



Wall Street's woes could trigger independence wave

Thomas Coyle - 19 September 2008

The demise this week of **Lehman Brothers**, the sale of **Merrill Lynch** to **Bank of America**, the U.S. government bailout of **AIG** and uncertainty surrounding the fates of **Morgan Stanley** and **Goldman Sachs** have sent shock waves through the financial firmament. But, according to some industry players, independent wealth managers stand to gain from the turmoil on Wall Street.

Reach out

"Financial advisors, especially at smaller independent firms, are at their highest level of 'referability' right now," says **Duncan MacPherson** of **Pareto Systems**, a Kelowna, British Columbia-based business consultancy to financial-service companies. "Investors are no longer impressed by the big name conglomerates; they are simply seeking knowledgeable advisors they can trust and form mutually beneficial working relationships with."

To capitalize on this sentiment, MacPherson suggests that advisors make a point, now, of reaching out to their clients to answer questions and calm shaky nerves. "Proactively offering expertise at a time when investors have a multitude of questions and concerns will bolster relationships with current clients, as well as launch a breakthrough in referrals and additional business" he says.

Investigate

More broadly, **Bill Crager**, president of the Chicago-based investment-platform provider **Investnet**, sees an influx of shell-shocked wirehousers opting for independence as the cachet -- if not the very viability -- of big-name firms comes into question.

"Right now is the moment for advisors to understand what is possible as an independent advisor," says Crager. "The landscape is changing, making it much more appealing and possible to build, sustain and compete with an independent practice that is not bound to the constraints and failings that wirehouse firms are demonstrating today."

The easiest option for the fee-based wirehouse broker in search of independence is to plug into an independent broker-dealer like **LPL Financial** or **Raymond James Financial Services**.

Going the full fiduciary route is harder on every level, calling for a level of organizational skill and entrepreneurial zeal not found in many "captive" brokers. But RIA custodians like **Schwab** and **Fidelity** have well oiled transition programs and there are hybrid alternatives like McLean Va.-based **Spire Investment Partners** and Houston-based **US Fiduciary** for advisors who want the support of an independent broker-dealer platform along with RIA affiliation.

Falling giants

But independence, however achieved, is a competitive advantage as well as a source of personal satisfaction in troubled times, according to **Linda Postorivo**, CIO of the Philadelphia-based **Beringer Group**, an RIA with about \$3.4 billion in assets under management.

"When giants all around are falling, there is a tremendous sense of satisfaction when I explain to our clients that their investments are being held at a neutral custodian and titled in their own name," says Postorivo. "Our independence has allowed us to offer best-of-breed managers wherever we find them and provide downside risk management when it's needed most." -FWR