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## NEWS RELEASE

### FIDELITY SEES HIKE IN RIA BUSINESS FROM EX-BROKERS

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Fidelity says its Institutional Wealth Services (Fidelity IWS) unit saw more than twice the asset flow from RIAs founded by former brokers in the first six months of this year than it did in all of 2007.

In 2008 through the end of June, 55 brokers brought more than \$7 billion in client assets to Fidelity IWS.

"Making the decision to break away and establish an RIA firm offers many rewards, but it also has many challenges such as understanding the financial, legal and professional obligations," says Steve Adams, Dallas-based Adams Asset Advisors, which manages more than \$1 billion, mainly for high-net-worth investors. "Following an extensive due diligence process, it was clear to us that Fidelity was the right choice as our custodian."

#### Drilling down

To be clear though, Adams founded his RIA in 2005, not in the last year or so. Before that, he was an advisor with Merrill Lynch for seven years and a Goldman Sachs advisor for 10 years.

The point is, Fidelity is talking about bringing in new business from breakaway brokers generally rather than saying, definitively, that more brokers are opting for RIA status this year than in previous years.

If anyone knows exactly how big the breakaway-broker phenomenon is, they're not saying. The five wirehouses -- Merrill, Smith Barney, Morgan Stanley, Wachovia Securities and UBS Financial -- have, all told, about 55,000 active brokers and they lose, on average, about 5% of this headcount a year, according to **Dan Seivert**, CEO of **Echelon Partners**, a Los Angeles-based investment banking and consulting firm.

Of this 2,750, about a quarter jump ship to other wirehouses, a quarter wash out of the business altogether (or move into non-dealer jobs within the firm), a quarter retires, and a quarter or so goes independent, according to Seivert's estimate.

Of this breakaway 700, Seivert thinks that 45% start RIAs, 10% join existing RIAs and the rest -- another 45% -- join independent broker-dealers.

So, for every workday of the year, about 1.35 brokers leave wirehouses to start RIAs.

#### Innovations

Again though, a caveat: Seivert drew this thumbnail sketch about 15 months ago. Since then wirehouses and other big brokerages have been battered in a persistent and costly financial storm. As a result it may be then that there are more brokers at loose ends now than recent years -- and, in consequence, more of them establishing, or thinking seriously of establishing, new RIAs.

In any case, Fidelity says its new breakaway clients cite things like Fidelity's experience as a custodian, its transition-consulting services, and innovations like its soon-to-launch WealthCentral workstation and its ability to accommodate advisors with dual RIA-broker registrations as reasons for affiliating with Fidelity rather than general market conditions

"We have helped hundreds of registered reps successfully start their own RIA firms over the last few years and expect that trend toward the independent advisory model to accelerate," says Fidelity IWS executive v.p. Scott Dell'Orfano. "This level of experience has enabled us to build a comprehensive program that brings together the critical resources breakaways may need to more easily navigate the four common stages associated with establishing an RIA, from making the commitment and defining their business model to preparing their organizational infrastructure and growing their practice."

Fidelity IWS is the biggest RIA custodian after Schwab Institutional. It custodied more than \$355 billion in client assets for more than 3,800 RIAs, trust companies and third-party pension-plan administrators at the end of June 2008.

## ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

**Daniel Seivert**  
Managing Director  
dseivert@echelon-group.com

**Tyler Resh**  
Principal  
tresh@echelon-group.com