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Wealth Management Firms Expand in a Changing Market

FINANCE: Margin Compression Changes Dynamics of Industry

■ By MIKE ALLEN

Several local wealth management firms expanded their holdings and staffing this year, reflecting a more conducive merger environment.

At the top of this list is **First Allied Securities**, which recently agreed to acquire Florida-based **The Legend Group** for an undisclosed price. First Allied, which had about \$22 billion in assets under administration, said the combination with Legend would result in nearly 1,400 advisers and \$28 billion in assets under administration.

First Allied has nearly 1,000 advisers in 500 branches in the nation. The Legend Group has more than 400 advisers.

Joel Marks, chairman of First Allied Securities, said the Legend transaction is the largest ever for the firm, although it's acquired a few smaller firms this year.

"We're all chasing scale to some degree because of margin compression," Marks said. "You have to get larger or become more of a niche provider."

Unlike the earlier, smaller purchases, the Legend transaction will provide First Allied with advantages related to intellectual property, production capacity and enhanced distribution capability, Marks said.

When the acquisition is completed, expected early next year, it should boost the company's revenue for 2013 to between \$325 million and \$350 million, Marks said.

\$28B

First Allied's assets under administration after acquisition of The Legend Group.

Last year, First Allied did about \$240 million in revenue, up from \$235 million in the previous year.

Employment Picture

Locally, First Allied's corporate employment (not counting its independent advisers) is 176 at its main office in downtown San Diego.

Independent Financial Group, another securities brokerage that operates on the individual financial advisory model, continued a growth pattern that has landed the firm on a variety of fastest growing lists including this year's **Inc. 5000**, and **Investment News**.

This year, the firm added about 20 financial advisers bringing the total to 495 working in 250 offices in 35 states, said **David Fischer**, IFG's chief marketing officer and one of the firm's three owners.

The increase in advisers caused IFG to expand its San Diego service center staffing by about 13 people this year to bring its total staff at its Carmel Valley headquarters to 50. The staffing increase resulted in IFG having to move to larger office space in October, doubling its capacity to about 14,000 square feet, Fischer said.

Among the new positions IFG hired this year were in financial support, marketing, legal and compliance functions, he said.

As to the gain in independent brokers, many come from large national brokerages, or other independent firms who may feel constrained by the type of products they can offer clients, or an inability to offer objective advice, Fischer said.

IFG, which made it to the top of the **San Diego Business Journal's** Fastest Growing Companies list in 2006, did about \$64 million in sales last year; this year it's on track to

reach about \$75 million, Fischer said.

Measuring brokerages by the number of advisers, the largest local firm was **LPL Financial**, which maintains headquarters in San Diego, Boston and Charlotte, N.C. The firm counts 298 advisers here, an increase of 52 advisers from the prior year, according to data provided to the Business Journal.

Ranked third locally by number of advisers was **Pollakov Financial Group**, which has 90 advisers in local offices, according to **Kyle Trelford**, director of marketing for Pollakov, which maintains offices in the University Towne Center area.

"We probably added about 10 to 15 new advisers within the past year," Trelford said.

Bond Regulations

While it's quite a different business than the brokerages, **Gurtin Fixed Income Management LLC**, a bond portfolio management firm, also saw some growth this year.

The firm that's based in Solana Beach said it increased its staff by five people to bring the total to 30.

Steve Simpson, Gurtin's president, said his firm is rolling out a new product tailored to banks that must comply with tougher regulations covering bond holdings in their investment portfolios. The product could add one to 1.5 full time equivalents to Gurtin's staff, he said.

Gurtin manages about \$6.5 billion in assets and has about 400 clients, many of whom are registered securities advisers, Simpson said.



David Fischer