

## The Graduates

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It's easy for RIAs to get caught up in the tug-of-war over experienced top producers — the biggest of whom are collecting upfront checks of over 220 percent of trailing 12-months' production from the wirehouses. After all, what RIA firm couldn't benefit from a million dollar client book and the attendant experience of the advisor managing it? But RIAs might be wiser to look for young, fresh-faced financial-planning graduates to keep their firms growing. They're cheaper, they love the RIA model and they're easier to shape.

**“The independent RIA industry is coming of age, and it needs to raise the bar in how it thinks about business development,” says Dave Welling, vice president of marketing and advisor business management at Schwab Institutional.**

Today, there are approximately 16,000 independent RIA firms with 42,000 advisors (including dually registered reps who are both investment advisors as well as Series 7 reps) managing \$1.8 trillion in client assets in the U.S., according to Moss Adams. In 2006, median assets at an RIA were around \$100 million — that's more than triple the median for 2001 of \$30 million, according to Moss Adams. That kind of growth brings the need for some extra hands around the office.

**Luckily for RIAs, who work as fiduciaries for clients, financial planning students are eager to join boutique firms that specialize in either financial planning or managing client investment portfolios, according to a study by Schwab Institutional and Texas Tech University that surveyed 160 students. More than half of the respondents say helping people in a meaningful way and putting clients' interest first is what attracts them most to independent investment advisory firms. Further, more than 57 percent say a firm with fewer than 35 employees would be the best fit for them. “The results of the survey are fantastic for RIAs. What's driving 70 percent of the students into boutique firms is their desire to serve the best interests of clients. That's critical for RIAs who say they have a hard time hiring someone that fits into their culture,” Welling says.**

Camarda Financial Advisors, an RIA in Fleming Island, Fla., with about \$200 million in client assets, hires local college students and graduates for internship positions. “We put them on the phone for eight to 10 hours a day to see how successful they are at prospecting clients. It's the most difficult part of being an advisor, so you can tell very quickly if they want to do it or not,” says Greg Palacios, director of marketing at the firm.

### MINIMUM WAGE?

The ideal career path for an intern at the firm starts with a minimum wage internship (a student can also receive credits toward his/her education). The intern can then move up to an account executive position and, eventually, become a full-fledged financial advisor. Camarda Financial currently has one intern who has worked his way up to the account executive level. He's now responsible for turning prospects into actual clients by arranging meetings with them for the six full-time advisors at the firm.

“Prospecting probably takes up about 30 percent to 40 percent of an advisor's time. Now our advisors have that extra time to sit with clients face to face,” Palacios says. In the last year, the intern-turned-account executive has helped the firm grab 30 new clients. “Bringing on interns is a longer process, but we're able to train them our way,” he says.

Susan Theder, managing director of segment marketing for Pershing, says that because the investment advisor population is aging (average age is in the mid-50s), older business owners need to be sure they have a framework in place for junior advisors who can eventually take over their businesses. "It's both critical and a challenge to groom junior advisors," she says.

Fox, Joss and Yankee, a fee-only RIA in Reston, Va., with \$250 million in assets, connects with colleges like Kansas State, Texas Tech and Virginia Tech which offer financial planning studies. Last year, the firm spent a full day at Texas Tech (its personal financial planning program is the only CFP Board-Registered program in the nation to offer degrees at the B.S., M.S. and Ph.D. levels) to interview financial planning students. The firm currently employs two of those graduate students. "We like the internship program because we are able to see if there is a culture fit. Ideally, we'd like to see an intern become an eventual owner," says Jon Yankee, a partner at the firm. Besides, he says, training an intern into the business is cheaper than hiring a 35-year-old who is already accustomed to a different culture.

## BEFORE AND AFTER

Finding the right employee for your firm is no easy task. Here are five steps to help.

- **Define the Position:** Write a full description of the job's requirements and responsibilities.
- **The Search:** For young talent, be sure to connect with colleges and universities that specialize in the position you're looking to fill.
- **Interview Process:** Make sure you ask specific questions that address the requirements and responsibilities you detailed in Step One. For example, if you're hiring someone for a back-office position, make sure you find out if the candidate is detail-oriented and likes crunching numbers.
- **Offer Letter and Compensation:** Make sure you understand a candidate's expectations, as well as what you're willing to pay. Most interns are paid by the hour or receive school credits.
- **On Boarding:** Train and integrate properly. This can be a pitfall for many firms who hire new employees. Plan training in advance, provide discipline as well as instruction and mentor-ship.