

THE \$5 BILLION RIA

Four Strategies for Getting There

Over the last two decades with BNY Pershing, I can recall a time when many firms aspired to reach the billion-dollar milestone for assets under management (AUM). Today, it's clear that *five billion is the new billion!*

We know that the largest registered investment advisors (RIAs) are growing at a rapid pace and capturing the greatest market share. So, what strategies can smaller RIAs employ to accelerate their growth to potentially achieve the five-billion dollar AUM mark?

Recently, I posed this question to leaders in three wealth management firms that surpassed that impressive mark through a combination of organic and inorganic growth strategies. Sharing their perspectives were: Thomas Carroll, Principal, President and CEO, Homrich Berg (\$17 billion); Scott Danner, CEO, Freedom Street (recently merged with Steward Partners, \$30+ billion); and Heather Goodman, Co-President for Sports & Entertainment at Cresset Capital (\$50 billion).

Our discussion led to the following four strategies that can help accelerate your firm's journey to the \$5 billion-dollar mark and beyond.

1. Make Organic Growth the Foundation for Success

The steadfast pursuit of organic growth is essential, regardless of whether strategic steps toward inorganic growth are planned. In fact, as one leader pointed out, acquiring practices will only add to the need to drive organic growth to deliver earnings from the practice that was purchased.

To lay the foundation, focus intensely on client service and engagement to drive referrals. One leader indicated that over 60 percent of new organic business for the firm originates from satisfied clients who refer people in their personal or business networks. The second area of focus involves activities such as advisor networking, developing the chief investment officer role, hosting events, investing in sponsorships, and being active and visible in the community to expand the firm's networks.

The thread that binds these concepts together is to invest time and energy in building personal and professional relationships.



CHRISTINA TOWNSEND

Head of Relationship Management, BNY Pershing

“We believe that the future of advice is this: connection. This is what people aren't feeling enough of today. And, if you're spending all your time on the busy work behind the scenes, you're unable to dedicate the time and energy to connections – having dinner with the client or going to lunch with your favorite people.”

- Scott Danner

2. Power Inorganic Growth With the Right Strategy

In the next few years, the wealth management industry will continue to be shaped by inorganic growth, whether it involves massive deals or smaller, more targeted investments. Such deals can quickly drive scale, which opens up options for new client offerings and service enhancements. Mergers and acquisitions, though, must be approached carefully to ensure a good strategic fit.

On one hand, acquisitions quickly boost scale, which allows a firm to invest in expanded products and services more cost-effectively. This creates an edge in an industry where competition is fierce, and clients are expecting more from their advisors than ever before.

However, a firm considering deals must be very strategic and thoughtful. Potential partners should align with your firm's values and contribute both to short-term growth and long-term strategic objectives. Seeking growth without fully exploring why may result in disappointing outcomes.

“You have to know – absolutely, 100 percent – what your strategy is and not to seek growth just for growth’s sake. That’s where you get in trouble. For us, we have very narrow bull’s eye for firms that we’re targeting. We are not an aggregator of assets. We are an integrator of businesses.”

- Thomas Carroll

3. Invest in Marketing With an Emphasis on Digital Capabilities

Marketing is viewed as a vital driver of growth worthy of significant investments of time and money. Sales collateral represents a small part of the picture and is perceived as less important than a range of digital strategies and client-oriented events and community outreach. Building, sharpening and burnishing a brand must be an ongoing priority so target clients understand who you are, what you stand for, and how you can make a difference in their lives.

Digital marketing, in particular, can be a growth accelerator. This includes investments in content marketing and video to spark engagement, digital advertising to generate leads and search engine optimization (SEO) to elevate the firm's visibility in web search. One leader said that their firm's investment in SEO contributed to a \$100 million client acquisition.

Virtual and in-person events can build the firm's brand and reputation for being client-focused and serious about building relationships. The key is to focus on topics and themes that resonate with clients, so they will gladly attend, listen and learn.

“I can’t stress enough the importance of creating a brand that people recognize and understand. What is your secret sauce? What’s your differentiator? Ours is this: full-service family office and client-first. That’s the key to how we’ve built organic and inorganic growth.”

- Heather Goodman

4. Broaden Solutions Offerings to Address Client Needs Holistically

Wealth management has evolved from a pure advice model with an emphasis on investment performance, to greater complexity and diversification through alternatives, to a full-service model to compete to serve family offices. As firms increase their AUM and scale, they can advance further across the spectrum by offering truly holistic services to clients.

Central to creating deeper client relationships are providing or coordinating multiple, related solutions, such as building their estate plan, handling their accounting, providing tax support and paying their bills. Holistic solutions are rewarded with loyalty and seem to be where the market is moving.

As assets grow, a firm can afford to hire highly specialized professionals to deliver services that a client typically would need to access from a different provider in another industry. Two examples are of tax and estate planning, both of which can ease the client's burden of coordinating services and boost the firm's retention rate.

“Last year, we convinced a premier estate planning attorney to leave her law practice and join us to serve our clients exclusively. She is able to provide an important additional service to the client who values this service and is less likely shift to the next firm due to the integration we provide.”

- Thomas Carroll

Marching Forward

The journey to \$5 billion and beyond will be different for every firm, although it's likely that organic and inorganic growth, marketing and holistic solutions strategies will play a role. Firms that are intent on making that journey may benefit from advice offered by Scott Danner: “Know who you are and where you want to go. Why are you growing? What are you doing it for?”

The value of self-assessment and discussions with those who have crossed the \$5 billion milestone can be extremely valuable at the beginning of a firm's journey and at every step along the way.

TO LEARN MORE

To find more ways to enhance your firm's growth potential, please reach out to your relationship manager.



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