

FINANCIAL TIMES

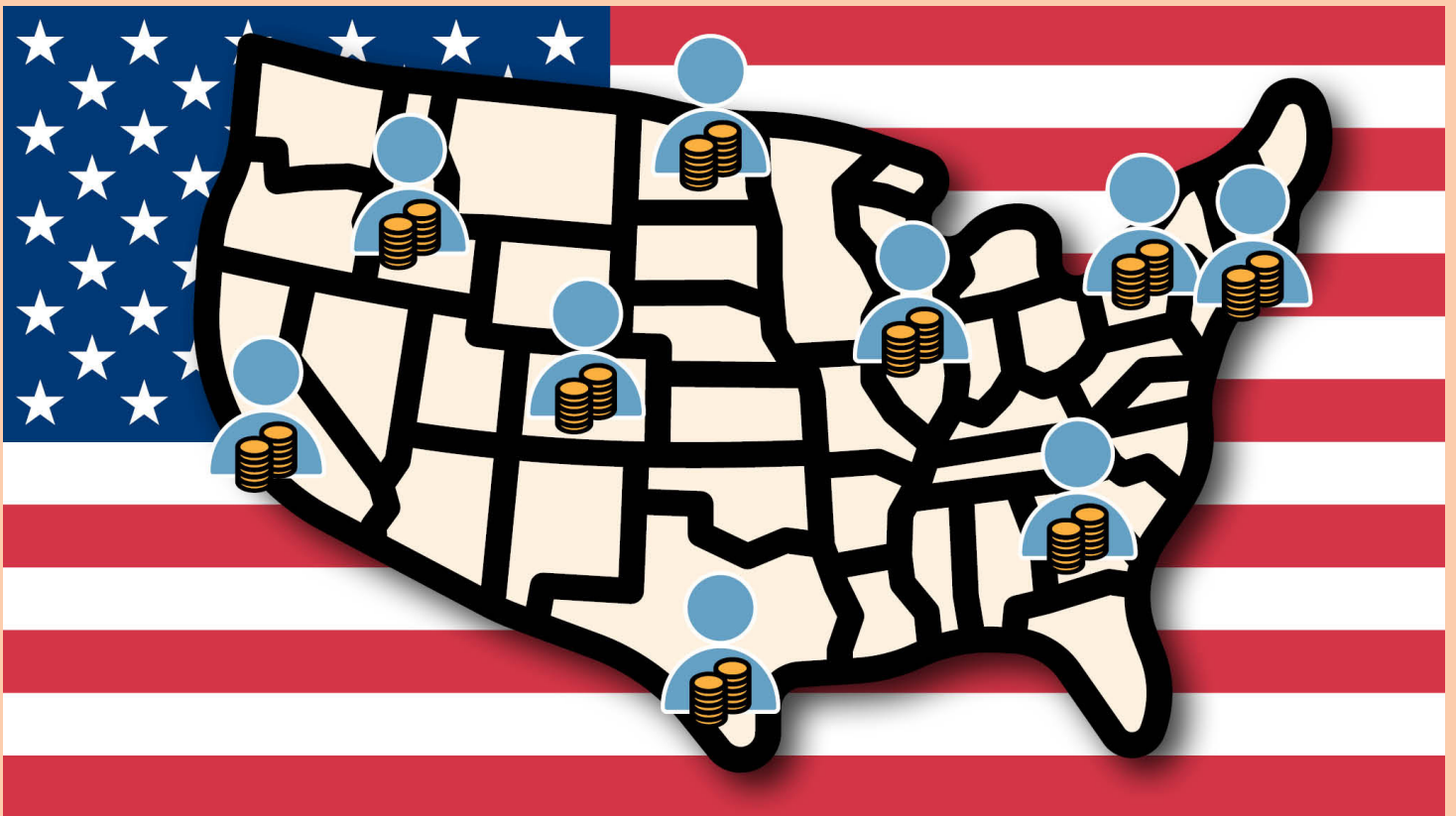
FT SPECIAL REPORT

FT 300

Top Registered Investment Advisers

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Name	City	Client segments served
Legacy Wealth Management, inc.	Memphis	<ul style="list-style-type: none">Retail (individuals with less than \$1 million)High Net Worth (individuals with \$1 million - \$10 million)Ultra-High Net Worth (individuals with \$10 million+)Institutional

The entry above is extracted from the Tennessee section of the FT Top 300 Registered Investment Advisers report.

Financial Advice

Leading investment advisory companies in the US are expanding their teams, joining forces and increasing the range of services they offer their clients, according to an analysis of the FT 300.

A stream of independent-minded advisers had broken away from well-known brokerages in recent years to join smaller registered investment adviser companies or start their own practice. Now, companies trying to attract these so-called “breakaway” advisers are offering technology, financing and other support.

Consolidation has been prominent among the bigger RIAs, as they attempt to add services and make the most of economies of scale. In the first quarter of 2017 there were a record 44 mergers in the RIA industry, compared with 34 deals in the same period last year, according to DeVoe & Co, a provider of consulting and banking services to advisers.

The FT 300 list is dotted with companies that have been through consolidations. HighTower, a wealth management company that acquires RIA practices and provides outsourced services to RIAs, has eight practices in this year’s FT 300. Focus Financial Partners, which has acquired large stakes in more than two dozen practices around the US since it was founded in 2006, has seven portfolio companies in the list. In April, Focus sold a 70 per cent stake to two private equity firms, KKR and Stone Point Capital, which valued the wealth manager at \$2bn. The high valuation was a sign of

investor confidence that the RIA market is set for further growth.

RIAs have also been growing by strategically acquiring or recruiting more advisers. For example, Maryland-based Bronfman EL Rothschild added a team of advisers in Virginia in May. That was the 10th office for the company, which has a presence in six US states.

Expansion has allowed companies to provide more personalised service to clients by adding more advisers with additional specialities. Wealthy investors often want a human touch. While some FT 300 companies offer online services, this is the first FT 300 list since 2014 that does not contain a “robo-adviser”, which use automated investing techniques.

98%

Proportion of FT 300 that operate at least some of the time as fiduciaries

The average adviser on the list has been in existence for 24 years and manages \$2.7bn. A third of the advisers have at least \$2bn in assets under management.

The US financial advisory industry is gravitating towards the RIA model of adhering to the “fiduciary” investors’ interests first – rather than the less onerous obligation on brokers to recommend merely “suitable” investments.

Some 98 per cent of FT 300 companies operate at least some of the time as fiduciaries. On June 9, new rules from the

US Department of Labor were introduced that applied the fiduciary standard to anyone advising on retirement plans and individual retirement accounts.

Chicago is home to more FT 300 advisers than any other city with 12, while New York takes second with 11 listed members. This is the first year New York is not the top city, which underscores how easy it is to run a regional or national wealth manager from anywhere in the country by relying on websites, automation and other technology to link offices.

That has helped certain FT 300 members, from Edelman Financial Services – headquartered in Fairfax, Virginia, with 42 offices and 31,000 clients around the US – to the smaller WealthSource Partners, the result of a merger of California- and Colorado-based advisers.

The FT 300 includes advisers from 37 states and Washington DC. California, with 15 per cent of the FT 300 members, once again led all other states by a wide margin. But this year Texas and Illinois were second and third, while New York, which has previously come second, was level with Massachusetts in fourth.

Just over three quarters of advisers on the list offer wealth management services as a speciality. Individuals with \$1m-\$10m to invest account for 44 per cent of the assets managed by the FT 300. Clients with more than \$10m account for another 22 per cent of assets.

Methodology

Selection criteria

This fourth edition of the FT 300 assesses registered investment advisers (RIAs) on desirable traits for investors.

To ensure a list of established companies with substantial expertise, we examine the database of RIAs registered with the US Securities and Exchange Commission and select those that reported to the SEC that they had \$300m or more in assets under management (AUM). The Financial Times’ methodology is quantifiable and objective. The RIAs had no subjective input.

The FT invited qualifying RIA companies – more than 2,000 – to complete a lengthy application that gave us more information about them. We added this to our own research into their practices, including data from regulatory filings. Some 725 RIA companies applied and 300 made the final list.

The formula the FT uses to grade advisers is based on six broad factors and calculates a numeric score for each adviser. Areas of consideration include adviser AUM, asset growth, the company’s age, industry certifications of key employees, SEC compliance record and online accessibility. The reasons these were chosen are as follows:

- AUM signals experience managing money and client trust.
- AUM growth rate can be a proxy for performance, as well as for asset retention and the ability to generate new business. We assessed companies on one- and two-year growth rates.
- Companies’ years in existence indicates reliability and experience of managing assets through different market environments.
- Compliance record provides evidence of past client disputes; a string of complaints can signal potential problems.
- Industry certifications (CFA, CFP, etc) shows the company’s staff has technical and industry knowledge, and signals a professional commitment to investment skills.
- Online accessibility demonstrates a desire to provide easy access and transparent contact information.

AUM comprised roughly 65 to 70 per cent of each adviser’s score, while asset growth accounted for an additional 10 to 15 per cent.

Additionally, the FT caps the number of companies from any one state. The cap is roughly based on the distribution of millionaires across the US.

We present the FT 300 as an elite group, not a competitive ranking of one to 300. This is the fairest way to identify the industry’s elite advisers while accounting for the companies’ different approaches and different specialisations.

The research was conducted on behalf of the Financial Times by Ignites Research, a Financial Times sister publication.

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