Even after deal, will Chalice Financial have 'right service mix'?

 by Charles Paikert for Financial Planning

Chalice Financial Network is upping the stakes in the competitive platform provider market.

Chalice has acquired Succession Link, an online matching service for RIAs looking to buy or sell their firms, and has forged a strategic alliance with Oak Street Funding, a bank subsidiary that provides commercial financing for financial service businesses.

Launched last fall, Chalice is targeting smaller RIAs with between $50 million and $250 million in AUM, says Chalice President Derek Bruton, a former managing director of LPL Financial's RIA division.

That market is the "largest and most overlooked" segment of the RIA business, according to Bruton. "That's exactly the segment that doesn't have leverage and needs the most help," he says.

Platform wars heat up

By acquiring M&A matching service Succession Link and partnering with Oak Street Funding, Chalice Financial Network boosted their offering to RIAs.

Members: 123

Vendors: 38

Succession Link members: 5,500

Succession Link users: 43,000

Oak Street Funding: 7 - 10 year RIA loans

Source: Company data

The network has a membership business model, charging advisory firms $250 a month or $3,000 a year for access to the services at discounted prices on its digital Chalice Advisor Exchange platform.

In addition to the new M&A and lending options, the platform features services including human resources, IT, back-office support and group health benefits.

While the low end of the RIA market has potential, Chalice faces considerable challenges according to industry observers.

Matt Sonnen, a consultant specializing in helping advisors transition to become RIAs, also noted the IBD option for smaller advisors.

"Those advisors may be too small to support a stand-alone business, even if Chalice is offering discounts on vendor relationships," says Sonnen, CEO of PFI Advisors.

Jeff Spears, president of Fort Point Capital Partners in San Francisco, was also in the platform provider business as head of the now-shuttered Sanctuary Wealth Services.

While Dynasty Financial Partners dominates the high end of the platform business, Spears notes that Chalice faces competition from platform providers like Tru Independence and TruClarity as well as investment bankers specializing in RIA M&A such as DeVoe & Co and Echelon Partners.

"Unfortunately, experienced investment bankers will obtain higher sales prices for selling RIAs and can manage the human aspects of deals," Spears says.

Chalice CEO Keith Gregg, who describes Chalice as a "professional trade organization," counters that none of Chalice's competitors "do all that we do." RIAs can get assistance "for the entire life cycle of their business" from Chalice, Gregg maintains.

A former CEO of First Allied Securities, Gregg has tried twice before to get traction with a shared services network, first at Innovation Equity Partners and most recently at Aequitas Capital.

In 2017, Gregg co-founded Chalice Wealth Partners, which includes an IBD, Chalice Capital Partners and an RIA, Chalice Wealth Advisors.

Jason Carroll, managing director of Live Oak Bank, the leading lender to RIAs, says "he's not losing any sleep" over the news that the Chalice network has teamed up with rival Oak Street Funding.

"Our relationships to RIAs are anchored by our relationships to custodians and broker-dealers," Carroll says. "I applaud Chalice's offering a suite of services to advisors, but it looks like they're competing on pricing and I don't know if that's a viable business model."

Gregg says Chalice is offering Succession Link's 43,000 members 50% off membership to the network if they join by March 31. New Chalice members will get membership fees discounted by one-third if they renew by the end of March.