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Wirehouses and RIAs Are Worlds Apart on Prospecting

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By Chris Latham April 8, 2015

Wirehouses and RIAs may not be separate universes, but advisors who've worked in both channels say they are worlds apart regarding the pursuit of prospects. What works in one world may be inappropriate or impossible in the other. Although breakaways often argue independence makes prospecting easier, wirehouse veterans warn some things are difficult to replicate outside of mammoth institutions.

Potential clients respond to different features in each channel, experts say. A national brand with breadth and depth of resources is an undeniable draw. Wirehouse advisors know their firm is a household name, and many prospects may already be aware of its services in financial planning, investments, credit, underwriting and even business-owner consulting. At RIA firms, advisors play up their adherence to the fiduciary standard, which more clients are demanding now that President **Barack Obama** and **SEC** chair **Mary Jo White** are pushing for greater fiduciary care.

Initial conversations with prospects should be similar everywhere, but few advisors in either channel start off on the right track, according to **Bob Fragasso** of **Fragasso Financial Advisors**. “That conversation should be centered on the client — what’s getting in their way and what could be done to right the situation,” says Fragasso, an FT 400 advisor whose Pittsburgh-based RIA oversees $1 billion in assets. He started his firm in 1996 after leaving Smith Barney. “The tendency is to give the fact sheet about how you do things at your firm.”

Each channel presents obstacles for advisors trying to win clients, he says. The double-edged sword of being a household name is that barely a week passes without unflattering national news involving firms like **Merrill Lynch** or **Morgan Stanley**. Prospects also realize financial institutions have other lines of business that may not put the interests of wealth-management clients front and center. RIAs have a different concern, according to Fragasso: proving they have the resources to handle wealthy clients. Independent advisors can be only so persuasive if their firm lacks the necessary technology, talent and processes to serve sophisticated people.

Starting an RIA and adhering to the fiduciary standard transformed prospecting for **Nancy Coutu**, who runs **Money Managers Advisory**. Her Oak Brook, Ill., firm advises on $250 million in assets. She previously worked at **American Express** Financial Advisors, the predecessor to **Ameriprise**. While technically not a wirehouse, advisors who worked at American Express say the atmosphere there made it feel like one.

“Under the wirehouse environment, you could only say what the house wants you to say,” Coutu recalls. “Closing the deal is more natural at the RIA because I’m not trying to tell prospects why they’re going to pay 5¾% up front on a load fund when they can go to **Vanguard** and pay nothing.”

Coutu’s firm recommends no-load mutual funds, and offers prospects a second opinion of their current portfolios from a Florida-based RIA — which Coutu declined to name, to maintain its confidentiality. This second RIA has told some prospects to stick with their current advisor and others to switch to Coutu’s firm, based solely on portfolio analysis, she says. That builds trust and helps close deals. And offering a second opinion from another firm is something she never could have done at American Express.

Media Man

One of the biggest differences between prospecting at an independent firm and prospecting at a wirehouse is that independents can appear in the media at will, says FT 400 advisor **John Burke**. He spent two decades in the wirehouse world — at Merrill Lynch, **Prudential**, Smith Barney and Morgan Stanley — before starting **Burke Financial Strategies**. His firm oversees $300 million in Iselin, N.J.

Since becoming his own boss, Burke has been cited dozens of times in the press, including TV appearances on Fox Business News. Wirehouses never allowed him such freedom, he says. Those institutions fear what advisors might say to journalists or the public, whether by going against the company message or by running afoul of regulations regarding advertising. Now Burke decides what to say and how to abide by regulations. His only corporate constraint is that he avoids talking in detail about the operations of his broker-dealer, **Raymond James**.

Media appearances draw attention to his personal brand and boost his credibility with the public, prospects and clients, according to Burke. Since most of his new business comes from referrals, he thrives on client approval. “The media we do has increased our referrals by a lot,” he says. “The difference it has on business is night and day.”