringing other advisors to their firms. But the idea is not to rely on firms that have their business model based on making acquisitions.

"We want to put out intellectual capital about how to create scale in this business," **Furey** says. "People have always looked at a bank or a roll-up, and this group is saying: there are other ways to do it."

The group members include Brent Brodeski, CEO of Savant Capital Management John Burns, principal at Exencial Wealth Advisors; Ron Carson, CEO of Carson Wealth Management Group; Jeff Concepcion, CEO of Stratos Wealth Partners Ltd; Matt Cooper, president of Beacon Pointe Wealth Advisors LLC; and Neal Simon, CEO of Highline Wealth Management LLC.

Carson explained his involvement this way in a prepared remark.

"The RIA landscape is undergoing positive change unlike at any other point in our history. Investors are being educated about the vast array of benefits associated with being in the care of an RIA firm, and advisors should know their options for becoming part of such a firm as well."

Different strokes

Brent Brodeski: Frankly, no one else in the Zero Alpha Group has chosen to grow beyond organically.

Savant Capital is no stranger to such study groups. Brodeski's firm is a founding member of the nationally known Zero Alpha Group, which operates as a limited liability corporation but is focused on RIAs with like-minded investment philosophies. See: Why a pair of Zero Alpha RIAs are combining and out-and-out avoiding roll-ups and private-equity money.

The new group, aRIA, is intentionally composed of firms that have different investment management philosophies.

"With Zero Alpha Group, the group has a very consistent investment process, fiduciary approach and we're carbon copies of each other, but geographically we are diverse," Brodeski says. "With aRIA they are also geographically diverse, but none of us have the same investment philosophy. Zero Alpha is more about having a common investment approach and this is a group of people who are all in a business-building mode and looking to do it beyond organic. Frankly, no one else in the Zero Alpha Group has chosen to grow beyond organically."

Safe place

Brodeski also points out that it would be difficult to have firms with like-minded investment philosophies in the same group because then they'd all be competing to bring in the same types of advisors.

"What was interesting was that each of the firms had targeted different kinds of advisors and all had different type of advisors," Brodeski says. "It was a safe group even though we're all very large. It's a vast ocean."

Ron Carson: The RIA landscape is undergoing positive change unlike at any other point in our history.

The group met for the first time in Phoenix last month, and the meeting morphed into a formal alliance.

“Everyone just hit it off. There was a high degree of trust, and we just said: Let’s take it to a higher level,” **Furey** says.

Level of commitment

Furey says he felt there was clearly a need for this type of group in the industry and he sought geographically diverse firms that showed a level of determination to grow. He says many firms aren’t equipped to bring aboard wirehouse breakaways, but they may be well-suited to having a larger, more organized firm pull them up to a higher rung of scale.

Furey says the group is also open to new members. “The group will vett new potential members. We may add one this year,” he says.

He even says the group would consider roll ups. “We wanted to star with RIAs that did not have a financial partner, but I think we would be open to that in the future. We would review a firm like that the same way as any other,” he says. “We are most interested in a firm that can bring knowledge and expertise we don’t already have

Brodeski says he’s not sure how formal the group will become in terms of forming a corporation, and that **Furey** is investigating those options. Members of the group all put in some money to secure hotels for meeting room space, Brodeski says, adding that a figure of $10,000 is in the “ballpark.”

As for the fee’s significance, **Furey** says: “It’s a level of commitment.”

Lips zipped

For a group like this to succeed, it’s important that the advisors feel free to share details of their successes and failures.
One of the reasons the advisors feel comfortable is that they all agreed to confidentiality clauses saying they would not release information about the peer firms.

“The bottom line is, confidentiality is mission critical. It was valuable,” Brodeski says. “We want to learn from each other’s successes and learn from each other’s mistakes so it will increase the odds of growing firms successfully and mitigates the risk of doing the wrong thing.”

New friends

Brodeski likes having a group of advisors he can reach out to with questions as his firm considers deals or works on the integration of its recent combination with The Monitor Group. See: Why a pair of Zero Alpha RIAs are combining and out-and-out avoiding roll-ups and private-equity money..

Even though these firms are all large, Brodeski says that he didn't personally know any of the other advisors, since they all have very different business models. For instance, Carson is very well known in the industry but since he was a former LPL advisor, Brodeski had never met him. Savant keeps its assets under custody with Schwab Advisor Services and TD Ameritrade and goes to their conferences.

Succession help

Clearly, members of this group feel that smaller RIAs don't have a lot of options for their practices. For instance, Brodeski says RIAs can try internal succession strategies — which can be a challenge. Others have sold to banks, which can be problematic. Some RIAs are considering the aggregators, but Brodeski feels that's not always the best option for RIAs.

"The main focus is to share information," he says. "When you look at the succession planning, we think there are RIAs out there who don't have a good succession plan in place. We think this may be where some of the larger RIA can potentially provide an alternative path for those who don't want to do an internal succession or sell to a bank and don't want to go to a roll-up."