2023

Diamond Consultants

Advisor Transition Report

An Update on Advisor Movement in the Wealth Management Industry: 2023

Introduction & Executive Summary

This report is designed to be the ultimate empowerment tool for advisors: Because knowledge is power. Armed with an understanding of how your firm compares to all others, you will have greater certainty that your firm is the right home for you and your clients, or you will pursue change because there is an option that is more than marginally better. And that realization alone will make you more of a fiduciary to your clients, a better leader for your team, and a more informed steward of your business.

A total of 9,674 experienced advisors changed firms in 2023… advisor movement was actually up 7.5% versus 2022.

The original intent behind this report was simple: To provide financial advisors with an in-depth analysis of **movement, transition deals,** and **significant trends in the wealth management space.** The idea stemmed from what we perceived as a gap in an otherwise crowded sea of content. There was nothing that used objective, raw data coupled with insightful expert analysis to answer questions like: ***Why are my advisor colleagues moving? Where are they moving to? And what are they being paid?***

For those who read previous vintages of this report, the bones will feel similar. It's still data-driven, with our commentary sprinkled throughout for context and insight. This report covers the entirety of the calendar year 2023. To that end, we won't bury the lede: **A total of 9,674 experienced advisors[1] changed firms in 2023. For those keeping score at home, that means that despite a regional banking crisis, many significant geopolitical conflicts, and a myriad of other headwinds, advisor movement was actually up 7.5% versus 2022 (during which time 9,006 advisors changed firms).**

1 Those with a Length of Service >3yrs.

For context, various industry sources report average annual advisor movement at 4–5% of total advisor headcount. While estimates for the total US advisor force vary considerably, we assume a population of roughly 300,000 advisors across the various channels of the US wealth management industry. Math-savvy readers may notice a discrepancy: If 4% of the approximately 300,000 advisors changed jerseys, that would be a total of 12,000 transitions. So, how can we explain the delta between that 12,000 and the 9,674 moves we are reporting for the year? Was 2023 a "down year" in advisor recruiting? In a word, no. The discrepancy points to an important filter that we apply in this report: We only look at experienced advisor movement.[2] That might seem nuanced, but it's critical because it has become increasingly commonplace for firms of all sizes to report recruiting success based on headcount only, with no filters applied. It's easy to see the flaw in that logic: If a $10mm producer leaves, and the firm replaces her with a trainee with less than one-year length of service, they would likely report "no change" in total advisor headcount. This matters for a few reasons:

- *Firms ultimately care about profitability, which stems from client assets, not advisor headcount.*
- *Quality advisors want to be surrounded by other like-minded, quality advisors. A 20-year industry veteran is unlikely to consider a new-hire trainee as a peer.*
- *It feeds into the growing concern that all advisors share of firms catering to an ever-decreasing "lowest common denominator."*

The feedback we received on previous versions of this report was overwhelmingly positive, and we tried to make improvements based on the thoughtful suggestions of our readers where possible. We are confident that you will find the information enlightening and welcome dialogue regardless of where you are in the journey: Whether you're just curious or have questions (always without cost, expectation, or agenda), or you're further down the due diligence path.

To revisit the findings of the 2022 report, as well as glean additional detail on the report's intent, key concepts, and data models, you can find it linked here.

We've come to think of this report as our "State of the Union" on the industry and hope you enjoy reading it as much as we do creating it.

Jason Diamond
Executive Vice President, Senior Consultant
Diamond Consultants

2 Another element that contributes to the delta is bank advisor movement, which we consider beyond the scope of this report. But for completeness, 1,697 experienced bank advisors changed firms in 2023, which is on par with years past.

Key Takeaways

Recruiting winners: Morgan Stanley in the wirehouse segment (445 advisors gained), Raymond James & Associates (159 advisors gained) in the regional firm category, and LPL Financial (1,526) in the independent segment.

2023 was a year of contradictions in the wealth management industry. Many advisors enjoyed record success, which might suggest they would be loath to upset the status quo, yet advisor movement was up in most industry channels. The firm paying the largest transition deal on the street, First Republic Wealth Management, fell victim to the regional banking crisis. Yet, deals remained elevated, with many firms continuing to color outside the lines for select teams (largely because heightened competition from all corners of the industry forced firms to do so to win the largest and most sophisticated teams). Even equity markets seemed trapped in the "bad news is good news" feedback loop, with the prevailing thinking that grim economic and socio-political news will more likely compel Central Banks to aggressively cut benchmark interest rates in 2024.

The list goes on, but upon reflection, some things from 2023 are crystal clear: From our team's thousands of conversations with advisors, these are storylines that defined 2023 and portend to have a major impact in 2024:

1. We have noted for some time now that advisor mindset seems to be shifting more and more to a long-term focus. This was particularly true in 2023. We saw more productive, successful mega-teams move than ever before. Why? Because such businesses are even more focused on their enterprise value and creating a lasting legacy for their business. It's not enough that they are successful today. They look out at a dramatically changed industry landscape and wonder, will it be good enough tomorrow?
2. Where did advisors move to and from? Much like in 2022, there was no clear winner or loser among industry channels. Advisors continued to join and leave wirehouses, regional firms, boutique firms, and independent firms alike. And while we saw plenty of inter-channel movement, the most common moves were intra-channel (i.e., wirehouse to wirehouse). Lastly, the movement toward independence is here to stay, fueled by record-high transition deals and greater optionality than ever before.
3. Who was the advisor recruitment MVP? Just as we cannot crown a definitive winner among industry channels, the same holds true for firms. That said, Morgan Stanley took the crown in the wirehouse segment (445 advisors gained), Raymond James & Associates (159 advisors gained) paced the regional firm category, and LPL Financial (1,526) once again outgained in the independent segment. While the value propositions of these firms vary considerably, they all clearly offered the right combinations of compelling economics, strong platforms, and support that advisors demand.

4. The stock market was overwhelmingly influenced by seven stocks in 2023, which some analysts have coined the "Magnificent 7": Apple, Microsoft, Alphabet, Amazon, Meta Platforms, Nvidia, and Tesla. Similarly, the "recruiting wars" were dominated by seven firms: Morgan Stanley, UBS, Rockefeller, Raymond James, RBC, LPL, and Ameriprise. These were not necessarily the firms that added the greatest number of advisors in 2023, but they were the firms that, in our opinion, most consistently positioned themselves to win recruits. You can't tell the story of recruiting in 2023 without these players. (Interesting note: These firms leading the way are all in different industry channels. There is not one model that is the clear winner.) **We view the advisor as the real winner of 2023 because there are more legitimate choices than ever before,** meaning advisors are more likely to find their version of "perfect."

5. Firms are getting more creative and heavy-handed in their retention efforts. How? We see four primary avenues:

    a. Sunset/retire-in-place deals: Firms are rolling these programs out long before an advisor is even contemplating retirement (for example, UBS' ALFA Premier and Merrill's Partial CTP) and are typically a means to prevent attrition, effectively usurping control/optionality from their advisors. No doubt, these agreements are a nice way for advisors to monetize without making a transition. Still, they have onerous post-employment restrictions attached to them and serve to tie next gen inheriting advisors to the firm.

    b. Traditional recruiting deals: Firms are tying recruiting deals to forgivable loans that are increasingly stretching as long as 10, 11, 12, or even 13 years in some cases. This means that advisors must wait longer before "free agency."

    c. The threat of litigation: Protocol or not, firms are publicly seeking recourse against bad actors and, in some cases, even against teams that follow the rules. Some firms view litigation as a "why not" defense against attrition. In other words, if a big enough team leaves the firm, why not publicly pursue them in court? Such litigation may not even impact the leaving team. Rather, it serves as a deterrent for future teams pondering a change. That said, most teams remain undeterred by the threat of legal action, real or perceived, because there is so much strong precedent for teams leaving freely and successfully. From our own experience, teams departing Protocol member firms and non-Protocol firms typically transition a similar proportion of their business.

d. Client Fee Rebates: Virtually every firm now uses a similar playbook when an advisor leaves: Divy up their book and aggressively court their clients, which often includes rebated or discounted fees for a period of time (typically six months to one year). These efforts often scare advisors but, in practice, prove futile since quality advisors add far more value than can be ascribed to 6–12 months of their advisory fee.

6. It's no secret that our industry is aging rapidly and, unfortunately, there is a major shortfall of young, next gen talent to fill that gap. We hear about issues with succession every day (commonly, this presents itself as an aging advisor with a few years left realizing that they want to retire in X years but don't have a competent next gen to inherit the book). While this is not an easy or quick problem to solve, it's imperative that advisors start thinking about their glide path to retirement, including possible successors, sooner than ever before. One last point on succession: It's very common these days for an advisor to change firms or models, or consider a merger or acquisition, at least in part to solve for succession. Said another way, succession challenges are becoming a driver of movement.

   a. According to The Cerulli Report—U.S. Advisor Metrics 2023, "Advisor headcount was largely unchanged in 2023 as the number of advisors grew by just 2,706 in 2022. The number of new advisors barely offsets trainee failures and retirements, emphasizing the critical need for the industry to attract and retain talent. Over the next decade, 109,093 advisors plan to retire, comprising 37.5% of industry headcount and 41.5% of total assets. Meanwhile, the rookie failure rate hovers around 72%. As the industry grapples with such a low success rate for new advisors entering the industry, firms must grow their talent pipeline and better communicate the role and training timeline of a financial advisor."[3]

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7. Newton's first law states that an object at rest stays at rest unless acted upon by an external force. Newton was defining inertia, and advisors are subject to this same phenomenon, especially when equity markets boomed, and just about every advisor was net positive for the year. By and large, they want to be left alone to run their business as they see fit. So, what causes them to move? This year, "death by 1,000 cuts" was the most common reason we heard. Technology and investment platforms at the big firms are actually quite good. Typically, when an advisor makes a move, it's due to a confluence of factors rather than one specific driver. For more on this topic, see the section titled *"Connecting the Dots: The Stay vs. Go Decision"*.

3 https://www.cerulli.com/press-releases/the-financial-advisor-industry-has-a-headcount-problem

8. The regional banking crisis, especially with respect to the fall of First Republic, had major ripple effects on the industry. But, interestingly, it had little impact on overall advisor movement–someone who was motivated to make a change still did so. Notably, we saw a little bit of a "flight to safety" due to the crisis. Advisors impacted by the crisis preferred the stability and scaffolding of big, nationally recognized brands over regional or independent firms. By May, roughly a third of First Republic advisors had bolted the firm,[4] opting not to join J.P Morgan. In Total, 66 experienced advisors left First Republic, with Morgan Stanley (17 advisors gained), UBS (10), and Rockefeller (9) being the primary beneficiaries.

9. Private equity is here to stay (well, kind of). Private equity firms continue to aggressively invest in the wealth management space. Most well-capitalized and scaled RIAs are PE-backed, and that trend shows no signs of abating as demand for quality firms heavily outweighs supply. But what happens when these PE firms look for their exit strategy? It's no secret that PE firms have relatively short investment horizons, meaning many of these RIAs that took PE money are likely faced with a harsh reality in the coming years: A new capital backer or strategic buyer (i.e., a competing RIA or financial institution) that may be harmful to the day-to-day business – perhaps it's a sale to another traditional firm, an IPO, a new PE sponsor, etc. – but the liquidity event is likely to cause disruption in some capacity. For a discussion about private equity investing directly in wirehouse teams, please refer to the following section on *"The Crystal Ball: Predictions for 2024 and Beyond"*.

4 https://www.investmentnews.com/industry-news/news/about-one-third-of-first-republic-advisors-have-bolted-since-march-236974

The Crystal Ball: Predictions for 2024 and Beyond

In the previous version of this report, we predicted the following: *"We anticipate continued momentum in recruiting across all channels. Wirehouse attrition is likely to stabilize or even reverse as Merrill replenishes its ranks via competitive recruiting and Wells Fargo's negative headline risks recede. Larger and more customized recruitment packages will prove too strong a pull for many advisors to decline."*

In retrospect, we would give ourselves a solid B+ for those predictions. We did indeed see continued recruiting momentum across all channels, but our hypothesis about Merrill and Wells was likely a year premature. And recruiting deals did trend upwards, but not as strongly as we expected heading into the year. Below are our predictions for 2024:

Firms, too, will need to offer more to keep advisors happy.

1. Multi-generational teams will increasingly look to solve for dual mandates: the retiring advisor's desire to monetize but with a path that leads to independence down the road for the next gen. There are many paths an advisor team might walk to achieve this. For example, they might pursue a W-2 model that also offers an independent affiliation channel so that the team has flexibility in the future. For advisors without an obvious successor, the pressures to find one will only increase. Most industry experts agree that we are facing a massive next gen talent gap, meaning finding a competent successor will only get more challenging in years to come. The result: Succession planning will be up there with platform and culture on an advisor's punch list when they evaluate a potential new firm.
2. Private Equity's interest in wirehouse teams will accelerate and become a disruptive force. Historically, if a wirehouse team wanted to make the leap to independence and monetize the business, it was a two-step process: 1.) launch the RIA, and 2.) monetize via equity sale. We expect PE firms to solve for this by "cracking the code" by recruiting wirehouse teams to large national RIA firms they own or will build with help from the advisor team. These deal structures are likely to include equity which was viewed negatively for a time but now appears to be very much in vogue, and cash payouts with long-term capital gains tax treatment. For the time being, these deals seem to be more of an interesting intellectual thought exercise than a viable option for top teams—but it's only a matter of time before PE firms figure it out in earnest. In theory, the right deal would check all the boxes: support and scaffolding from a sophisticated PE backer with presumably deep pockets, the potential to monetize all or a portion of the business now or in the future, and most importantly, the ability to maintain autonomy, control, and a degree of independence over the day-to-day management of the business.

3. We will see a proliferation of "supported independence models" in the year ahead. Currently, LPL Strategic Wealth Services, Sanctuary Wealth, and Dynasty Financial Partners are the category leaders offering turnkey services to breakaway teams. Still, there are rumors of Raymond James and other firms launching a model to support wirehouse breakaways, and we are already seeing nascent players enter the space at a rapid pace. In short, these models offer all the benefits of independence but with additional layers of scaffolding and support for things like transitioning the business, compliance and risk oversight, and ongoing middle- and back-office functions.

4. Firms will continue to use compensation plans as a mechanism by which to influence advisor behavior. Regardless of the specifics, advisors generally abhor these changes: They are seldom to the benefit of the advisor and typically shrouded in opacity. Compensation changes alone rarely compel advisors to transition, but combined with other issues like too much bureaucracy and lack of agency over their business, many teams are pushed to consider change. Related: Firms will likely continue to promote sunset/retire-in-place programs as yet another way to tie advisors, clients, and assets to the firm for longer. These programs will persist in helping retain advisors, many of whom might have left if not for prolonged lock-up periods. In our view, these changes are endemic of the ongoing battle for control between advisors and their firms. Unfortunately for advisors, it's a battle that they're increasingly losing.

5. Advisors will need to offer more differentiated services as competition is greater than ever. Trust and estate advisory, tax prep, bespoke investment opportunities, and other unique products and solutions will become pivotal differentiators in a crowded landscape, especially for HNW and UHNW clients. Some advisors motivated by building an enterprise will include the addition of these services as a primary "pull" factor when considering change, even if on par, they are relatively happy where they are. This may cause a proliferation of movement toward the independent space since RIA-like models allow for the most freedom and flexibility in these areas. A great example of this can be found in a recent podcast episode with the leaders from Freestone Capital. Said another way, advisors don't leave a firm simply because they are unhappy (so-called "push" factors). Sure, unhappy advisors are more likely to leave, but it's increasingly common to see advisors run toward something they see as better (pull factors)—and that "something" just might be the differentiated services as described above.

6. Firms, too, will need to offer more to keep advisors happy. One area in which we see many firms allow for some flexibility is in offering multiple affiliation channels. Commonly, this means a traditional W-2 channel and a 1099 independent channel (for example, Wells Fargo has its W-2 channel, Private Client Group, and its independent channel, FiNet). The benefit for advisors is clear: If you outgrow one channel, the firm (under certain circumstances) allows advisors to "slide" between channels. We predict that more firms will come to market with new affiliation options as

a way to expand optionality and choice for advisors who are demanding it more than ever. The downside for firms, of course, is the risk that a new affiliation channel cannibalizes an existing, more profitable one. For this reason, we don't expect the other wirehouses to offer independent channels anytime soon. (As of this writing, Wells Fargo is the only wirehouse with such a model.)

7. Will the independent space dominate the market for top talent in years to come? Yes and no. There is no question that the puck is slowly heading in that direction, and it's a zero-sum game: There is a finite pool of advisors and client assets that all these firms are competing for. But "dominate" is probably a misleading term given the sheer size and scale of the big traditional firms. From Cerulli, "By 2027, advisors who work either for a classic RIA or a 'hybrid' RIA will represent 31.2% of the assets under management by third-party intermediaries—up from 26.7% today, according to the most recent, accumulated data."[5] That's nearly a third of the market, but it's a far cry from 100% or even 50% of the market. And as our data shows, wirehouse advisors, in particular, are more prone to remain in their channel rather than venturing into the regional or independent segments. Our position on this matter is clear: While there's no doubt that the independent space is the fastest-growing segment of the market, there will always be a need for quality traditional firms for those advisors for whom independence is simply a bridge too far. Some advisors are "big firm people" who like the comfort and security of a nationally prestigious brand and an abundance of scale.

8. Lastly, a quick note on private bankers: Historically, firms had a "fickle" appetite for recruiting private bankers. The combination of garden leave, onerous post-employment restrictions, and questionable portability tended to decrease their interest in this group. However, many firms figured out how to value these businesses fairly and share an appropriate amount of risk. Additionally, firms' insatiable demand for elite advisors, coupled with the most intense competition we've seen for these businesses, has led to the need to increase supply outside of traditional hires. As such, we expect 2024 to be a robust year in the private banker movement.

5 https://riabiz.com/a/2024/1/3/rias-remain-wirehouse-kryptonite-in-2024-and-by-2027-jp-morgan-merrill-wells-and-ubs-will-see-market-share-tailspin-rias-the-obvious-culprits-cerulli-data-shows

Idea Cloud: Top Buzzwords for 2024

We conducted an informal straw poll in our daily conversations with advisors. The query was simple: If you had to choose one word or theme that will define 2024, what would it be? Here are the results:

alternatives
culture geo-politics
succession banks
talent compliance
artificial intelligence
bitcoin
private equity
fed
independence
crypto ria
elections
investments rate cuts
consolidation

Data Sources and Methodology

The data in this report is culled from a variety of resources such as industry-leading *Discovery Data,* news sources including *AdvisorHub, Cerulli Associates, Investment News, WealthManagement.com,* and our own proprietary data from transitions we've facilitated. A more detailed description of our methodology can be found later in this report.

Of the top 12 largest moves by AUM in 2023, 6 opted for some version of independence. That means that some of the largest teams in the industry opted to forgo 300-400% transition deals in favor of creating long-term monetizable enterprise value.

Key Questions Answered

- *Which firms are having the most and least success recruiting and retaining advisor talent?*
- *Which business models are advisors finding most attractive?*
- *Will firm appetite for quality advisors continue?*
- *Why are advisors at big brokerages and independent firms alike changing jerseys?*
- *What is the state of transition deals?*
- *What are the most influential and largest transitions made during the year?*

Like its predecessors, this report is not intended to serve as an advertisement or encouragement for an advisor to make a move, nor is it intended as promotion for any firm referenced. Instead, it's designed to be a resource for advisors who are curious about the seismic changes we are seeing play out in real-time in the wealth management industry and who want to be empowered by accurate and objective information.

Connecting the Dots: The Stay vs. Go Decision

The raw data provides helpful context, but at heart, advisors need to resolve how to evaluate the decision between "stay vs. go."[6] Here are our high-level thoughts:

- If an advisor feels well-served at their current firm, they likely should stay put. In short, so long as they can serve clients without limitation, earn a fair wage, and run their business as they see fit, it's likely the right place for them. Moving is a hassle, and the tie goes to the proverbial runner (i.e., your incumbent firm). As we say, a new firm need not only be "better"—it need also be "better enough" to justify the risk and hassle.

6 For more on this topic, see *Should I Stay or Should I Go?,* a recently released book by Mindy Diamond on the thought process around considering change. Visit https://www.diamond-consultants.com/thebook to get your copy.

- When advisors move, it's typically due to a combination of pushes (frustration or limitations at their current firm) and pulls (a draw towards something else exciting on the industry landscape because they want to solve for something the status quo won't allow).
- Advisors are increasingly taking a long-term view and thinking about their business as a business. Every decision they make should be about 1.) best serving clients and 2.) maximizing the value of the enterprise they have built. If you need convincing that advisors are increasingly thinking through a long-term lens, consider the following:
  - Of the top 12 largest moves by AUM in 2023, six opted for some version of independence. That means that some of the largest teams in the industry opted to forgo 300-400% transition deals in favor of creating long-term monetizable enterprise value.
  - Even in instances where an advisor opted for a traditional firm, they still considered the long-term impact above short-term economic gain. As an illustrative example, Raymond James and Associates, who unashamedly offers a substantially below-market deal, added more advisors on a net basis than every traditional firm on the Street besides Morgan Stanley (which speaks to their ability to not only recruit successfully but also to retain advisors). Why are advisors knowingly accepting below-market deals? Because it's more important to "get it right" and find the firm that fosters excellence and growth.

Deals Update

Stop me if you've heard this one: Deals are once again at record highs. But notably, average total transition packages nudged only slightly higher (up 15-20%) versus 2022 levels. We did, however, see several firms "color outside the lines" for select teams. That reflects the fact that there is more competition for top teams than ever before (as evidenced by the fact that over 30 firms in our dataset recruited more than ten advisors)—and if firms want to recruit advisor teams doing $10, $20, or even $30 million of annual revenue, their off-the-shelf tier 1 deal probably is not going to cut it.

While deals truly do vary considerably from situation to situation, we have a deep enough database of prior transactions at our disposal to make a few fundamental assumptions (based on the competitive marketplace for a $2mm+ team).

There is more competition for top teams than ever before (as evidenced by the fact that over 30 firms in our dataset recruited more than ten advisors).

1. In the W-2 space, a 300% deal is table stakes. There are a few exceptions, but for the most part, every firm that recruits advisors successfully offers packages that have the potential to total north of 3x an advisor's trailing 12 month's production (T12).

a. Not all of this money is paid upfront. Typically, approximately half of total deal dollars are paid upfront, with the remaining balance paid as back-end hurdles or contingent earnouts.

b. Within the W-2 channel, deals vary considerably, with the lowest hovering around 100% and the highest approaching (and in rare cases exceeding) 400% of revenue for top teams (there are outliers at both extremes, but the vast majority of traditional firms are offering deals concentrated around 300% of T12).

c. While there is no "one-size-fits-all" deal structure, most firms structure their recruiting deals as forgivable loans ranging in length from eight to 10 years on average, with some firms writing 12- or 13-year deals.

2. The independent broker dealer space is the one area of the market where we have seen the greatest inflation in deal terms. While 30% of trailing 12 months' production used to be the average, that number is now closer to 50%, with several notable firms paying in excess of 100% of an advisor's annual GDC (Gross Dealer Concession) in total transition packages. Some will base a recruitment deal on an advisor's AUM rather than GDC, which has been a welcomed change for many advisors. (Consider, for example, an advisor generating $1mm in GDC on $200mm in AUM. If Firm A offers a deal totaling 50% of GDC, and Firm B offers a deal totaling 50 basis points on assets, this advisor will be much better off with Firm B's deal.)

3. Some RIA platforms and "supported independence" firms also offer transition dollars. While we won't list specifics, critically, there are more ways than ever before for an advisor to pair independence with monetization (beyond debt and equity solutions).

The bottom line is this: While a successful transition should be based on more than just the financial incentives (i.e., the recruiting deal), it's undoubtedly an important component of the decision to move and where. One way to think about a transition deal is as the "tiebreaker." While it can be challenging, we always suggest evaluating the merits of a firm absent the transition deal.

Below are some noteworthy transition deal trends in the wirehouse/W-2 space:

- The guaranteed deal structure that UBS used for most of 2023 attracted many large teams, although this structure is reported to be no longer in place for 2024. We did not see a single other firm follow suit. Many advisors asked if other firms would offer guaranteed salary structures, and we vetted the question thoroughly. Our conclusion is that the structure was simply not profitable or sustainable for UBS, and it provided no incentive for advisors to deliver assets. If the goal was to make a splash and win several high-profile teams, then mission accomplished.
- Firms of all sizes acknowledged the need to step-up their deals to compete. Regional firms like Raymond James, Stifel, and Janney enhanced deals in many cases to close the gap with some of their regional and wirehouse counterparts.
- Many firms showed flexibility with their backend deal structure to push more of the "risk" from later years (where the bonuses were more difficult to hit) to earlier years, which advisors have an easier time attaining. Firms also offered low hurdle, "early asset bonuses" (for example, a 30% bonus paid when 75% of AUM transfers) to bolster the amount of money advisors can receive in the first year or two of employment. (Since, generally, when advisors evaluate a transition deal, their primary concern is the upfront amount plus the "low-hanging fruit" early hurdles that are easily attainable.) For those who are comfortable taking some transition risk (i.e., those who have confidence in their ability to move assets to a new firm), these deals can be very attractive because the back-end hurdles aren't a deterrent.
- When the ceiling falls, does the rest of the house crumble? That's the question the industry faced after First Republic's collapse. They were, without question, the top bid on the Street (offering deals north of 400% total) for teams producing in excess of $5mm in annual revenue. Some industry experts expressed concern that once the competition from First Republic disappeared, other firms would be free to lower their top deals. The good news for advisors is that the narrative has not (yet) played out.

A 100% deal is not uncommon in the independent space. And many supported independent platforms are providing upfront forgivable notes between 30 and 100% of revenue.

- What about W-2 firms outside of the traditional players like wirehouses and regional firms? In some instances, such firms offered very similar deals to their traditional firm peers (Rockefeller, for example). Other boutique and RIA firms that hire advisors as W-2 employees consider recruiting to be more akin to M&A, so they structure deals based on multiples of EBITDA.
- We predict that 2024 deals will stay at or near current levels. We may see another 10–20% increase across the board simply due to the ongoing supply and demand imbalance for quality advisors. Competition remains incredibly fierce. As discussed elsewhere in this report, the emergence of private equity-backed RIAs will keep all firms "on their toes" as these deals will capture the attention of larger teams (they are typically structured at long-term capital gains and offer equity as a critical component). And with one-time recruiting powerhouse Merrill allegedly back in the recruiting wars after taking a 5+ year hiatus, we expect there to be upward pressure on wirehouse transition deals overall.

Below are some noteworthy transition deal trends in the independent space:

- There is a large gap between the most prolific recruiters and everyone else in the space. Large firms are generally able to invest more in technology and human capital, offer more attractive recruiting deals, and price more aggressively than small firms, and, as a result, we expect the biggest and most established players to continue to thrive. (Related: We expect many smaller independent broker dealers to fall victim to acquisition in the coming years. There are simply too many benefits to scale and not enough differentiators for small firms to hang their hat on.)
- Overall, deals in the independent space have nearly doubled in the last few years. The largest firms are using their scale and balance sheets to price small- to mid-size firms out of the market.
- Because so many independent broker dealers have recently been bought and sold (notable examples from 2023 include Lincoln Financial, Securian, Avantax, and American Portfolios[7]), there is a sub-market for advisor talent affected by these transactions. The data shows this quite clearly: After a firm is bought, many advisors opt to leave rather than accept the new status quo, even if it comes with a retention deal. Some firms have chosen to "sweeten the pot" to capture advisors affected by such a transaction.
- Many supported independent platforms are providing upfront forgivable notes between 30 and 100% of GDC. (Historically, an advisor who opted for the RIA space was likely to get no transition dollars). This has proven to be a massive catalyst for the migration to independence since this money helps make up for lost unvested deferred comp and allows for some working capital to invest in the new business.

7 Another noteworthy example of this trend is LPL's announced acquisition of Atria in early 2024. We will cover the implications of the transaction in depth in the next edition of this report since the findings of this report are limited to calendar year 2023.

- For advisors who chose to affiliate with an existing RIA, we are seeing many firms offer "drag-along rights." The firm purchases a minority stake in a practice while giving the acquired practice the option to participate in a future liquidity event at a stepped-up multiple. As a result, the recruited advisor feels they have real skin in the game, and they're incentivized to be true stewards for the well-being of the overall firm. Equity has become a valuable form of "deal currency", and many advisors enjoy the ability to trade some of their own equity for equity in a larger firm or enterprise.
- Many independent firms began to purchase underlying practices directly. This serves as a retention tool and a means of providing liquidity and flexibility for their advisors (LPL, Cetera, Osaic, Commonwealth, and others rolled out such programs).

Data Analysis: Where From and To

For a granular look on where advisors are moving to and from, let's turn to the data.

Notes on the Data and Methodology

Consistent and accurate advisor portability data is difficult to come by. There is no consensus source or database, and many such moves are either self-reported or reported only via CRD registration changes with FINRA. As such, the below represents a best effort of assembling proprietary transition data, in conjunction with data sourced from Discovery Data to highlight the prevailing trends that played out in advisor movement in 2023.

Firms offering multiple channels of affiliation (i.e., a W-2 model and a 1099) are often hard to capture since some companies, like Ameriprise, do not break out data separately for their W-2 and 1099 channels.

For purposes of analysis, this report is focused on "experienced" advisor movement only. As such, only advisors with length of service (LOS) greater than three years are included.

That said, a total of 9,674 advisors – an average of 806 per month – switched jerseys in 2023.

Table 1: Overview of Movement by Firm Channel

	Headcount Gain	Headcount Loss	Net Change
Independent	7,807	7,244	563
Regional	612	571	41
Boutique	99	355[8]	-(256)
Wirehouse	1,156	1,504	-(348)

Wirehouse advisors are, on average, the largest and most productive advisors in the industry.

While the wirehouse channel, as a whole, was down on a net basis (losing 348 advisors), we still saw plenty of advisors opt to go this route: 1,156 advisors joined a wirehouse in 2023 and moving from one wirehouse to another was the most popular move, beating the wirehouse to regional or wirehouse to independent decision. It's easy to look at the above data table and draw a simple conclusion: The wirehouse model is dying, and independence is the way of the future. But we think that conclusion is, at best, incomplete and, at worst, wholly inaccurate. A recent Financial Planning article best summarizes the current state of affairs: In short, the independent channel is certainly growing fast, but the big firms still dominate the industry. And there will always be those advisors who prefer the comfort, familiarity, support, and brands of the largest firms on the Street.

"The research firm Cerulli Associates reported this fall that the number of advisors joining independent firms had risen at a compound annual growth rate of 5.2% over the past decade, hitting 78,282 by the end of 2022. But such figures obscure an important fact. Namely, wirehouses and their kindred institutions still hold the lead in managing U.S. wealth. A separate report released by Cerulli in October found that 58% of all retail client assets in wealth management were housed at the top 10 largest broker-dealer firms. Of the $26.9 trillion the industry has under management at the retail level, $16 trillion is at those same firms. "I always tell people that the four wirehouse firms – Morgan, Merrill, UBS and Wells Fargo Advisors – those four firms control more assets than the 16,000 RIAs combined," Mike Rose, the director of wealth management at Cerulli Associates, said at the time." [9]

Regional firms enjoyed recruiting success in 2023 as well, adding a net 41 advisors. But it's the independent space that continues to pace the market, at least on a headcount basis: This segment of the market added a net 563 advisors in 2023.

One last point on wirehouse advisors: They are, on average, the largest and most productive advisors in the industry. The wins may be easier to come by in the independent space, but they also tend to be less significant. In a perfect world, we would use revenue per advisor as the basis for this report because quality of advisors is more important than quantity of advisors.

8 This number is inflated due to the First Republic crisis. Absent those advisors, the boutique channel was closer to flat for the year.
9 https://www.financial-planning.com/news/wirehouses-hold-own-amid-move-to-indepedence

A Deep-Dive Analysis by Firm Channel

Table 2: Wirehouse Net Advisor Headcount Change

	Headcount Gain	Headcount Loss	Net Change
Morgan Stanley	445	260	185
UBS	114	168	-(54)
Merrill	360	453	-(93)
Wells Fargo	237	623[10]	-(386)

Once again, Morgan Stanley dominated the wirehouse recruiting battle in 2023. All four wires struggled with attrition to varying degrees, but Morgan Stanley is the only firm that was successfully able to replace experienced advisor losses with experienced advisor gains (adding a net 185 advisors in 2024). Their emphasis on the wealth management unit (as opposed to a retail/commercial bank like some of its peers) continues to resonate with advisors. And their acquisition strategy, from E*Trade to Solium to Eaton Vance, was all about feeding quality referrals to their advisors.

Welcome back, Merrill! After several years sitting on the sidelines of the so-called recruiting wars, the firm, under new leadership, decided to get back in the game. And not just dipping a toe: Rumors are that Merrill is offering advisors one of, if not the most, competitive recruiting deals on the Street. Will it work? That remains to be seen. To their credit, they do offer a compelling value proposition for the right type of advisor (which generally tends to be advisors who have a desire or need to do meaningful banking and lending business).

The raw data obscures the truth in the case of Merrill: While they did add 360 experienced advisors, they lost 453 experienced advisors and their recruiting success was concentrated on less productive, lower length of service advisors. The 360 advisors who joined Merrill in 2023 had an average industry experience dating back to 2011, while the 445 advisors who joined Morgan Stanley in 2023 had an average industry experience dating back to 2006. Length of service (LOS) is not a perfect proxy for quality, but generally longer-tenured advisors are more productive.

Elsewhere in the wirehouse world, UBS was repeatedly in the headlines this year for its unique deal structure, whereby they guaranteed a “salary” for advisors who joined the firm. This is in stark contrast to the hurdle/contingent-based structures that virtually every firm on the Street uses. In 2024, it appears UBS has abandoned this deal structure, which probably confirms what we

10 This is a bit of a misleading attrition number since 339 of these advisors “left” Wells Fargo PCG for another channel within Wells Fargo, i.e., the firm retained the assets.

suspected: Advisors were not incentivized to bring over assets, and these deals were simply not profitable for the firm.

UBS also made some headlines for their continued cost-cutting measures, which some advisors felt was disingenuous in the face of such an aggressive recruiting deal. *"How does the firm buy Credit Suisse, offer 350% deals to inbound recruits, and yet can't pay for my Client Associate?"* one advisor said.

Wells Fargo is the 2024 recruiting wild card. 2023 was the first year where it felt like they finally put past scandals in the rearview mirror. Now that damage control has been done, can they turn the spigot on and win teams in a meaningful way? Or is the reputation damage too severe? Wells offers a very aggressive deal, it's a known brand with a strong balance sheet, robust tech and investment platforms, and a solid leadership team. Also, as described in the *Predictions* section, they are the only wirehouse to offer an independent channel along with their traditional wealth management channel. That flexibility appeals to many advisors who want the economics and support of a W-2 channel now yet may want the freedom and autonomy of independence down the road. They *should* be an attractive home for top advisors, but too many balk at the prospect of having to call clients and prospects using the Wells name.

An advisor motivated to move will do so, either because they need to due to a firm mandate or frustration, or because they feel other firms/models offer a more compelling proposition for their clients and their team. Firms have not successfully found a way to tie advisors and clients in place—and advisors know it.

In a general sense, all four wirehouses are concerned with asset retention. Many of their policies and strategies are geared toward making assets stickier to the firm and/or making it harder for advisors to leave. If you don't believe us, consider the list of products that the wirehouses tout above all: SMA/UMA, model CIO portfolios, alternative investments, etc. These are among the most challenging products to move to new firms since aspects of them are often proprietary. But, in the end, we don't think it will matter. An advisor motivated to move will do so, either because they need to due to a firm mandate or frustration, or because they feel other firms/models offer a more compelling proposition for their clients and their team. Firms have not successfully found a way to tie advisors and clients in place—and advisors know it.

Interestingly (and not surprisingly), we saw many advisors move from one wirehouse to another. Refer to the *Representative Deals* section for more insight on this trend.

Lastly, a quick note on The Protocol for Broker Recruiting (the "Protocol"): For those unfamiliar, the Protocol is essentially a "cease fire" of sorts, permitting an advisor to freely leave one member firm and join another. If advisors adhere to the governing principles, they are permitted to take a limited amount of client information and actively solicit these clients after moving to a new Protocol firm, without fear of a Temporary Restraining Order (TRO). As of this writing, Wells Fargo and Merrill remain members of the Protocol, while Morgan Stanley and UBS pulled out in 2017. We typically get two common questions around Protocol:

1. ***"Does it matter?"***

   In short, not really. Is it nice to have the protection of Protocol when making a move? Of course it is. Will it save you time recreating client contact information post-transition? Of course it will. And is it less risky to make a Protocol move? For sure. But the numbers speak for themselves. Consider Morgan Stanley, who was probably the most successful recruiter on the Street in 2023: Every single transition they facilitated was done without the benefit of Protocol protection.

2. ***"So what can I do?"***

   Protocol move or not, heed the expert advice of legal counsel and an experienced recruiter. While firms love to make headlines for litigating against advisors who move, the reality is that the vast majority are completed without the cloud of litigation.

Table 3: Select Regional Firm Net Advisor Headcount Change

	Headcount Gain	Headcount Loss	Net Change
Raymond James & Associates	159	76	83
RBC Wealth Management	96	44	52
Stifel Nicolaus	74	27	47
Janney Montgomery Scott	27	16	11
R.W. Baird	19	17	2
Edward Jones	209	372	-(163)

Regional firms continue to be among the hottest destinations in the industry. The headline numbers may not be as striking as the wirehouses, but remember that the baseline advisor populations at these firms are much smaller, so wins are more meaningful. Raymond James, for example, added a net 83 advisors to a unit of approximately 4,000. Similarly, RBC added a net 52 advisors to a unit of 2,200.

There's a lot to like about these firms: They are generally advisor-friendly with strong cultures, less bureaucracy, and, unlike in years past, they offer full-service wealth management platforms that can increasingly go toe to toe with their wirehouse peers. While the brands may vary in terms of prestige and cachet, many of these firms have adapted nationwide footprints. And they're a great alternative for advisors who want the scaffolding and support of a traditional firm, but without the red tape that unfortunately accompanies life at a wirehouse. Indeed, many ex-wirehouse advisors find their permanent home at a regional firm and they describe the cultures and ethos as akin to the "good old days."

What the above data does not reveal, but what we know to be true, is that regional firms have also moved up market in a very meaningful way.

To drive home the point, a branch manager at a regional firm summed it up best: *"Our compensation plan fits on a cocktail napkin. The competitions' plan requires a PhD and a magnifying glass."*

What the above data does not reveal, but what we know to be true, is that these firms have also moved up market in a very meaningful way. It's no secret that they used to be looked at as "Tier B" players for less productive teams. That's no longer the case. RBC and Raymond James, in particular, won several sizable recruits in 2023. And while some regional firms pay very aggressive deals, we believe their success is largely because advisors are more concerned than ever with the long-term.

Edward Jones is an enigma, standing apart from the other firms in the regional bucket. On the one hand, their advisors are some of the most passionate, vocal, and loyal in the industry. On the other hand, there is no doubt they have had a major problem with competitive attrition (by our estimate, they lost a net 180 experienced advisors in 2022 and another 163 in 2023). In our view, Edward Jones advisors will continue to walk two distinct paths: those who see the changes the firm is making as an olive branch and enough to keep them in their seats (changes like discretionary trading tools, the ability to form teams and share office space, and new technology enhancements), and those for whom it's "too little, too late." In our conversations with Jones advisors, the one thing we hear above all else: The culture has eroded tremendously in recent years. As a result, Edward Jones remained one of the largest "share donors" in 2023.

Rockefeller Capital Management led the boutique firm space in 2023—enjoying remarkable success in a very short period since their launch in 2018. The fact that a firm of their size (fewer than 300 advisors) was able to add 54 advisors in one year is astounding. They "speak the language" of corner office wirehouse advisors, and their offering for UHNW clients is second to none in the industry (bespoke private investment opportunities, creative lending solutions, and the same family office resources enjoyed by the Rockefeller family themselves). Lastly, in our experience, it's very common for an advisor to go into the due diligence process thinking they want some version of independence. But the more they learn, they begin to feel that it might be a bridge too far. For these advisors, a firm like Rockefeller might just be the best of both worlds.

Other boutique firms include J.P. Morgan Advisors, AllianceBernstein, and William Blair. These firms present compelling options for advisors who meet their qualifying thresholds, and who are in select geographic markets. The overall advisor rosters at these firms are much smaller, and the average end-client size tends to be in excess of $5mm. And while the platforms and resources of these firms reflect that higher level of sophistication, the elevator pitch for boutique firms might sound quite similar to that of the regional firms (great cultures, business-friendly, and nimble) and with access to best-in-class technology, meaningful referral opportunities, and bespoke investment opportunities. These firms tend to recruit very few teams per year in terms of headcount, but they also tend to be newsworthy splashes when they do. And, as the data in the table shows, they lose very few advisors to competitive attrition (Rockefeller, for example, added 54 advisors and lost 1 in 2023).

Table 4: Select Independent Firm Net Advisor Headcount Change[11]

	Headcount Gain	Headcount Loss	Net Change
LPL Financial	1,526	280	1,246
Cetera Financial Group	568[12]	81	487
Wells Fargo Financial Network (FiNet)[13]	437	56	381
Ameriprise Financial [14]	415	191	224
Purshe Kaplan Sterling Investments (PKS)[15]	143	29	114
Commonwealth Financial Network	135	34	101
Kestra Financial	85	32	53
Raymond James Financial Services	196	170	26
Cambridge Investment Research	122	104	18

For clarity, we have consolidated independent broker dealers, RIAs, hybrid RIAs, and insurance BDs into a single bucket identified as "independent." And while we see considerable movement of RIA advisors, the data only captures CRD changes which excludes advisors who do not have a Series 7 securities license.

Advisors in this bucket own their equity, and they are typically responsible for paying local expenses like health insurance and real estate. Below are the most important trends in the independent space for 2023:

- **The 800-pound gorilla:** Any discussion on independence must begin with LPL, who added a net 1,246 advisors in 2023. By our count, LPL recruited advisors from approximately 250 different firms (though they recruited most heavily from Merrill, Edward Jones, and Wells Fargo).

11 For clarity, we have chosen to omit Osaic (formerly Advisor Group) from this analysis. They consolidated their various BDs into a re-branded entity named Osaic. The raw data shows over 1,000 moves "to" Osaic, which primarily came from the various BDs they collapsed into the new entity.

12 441 of these "gains" came as a result of Cetera's acquisition of Securian Financial in August.

13 339 of these advisors "joined" Wells Fargo Financial Network (FiNet) from another channel (PCG, WBS, etc.) within the Wells Fargo umbrella.

14 Ameriprise does not bifurcate CRD registrations between its independent channel and its traditional W-2 branch channel (which we classify as a regional firm). We include the totals here, but it's reasonable to assume that of the 224 net advisors who joined Ameriprise, many affiliated with the regional channel. The independent channel is approximately four times the size of the traditional (regional) channel by advisor headcount.

15 PKS is included for emphasis. As the nation's largest "friendly" broker dealer, PKS represents many newly formed RIAs and hybrid RIAs who elect to keep their Series 7 license. In other words, the advisors who "joined" PKS likely joined or launched an RIA and chose to use PKS as their broker dealer.

The beauty of the modern landscape is that there are options out there to support virtually any and all elements of a business that an advisor so desires to offload.

- **Everyone else:** Several other independent broker dealers also enjoyed success in 2023. Commonwealth, whose pitch is essentially that of the anti-mega broker dealer, added a net 100 advisors, which is substantial given their baseline headcount of around 2,000 advisors. Ameriprise, Raymond James FS, Cambridge, and Cetera also won meaningful teams.
- **There's a new custodian in town:** Goldman Sachs' nascent RIA custody unit is looking to make a big splash in 2024 now that they have established proof of concept with some high-profile wins. This may prove to be a destination of choice for high net worth-focused advisors who might not have otherwise considered independence.
- **The next frontier:** What about advisors who are *employees* of an RIA? In these instances, the firm itself is an independent RIA, but the advisor is typically a W-2 employee. We are recently hearing from many such advisors who are less than enamored with their current set-up: Their payouts are typically quite low, and they likely don't own their client book. Plus, with so much industry consolidation, many of these advisors are now part of a much larger corporate parent. As a result, these employee advisors at RIAs have the potential to fuel the next wave of breakaways.[16]
- **Pick a side:** Insurance broker dealers (for example, Northwestern Mutual and MassMutual) continue to struggle. For advisors who do meaningful insurance business, they are likely a good home. But when it comes to core wealth management business like investments and planning, they lag behind their peers in several ways. This has led to some attrition, as well as some of these firms effectively shuttering the units entirely, as was the case with Prudential (recently shutting down their broker dealer and outsourcing their platform to LPL Financial).[17]
- **It's still where the puck is heading:** Breakaway activity is still fairly strong, though it's pulled back from the highs of recent years. Importantly, when teams do break away from a captive channel, more times than not, they're looking for a supported independence platform. As noted in past reports, supported independence firms and platforms pair the freedom, flexibility, and control of independence with some added scaffolding and support. The beauty of the modern landscape is that there are options out there to support virtually any and all elements of a business that an advisor so desires to offload. Firms like Sanctuary Wealth Partners, NewEdge Advisors, and Kestra Private Wealth Services all fit this mold. In our estimation, one out of 10 teams have the appetite to be true "do-it-yourselfers."

16 For more on this topic: https://www.diamond-consultants.com/employee-advisors-at-rias-are-they-fueling-the-next-breakaway-wave/
17 https://www.thinkadvisor.com/2023/08/24/lpl-to-add-fidelity-to-lose-50b-in-prudential-wealth-assets/

M&A in the Independent Space

Though largely outside the scope of this report, "The year 2023 closed with a strong 226 transactions and $256 billion in purchased assets, down 1.7% and 9.7%, respectively, from the prior year," according to Fidelity.[18] Among the most acquisitive firms for the year: Wealth Enhancement Group (15 transactions), Mercer Advisors (9), Captrust Financial Advisors (9), Hightower Advisors (7), Allworth Financial (7), Beacon Pointe Advisors (6), Creative Planning (6), and Mariner Wealth Advisors (5). Some of the most notable transactions for the year were Pathstone's purchase of $17B Veritable and Creative Planning's purchase of $13.2B Goldman Sachs PFM (more on this last one in the Representative Deals section).

Where do we forecast deal flows heading in 2024? The bloated valuations we see for top independent businesses, combined with the highest interest rate environment in years, do not paint a rosy picture for activity. However, many sellers are motivated by non-economic factors: a need for succession planning, the desire to offload certain functions, a goal of accelerating growth, etc. And since the number of RIAs continues to grow, and because we have seen a proliferation of so-called private equity-backed roll-ups (that serially acquire stakes in RIAs), we would expect the M&A market to be more resilient than the economic backdrop might otherwise suggest.

As an aside, if you need convincing that RIA valuations are bloated, Raymond James' CEO Paul Reilly said in a recent earnings call: *"Probably the biggest change to the competitive landscape has been the RIA roll-ups that pay prices that we can't quite figure out."*

Lastly, a quick note on valuation trends: We have seen multiples hold fairly steady this year. There is no question that firms have been more selective about how they deploy capital. That's a far cry from years past when it felt like every month, multiples hit a new high. A few additional thoughts:

- Approximately three-quarters of completed deals involved a private equity-backed RIA acquirer.
- Many more private equity funds are entering the space.
- We see two main types of RIA acquirers: 1.) Financial (PE firms, family offices, other investors) and 2.) Strategic (RIAs and BDs that look to find operational synergies or are interested in entering new markets and/or adding new professionals).

18 https://digitaledition.investmentnews.com/publication/?m=62585&i=814277&p=6

Select Representative Transitions

The below transition snapshots represent some of the largest and most influential transitions of 2023, and they provide a unique lens into the mindset of the transitioning advisor. While many of these selected transitions aren't necessarily the largest in their respective category, the moves themselves are symbolic of important trends.

Note: Those with ◆ indicates a transition that Diamond Consultants helped to facilitate.

Representative Deal 1: Wirehouse to Regional

- **The What:** Leslie Lauer, Rebecca Glasgow, and Curt Rubinas, along with 7 associates (the ESOP Group) left UBS in Atlanta for RBC Wealth Management ◆
- **The Numbers:** $20mm in T12 revenue on $5.5B in assets. The single largest hire in RBC's history.
- **The When:** August 2023
- **The Why:** Wow! This one was huge! Why would one of the industry's largest and most sophisticated teams opt for a regional firm? First and foremost, we must note that this team did not run a traditional retail wealth management business. Their business was overwhelmingly comprised of a complex derivative-based product called an ESOP, or Employee Stock Ownership Plan (the product effectively helps provide liquidity and succession possibilities for small business owners). And, importantly, UBS dramatically reduced their appetite for this type of business. That left the team searching for a home that could support them, and RBC stepped up to the challenge in every way (aggressive recruiting deal, sophisticated platform, strong capital markets solutions, etc). While very few teams in the industry have a similar ESOP need, it is a good reminder for advisors of all shapes and sizes: When advisors have a business that falls outside the core planning and investments model, it is subject to firm risk, compliance, and business controls (ask international advisors, who many firms dealt a similar hand in recent years—the rug was pulled out from under them). The other reason this deal was so noteworthy and groundbreaking is because it full-stop signaled the arrival of RBC at the grown-ups table. And that's true of many regional firms like Ameriprise, Raymond James, and Janney—all of which have been trying (and succeeding) to move dramatically upmarket in recent years. And we saw several notable wins for RBC, Raymond James, and the like.

Representative Deal 2: Wirehouse to Wirehouse

- **The What:** The Klinger Quan Group left Merrill for UBS in San Francisco
- **The Numbers:** $7mm in T12 revenue on $1.3B in assets.
- **The When:** January 2023
- **The Why:** The death of the wirehouse is greatly exaggerated. There are simply too many advisors who prefer the safety, stability, familiarity, scaffolding, support, and brand of a big firm. The wirehouses (Merrill, UBS, Wells Fargo, and Morgan Stanley) are often grouped together and (perhaps unfairly) thought of as "all the same." There are important differences among them. Many advisors feel that Merrill, for example, prioritizes the Bank of America side of the house since it's so much more significant as a percentage of the total bottom line. UBS offers a more "boutique" feel but with all the same products, technology, and solutions that big teams need—and they offered one of the most aggressive deals on the street in 2023. We did not represent this team in their move, but it's fair to assume that the deal was at least a part of their motivation.

Representative Deal 3: Wirehouse to Independence

- **The What:** Brent Chappell, Brad Chappell, Michael Mills, Spencer Carlson, and team left Merrill in Houston, TX, to launch their own independent business (Chappell Wealth Management) with the support from Sanctuary Wealth ◆
- **The Numbers:** $10mm in T12 revenue on $1.5B in assets. The single largest recruiting win in Sanctuary's history.
- **The When:** February 2023
- **The Why:** This team – young, successful, and growing like crazy – knew their next chapter would be some version of independence. They wanted more control over the day-to-day running of the business, more autonomy on how to serve clients, and better long-term economic opportunities. The support ecosystem that was built for breakaway advisors has expanded exponentially in recent years (and continues to grow every day). The question was, with so many flavors of independence out there, which one was right for them? Ultimately, they opted for a highly-supported version of independence in Sanctuary Wealth. Advisors choose Sanctuary (and similar such firms) because it offers the look and feel of independence, but with much of the business start-up and operations headaches centralized and taken off the advisors' plate.

Representative Deal 4: Regional to Independence

- **The What:** Jason Barber, along with his multi-generation family team, left Edward Jones in Nacogdoches, Texas, to launch their own RIA (Holistic Planning)
- **The Numbers:** $500mm AUM
- **The When:** March 2023
- **The Why:** 41 years: That's how long the Barber family ran their wealth management business at Edward Jones. So why, after all this time, did they decide to make a change? First and foremost, we are seeing many long-tenured advisors, including "lifers," change jerseys (at all firms, not just Jones). There is too much at stake to remain blindly loyal to a firm, no matter how well they served you in years past. But more specifically, this move hints at what many Jones advisors have reported: While they are enormously grateful to the firm, it's a very different place than it once was. The culture has eroded, and they have failed to keep up with their peers in terms of technology, investment platform, and overall advisor support. And since Jones advisors already operate with relative autonomy, it's not as big a leap to independence as it might be for advisors at other firms. While many Jones advisors opt for a more supported flavor of independence, like an independent broker deal, this move reflects the Barber family's desire to maintain maximum control over all elements of their business.

Representative Deal 5: Boutique to Independent

- **The What:** Jon Blumenthal, Brandon Ross, and Tim Harder left Goldman Sachs Personal Financial Management (GS PFM) in Dallas to launch their own independent business (Quotient Wealth Partners) with the support of Dynasty Financial Partners ◆
- **The Numbers:** $4B AUM
- **The When:** September 2023
- **The Why:** A bit of backstory on this one: In 2019, Goldman Sachs acquired successful RIA United Capital for $750mm. Unfortunately for the advisors of the former United Capital, they were essentially transformed overnight into employees of Goldman Sachs. But the optimists pointed to Goldman's world-class brand and successful track record of acquisitions as reasons to take a "wait and see approach." Most advisors did exactly that. Goldman re-branded the unit as "Personal Financial Management," and its intention was to be the high net-worth/mass affluent counterpart to the prestigious Goldman Private Wealth channel that focuses on UHNW clients. But unfortunately, in a cautionary tale for all advisors who are considering joining an RIA as an employee, Goldman turned around and sold the unit to Creative Planning in August of 2023. By this time, reality had set in, and many of the one-time United Capital advisors had become wholly disenchanted: They were tired of leaving their agency and professional fates in another's hands. Many teams have since left the fold rather than sign on with Creative Planning. This particular team, Quotient Wealth Partners, made the biggest leap: They decided to launch their very own RIA. They had support from Dynasty but make no mistake: This move was about taking control of their destiny once and for all.

Appendix 1: Top Transitions by Size–Full Year 2023

Note: Those with ◆ indicates a transition that Diamond Consultants helped to facilitate.

Name/s	Moved To	Moved From	AUM	Date	City/State
Leslie Lauer, Becca Glasgow, & Curt Rubinas ◆	RBC WM	UBS	$5.5B	8/18/2023	Columbus, Ohio
Michael Sellers, Aaron Wall, Christopher Tate, Benjamin Hilyard, & Ashley Connor	Fidelis Capital	Bank of America Private Bank	$4.5B	9/5/2023	Washington, D.C.
Jon Blumenthal, Tim Harder, & Brandon Ross ◆	Dynasty Financial Partners	Goldman Sachs PFM	$4B	9/5/2023	Houston, TX
Matthew Giorgetti ◆	Rockefeller	Brown Brothers Harriman	$1B	5/26/2023	Boston, MA
Stephen Poole & Team	Raymond James	Cetera	$3B	10/23/2023	St. Petersburg, FL
Mike Mammini & Team	Commonwealth Financial Network	Lincoln Investments	$3B	11/28/2023	San Diego, CA
Michael P. Velasco Sr., Ladd G. Lumpkin, L. Shuford "Shufy" Rowe, Jr., John F. McCabe, Brent D. Roof, Thomas B. Caskey, William P. Velasco, & Paula B. Sabbagha	UBS	Merrill	$2.6B	9/8/2023	Columbia, SC
Garrett Jones, Sean Connolly, Phil Dobbs, & Greg Pollock ◆	Rockefeller	Merrill	$2.5B	2/17/2023	Winter Park, FL
The Patriot Financial Group - 70 FAs	Cetera Financial Group	Securities America	$2.5B	1/6/2023	Westborough, MA
Michael Bromberg, Daniel Gerschel, & Team	UBS	Merrill	$2.5B	6/1/2023	New York, NY

Appendix 2: Select Transitions Facilitated by Diamond Consultants 2023

WHO
ESOP Group
TO
RBC WM
FROM
UBS
AUM
$5.47B
DATE
8/18/2023

WHO
Quotient Wealth Partners
TO
Dynasty Financial Partners
FROM
Goldman Sachs PFM
AUM
$4B
DATE
9/5/2023

WHO
Matthew Giorgetti
TO
Rockefeller
FROM
Brown Brothers Harriman
AUM
$1B
DATE
5/26/2023

WHO
Garrett Jones, Sean Connolly, Phil Dobbs, and Greg Pollock
TO
Rockefeller
FROM
Merrill
AUM
$2.5B
DATE
2/17/2023

WHO
Bradley Chappell and Brent Chappell
TO
Sanctuary Wealth
FROM
Merrill
AUM
$1.5B
DATE
2/24/2023

WHO
Alex Harrison, Cindy Deavel, and Mike Cirino
TO
Commonwealth FN
FROM
Lincoln Financial
AUM
$1.2B
DATE
3/1/2023

Appendix 2: Select Transitions Facilitated by Diamond Consultants (continued)

WHO
Travis Propst and J. Trent Douglas

TO
Rockefeller

FROM
UBS

AUM
$1B

DATE
10/13/2023

WHO
James Corrigan, David Holtkamp, Sean Jucas, and Kenneth Shay

TO
Sanctuary Wealth

FROM
Merrill

AUM
$1B

DATE
4/28/2023

WHO
Angela Mwanza and Jordan Powell

TO
Rockefeller

FROM
UBS PWM

AUM
$800mm

DATE
8/11/2023

Appendix 3: Industry Landscape Definitions

Boutique Firm

Definition: Similar to Regional Firms in that these full-service firms provide strong cultures and nimble management teams, but typically geared toward serving higher-end advisors and more sophisticated clients (including but not limited to HNW and UHNW clients). Many of these firms look and feel like an RIA (see below) but advisors join as W-2 employees.

Example: "I ran a large wirehouse team covering $5mm+ clients, and I wanted a firm with a strong brand name, so I explored boutique firms like Rockefeller and First Republic."

Independent Broker Dealer (IBD)

Definition: A full-service brokerage firm where advisors are independent and own 100% of the equity in their business. Such advisors control their own equity, clients, and in most cases, data. Advisors self-brand and operate independent businesses (meaning they are responsible for benefits and expenses), but they leverage the broker dealer for some combination of compliance, middle and back office, and/or co-branding. Regulated by FINRA.

Definition: "I wanted to be an independent advisor, but I needed some scaffolding and a well-integrated tech platform, so I opted to explore independent broker dealers like LPL or Commonwealth."

Private Bank

Definition: An institution that provides personalized financial services and products, typically geared toward HNW and UHNW clients. Such services typically include wide ranging wholistic wealth management services including portfolio management, tax services, insurance, trust and estate planning, and banking and lending solutions. From an advisor perspective, these models tend to be the most restrictive on the street in terms of products and solutions, as well as post-employment restrictions. Many such firms compensate advisors with a mix of salary and bonus.

Example: "I was at J.P. Morgan Private Bank, but I wanted more freedom in how I serve clients, and wanted to be paid on a commission grid, so I made the move to Morgan Stanley."

The Protocol for Broker Recruiting ("The Protocol")

Definition: The Protocol for Broker Recruiting was created in 2004 by Smith Barney, Merrill and UBS to stave off the common and expensive litigation that occurred when a departing advisor left

one firm to join a competitor. Essentially, these firms agreed to a "cease fire" of sorts, permitting an advisor to freely leave one member firm and join another. As long as advisors adhered to the governing principles, they would be permitted to take a limited amount of client information and actively solicit these clients after moving to a new Protocol firm without the fear of a Temporary Restraining Order (TRO). Of note, in 2017, Morgan Stanley and UBS opted out of this seminal agreement, while Wells Fargo and Merrill remain as of this writing.

Example: "When I left Merrill for Raymond James, it was a move with Protocol protection, so I was able to take some basic client information with me."

Regional Firm

Definition: A full-service broker dealer with more of a boutique culture, smaller advisor headcount, and a brand that was historically (though often no longer) associated with particular geographic regions of the country.

Example: "I liked the capabilities of a wirehouse, but I preferred a smaller firm with a more nimble culture, so I explored Raymond James and Janney."

Registered Investment Advisor (RIA)

Definition: A firm that advises clients on securities and manages investment portfolios as a fiduciary in exchange for a fee (as opposed to a commission). Registered with and regulated by the SEC. Assets are typically custodied with a third-party custodian. Many RIAs today affiliate with or own their own Broker Dealer ("Hybrid RIAs"), thus enabling advisors to continue to execute commission-based business.

Example: "I left the wirehouse world to launch my own RIA because I wanted maximum freedom and control, and I liked all aspects of being a business owner."

Wirehouse

Definition: A full-service broker dealer with a strong, established brand. Typically taken to mean one of the "big four" wealth management firms in the US of Morgan Stanley, Merrill, UBS, and Wells Fargo.

Example: "My clients valued a strong brand and all resources under one roof, so a wirehouse was the best place for me to grow my business."

About Diamond Consultants

At Diamond Consultants, our mission is to help advisors live their best business life.

We want every elite advisor to find exactly the right place for their business and their clients to thrive, whether it's at a wirehouse, regional, boutique, or independent firm. As the industry's leading recruiters and consultants, we've transitioned more than a quarter of a trillion dollars in assets under management in the past decade. And each year, 25% of transitioning advisors who manage a billion-dollars or more are our clients.

But we're far more than just recruiters.

We're future-proofers, business coaches, and career sherpas who meet advisors where they are, years before they're ready to move. We educate advisors on the latest trends, help them evaluate economic models, understand their enterprise value, and through a 7-step consulting process, create a personal roadmap of options they might never have considered otherwise. If they choose to move ahead, we tap into our unmatched network of connections built over 25 years in the industry, spanning wirehouses, banks, regionals, boutiques, independents, RIAs, and multi-family offices.

And unlike most recruiters, our business is built on relationships, not transactions.

Making a move is big and we would never sell you into doing so. We're not dependent on any financial institution, so we help compare your own firm with other options and offer unbiased guidance that puts advisors' interests first, with no cost or obligation to you. Even when that means staying where you are.

If you'd like to talk, give us a call at 908-879-1002 or click here to contact us.

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