MINDY DIAMOND ON INDEPENDENCE
A PODCAST FOR FINANCIAL ADVISORS CONSIDERING CHANGE

EPISODE TRANSCRIPT

Private Equity and the RIA: Two Perspectives on the Value of Growth

A conversation with Mark Copeland, Founder, Signature Estate & Investment Advisors (SEIA) & Ben Prigal, Vice President of Reverence Capital Partners.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is Private Equity and the RIA: Two Perspectives on the Value of Growth. It's a conversation with Mark Copeland, founding partner of Signature Estate & Investment Advisors, and Ben Prigal, Vice President of Reverence Capital Partners. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

This podcast is designed for advisors like you, who are interested in learning more about the evolving wealth management industry through candid dialogue with breakaway advisors, those from the C-suite and industry thought leaders. It's available on our website, diamond-consultants.com, as well as Apple Podcasts and other major podcast platforms. So be sure to subscribe and share it with your colleagues.

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Private equity firms and RIAs have found that they have a lot in common. Primarily, both are looking to invest in growth. For private equity firms, growth-focused RIAs are a great investment. They have high profit margins, consistent cashflow, and low capital needs. And the bonus to RIAs is that private equity firms often serve not only to provide capital, but as a partner in growth to the firms they invest in.

In the case of Signature Estate & Investment Advisors or SEIA, the $19 billion RIA firm headquartered in Los Angeles, and with offices around the country, their growth was attributed to organic means ever since their founding in 1997. Yet their vision was to expand via inorganic growth and attract other like-minded advisors to become a part of their extraordinary firm.

That's where private equity firm Reverence Capital Partners came in. Focused on investing in the financial services space, they see their relationships as strategic partnerships designed to foster growth. While some independent firm owners still bristle at the thought of selling a piece of their business, Mark Copeland, founding partner of SEIA, sees it much differently as he shares in this episode.

In Reference Capital, he saw a partner with a shared vision and the capital that would allow them to focus on achieving their vision for SEIA. Likewise, as Ben Prigal, Vice President of PE firm, Reverence Capital offers a similar perspective. In SEIA, they saw a partner with an outstanding business, a strong management team, and substantial growth opportunities. Together, they share both sides of the capital partnership story on this special episode with Louis Diamond. They dive into each of their firm's incredible growth stories, the relationship between an RIA and private equity firm, the value each brings to the table, plus advice for other advisors considering the next phase in their growth story. There's a lot to discuss, so let's get to it.

Louis Diamond:

Mark and Ben, thank you so much for coming on today.

Mark Copeland:

Oh, our pleasure. Thanks for having us.

Ben Prigal:

Yeah, thank you for having us. Excited.

Louis Diamond:

Let's get started. Mark, let's start with you. Can you tell us about your background before starting Signature Estate & Investment Advisors or SEIA in 1997?

Mark Copeland:

Sure. I was a UCLA student and did quite a few internships in the stockbrokerage world in the '80s and was fortunate enough to meet Brian Holmes, actually another founding partner, and he hired me into the financial planning world with John Hancock in very late '80s. And we started actually a financial planning group in 1990 out of Beverly Hills and the four founding partners of SEIA all came from that group to ultimately start SEIA in 1997.

Louis Diamond:

Very helpful. Ben, why don't you tell us about your background or journey leading you to joining Reverence Capital as a vice president?

Ben Prigal:

Yeah. I graduated from Penn State with degrees in economics and finance and found my way to New York in the financial institutions coverage group of Wells Fargo where I spent time covering the asset and wealth management space. I did that for a handful of years and then shifted over to a M&A boutique called Broadhaven Capital where I continued to cover the asset and wealth management space. So natural transition to what I do now, which is on the sort of investing side where I spend a lot of time again in asset and wealth management. Reverence as a whole specializes in financial institutions, and with a particular focus on asset and wealth management.

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Louis Diamond:

Perfect. And for those folks that aren't as familiar with Reverence, can you explain the Reverence business model a little bit more? So you mentioned around the investing side is that private equity and just give us a sense of the scope of Reverence and maybe even just how it was founded and some of the work you guys are doing today.

Ben Prigal:

Yeah, absolutely. Reverence is a thematic investor and sector focused on the financial services. We were founded in 2013 and manage now in excess of $9 billion across three private equity funds, a structured credit fund, and our sort of co-investment investment partners. But the firm was founded by three founding partners, Milton Berlinski, Peter Aberg, and Alex Chulack, who have collectively over 100 years of combined experience in the sector, which obviously gives them a significant view into the space. And they've pieced together not only a 40-person investment team, but also a network of special advisors.

We're proactive investors in the space focused on thematic investing. We map long-term themes against current and potential market participants and try to identify prospective investment opportunities and again, utilize our network and relationships to uncover opportunities. We try to position ourselves as a partner of choice in the space, given our diverse sector experience, deep network relationships and vast industry knowledge. We are of the belief that specializing in financial services is key to uncovering value given the underlying business model complexity, cyclicality and ever-changing demographic, technological and regulatory factors.

Louis Diamond:

I would agree with you that there are a lot of unique elements of our industry, so it would seem appealing to partner with a firm that only works in the space. So is it unusual that a private equity sponsor is so focused on just one vertical, or are most shops more broad-based and might have a group that specializes within wealth and asset management?

Ben Prigal:

I would say it varies. There are some that specialize in middle market and that's across the board, and they may have a handful of investments in business or financial services. There are a number of our peers who are deeply focused in the financial services space. So private equity investing takes different flavors. We like to say particularly in the wealth space, there are a lot of tourists in the industry now given the attractive features of the space, but it's a space that we know well and intimately given sort of long coverage from both investment banking and advisory work and ultimately investing in the space.

Louis Diamond:

And can you give a sample of maybe some of your current investments or ones that they've monetized or have exited, just to give us a better sense of what Reverence is all about?

Ben Prigal:

Yeah. Our first investment in the asset management space was in Victory Capital in 2014, which is a sort of active multi boutique asset manager with over $160 billion in AUM. We also have an investment in Osaic formerly known as Advisor Group, which is the second-largest independent broker dealer with over 11,000 independent advisors, $500 billion of AUA. And then we, back in October, about a year ago, invested in our sort of seventh platform in the asset and wealth management space, which is SEIA with Mark and Brian.

Louis Diamond:

Very interesting. Mark, let's flip back to you. Let's talk a little bit about SEIA today. If you can give us a sense of assets under management, number of employees, number of advisors, just anything to give us a better sense of the scope of the firm. And then if you can also elaborate on the firm's value proposition, please?

Mark Copeland:

Sure. As I mentioned, we started SEIA in 1997. The four of us that started it still work together and have worked together over 33 years. I'm proud of that. If we weren't doing things the right way, that partnership wouldn't still be in place. So up to this point, we have grown only organically. So advisors, we've brought through. Our program's grown through the existing advisor teams to today roughly $19 billion under management, 150 employees and about 12,000 clients.

We have our wealth management arm, which I spend most of my time, with roughly 14 of that $19 billion there. But we also have a fully functioning TAMP that services roughly 400 other advisors and almost $5 billion in assets. So in addition, we just started our own broker dealer so that we can provide the full range of products when necessary for our clients.

So the values of SEIA really haven't changed. Again, I'm really proud of that since 1997. Proud of the people that I work with here. We're very client-centric. In addition to that, we're entrepreneurial, very collaborative. So even though we have multiple advisor teams, it's a very win-win relationship. When I used to intern at the stock brokerages many years ago, it always struck me how competitive it was within the office with each other. And I'm happy to say, we don't have that, right? We all try to share and share best practices and techniques to provide a better product to our clients we're servicing.

So firm's very growth-minded, and that culture is something we want to keep intact. So we really work, look for people that we add to organization that will fit that, right, that entrepreneurial client-centric mentality.

So we always say that it was a firm that's built by advisors for advisors. So I think it's something that separates us a little bit. We allow advisor teams to continue to bring a service to their end client that sometimes is unique to their area, maybe unique to their region. We don't try to fit every advisor into a strict process or strict box. And again, in what I'm seeing these days and the growth of our industry, scalability has become so important sometimes at the cost of what's the end product for the client. So we really want to preserve that for people that are joining. So the goal is to provide tools to our advisors so that they can deliver that client experience. So compliance, marketing, tech, et cetera, that's all in the back office so the advisor teams can focus on clients and their needs.

Louis Diamond:

Mark, let me ask you a couple of jumping off questions from what you said. The first one is how do advisors join SEIA? Are they independent contractors, are they W2 employees, or are they being acquired, or maybe it's a mix of all three?

Mark Copeland:

Yeah, right now I think we're offering all three. So great question because I've seen... I've been in the industry 34 years, so I've seen a change depending upon generation in that respect. But presently, we do offer an opportunity for a new team or organization to come in and maintain that entrepreneurial experience, but just take advantage of a lot of the tools SEIA is providing to help them continue to maybe more efficiently or even improve what they're already doing for their customers and their own growth.

We also have an opportunity to recruit into our system, as you mentioned, the W2 setting where we would acquire more of their practice and provide even more support from taking a lot off of their shoulders from running a business. And that's probably the biggest change that I've seen, is that my generation was very entrepreneurial, "Hey, get out of my way. I'll go build it."

And I'm seeing now in the younger generation seeing that they appreciate, maybe it's the quest for quality of life where they don't want to have to manage employees and manage back office and manage marketing, and they just want that customer face-to-face client experience and they're willing to partner with a group that can do all that for them.

And then I would even say, you said all three, I'd even say somewhere in between. I know right now, we're very open to some hybrid opportunities in organizations that we've seen that have a combination of those two within, and so we can come in and be a great solution. That flexibility again, probably makes SEIA very unique right now in our industry.

Louis Diamond:

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Yeah, I would agree. And it's smart to give advisors choices. And as their needs change, they don't have to leave in order to monetize their business or change their affiliation with the firm. So I would agree, choice as long as it's well-thought-out, is typically a pretty effective recruiting strategy.

Let me ask you two more questions based upon what you shared. So you mentioned you started a broker dealer. I would say that's a pretty rare thing to hear these days. Usually, everyone's running away from broker dealers and certainly if they're going to use a broker dealer, they'll outsource it. So what was the thinking behind starting a broker dealer when clearly you could have used Osaic or any other broker dealer for that matter?

Mark Copeland:

I agree with you, I don't know if that's a great differentiator, but there are some very big positives. So we still want to be able to service our clients and offer them a full range of products when necessary. That's another change in our industry that used to be just pure wealth management. Now, financial planning, tax planning, estate planning, protection planning is all expected in that wealth management world.

And so we want to continue to be able to do to that, to offer that. I also think there are many hybrid advisors that run fantastic practices for their clients that are really holistic and need a broker dealer relationship. I think the idea of bringing it in-house, and this is kudos to Brian Holmes and what he has always had is that really high character in our industry, is that our compliance team was very involved. And what we found with an outside broker dealer, we were doing things and they had... For instance, we did work with Osaic and they had a great compliance team and through them. And then we had this same process internally and there was a lot of redundancy.

So I think the biggest benefit is efficiency. I also believe, as I mentioned, our firm built by advisors for advisors. There are some nuances in our industry where in some cases, we as very experienced advisors understood what needed to be done, perhaps sometimes more than these external broker dealers, maybe from a marketing standpoint, maybe the pace and need for speed to be able to do our compliance work and either approve or not approve of some content that we want to try to get out to our clients to help them or make them feel better about certain situations, certain products that we want to avoid altogether, but others that we do some due diligence. We're very comfortable offering to our clientele.

So I guess simply put, to become more efficient and a little more accustomed to our clientele was the biggest benefits of bringing the broker dealer in-house.

Louis Diamond:

That does seem like compelling reasons. Like I said, most advisors who are 95% advisory, they'll opt to use a friendly broker dealer or affiliate with an Osaic or an LPL or a firm like it. It seems like the reasons that you started the broker dealer were very strategic and they're oftentimes the reasons we hear people who want to start their own RIAs, you want more control, you want to dictate what that experience looks like. And certainly, with the amount of assets you have, I would assume too there was some economic benefit to building your own BD versus paying overrides to a third party. So thank you for sharing that. That was an interesting perspective.

One more just follow up from what you mentioned earlier. So you mentioned that part of your business is a TAMP, turnkey asset management platform or program for other advisors. A lot of folks who tune into the show, they think about ancillary revenue sources and many great investment approach, differentiated one, and would love to be able to open it up to other third parties. Can you just talk briefly about the thinking behind offering a TAMP versus just keeping the services unique or we'll say walled off to only advisors that are affiliated with SEIA and your current clients?

Mark Copeland:

That's been an exciting part of the business. It's a great service. So basically again, we built SEIA, the four of us, which grew quickly to seven and is now, I don't know, 24 or 25 advisor teams across the country and growing. But when we first started, we basically built the investment management systems for each other so that we can service our clients' needs. And we reached a point within our broker dealer affiliation, which was John Hancock for a long time, name changed to Signator and then ultimately was purchased by Royal Alliance, which is now Osaic.

And simply put, it came about out of almost demand from other advisors within the broker dealer. There was seven or eight of us within that broker dealer that had built pretty good practices. So we were fairly known within that broker dealer. And at different conferences, et cetera, we would just have a lot of people come to us and ask what we were doing and how we were doing that and how we were raising assets.

And so ultimately we decided to, if at the time Signator was open to it, we could offer our services as a TAMP through the broker dealer, and they agreed to it and it has taken off since then. When Royal Alliance acquired Signator, that was another point where we had to resell that relationship. And fortunately, the smart people at Royal Alliance, which Reverence was one of them, and Advisor Group leadership, allowed us to continue to offer services and I think it was very, very well received.

Again, we have about 400 advisor teams across the country that use our TAMP and very successfully, and about $5 billion that assets have been acquired by those advisors don't focus in investment management. So they've done a good job for their client, they've done a good job for their practice, and it's been really good business for us, and I think one that could really grow where we are now.

Louis Diamond:

We hear it all the time, advisors, they know what they're good at, they know what they want to outsource. And investments is certainly now people look at it oftentimes more as a commodity. So if it's going to take you time and you're not the best at it, may as well figure out a way to outsource it. So I would agree with you that you probably have some room to run with continuing to scale with TAMP.

Mark, let me ask you one more question. Let's back up and talk about the founding of SEIA on the John Hancock platform. And Ben, I promise we'll get to you soon, but can you just give us a sense of why you founded SEIA and how come on the John Hancock platform? Was it more of an insurance business back then?

Mark Copeland:

Yeah, we started, all four of us were with John Hancock in Southern California in insurance sales side. An inspiration of Brian Holmes, we started doing more work in offering a holistic financial planning offering back then, which was very unique in 1990. And all of us earned our CFP designation, a few of us CFA designation and started doing much more planning for mid to higher wealth families in Southern California.

And that morphed into John Hancock putting together a financial planning group, which really meant providing more resources for us through software and marketing. So that took off into the mid '90s where we were doing quite a bit as financial planning, retirement planning, estate planning, and it was all with an effort to sell product. We wanted to gather assets, investment assets along the way, but some of the products we were offering weren't what the higher net worth client was looking for, so we were asking a lot of them what it was they were looking for.

And what we found was more fee-based RIA service-focused investment management was really what customers wanted back in the mid to later '90s. So we had the idea to set up SEIA as an independent. It'd be able to offer a little more service-focused investment management products in addition to our financial planning and product sales. And since we were selling quite a bit of product through that planning strategy, John Hancock allowed the four of us to do it and supported that.

So that's one of the reasons we stayed with them. So we started building SEIA as a independently owned RIA, in addition to using John Hancock as the broker dealer. John Hancock became Signator and we stayed for quite a bit with them. So I mean, simply put, SEIA was founded in 1997 to allow us to offer to our clients what they were looking for. And that was just a much more service-focused, fee-based investment management process that product sales didn't allow for. And I'm proud to say we were a little bit ahead of the curve on that, certainly not first at it, but ahead of the curve because that's definitely, if you look at the industry now, that's definitely the way the industry has gone.

Louis Diamond:

Thank you for sharing that. It does seem like you've really morphed the business from being product-focused to being much more holistic in nature, and probably evolving with the times as well. Back when you founded the business, fee-based was relatively new. It was much more about commissions and product sales, but now we're seeing that the best-run businesses can offer everything. So instead of needing a life insurance guy or separate insurance guy or gal, why not build it in-house? So that seems like a great strategy.

One more question just about the building of the business. So what was it like building such a successful and large business on a independent broker dealer platform? So I know you mentioned you had the RIA, but being affiliated with the broker dealer along the way, first Hancock and which became Signator and then Advisor Group, which became Osaic, what was it like building on a platform like that rather than building on a pure RIA platform?

Mark Copeland:

Well, so most of the growth was in the RIA for our business. Again, we went from $70 million under management in 1999 to $19 billion now. So the best part was we had had in 10 years of experience in working with broker dealers and doing really high quality, high character business. And so the broker dealer relationships we had, which were basically two, even though there's been three different names, there was a lot of trust and there was from them where they were there to offer help, support direction, but at the same time really trusted us in some of the decisions that we were making. And I'm happy to say that that's paid off for them, and we were motivated by being able to reward that trust.

So I think that's going to play into the growth of SEIA quite a bit, and the fact that we have an in-house broker dealer where... And it gets back to what I said earlier, there are times in our industry where we see there's opportunities and we can fill that and we're confident in our team we're going to fill it in a compliant, ethical way and we're going to go ahead and do that.

Whereas there's a lot of BDs that just don't want to extend themselves. And right now, RIAs are getting so big. There's a lot of RIAs that don't want to extend themselves. And so once again, I think that puts us in a unique position. It gets back to that built by advisors for advisors. Same goes for the broker dealer RIA relationship.

Louis Diamond:

Very interesting. So Ben, let's loop you into the conversation. Sorry for keeping you on the sidelines there. So in 2022, SEIA opted to sell a stake in the firm to your team at Reverence Capital. So this question will be for both of you, but let's start with Ben. Can you share a little bit about what attracted you to the other? So in the case of Ben, why SEIA over investing in someone else? And then afterwards, Mark, we'd love to hear why Reverence, when I'm sure you had many other private equity firms that were beating down your door to get involved with what you're doing?

Ben Prigal:

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Yeah, absolutely. At Reverence from our perspective, our goal is to invest in a limited number of outstanding businesses with excellent management teams, substantial growth opportunities and strong corporate cultures. And then being a sort of people-oriented business, we've found the best partnerships require shared visions, shared view of the long-term growth strategy, and then a certain amount of sort of flexibility and creativity is always helpful.

And in Mark and Brian and the other founding partners and certainly the whole team, we found not only the sort of shared view of the future, there's a sort of strong underlying growth orientation of the business. And then first and foremost in this industry, table stakes for us is the sort of client first approach treating the clients right and doing right by the clients. So in all of that, we found a really nice opportunity with Mark, Brian and the team to leverage our network in the space and build on what the team has done to build a extremely successful almost $20 billion franchise.

Louis Diamond:

Yeah, it sounds that way. Sounds like you found the right match based upon the criteria your team had. Mark, same question for you. What was it that attracted you to the Reverence team?

Mark Copeland:

You were right. We did have quite a few people reach out to us over the years, but as so many of the larger firms are adding and acquiring, often it's in a setting that they want to scale and put us in a silo of doing business, how they do business. And that just wasn't a great fit. We wanted to continue to offer the service that we had been doing and that we think is right for our clients. And quite frankly, Reverence was the first that came to us and said, "Hey, we don't want to change what you're doing. We want to help you. We like what you're doing and we want to help do it better, but also help expand." And that was really refreshing.

We obviously did our due diligence and got to know Ben, got to know Milton. I thought there was a great connection, things that were important to them are similarly important to us. I personally know a lot of people in the private equity world and everyone had the exact same thing to say about the firm, ethical, just great reputation in that industry.

And then as we started talking and getting more serious, it became very clear, the vision that they have is one that we had also. And quite frankly, they know a lot more about the growth in the industry probably than we do. So teaming up with a smart group with a great reputation in terms of character and a commitment from them to help us, but stay focused on what we're offering, that end product that we're offering to our customers was a perfect fit.

Louis Diamond:

And how come you're interested in selling equity at all? Obviously, one very compelling option could have been to keep owning like the majority of the business, keep growing it the way you were, and then sell the whole thing down the line or selling the business was more valuable because you'd kept growing organically. So what was it that you were hoping to accomplish from a transaction that made you or led you to wanting to partner with private equity in the first place?

Mark Copeland:

That's a great question. So first of all, we're going to continue to grow organically. That's just who we are, and with the people we bring in will be that way also. So we will continue to do that. And I don't feel like the leadership here is going to discourage that in any way. In fact, they're going to encourage and facilitate that mindset, not only with us, but everyone that comes in. We feel, and I'm sure I'm not alone, you probably feel the same, that the industry is changing.

There's just a lot of benefits of economies of scale of being with larger and bigger firms. So our choice was to either join one of those firms or partner with a group that had the same vision and become one of those firms. And we were fortunate enough to meet Reverence. So it wasn't so much... I don't look at this so much as a sale of equity, but as a partnership with an organization that's going to bring the skill and expertise in an area that we don't have it, right? That's not the area that I have 34 or 35 years of experience. That's Ben and the people he worked with. So for us to go be one of those bigger firms and compete with those bigger firms and offer all the benefits that that type of firm can offer, we needed a Reverence. And we're lucky enough to find Reverence

Louis Diamond:

And I'll ask this question first of Ben and Mark, if there's anything you want to add. So today, Ben, how does the Reverence team interact with SEIA? Or put another way, what are the activities that your firm helps SEIA with?

Ben Prigal:

Yeah. Like Mark said, I think we want to allow the space for Brian, Mark and the team to continue to grow and do what they've done successfully over the number of years. And they've built a tremendous group, including all the sort of partners and employees, and part of one of the reasons why the team has done a fantastic job thus far, and we have full confidence they'll continue to do that.

I think our role thus far has been more on the strategic side, building out, thinking through what the sort of capabilities are that we need to be competitive five years from now. We're of the belief that there will be a couple handfuls of $100 billion firms left at the end of the day. And so how do we position ourselves to do that? And then whether that be introductions to people in our networks to build out, we hired a CFO, we hired head of business development, we hired M&A folks in-house. So making introductions that way and just thinking about strategically where we want to be in five years.

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Louis Diamond:

Yeah, that seems very valuable. And Mark, is it fair to say that the decision to partner with a firm like Reverence was an indication that SEIA was going to try to be active or more active with acquisitions and with growing more inorganically? Is that a fair statement?

Mark Copeland:

Absolutely. That's obviously a focus, especially in parts of the country that we aren't presently, where we believe there's opportunities. And again, their expertise. I mean, I've already seen it and it's been great, and it's been refreshing to see what they've brought in helping us build out certain areas that have become better, not only to grow inorganically, as you put it, and through partnering or acquisition, whatever, but it's also improving some of the services and products we're offering to our clients. Which again, remember I get off this call and I got calls to make to people that I've worked for and helped manage for 20 years, that's still very, very important to me. So I have to be able to say to them, "Hey, this change here is going to help you because our planning services are better and our team and tax advice is much more significant now. And so that part's exciting to me. So yes, we're definitely focusing on growing, but the ultimate goal is still providing that product to our end client and our customers.

Louis Diamond:

Well said. So Ben, a question for you. I'd love to hear your view and Reverence's view for that matter on just the RIA space in general. So you guys spend a lot of time studying it, talking to many different firms. So I'd just love to hear your thesis, your investment thesis, not just in SEIA, but more so on the RIA space in general.

Ben Prigal:

Yeah. From a market perspective, the number of high net worth individuals with investible assets continues to grow. And the demand for independent wealth advice with a strong value proposition has really never been higher. And we're seeing relationships become stickier as the service types expand, right? So as Mark mentioned, as we build out the planning function or the tax and estate planning, right, it becomes stickier client relationships.

The underlying business has grown double digits organically, so excluding the impact to markets for the last decade or so plus. And so I think the businesses remains a benefactor for some of the underlying trends in the market and really is well positioned to be the stop of choice for advisors in the space who are still growth-oriented and maybe want to offload some of the compliance and operational side of their business.

And then finally, as we've seen the last number of years, but certainly the last couple have really picked up, M&A has continued to be a trend. We feel like we are well-positioned on that side as well, and not just on the recruiting end as well. And there continues to be a tremendous amount of consolidation in a still fragmented space.

Louis Diamond:

How about, so something that we've heard from a number of our advisor clients, and even just sitting back and thinking about the industry is valuations had been going up pretty dramatically, I think probably a little bit of a pullback or maybe return to normalcy. But do you view valuations or the risk factors of a valuation as being a bubble in this industry, or do you still think there's room to run as far as valuations growing into the future for quality businesses?

Ben Prigal:

Yeah, I might put it differently. I would characterize it as the valuations or some of these deals are priced to perfection. So if everything goes well, there are no recession on the forecast, no pullbacks in the market, everything will work out well. So that's a little bit of a scary place to be for us. And we like to create enough value in uncertain potential futures that things will work out either way. And so I think price perfection is the way I would phrase it.

I do think there was a little bit of pullback on both volume and valuation over the last year or so as some of the sort of combination of rates and the markets hit a pause. But what I saw really was more of a sort of flight to quality. And so I think for the best underlying businesses, there will still be premium valuations, and that may tick up slightly, but we're priced pretty fully on those. But those we feel like will continue to garner the sort of valuations that we've seen over the last year or two, but it'll be more selective from the consolidator angle and less willingness to pay those prices for the less premium targets.

Louis Diamond:

Interesting. And one more question just on thinking about valuation. So a number of our listeners are employed by a brokerage firm, maybe curious about independence, or at least just thinking about does it make sense to go independent and then monetize the business in the future? But what would you say to someone who is thinking about monetizing the business sooner? So either monetizing at time of launch or they're just wrestling with, "Do I go and take a forgivable note from a UBS or a Morgan Stanley or am I better off going independent and then monetizing the business kind of upfront or in the future by selling equity?" Any advice to those folks and how they should think about this?

Ben Prigal:

Yeah. I mean, I would think about try to pick the sort of best partner for you to continue to grow your business, and worry less about focusing on the sort of top dollar that you can get. I think oftentimes in this space, people are focused on maximizing the dollar they get now and sacrificing growth in the future. And particularly the advisors that we're talking to who are still growth-oriented, if you're picking the right platform that'll allow you to grow, you're going to end up better off three to five years from now versus trying to solve for the top dollar now.

And coming back and reflecting on operationally, strategically, what are the sort of opportunities that you are looking for? What are the best partners for you? And so there are pros and cons to whether that be the large wirehouses, large consolidators in the space or some of the smaller ones, right? And so just assessing what are the table stakes items for you and what are the nice to haves and the sort of gives and takes in all of that. Because there's no perfect scenario, and you'll just have to rank what are the priorities for you.

Louis Diamond:

Yeah, I couldn't agree more. It's if you start off with what are you trying to solve for, that becomes a very interesting roadmap. And anyone who works with us through our process, that's a requirement that you have to begin with the end in mind. Think about what you want to accomplish over the next three, five, seven and 10 years, and then it's much easier to back into the right solutions.

So it's not that there's one that's better getting a forgivable note or going independent, it's more so what's in congruence with your goals and what you're trying to accomplish. So I think we're on the same page.

A couple more questions to bring us home here. Let's do one more for Ben and then we'll flip it back to Mark to end it. So Ben, there's a lot of perils or warning signs that maybe it's the media, maybe it's market participants' share about private equity in any industry, talking about cost-cutting and the controls that private equity takes. But what would you tell to an advisor who is looking for the objective side of what does it mean to have a private equity investor in your business? Like what's the good things about it? What's the bad things? And then to extend it, if you're an advisor of a firm that is now receiving private equity, what would you say to that advisor about what life will be like now that the deal is complete?

Ben Prigal:

Every scenario is different. Every advisor is different. Every private equity firm sort of handles things differently. And so I think ultimately from our perspective, and I think I would advise sort of advisors to take this perspective as well, is it should be first and foremost about a sort of culture match. And so when we're assessing the right fit, when we are having a dialogue with RIAs, before we partnered with Mark and team, it was first and foremost, do we align culturally? Do we share the same vision for the next 5, 10, 15 years?

So I think a lot of trouble happens when people get into a marriage, and that's ultimately very similar to what private equity relationship looks like, and they don't have the understanding and what the vision, a shared vision of what the next 5, 10, 15 years look like. So I think a lot of the trials and tribulations that you may read about with private equity can be solved with having a shared understanding of the working relationship, having the discussion of what it will be like on the day after close, and how we are going to accomplish these goals.

And so our approach to investing is going to be different than others. So I don't want to paint the whole industry with a broad stroke, but I do think different flavors of it and different sort of culture matches correspond with different personalities as both the sponsor and the advisors and just aligning those and making sure there's sort of shared vision, it will go a long way.

Louis Diamond:

How about just one follow-up question on that. So for example, when Reverence decided to back Advisor Group at the time, now Osaic, the as you said earlier, the very large independent broker dealer network. In your view, did life change at all for the advisors that were affiliated with the broker dealers?

Ben Prigal:

One of the benefits of partnering with a sponsor is that I think quite the contrary. I think the life got better for those advisors, right? There was now capital to invest in technology, invest in systems, invest in operations. It was a little bit different. They were previously private equity-owned, and so they had gone through their own transition. But if you're SEIA now, Mark had spoken about it, but we are investing in all of the systems and workflows and products that will ultimately make the advisors and then ultimately the end clients better off. At least that's the goal in all of this.

Louis Diamond:

Yeah, I think that's right. Yeah. Usually when advisors are thinking about, okay, my firm's going to be sold or this broker dealer might be sold, usually private equity is a more gentler buyer, at least in their view than a strategic buyer, than selling to a bank or another broker dealer. And so I think it's like you said, everyone's different. Every PE firm interacts differently with their underlying portfolio companies. But from our standpoint, and just hearing from folks out of Osaic, it does seem like it's more about the capital infusion and aligning the business for growth and how can the platform then go invest in the things that matter to advisors, because it's very expensive to operate in this industry.

So Mark, last question to take us home here. So SEIA has become an immense success, and congratulations to you and your partners. It seems like you mentioned earlier almost all of the growth has been organic and now you're venturing more into the inorganic side with acquisition and ratcheting up recruiting. But I think every advisor's interested in growing organically. So maybe just give some advice on maybe what's been your secret sauce for growing the business organically over the years? Or what advice would you give to someone who's interested in accelerating their own personal growth?

Private Equity and the RIA: Two Perspectives on the Value of Growth

A conversation with Mark Copeland, Founder, Signature Estate & Investment Advisors (SEIA) & Ben Prigal, Vice President of Reverence Capital Partners.

Mark Copeland:

Wow, that is a tough one, because it's-

Louis Diamond:

That's for last.

Mark Copeland:

... it's different. Yeah, it's different for everyone. But I can just speak to what I think we've done here. And it coincides a lot with what Ben was just talking about, that bottom line, and I have four kids, 19 to 26, so they've been hearing me say this for 26 years, right, that there's just no substitute for effort. To that end, I had starting in the insurance business, it was all about sell, sell. And when I really started taking off after a few years in the industry, I figured out it was all about service. It was all about meeting the client's expectation or exceeding their client's expectation. And from that, not only do you maintain that client, but you get more business from that client, you get referrals from that client, you get more referrals from the center of influence that referred you, that client.

But all that is time, service is time. So it's either your time or build a team around you that can help and take care of that service. And that's really what our industry is going for right now. I'm actually excited, because it does give a great product to the customer, right? The customer's now getting tax advice and estate planning advice, investment advice and protection advice, and can do that through one group.

But at SEIA, I would say we had a lot of hardworking service-focused people that did things the right way. That's not always the fastest start, but on the long run, it has paid off. And then we've been able to really keep a great culture, which has also helped, that win-win mentality as opposed to a real toxic competitive atmosphere. And so when I'm out there now and talking to groups, one of the things that I say, and it's true with anyone that has joined us so far, is that you're not selling out by joining a group like this.

In fact, I would challenge them. I would say, "Hey, if you want to really go and get it, take it to the next level, that's where we are all going. That's where we want to go. Come with us." And they're going to join us and have areas of expertise we don't have and it's going to make me better and my team down the hall better. And that part is really exciting.

So many organizations in our industry now I feel have become so large and disjointed in terms of culture as opposed to where we are right now, still a boutique type of firm that's still growing organically, but looking for organizations and individuals that want to come along with us in strategic regions around the country, and let us, with the help of Ben and Reverence and the people here at SEIA, do a lot of the work you don't have to do, focus on that end product, that service to the client, which ultimately is going to help you build your AUM organically.

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Louis Diamond:

Yeah, I think that's exactly right. It's like we said earlier, you focus on what you're best at, what makes you unique, and figure out ways to get rid of the rest or outsource it to a group like yours.

Thank you both for spending time with us today. A little bit different of an interview for us, having the two different angles, the private equity sponsor, and of course the very successful business owner in Mark. So really appreciate you sharing your wisdom and thoughts on the industry and look forward to tracking your success.

Ben Prigal:

Thank you very much for having us on.

Mark Copeland:

Thanks for the time.

Mindy Diamond:

Curious about where, why, and how advisors like you are moving? Download the latest Advisor Transition Report to learn more, including intel on recruiting deals and our insight and analysis on the latest trends in the wealth management space. You'll find it at diamond-consultants.com/transitionreport. Or if you'd like to talk, feel free to give us a call at (908) 879-1002. This is Mindy Diamond on Independence.