

Case Study

Serving the Mass Affluent, Preserving Profit



Triad Financial Advisors Collaborates with Facet Wealth

Deal Profile

25%

Down

Challenge

In order to grow, Triad Financial Advisors knew they had to solve issues surrounding the bottom tier of their households. But TFA didn't want to leave them behind.

50%

Upon transition

Solution

After consulting with Facet Wealth in 2017, TFA agreed to transition many of their clients under \$500,000 in assets to Facet.

25%

After one year

Results

After taking stock of their revenue, TFA determined that after year three—with more modest account growth—they will increase their margins, improve service to their remaining clients, and increase their firm valuation from a higher quality book and more valuable cash flows.

As a \$600 million AUM independent, fee-only RIA, TFA's problem is not unique: many firms of a certain size find their growth stymied by their own conflicting goals.

As a CFP® Professional, CEO Patrick Rush is committed to doing right by his clients, but the firm cannot make headway on its goal of maximizing value when much of its resources are tied up in clients whose accounts do not generate as much profit as those of high-net-worth investors.

“ Finding qualified financial advice should not be difficult. We believe that everyone deserves objective, commission-free advice without conflicts of interest.

— Patrick Rush, CEO, CFP®

No easy answers

Until recently, firms had few alternatives to a financial advice system that incentivizes advisors to spend most of their time on clients who are already wealthy—as opposed to the mass market families who are often most in need of advice.

TFA considered hiring junior advisors to serve these clients. Adding to the firm's headcount would create more capacity to handle mass market accounts, but does not solve the root of the problem: they don't make the firm enough money to maximize its growth potential, from a dollars-and-cents standpoint.

The recent proliferation of robo advisors presents some firms with alternatives: push the bottom portion of their books into an automated, low-touch service so they can focus on the rainmakers. This solves the problem of profitability, but the offloaded clients find themselves with measurably diminished service. While the robos excel at asset management, they still are not fully ready to help clients with the financial life management guidance that drew them to human advisors to begin with.

What's more, dumping clients into the arms of a cookie-cutter robo is not a good look. Many tend to be legacy clients who have stuck with their advisors since the early days of their practice. If they had chosen this route, TFA would have compromised the consistency of their service and ruined the goodwill of their clients, who may well tarnish the firm's reputation online or warn away other prospects.

Reconciling growth and service

To retain their integrity as fiduciaries while growing their practice, TFA chose a third path: collaborate with Facet Wealth, a Baltimore-based next generation financial services firm that has developed a human-first, technology-enabled solution for mass affluent accounts. The Facet Wealth platform offers a transparent, fee-based subscription to financial planning services to mass-affluent clients between \$100,000 and \$1 million in size.

Every Facet client gains access to a dedicated CFP® Professional leading a wealth team to help with all aspects of their financial lives, not just the management of their assets. Facet's proprietary system allows the firm to charge for services at a reduced price point without compromising on the fiduciary quality of financial life management they offer.

After consulting with Facet Wealth in 2017, TFA reached an agreement: they would attempt to transition many of their clients under \$500,000 in assets to Facet. In exchange, TFA would be paid the equivalent of one year of revenue from the transitioning clients: 25 percent down, 50 percent upon transition, and the remaining 25 percent after one year.



We feel Facet provides an excellent extension to our service offering that can help meet the needs of the vast majority of investors.

— Patrick Rush, CEO, CFP®

A responsible solution

Over time, TFA's deal with Facet will free the firm's financial resources and human talent to refocus on growth activity. The firm has established a minimum asset size and focuses its sales strategy on larger accounts. After taking stock of their revenue, TFA determined that after year three, with more modest account growth, they will increase their margins, improve their service to their remaining clients and increase their firm valuation from a higher quality book and more valuable cash flows.

What's more, TFA's newfound breathing room does not come at the cost of diminished service to the transitioning mass market accounts, many of whom have enjoyed years-long relationships with the firm. Impressed by Facet Wealth's service, TFA has continued to refer clients under \$500,000 to Facet in exchange for a referral fee equal to one year of revenue.

"We know we cannot always be the perfect fit for everyone, yet we always want our clients to have a good experience engaging TFA," Rush says.

The solution for mass affluent accounts

Facet Wealth's collaboration with TFA illustrates many of the services Facet can provide to RIAs looking for a solution for small accounts. From a practice management standpoint, firms can improve their profitability and increase their capacity for growth by identifying and transitioning their small accounts. As acquisition partners, firms retain their ideal clients while mass affluent accounts enjoy Facet Wealth's high-touch, tech-powered fiduciary services.

As a referral partner, Facet can become a trusted source, allowing advisors to keep clients ideal to their strategic objectives without denying mass-affluent investors the financial life management guidance they deserve. Finally, Facet Wealth can simplify the succession planning process of its collaborators, offering an off-ramp for small accounts that do not fit the profile of a successor advisor's vision for their practice.

"Advisors now have a viable path for small accounts which have too often been designated to call centers or robo-advisors by larger firms where the client may feel abandoned," Rush says. "Our relationship with Facet means we can refer these smaller accounts to a qualified CFP® Professional who is committed to maintaining the level of expertise that TFA clients have grown accustomed to."



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Sound like your firm? Talk to one of our experts today.