

## RIA Firms Ranked By 2006 Asset Growth

## Asset Category: \$500 Million To \$1 Billion

Growth Rank In Category	FIRM NAME	LOCATION	Growth in Assets 2005-2006 %	Year-end 2006 Assets (\$mil.)	Overall Assets Rank 2006	Assets Per Client (\$mil.)	Growth in Assets Per Client %	Rank In Assets Per Client OVERALL
1	Sunnymeath Asset Management Inc.	Red Bank, N.J.	1,774.38	761.00	69	3.77	1,384.66	44
2	Telemus Capital Partners	Southfield, Mich.	247.69	884.06	52	1.38	7.77	183
3	Index Funds Advisors Inc.	Irvine, Calif.	98.03	703.00	76	0.89	14.49	298
4	Freedom One Financial Group	Clarkston, Mich.	70.22	894.00	50	1.28	9.43	201
5	Acropolis Investment Management	Chesterfield, Mo.	68.68	779.66	66	2.73	25.89	67
6	Truepoint Capital	Cincinnati, Ohio	56.21	667.00	82	1.98	32.10	115
7	Carlson Capital Management	Northfield, Minn.	41.26	767.94	68	1.57	29.99	153
8	Massey, Quick & Co.	Morristown, N.J.	41.21	876.93	53	29.23	-10.57	6
9	Casseday & Company Inc.	McLean, Va.	39.31	732.70	72	1.03	4.38	254
10	Grimes & Company Inc.	Westborough, Mass.	36.05	636.30	88	0.61	20.00	369
11	Lau Associates	Wilmington, Del.	34.94	560.00	100	4.79	32.63	32
12	F&D Advisors	Atlanta, Ga.	34.87	866.06	56	2.90	22.24	60
13	Capital Performance Advisors	Walnut Creek, Calif.	33.95	611.44	91	1.03	33.50	253
14	SVR Wealth Management	Madison, Wis.	32.65	794.97	64	1.18	12.44	222
15	Golub Group	San Mateo, Calif.	32.05	502.45	109	1.06	7.54	243
16	Gerstein Fisher	New York, N.Y.	31.68	611.00	92	0.99	17.24	267
17	Trapeze Asset Management Inc.	Toronto, Ontario	31.54	684.00	79	0.98	12.75	269
18	Mutual Fund Store, The	Overland Park, Kan.	30.64	784.03	65	0.09	14.95	462
19	Foster Group	West Des Moines, Iowa	30.34	850.25	57	1.26	15.32	204
20	Strategic Wealth Management Group	Columbia, Md.	28.60	555.89	101	0.92	21.81	290
21	Brightworth	Norcross, Ga.	27.50	634.56	89	2.80	16.83	62
22	Colony Group, The	Boston, Mass.	26.33	979.30	48	1.17	18.91	224
23	Stonebridge Capital Advisors	St. Paul, Minn.	25.64	513.01	106	1.17	-1.90	225
24	WealthTrust - Arizona	Scottsdale, Ariz.	25.59	579.16	97	1.00	17.99	260
25	Creative Financial Group	Atlanta, Ga.	25.17	835.01	58	0.84	25.17	311
26	Sage Financial Group	West Conshohocken, Pa.	24.85	795.00	63	1.53	9.72	158
27	SYM Financial Advisors	Warsaw, Ind.	24.70	658.48	84	1.26	24.22	203
28	American Economic Planning Group Inc.	Watchung, N.J.	24.00	603.27	94	1.35	25.39	189
29	JFS Wealth Advisors	Hemitage, Pa.	23.60	739.15	71	1.41	10.20	177
30	Retirement Income Solutions Inc.	Ann Arbor, Mich.	23.47	529.55	103	0.78	13.16	332
31	Accredited Investors Inc.	Edina, Minn.	22.64	650.00	87	1.80	7.01	134
32	PensionTrend Investment Advisers	Troy, Mich.	21.63	504.95	108	1.13	21.08	227
33	Obermeyer Asset Mgmt. Company	Aspen, Colo.	21.33	554.85	102	2.04	12.41	103
34	Honkamp Krueger Financial Services Inc.	Dubuque, Iowa	21.32	871.37	54	0.44	-2.94	411
35	Resource Management Inc.	Metairie, La.	20.87	696.00	77	2.14	17.15	94
36	Paragon Capital Management	Denver, Colo.	19.94	569.25	99	4.48	14.27	38
43	Legacy Advisors	McLean, Va.	16.34	653.65	85	1.18	-23.21	223
44	McQueen, Ball & Associates Inc.	Bethlehem, Pa.	15.37	771.67	67	2.77	4.21	65
45	West Financial Services Inc.	McLean, Va.	15.11	678.06	81	1.48	9.57	166
46	Brouwer & Janachowski Inc.	Tiburon, Calif.	14.28	720.08	75	3.30	2.22	52
47	Hillview Capital Advisors	New York, N.Y.	14.09	757.20	70	17.21	11.49	9
48	Cedar Hill Associates Inc.	Highland Park, Ill.	13.97	829.15	60	3.02	-2.61	56
49	Round Table Services	Westport, Conn.	13.79	665.51	83	11.47	-5.83	13
50	Parsec Financial	Asheville, N.C.	12.70	868.49	55	0.93	14.75	284
51	John E. Sestina and Co.	Columbus, Ohio	12.58	578.60	98	2.18	1.96	93
52	King Investment Advisors Inc.	Houston, Texas	12.41	813.86	61	2.27	-24.64	85
53	Diesslin & Associates Inc.	Fort Worth, Texas	12.26	522.00	105	1.68	3.20	143
54	Compak Asset Management	Irvine, Calif.	9.52	585.45	96	0.37	-10.97	426
55	StrategicPoint Investment Advisors	Providence, R.I.	8.93	608.60	93	0.47	31.05	405
56	Guyasuta Investment Advisors Inc.	Pittsburgh, Pa.	8.44	681.00	80	3.76	6.64	45
57	G.W. Hensler & Associates	Kennesaw, Ga.	7.21	891.07	51	0.72	-26.68	346
58	Tiras, Pennington and Associates	Houston, Texas	6.97	807.65	62	0.48	-0.42	401
59	Financial Advisory Service Inc.	Leawood, Kan.	6.50	598.91	95	1.20	5.22	217
60	Evensky & Katz	Coral Gables, Fla.	5.71	500.00	110	2.34	-0.22	80
61	Harold C. Brown & Co.	Buffalo, N.Y.	2.79	832.22	59	0.77	7.29	333
62	Emerson Investment Management	Boston, Mass.	2.78	650.46	86	1.57	0.54	151
63	Parthenon	Louisville, Ky.	2.48	620.00	90	4.59	-5.11	36

## SHIFTING INTO HIGH GEAR

By Robert Casey

### The average firm in our annual RIA survey grew revenue 25% last year.

Think your firm did well last year? Maybe so. But if assets grew by less than 25%, you fell behind the average of independent registered investment advisors participating in Financial Advisor's second annual Top RIA Survey. That's right. The mean growth in assets among the 471 firms in the survey was an impressive 25%. The robust overall gains confirm that independent advisors remain on a powerful expansion track set in place roughly two decades ago. They still reign as the most dynamic sector of the financial services industry, continuing to grow much faster, for example, than the mutual fund industry, which expanded assets by 16% in 2006.

Big Year Of Growth			
Assets Under Management	2006 (Billions)	2005 (Billions)	% Change
All firms	214.60	172.09	25.00
By Asset Size			
\$1 Billion	105.42	85.09	23.90
\$500 m. to < \$1 Billion	43.47	34.34	26.58
\$300 m. to < \$500 m.	27.15	21.66	25.35
\$100 m. to < \$300 m.	30.32	24.30	24.79
< \$100 m.	7.24	5.90	22.69

One of the more impressive characteristics of the advisory business is how broad-based its growth is. While the mean growth rate was 25%, the median firm in this survey wasn't far behind, growing at 22.1% in 2006.

While it seems that a rising tide is lifting almost all ships, some independent advisors are emerging as "supergrowers." This group comprises the roughly one in ten firms adding assets under management by 50% or more in 2006. Many are intent on leveraging their organizations and vaulting themselves out of the group of local and regional providers of advice into the ranks of national-class businesses. Increasingly, they are reaching out beyond the traditional business model of independent advisors and taking advantage of strategies that can distinguish them in the marketplace and help them achieve the critical mass of scale that is now seen as a long-term key to success in this industry. A few examples of approaches being taken:

- Growth through consolidation. Garnet Group LLC emerged last year from the consolidation of Smith Rapaez LLC of Boston and Mosaic Wealth Management of Bethesda, Md. The merger, plus strong organic growth, helped the combined firms' assets under management grow threefold to \$124 million last year. Garnet's four principals, all women, are busy using their expanded resources and bigger geographic footprint to build a much larger business. Garnet Group ranked third in growth rate this year among firms with \$100 million to \$300 million in assets.
- Growth via the Internet. Index Funds Advisors Inc. of Irvine, Calif., helps generate interest in index fund investing through its extensive and sophisticated Web site devoted to that topic alone. Assets under management doubled last year to \$703 million and had further swelled to \$930 million by late May. More than 60% of the firm's new clients are index-fund aficionados attracted by its Web site, with an average relationship size of \$900,000 at year's end. Index Funds Advisors placed third in the growth rates among firms with \$500 million to \$1 billion in assets.
- Growth from highly scalable activities. Symmetry Partners of Glastonbury, Conn., was a "supergrower" for the second year in a row. The firm leveraged its expertise in index fund investing by creating a turnkey asset management program now widely distributed among other advisors and independent broker-dealers. The program offers balanced portfolios using index funds provided by Dimensional Fund Advisors. Assets under management soared by 70% last year to \$2.6 billion. Symmetry Partners took second place in terms of growth among the largest firms, those with \$1 billion or more in assets.
- Growth from focusing on the wealthiest. Ballentine, Finn & Co. of Wolfeboro, N.H., and Waltham, Mass., is a multifamily office serving ultrahigh-net-worth clients. For such firms, adding even a few client families can dramatically alter the scale of their organizations. That was the case last year for Ballentine, Finn, which came close to tripling in size to \$1.9 billion in assets as its roster of client relationships increased by about 50% to 172. The need to bring on high-level talent to serve the megawealthy has prompted the firm to hire a full-time human relations director who specializes in recruiting. Ballentine, Finn took first place in terms of growth among the largest firms.

Those examples illustrate some of the approaches used by "supergrowers" to reach the top of our rankings. However, as noted, last year even "average" meant strong growth. It didn't hurt that advisors had the wind at their backs, as healthy stock and bond markets contributed to the increase in existing client assets. The stock market, as measured by the Standard & Poor's 500 Index, posted a total return of 15.7% in 2006. Balanced portfolios typically favored by advisors returned 11.3% for the year, using the average performance of Morningstar's conservative allocation category as a benchmark. The excess growth of advisor assets over market returns reflects strong flows of money from new clients. The number of client relationships jumped by 15% among firms in our listing, to an average of just under 400.

As the independent advisor industry matures, assets are becoming more concentrated among

Advisory Firm Characteristics				
Firm Characteristics	Mean	% Change	Median	% Change
No. of client relationships	387.96	14.95	298.0	17.32
Number of employees	12.16	-1.22	7.0	-12.50
Years in business	15	NA*	13	NA

\* Not available

How Client Assets Vary				
Total Client Assets	By Relationship Size		By Assets Per Professional	
	Mean (Millions)	Median (Millions)	Mean (Millions)	Median (Millions)
All firms	2.34	1.1	65.66	52.0
By Asset Size				
\$1 Billion	9.08	3.5	131.16	107.41
\$500 m. to < \$1 Billion	2.75	1.41	83.29	75.67
\$300 m. to < \$500 m.	2.41	1.41	72.77	57.78
\$100 m. to < \$300 m.	1.27	1.02	57.44	50.00

the largest firms, a trend that our latest Top RIA Survey confirms. Their larger scale makes it easier to take on more clients and to provide a wider range of services. The biggest firms (\$1 billion and up) experienced almost the same percentage growth rate (23.90% on average) as the entire group. The fastest-growing segment (up 26.58%) was the group of firms between \$500 million and \$1 billion in assets. The smallest firms, those with less than \$100 million under management, lagged the group with a growth rate of 22.60%.

Ballentine, Finn and Symmetry Partners were the only \$1 billion firms that grew by 50% or more. Six firms in the next asset tier (\$500 million to \$1 billion) topped that hurdle, led by Sunnymeath Asset Management Inc. of Red Bank, N.J., and Telemus Capital Partners of Southfield, Mich. Whitnell Co. of Oak Brook, Ill., and PFG Financial Advisors Network of State College, Pa., headed the six “supergrowers” in the next tier of firms with \$300 million to \$500 million in assets. There were 19 “supergrowers” among firms with \$100 million to \$300 million in assets, topped by Ariba GLB Asset Management of Arlington, Va., and Capital Ideas Inc. of Dallas. Integrity Financial Advisory of Fountain Valley, Calif., led the smallest (under \$100 million) firms by growing its assets elevenfold. Placing second was 21st Century Wealth Management LLC of York, Pa., with a fourfold increase in assets under management.

The biggest firms don’t just have more assets but wealthier clients, too. The mean relationship size at the billion-dollar firms was \$9.08 million, versus the overall average relationship size of \$2.34 million. For firms under \$100 million, the average relationship was \$1.27 million. The power of scale in this industry is evidenced by the fact that the largest firms (those with more than \$1 billion) averaged \$131 million in assets per professional while the smallest ones (under \$100 million) could muster only \$57 million per professional.

Remarkably, older firms continue to expand almost as fast as newer ones. Asset growth for firms at least five years old averaged 24.45%, lagging the 34.20% growth rate for firms under five years of age but remaining robust nonetheless. The top states for asset gains among the advisory firms in the survey were Virginia (162%), New Jersey (109%) and New Hampshire (63%). The laggards were Vermont, Kentucky and Rhode Island, with gains of 2%, 3% and 9%, respectively.

Merger activity helped some firms advance in our rankings. Mergers offer an opportunity to vault ahead in scale, and in the case of Garnet Group, to widen the firm’s geographic footprint as well. And while talk of mergers in the industry is being sparked by high-profile deals such as the acquisition of Lydian Wealth Management of Bethesda, Md., by City National Bank of Los Angeles, no merger gold rush has begun yet. One in ten firms reports some merger activity over the past three years, roughly the same activity level reported in last year’s Top RIA Survey. However, advisors as a group seem to be less dismissive of the idea than last year. They say they are slightly less likely to reject a merger proposal in the next 12 months than they said they were last year.

Firms that decide to merge will find that consolidating organizations is a complex process that takes time, says Annette Simon, a principal and co-founder of Garnet Group. “We’ve been working slowly through different parts of the business to try to coordinate our efforts,” says Simon. “There’s still a lot of activity that goes on separately in the two offices, but we’re heading toward operating as a single firm in all areas.” Her advice for others considering a merger? “You can’t spend too much time getting to know the other people and talking about everything beforehand.”

Well represented among the largest of the “supergrowers” in this year’s Top RIA Survey are multifamily offices such as Ballentine, Finn. Others include Highmount Capital of New York City, BBR Partners of New York City, Quintile Investment Advisors of Los Angeles and Vogel Consulting of Brookfield, Wis. Multifamily offices tend to have high investment minimums, typically at least \$10 million, and offer a comprehensive array of integrated services to multigenerational client families. One big challenge to their growth is the intense competition they face in signing new clients. That was the case last year for Ballentine, Finn, says Roy C. Ballentine, president. “We had several very large situations where we were competing. These were rigorous searches, very expertly run by very sophisticated people. They narrowed the field and narrowed the field and so forth. And I think we won them all.” As a result, staff at the firm grew from 30 to 43 last year to accommodate the new business. “That’s a lot of people to hire,” says Ballentine.

Revenue Sources		
Share Of Firm's Revenues	2006 %	2005 %
Asset-based fees	82.92	84.54
Commissions, including trails	4.79	3.49
Hourly or ad hoc fees for individual services	3.31	3.08
Annual retainer fees	6.67	6.69
Net-worth-based fees	0.66	0.62
Other	1.65	1.58
Total	100%	100%

Investment Vehicles		
Share Of Client Assets	2006 %	2005 %
SMAs (managed in-house)	22.29	21.26
SMAs (outside manager)	7.34	7.63
Mutual funds (incl. money market)	55.82	54.59
Exchange-traded funds	6.97	8.72
Funds of hedge funds	1.37	1.55
Hedge funds	0.75	0.91
Other	5.46	5.34
Total	100%	100%

Big Firms More Likely To Merge		
Any M&A Activity In Last Three Years?	Yes	No
All firms	9.92	90.08
<b>By Asset Size</b>		
≥ \$1 Billion	14.89	85.11
\$500 m. to < \$1 Billion	17.74	82.26
\$300 m. to < \$500 m.	8.45	91.55
\$100 m. to < \$300 m.	10.99	89.01
< \$100 m.	2.78	97.22

State*	Average Asset Growth Rate For RIAs
Virginia	162.22%
New Jersey	108.70
New Hampshire	63.22
Nebraska	52.85
Illinois	51.02
Oklahoma	50.72
Michigan	44.14
Alabama	42.36
Indiana	36.38
Pennsylvania	36.33
Texas	36.19
Kansas	36.04
California	35.98
Massachusetts	33.81
Arizona	33.58
Louisiana	33.15
Minnesota	32.39
Delaware	31.75
West Virginia	31.14
Missouri	31.10
Arkansas	31.04
Idaho	30.67
New York	30.40
Mississippi	29.46
Oregon	29.12
Tennessee	28.86
Georgia	28.49
South Carolina	27.13
Connecticut	26.14
Ohio	25.21
Florida	24.54
Maryland	24.04
North Carolina	22.38
Wisconsin	22.21
South Dakota	21.98
Alaska	20.88
District Of Columbia	20.76
Wyoming	20.62
Iowa	20.27
Washington	19.15
Colorado	14.36
Nevada	12.94
Utah	12.23
Maine	10.98
Rhode Island	8.93
Vermont	2.61
Kentucky	2.48

\* Hawaii, Montana, New Mexico and North Dakota are not included because no firms from those states responded to the survey.

Firm Age	Growth Rate
* 5 Yrs.	49.62%
> 5 Yrs.	38.07%

Independent advisors traditionally have been both cautious and low-key in their marketing efforts, and for obvious reasons. The Securities and Exchange Commission puts restrictions on advertising activity by advisors, and those rules are not exactly a model of clarity. Better to keep a low profile than risk problems with the regulators, many advisors have concluded over the years. Moreover, the need for marketing has been limited.

Most new business typically comes from referrals anyway, so why spend big bucks to advertise? Yet, with the Internet, this may be starting to change. Index Funds Advisors uses its Web site—which might be described as a “category killer” for information about index investing—as a funnel to attract assets. The typical new client is a 45-year-old, Web-savvy engineer, lawyer or doctor, says Mark T. Hebner, president. They want passive management, but coupled with advice. “These people are willing to do a little homework to figure out what’s best for them,” says Hebner. “When they discover my Web site, they think they’ve died and gone to heaven.”

## Survey Methodology

*Financial Advisor's Top RIA Survey* is a ranking of independent registered investment advisory firms based on their percent change in assets under advisement between December 31, 2005, and December 31, 2006.

Data for the rankings were obtained from questionnaires mailed to independent RIA firms in early 2007. The universe was identified with the help of the Discovery-RIA database maintained by The Financial Information Group of Red Bank, N.J. Additional information was obtained as needed from Form ADVs filed by advisors with the Securities and Exchange Commission.

To be eligible, firms had to 1) be registered as an advisor with the SEC; 2) offer financial planning services; 3) have predominantly individual clients; 4) have at least \$50 million in assets under management; and 5) be independent, i.e. not a subsidiary of a larger entity. The ranking includes only advisory account assets. Assets in brokerage accounts, as defined by the SEC's new rule regarding the broker-dealer exemption, were excluded, as were commissioned products such as load-share mutual funds.

Assets under advisement was defined to include assets under management as reported on Form ADV, plus any other investment assets for which the advisor receives an ongoing management or supervisory fee. For purposes of definition, a married couple and their minor children were considered as one client relationship regardless of the number of accounts involved.