Loren Fox

Investment advice in the US has evolved since the financial crisis, becoming more sophisticated and accessible. Leading the charge were the registered investment advisers, or RIAs, who pioneered the selling of advice in the 1940s and have been gaining momentum since the 1990s. Along the way, it was the RIAs who helped popularise low-cost investments such as index-tracking exchange traded funds (ETFs).

Now, as the financial crisis recedes and wealthy investors stand on the brink of another leap forward in investment advice (one that could represent a potential crossroads for RIAs), we unveil the
On one hand, the RIA approach seems poised to overtake the older world of investment advice. Under that model, advisers received commissions for brokering transactions on behalf of investors and had to recommend “suitable” investments. The RIAs pioneered the business of being paid directly for advice rather than for transactions, and adhered to the “fiduciary standard”, under which advisers are legally obliged to put investors’ interests first.

The fiduciary standard has gained some momentum. Most Wall Street companies offer this brand of advice alongside their traditional, commission-based, business. Mary Jo White, chair of the Securities and Exchange Commission, recently called for all advisers and brokers to be held to the fiduciary standard of care (although there are currently no concrete plans to make this mandatory). And the US Department of Labor has proposed strict rules to apply the standard to the business of advising defined contribution retirement plans.

On the other hand, RIAs face a potential threat in robo advisers. These companies, such as Betterment in the US and Nutmeg in the UK, use computerised interfaces and algorithms to create portfolios for investors.

Many observers are excited by the potential of robo advisers to spread investment advice to the widest possible audience. Indeed, the robos, some launched by industry stalwarts such as Charles Schwab and Vanguard, have already attracted billions of dollars in assets. And this year, Betterment became the first pure robo adviser to earn a spot in the FT 300.

Some robo advisers say they are platforms that RIAs can use to better serve ordinary investors. Industry observers wonder, however, whether robo advisers will instead put many RIAs out of business.

It is not clear if RIA companies will be able to adapt so easily. Years of success have turned them into another part of the establishment, with independent boutiques maturing into small institutions. One can see it in this year’s list, in which the average RIA company had 20 employees, up from an average of 14 in last year’s FT 300.

Will RIAs, which once served as the disrupters of the brokerages’ transaction-based business model, become the disrupted? The question of how broadly investment advice can be offered becomes more critical as the fiduciary approach and its foundation of advice increasingly becomes the industry standard. Either way, the twin forces of fiduciary-led advice and “robo” investing will bring benefits to investors.

That is why this is such an opportune time to look again at what makes a top independent RIA. This edition of the FT 300 Top Registered Investment Advisers, like last year’s, provides a snapshot of the very best across the US.
The FT 300 is a collaboration between the Financial Times and Ignites Research, a subsidiary of the FT that provides business intelligence on the investment management industry.

We set a minimum standard for RIA companies of $300m in assets under management (AUM), then invited more than 2,000 qualified firms to apply for consideration. The judging team used a combination of the RIA companies’ self-reported data, regulatory disclosures and their own research to score the candidates on attributes such as AUM, AUM growth rate and compliance.

The methodology is explained fully in a separate article published with this list.

The competition, as always, was fierce. Dozens of high-quality advisers just missed the list this year, edged out by peers with slightly better profiles — sometimes the difference was a few more years of experience, or a slightly more impressive growth rate.

The FT 300 is listed state by state, 34 plus Washington DC; those with higher populations and higher concentrations of wealth have more advisers on the list.
As we found last year, New York City, as an international wealth and financial centre, has the single biggest concentration of FT 300 member companies, with 22. That was more than double the number in any other city.

Worth special mention, however, are the 22 RIAs from the greater San Francisco Bay and Silicon Valley areas combined — a reflection of how much the current tech boom is spurring demand for wealth management services.

The average company on the list has been in existence for 23 years and manages $2.6bn. Similarly, the average FT 300 practice saw its assets under management rise by a solid 18 per cent in 2014. One out of five practices has been advising clients for more than 30 years and can draw on its partners’ experience in managing money through multiple market cycles.

In keeping with the trend towards larger and more corporate RIA companies, some 94 per cent of the FT 300 work in teams, and only 6 per cent are solo practitioners. That marks an increase from last year, when 89 per cent of the FT 300 had a team structure.

As we would expect, the FT 300 represents many wealth managers. On average, high-net-worth individuals (those with $1m to $10m to invest) account for 36 per cent of the assets managed by the FT 300. And ultra-high-net-worth clients (those with more than $10m) account for another 27 per cent, on average.

Among these advisers’ institution-centred businesses, a little more than 5 per cent of their client assets, on average, are in endowments and foundations. Also, some 5 per cent of advised assets are in employers’ defined contribution retirement plans.

The fact that the FT 300 leans towards larger firms means that the groups on show can offer a diverse array of specialised services.

For example, 65 per cent of the companies specialise in serving baby boomers, while 24 per cent cater to millennials. About 12 per cent of practices provide estate planning, while 5 per cent specialise in helping entrepreneurs, and 3 per cent of companies offer specialised expertise in philanthropy.

No matter what the future may hold for RIAs, the FT 300 list of companies represents a range broad enough to meet the advice needs of the readers of the Financial Times.
Our snapshot of the best Registered Investment Advisers in the US
FT 300 Top Registered Investment Advisers

The FT300 top registered investment advisers in the US listed alphabetically by state.

**DISTRICT OF COLUMBIA**
- Relyea Zuckerberg Hanson, LLC
- LLBH Private Wealth Management, LLC
- DISTRICT OF COLUMBIA

**CONNECTICUT**
- Wagner Wealth Management
- Janiczek Wealth Management
- BRC Investment Management, LLC
- CONNECTICUT

**COLORADO**
- Yeske Buie
- Willow Creek Wealth Management, Inc
- United Capital Financial Advisers, LLC
- The Presidio Group
- COLORADO

**ARKANSAS**
- Nelson Roberts Investment Advisors
- Morton Capital Management
- Miller Russell Associates
- Hanson McClain Advisors
- Arkansas

**COLOMBIA**
- Sitrin Capital Portfolio Management
- Schnieders Capital Management, LLC
- Savant Investment Group
- RS Crum Inc
- Savant Investment Group

**HAWAII**
- Willis Investment Counsel
- Southeast Asset Advisors, Inc
- Homrich Berg
- Capital Directions, LLC
- Capital Investment Advisors
- HAWAII

**CALIFORNIA**
- First Republic Investment Management, Inc
- Pure Financial Advisors, Inc
- Polaris Wealth Advisers, LLC
- Parallel Advisors
- Lathrop Investment Management Corp

**FLORIDA**
- GenTrust Wealth Management
- GenTrust Wealth Management
- Capital Directions, LLC
- Capital Investment Advisors
- Capital Investment Advisors

**ARIZONA**
- Calcaterra Wealth Advisors
- Pinnacle Capital Management
- Blankinship & Foster, LLC
- A. Montag & Associates
- Callan Capital

**ALABAMA**
- First Foundation
- Dowling & Yahnke, LLC
- First Foundation
- First Foundation
- First Foundation

**MISSOURI**
- Blankinship & Foster, LLC
- Clontarf Capital
- First Republic Investment Management, Inc
- MetLife
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## FT 300 Top Registered Investment Advisers

### Methodology Selection criteria

In assembling the FT 300 list, we assessed registered investment adviser (RIA) practices from the perspective of both professional and prospective investors. The formula the FT uses to grade advisers is based on six broad factors and calculates a numerical score for each firm. Considerations include AUM, asset growth, the company’s years in existence, industry certifications of key employees, SEC compliance record and online accessibility. The formula sets a minimum score for inclusion on the list.

- **AUM growth rate**: growing assets
- **Company's years in existence**: 20 or more
- **Technical and industry certification**: CFA and CFP
- **Experience in managing assets**: 10 or more years
- **Online accessibility**: high
- **Information about their practices**: 100 or more points

### Client Segments Served

<table>
<thead>
<tr>
<th>Firm Name</th>
<th>City</th>
<th>Client Segments Served</th>
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<tbody>
<tr>
<td>Besanko Capital Advisors, Inc</td>
<td>Silverthorne</td>
<td>Retail (individuals with less than $1 million)</td>
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<tr>
<td>Besanko Capital Advisors, Inc</td>
<td>Silverthorne</td>
<td>HNW (individuals with $1 million to $10 million)</td>
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<tr>
<td>Besanko Capital Advisors, Inc</td>
<td>Silverthorne</td>
<td>Ultra HNW (individuals with $10 million+ or more)</td>
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<td>Ultra HNW (individuals with $10 million+ or more)</td>
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<tr>
<td>Besanko Capital Advisors, Inc</td>
<td>Silverthorne</td>
<td>Institutional</td>
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</tbody>
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### Financial Times

The FT then invites RIA companies to discuss their practices about their practices.

That is augmented with our knowledge and a commitment to investment skills.

### The FT Reports

This identifies the industry’s best addresses to advertisers, i.e., the firms’ different approaches and varied specialties.
In assembling the FT 300 list, we assessed registered investment adviser (RIA) practices from the perspective of current and prospective investors. This year’s methodology examines the database of RIAs that manage assets for retail, high-net-worth (HNW), and ultra-high-net-worth (ULHNW) investors.

The process for selecting the Firms to watch is outlined in the table below.

<table>
<thead>
<tr>
<th>Firms to Watch</th>
<th>Retail (individuals with less than $1 million)</th>
<th>HNW (individuals with $1 million - $10 million)</th>
<th>ULHNW (individuals with $10 million+)</th>
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<td>Northstar Capital Management</td>
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Methodology Selection criteria

• Online accessibility: this allows firms to provide investors with easy access and transparency to their wealth management practices.

• Asset growth: this factor is based on the growth rate of assets under management (AUM) and varies from 0 to 100.

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Methodology: FT 300 Top Registered Investment Advisers

Loren Fox

In assembling the FT 300 list, we assessed registered investment adviser (RIA) practices from the perspective of current and prospective investors.

The FT’s methodology examines the database of RIAs that are registered with the US Securities and Exchange Commission and selects those practices reporting to the SEC that have $300m or more in assets under management (AUM). This assures a list of companies with established and institutionalised investment processes. The RIA companies have no subjective input.

The FT then invites those qualifying RIA groups, which amount to more than 2,000, to provide further information about their practices.

That is augmented with our research, including data from regulatory filings. Some 650 RIA companies qualified, meaning 48 per cent of them made the list.

The formula the FT uses to grade advisers is based on six broad factors and calculates a numeric score for each company. Areas of consideration include AUM, asset growth, the company’s years in existence, industry certifications of key employees, SEC compliance record and online accessibility:

• AUM: signals experience in managing money and client trust

• AUM growth rate: growing assets is a proxy for performance, asset retention and ability to generate business

• Company’s years in existence: indicates reliability and experience in managing assets
• Compliance record: provides evidence of past client disputes — a string of complaints can signal potential problems

• Industry certifications (such as CFA and CFP): show technical and industry knowledge and a commitment to investment skills

• Online accessibility: this illustrates commitment to providing investors with easy access and transparent contact information

AUM and asset growth comprised roughly 80 to 85 per cent of each adviser’s score.

We present the FT 300 as an elite group, not a competitive ranking from 1 to 300. This identifies the industry’s best advisers while accounting for the firms’ different approaches and varied specialisations.
A recent proposal by the US Department of Labor (DOL) would bestow fiduciary status on most financial advisers. That could make the individual retirement account (IRA) rollover business (the transfer of savings at or near retirement) a difficult proposition for independent advisers who serve 401(k) plans.

US President Barack Obama has described a forthcoming “standard of care” for advisers as similar to that applied to doctors and lawyers. In all instances, advisers would be required to put first the best interests of individual retirement account clients, rather than simply recommending “suitable” investments, which may pay the adviser a higher commission than similar investments that would be a better fit for a client.

It is a more stringent standard than one being considered by the Securities and Exchange Commission, which could centre more on disclosing potential conflicts of interest to clients, rather than avoiding them altogether, according to people familiar with the matter. The SEC, which has reportedly been in co-ordination talks with the DOL about a forthcoming rule, has not yet come forward with its proposal.

But the DOL rule would have the heaviest impact on commission-based advisers, observers say. While advisers would still be able to receive variable payments from their 401(k) and IRA clients, they would be required to sign “best-interest” contracts with those clients, agreeing to place their own financial interests behind those of customers.

Independent advisers, who are typically fiduciaries for their retirement plan clients and do not often receive commissions, would be affected little by the proposed rule, says Fred Reish, an employee-
benefits lawyer and partner at Drinker Biddle. But for those who solicit IRA rollover business from the 401(k) plan participants they serve, the proposal stands to be a rude awakening.

The problem would arise for advisers who charge higher fees for their services to IRA customers — a common practice, as smaller accounts can require a relatively higher amount of work. Large registered investment adviser companies gravitate towards high net-worth clients, such as chief executives with at least $500,000 in their accounts, Mr Reish says.

“If you charge more in the IRA than in the plan, then the recommendation that [participants] take a roll-over with you could be a prohibited transaction,” he says. “With their business model and overheads they can’t afford to do the small accounts.”

Rather than advising 401(k) clients to roll their savings into an IRA managed by the adviser at retirement, those adviser companies will probably provide education to clients about their distribution options, including leaving money in an existing plan, he says.

When it comes to winning rollover business, the proposed rule could put RIAs serving retirement plans at a disadvantage, compared with those who do not have 401(k) clients, says Nevin Adams, a spokesman for the American Retirement Association, an industry trade group. “The regulation would define a distribution recommendation as fiduciary advice,” he says. “It’s pretty easy to imagine that there will be fewer of those [independent advisers] that work with retirement plans offering rollover advice.”

But even with the potential that the DOL’s proposal could have on rollover business for independent advisers, the rule would have a much larger impact on commission-based advisers and broker-dealer companies, which would have to invest resources in educating their networks of advisers on how to comply with the regulations, Mr Reish says.

“The people who will be most hurt by this are the small broker-dealers,” he says. “This thing is a bear.”

Broker-dealers would generally not be allowed to give their advisers incentive payments for selling certain investment products, he says.

“Effectively, the rule would almost make the adviser fee-for-service, rather than commission [based], which is huge,” he says.
The DOL put forward its conflicts of interest rule in April and is collecting public comments that could affect how the regulator revises the rule before finalising it. The proposal is a new incarnation of a similar fiduciary rule the DOL floated in 2010, which the agency withdrew because of opposition from the financial services industry and members of Congress.

Much of that criticism has returned over the latest proposal. Some contend that charging advisers with fiduciary status would discourage them from accepting small accounts, potentially depriving lower-income workers from having access to professional investment advice.

“Certainly it’s a good thing for advisers to put their clients’ best interests first,” Mr Adams says. “But by eliminating [commission structures] directly, or via conditions so onerous that they constitute a prohibition, there would seem to be a high likelihood that fewer individuals will have access to advice than previously and that those who do have access will be asked to pay more for it.”

But the proposal has support from some advisers who already function as fiduciaries.

“It’s easy for an advisory firm to make an honest living, by acting unconflicted, in our client’s best interest,” says Gregory Fulk, chief operating officer at RIA company Valeo Financial Advisors.

Mr Fulk, whose company has 34 advisers and about $1.8bn in assets under management among 900 clients, says the proposed rule would have no effect on his company’s business model.

“There is a dramatic lack of transparency in our industry . . . Half of all clients that hire financial advisers think they’re getting their services for free,” he says.
FT 300 Disclosure:

The 2015 Financial Times Top 300 Registered Investment Advisors is an independent listing produced by the Financial Times (June, 2015). The FT 300 is based on data gathered from RIA firms, regulatory disclosures, and the FT’s research. As identified by the FT, the listing reflected each practice’s performance in six primary areas, including assets under management, asset growth, compliance record, years in existence, credentials and accessibility. Neither the RIA firms nor their employees pay a fee to The Financial Times in exchange for inclusion in the FT 300.