

# Case Study 4 - Multi-Advisor RIA: Move to New Models and Grow to \$1 Billion

Advisor and his partner were managing approximately \$120 million for clients. While they were relatively comfortable with their investment process, the firm had recently come across and researched a new mutual fund investment strategy and signal provider. The firm planned to transition all existing and future client assets to the new investment process; however, they did not want to assume responsibility for the execution and implementation of the new research provider's regular signals. Therefore, they were interested in outsourcing the trading and back office operations to a third party as well. This firm's goal was to maintain all current client relationships and grow by word of mouth, while aiming for significant growth by adding IARs to their RIA. By affiliating with this RIA, new IARs would also gain access to the unique investment research, strategy, and ongoing process offered through the firm. And by outsourcing the back office and trading responsibilities associated with the new investment strategy, the firm would be able to focus on networking and seeking out new IAR relationships to grow by acquisition.

## **FocusPoint consulted and worked with this firm to assist them in identifying their current and long-term goals:**

- Transition all current client accounts managed by two advisors into the new investment strategy.
- Move one new IAR under their RIA by assisting him with going fee-only (as the RIA's vision did not involve a B/D affiliation) and transitioning his client accounts into the new investment strategy.
- Formulate a plan to trade and maintain their rather complicated investment strategy on an ongoing basis to take this workload off their plate.
- Create a situation where all current and future advisors would be plugged into the same systems, virtual office, technology, regardless of geographic location.

## **FocusPoint worked closely with the RIA and two existing advisors to address their goals and come up with a plan to create an ideal situation:**

- 1** After close review of all their unique client accounts, the firm decided to categorize their clients into three general groups. Ultimately they chose to work with one client group at a time to transition them into the new investment strategy in three phases. Following this plan, all client accounts were expected to have transitioned over the course of 18 months.
- 2** At the time the firm's transition began, there was already one advisor who was ready to become an IAR of their RIA. This advisor needed assistance with going fee-only, transitioning some existing commission business to fee business, moving client accounts to a new custodian, and seeking a buyer for the remaining commission business. Concurrently, FocusPoint worked with both the firm and the individual advisor to create a plan for him to break away from his B/D, move under the RIA, and transition client accounts into the new investment strategy.
- 3** Due to the complexities involved in the new investment process the firm was now embracing, the advisors felt their time was not best spent on ongoing trade execution and account maintenance. Therefore, they chose to outsource all trading and back office responsibilities associated with client accounts to FocusPoint. This prevented them from needing to hire any high level employees who would then have to devise new systems to maintain and execute client accounts going forward.

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One of the firm's very clear goals involved growth by attracting new IARs (and thus their business) to the RIA. Because of the unique, private labeled investment strategy and process the firm offered to prospective IARs and their end clients, they felt confident that other advisors would be drawn to their compelling story. In fact in addition to the third advisor mentioned in #2, there was already a fourth advisor interested in coming on board with their firm. It was essential to the firm that they had the infrastructure and systems in place to accommodate new advisors, including resources to both transition their business and maintain it on an ongoing basis—regardless of where the new IAR was located. FocusPoint created a strategy for the firm to utilize FocusPoint's transition and implementation team for each new IAR joining the RIA. Every advisor would also be plugged into the same suite of technology and systems, all set up in such a manner that the RIA's principals felt comfortable. FocusPoint would also be assisting new IARs with software and systems training, while handling all regular data backups for the firm.

The two founding advisors of this RIA were very clear-minded about their vision for the future of the firm. Their goal was and still is to grow to \$1 billion by adding IARs over the next five years. Since the initial two advisors' and the third IAR's transition over six months, FocusPoint has assisted the firm with the fourth advisor's implementation and the RIA recently signed a fifth advisor. Each advisor has one full-time staff person employed at their place of business to provide client-facing support and service. They continue to service their clients at a high level, while focusing their marketing efforts on bringing on new IARs, offering them a comprehensive suite of services including a unique investment strategy, transition and implementation support, a fully outsourced back office, and complete suite of technology and virtual office via FocusPoint. Stay tuned for future updates to this recent success story.