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Brian Holmes: Client in the ultra high net worth (arena) are eager to refer.

How a \$2 billion LA-based Schwab RIA doubled in size in five years with a laid-back California style

The John Hancock breakaways behind Signature believe they have cracked the code for near 100% retention

8min ago by **Brooke Southall**

Signature Estate and Investment Advisors LLC, a \$2 billion RIA that has been one of Barron's top 25 advisors for the last four years, plans to double its assets again in the next five.

The firm, whose partners originally broke away from the advisory arm of John Hancock, is turbo-charging its growth by adding a plan to win people with more than \$4 million to invest. About 5% of its clients fit into this category.

One key is adding a cluster of web-based technologies – including Microsoft CRM and Schwab PortfolioCenter — from Tamarac of Seattle to replace Advent Axys, ACT and some proprietary programming. See [The inside story of a giant RIA's move from Tamarac to Advent](#).

Mass affluent clients

The company will also provide existing ultra high net worth clients with deeper service, including free financial planning and a greater emphasis on philanthropy using donor-advised funds from Schwab Charitable. Signature serves mass-affluent clients profitably by investing their assets in discretionary, in-house turnkey model portfolios. See: [Fidelity Charitable courts advisor business — and competes with Schwab — by making alternative assets OK in its donor-advised fund](#).

Brian Holmes, president and CEO of Signature, 49, says that with the higher level of services, ultra high net worth clients will be more inclined to refer Signature to their ultra-wealthy friends. He believes that clients of greater means may be even more inclined to make these kinds of referrals. "In the ultra high net worth (arena), they're eager to refer," he says.

The firm has a knack for fast-growth: It grew its assets under management from \$1 billion to \$2 billion in just five years; its assets have grown from \$1.6 billion just since October. The company has 2,000 clients and four locations and is about to open a fifth in Redondo Beach. It has 43 total personnel, including 15 advisors.

Over the past five years, its average account rose in size from about \$650,000 to \$1 million. It still allows investments as small as \$250,000. Staff has grown about 50% during the time that the assets doubled.

High retention rates

Andrew Lin, Signature's head of strategic development, attributes the company's success to the fact that it has retained virtually 100% of employees over the years and – not by coincidence — 97% of clients.

“The biggest factor (in our success) has been about retention. We're not taking two steps back and one step forward,” he says.

One big reason that clients don't leave 97% of the time is that Signature has experienced virtually zero turnover of advisors in its 14-year history, according to Holmes.

The company uses a farm system to develop talent rather than looking outside. It has a career path that progresses from internship to associate advisor to advisor and then senior advisor. “We're not the New York Yankees,” Holmes said referring to a team famous for buying talent developed elsewhere.

Non-discretionary management

The company is also in constant contact with its larger clients because of a practice it shares with registered reps – non-discretionary management. In other words, it gets client approval for virtually every move it makes in their portfolio, even though it doesn't have to. “It will lead to better retention over the long term,” Holmes says.

The second factor pushing the asset train forward is that Signature has become adept at eliciting referrals. It simply finds that all the strong and constant personal relationships with clients result in a steady flow of new business. See: [In their own words: How 10 top advisors formed creative alliances to drive big asset growth](#).

The approach is not salesy at all, Holmes adds. The bulk of referrals are what the consultants call “passive referrals” — ones that clients pass along to their financial advisors unsolicited.

“We're kind of shy about asking actually. You do a good job. You get results. The most we might do is send (the referring source) a thank you note.”

A smaller portion of referrals flow from relationships Signature has with about 25 Charles Schwab & Co. branches in the Los Angeles area. It gets most of its referrals from a handful of those branches. Schwab has 200 RIAs in the program; its advisors manage a combined \$38.5 billion of assets referred to them by the San Francisco-based custodian.

Hancock breakaways

Reaching \$2 billion (not including commission-based assets of a few hundred million) is an impressive new threshold for the four founding partners – each of whom broke away from, Signator, the broker-dealer arm of Boston-based John Hancock Financial Services. The various Signature partners started at Signator back in the late 1980s and early 1990s. In addition to Holmes, they include three senior partners: Paul Taghibagi, Gary Liska and Mark Copeland.

When they broke away, the foursome had virtually no assets to start with. They had been employees of Signator and hadn't built up the kinds of relationships that could be easily transferred. They started with Fidelity as primary custodian in 1997 and switched to [Schwab Advisor Services](#) the next year. They still maintain a minor

relationship with [Fidelity Institutional Wealth Services](#). See: [Fidelity launches gigantic referral database to give advisors a shortcut to wealthy prospects](#).

Their commission-based assets are held at Signator Investors Inc. Signature's other offices are in Irvine, Calif., Pasadena, Calif. and Vienna, Va.

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