

Schwab sees surge in breakaway brokers in just last six weeks

The firm helped 115 teams set up their own advisory firms this year - with roughly one-quarter of these teams leaning on Schwab since the end of July

By **Jed Horowitz**
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The Charles Schwab Corp. said its campaign to help wirehouse brokers become independent investment advisers is picking up speed at summer's end.

Year-to-date as of July 31, the firm has helped 86 teams of wirehouse brokers set up their own advisory firms or join existing registered investment advisers. That number grew to 101 at the end of August and 115 as of this week, Schwab officials said. In 2008, just 75 teams had left the shelter of broker-dealers as of the end of August.

"I don't know if I've seen enough to say there's been a sustainable uptick in terms of numbers," Barnaby Grist, Schwab's senior managing director of strategic business development, said during an interview at the firm's annual Impact conference for RIAs in San Diego. "What has changed since June is that the size of the teams and their assets has risen."

Mr. Grist said many brokers who were on the fence about moving gained confidence with the markets' rise, and felt they had amassed enough new assets to make the moves. About 60% of the breakaway brokers are setting up their own RIAs with the remainder, generally smaller teams, joining existing independent adviser shops, he said.


Earlier in the year, brokers with smaller client portfolios who were nervous over the rapid decline in client portfolios, and perhaps about their status at their companies, were the most frequent movers. "They were in a hurry to get out," Mr. Grist said, while teams of brokers managing more money felt they wanted to hit certain asset bogeys before making their moves.

Schwab attracted Three Bridge Wealth Advisors, with \$750 million in assets, which split off last month from Morgan Stanley Smith Barney.

Separately, Schwab today gave its annual recognition awards, and took what some advisers at the conference thought was an artful dodger move with its top award.

The company, which 22 years ago originated the concept of offering custodial services to independent advisers, gave its Charles R. Schwab Impact Award to "all independent investment advisers in recognition of the industry's outstanding support of clients during a tumultuous year." The honor in the previous three years of the award was given to an individual exhibiting "vision,

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leadership, client commitment and community engagement.”

Several previous winners of Impact awards were among a group of RIA firms that vigorously protested the company's decision to stop taking custody of alternative assets, an attack that led Schwab to modify its timetable for transferring the assets.

The other winners of awards were:

- Wetherby Asset Management, a San Francisco-based RIA with about \$2.4 billion of assets under management and almost 50 employees that won the “best in business” honor for creating “a culture of collaboration” by broadening employee ownership in order to develop high client service, Schwab said.
- Bristlecone Advisors, a Seattle, Wash.-based advisory firm that won the “best in tech” award for creating a home-grown practice management system called Aristata that combined a customer relationship management system and five other core applications to serve its family and multifamily office businesses. The firm manages about \$437 million of assets.
- Heritage Wealth Advisors, a Richmond, Va.-based firm founded in 2005, won the Pacesetter Award in honor of the firm's accelerated growth. With \$138.7 million in assets under management, according to the RIA Database, Heritage has more than tripled in size its managed assets and revenue since its founding.

Schwab is donating \$50,000 to the Boys and Girls Club of America to honor the Charles R. Schwab Impact winners. That is double the amount of its usual donation to the winner's charity of choice.

It also made additional donations to charities designated by Wetherby, Bristlecone and Heritage to honor those firms' awards.

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