



What Pershing's Pricing Shakeup Means for RIAs

For one thing, Pershing may have set a trap for Schwab, consultant John Furey tells ThinkAdvisor.

by Janet Levaux for ThinkAdvisor



Most RIA industry watchers say the move is unlikely to turn the custody space upside down. (Photo: Shutterstock)

Five months after trading commissions for RIA investor clients fell to the wayside at Charles Schwab, TD Ameritrade and later Fidelity, Pershing jumped into the act with a zero-commission model tied to a low-yield cash sweep program and the option for advisor clients to pay at least \$25 a month with fees tiered to assets.

What does the news mean for advisors — grappling with Schwab's impending purchase of TD Ameritrade and other disruptive forces, like newbie [Altruist](#)'s entry into the custodial space this week?

“What Pershing has done — at first glance — is innovative because it essentially gives advisors more options,” said John Furey, managing partner at the consulting firm Advisor Growth Strategies.

“There's a flat fee if you want it, which is a bit different from charging basis points on assets,” Furey said. “Advisors will look at this and see opportunities to use it for some clients. Pershing is trying to attract large advisors and large clients [with this pricing model].”

Altruist CEO Jason Wenk, though, is more skeptical about the attractiveness of Pershing's Netflix-like offering. "In regards to the subscription plan, I can't understand why an RIA would find this desirable," he said in a Twitter message. "... changing how they make money but not changing how much they get; doesn't seem like progress to me."

A Test for Schwab?

Meanwhile, to win over TD Ameritrade RIAs concerned with what the acquisition could mean for them and their practices, Schwab says it has no asset minimums, no custody fees and "no intention to raise them."

But that pledge could be sorely tested with Pershing's move, says Tim Welsh of Nexus Strategy (and a former Schwab executive).

Before Thursday, Pershing had no official custody fees. "Now, they [have] explicit fees, with alternative pricing options," Welsh said.

Schwab's pledge "backs [it] into a corner by removing any ability to maneuver, because they can't charge any custody fees and thus [can't offer] flexible pricing options," he explained. "And [Schwab has] no ability to increase revenues while ... every other custodian is raising fees."

Ultimately, Welsh thinks, "It's only a matter of time until they break the pledge."

But Furey isn't so certain.

In the short term, the consultant sees this as more of a strategic move on Pershing's part than a disruptive one. "Pricing is just one lever," he said. RIAs chose custodians based on a mix of pricing, products and technology.

As for how competitive it makes Pershing to advisors who use more than one custodian, a breakaway advisor from the wirehouses or other advisors focused on ultra-high-net worth clients might "see this as innovative and move a large account over" to Pershing, Furey said.

Could it change Pershing's market share within the RIA space? "I'm not sure about that at this point," he said.

The Pershing move means investors could see a custody fee on their statements and ask about it. "It requires advisors to explain the economics [of the custody arrangement] ...," he explained.

"I prefer transparency, ... which is more in line with the fiduciary [approach]," Furey said. "But it might be a hard translation for some" investors.

For its part, Pershing sees its options as "game changing," according to Ben Harrison, head of business development and relationship management for Pershing's RIA business. He is set to take the reins of Pershing Advisor Solutions when Mark Tibergien retires in June.

“The custodial business-pricing model was ripe for disruption ... ,” Harrison explained, “and this ... begins to change the way in which the marketplace is oriented — from an environment in which the product selection of the advisor drives the economics of the custodial relationship and shifts it more to the value that the custodian provides, and [it] provides the investors with choice, transparency and a variety of investment vehicles.”