



## Why RIAs raid other RIAs for talent

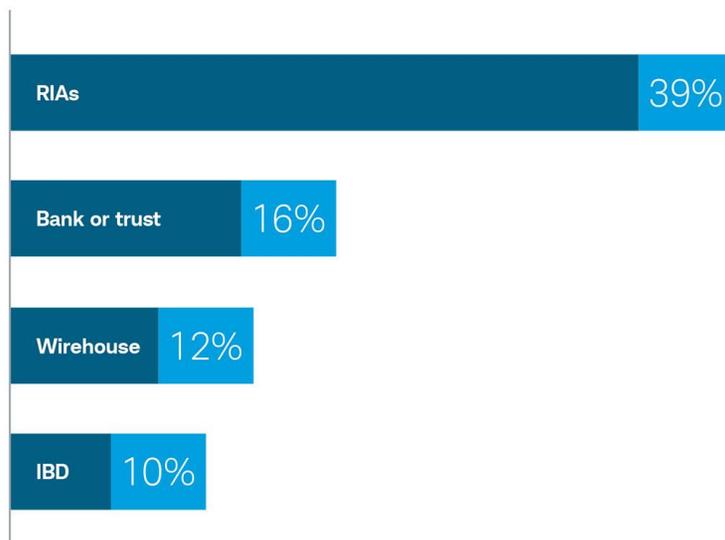
Compensation packages and a limited field of view are two reasons why RIAs' main source of talent is fellow RIAs, experts told Citywire

By Ian Wenik for Citywire

A new study from Charles Schwab indicates that RIAs are increasingly looking amongst themselves for new talent.

According to the RIA custodian's 2020 RIA benchmarking study, other RIAs were the most popular source of talent for advisory firms with more than \$250m in assets under management. Schwab found that 39% of respondents to its survey — which contained self-reported data from 1,010 firms — recruited staffers from fellow independent advisory businesses in 2019.

### Recruitment channels in 2019



Why go to other RIAs? It may be a matter of convenience, explained Louis Diamond, an executive vice president at advisor recruiting firm and consultancy Diamond Consultants.

'Recruiting an RIA advisor (non-owner) is often the best fit for RIA hires as they are paid in a similar fashion, aren't expecting big upfront deals, are used to the team based culture of an RIA, and if they are bringing a book they often do not have to repaper as they can retain the same custodian,' Diamond said.

Though many prominent independent RIAs have been the products of broker teams exiting wirehouses to set up their own businesses, Schwab found that relatively few independent

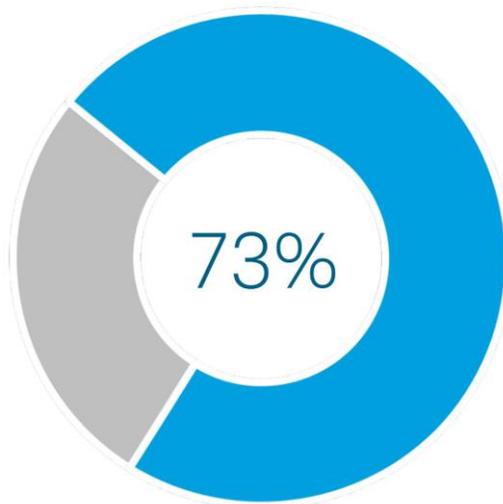
RIAs have an appetite for lifting out other advisors from the ranks of Merrill Lynch, Wells Fargo, Morgan Stanley and UBS: just 12% of respondents said they recruited employees over from wirehouses.

Most RIAs would love to hire a wirehouse advisor, Diamond said, but the compensation structures they offer — typically a salary plus a bonus — can't compare with the recruiting packages brokerage firms can offer, which can sometimes include a payout which is a multiple of their annual revenue production.

'When push comes to shove, it is very tough for an RIA to create an economic package that is competitive with what a wirehouse/bank advisor could stand to get by transitioning to another brokerage firm,' Diamond said. 'Not to mention all the support available to breakaways these days to establish their own firm and own their own equity. Finally, most RIAs employ a team-based approach where advisors are not truly running their own books and/or must hand off investment decisions, which is often in direct conflict with the culture and sensibilities of a wirehouse advisor.'

Schwab's results show that RIAs have also cast a skeptical eye towards the talent ranks in independent broker-dealers and banks. Just 10% of RIAs reported hiring from independent brokerages, while 16% reported hiring from banks.

#### Firms that are planning to hire from external sources in the next 12 months



Despite their difficulties in recruiting from other channels, RIAs still have an appetite to hire: Schwab found that 73% of respondents planned to hire talent from external sources in the next few months.

'I think it makes sense that RIAs will find a comfort level with employees of other RIAs. However, I do believe that the industry as a whole needs to expand its vision to find talent,' said Brandon Kawal, a principal at RIA consultancy Advisor Growth Strategies. 'The concern is the same talent moves around within the RIA channel, and we don't get organic employee

growth from outside (other channels, career switchers, etc.). It is harder to do, but there is something to be said for hiring diverse talent from outside the RIA vertical if possible.'