FINANCIAL
PLANNING

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Independent RIAs in the increasingly competitive -- and lucrative -- San Francisco Bay Area market may have to raise their game, according to a leading investment banker.

Independents were long seen as having an easy growth path in the Bay Area market, in part because their non-corporate business model appealed to the tech entrepreneurs generating so much of the region's outsized wealth.

But advisors now need to step up their game, says Erika Cramer, managing director and partner of Silver Lane, the New York-based investment banking firm which recently opened a new office in San Francisco.

"It's not as easy as it was [for the RIAs]," says Cramer, who is heading Silver Lane's new office. "Some RIAs are still relying on friends and family, and that's a challenging way to grow. Many are going to need more business development and [sales] incentives. RIAs have traditionally had a low capital intensive business, but the market is now demanding more data and digital expertise, and that will require additional investment."

WEALTH PROFILE

One key issue is tied to the Bay Area's specific wealth profile. While on the East Coast, "wealth is shifting from one provider to another," in the Bay Area "there's a lot of wealth creation," Cramer says. "And talent follows the money."

The liquidity events fueling the Bay Area wealth boom aren't just coming from Internet and tech firms, Cramer says. "There's a greater diversity of wealth here than anywhere else," she says. "You also have health care, biotech and scientists starting companies."

But the influx of new money from tech-savvy investors is also putting greater pressure on local wealth managers, says Scott Walchek, a veteran Silicon Valley entrepreneur and investor whose latest venture is Trov, a new digital service that stores information about tangible assets for wealthy clients.

"There's an emerging new demographic of wealth," Walchek asserts, "and they are used to data symmetry. They expect to get their hands on data and they are not looking for intermediated services. They are saying to wealth managers: ‘I have as much data as you do.’

"So if data is symmetrical," he concludes, "what will distinguish wealth managers is ultimate service, because service is asymmetrical.”

Boutique firms have an advantage here, says Debra Wetherby, chief executive officer of San Francisco-based Wetherby Asset Management.

“There’s a real advantage to being a boutique,” Wetherby says. “You can customize, be hands on and be very personal. And I don’t think the personal aspect of what we do will change. People want to work with people.”

To succeed in the Bay Area market, Cramer adds, market wealth managers must also provide access to top investment managers, more sophisticated reporting and, “this being California,” savvy tax advice.

WEST COAST DEALMAKING

Silver Lane has recently helped broker two major West Coast-based deals involving deep-pocketed buyers acquiring successful local RIAs: last month’s deal with Los Angeles-based Bel Air Investment Advisors by Canadian asset management firm Fiera Capital, and last year’s blockbuster acquisition of L.A. and Silicon Valley-based Luminous Capital by San Francisco-based First Republic Bank.

In fact, Silver Lane decided that it needed a physical presence to take advantage of the business opportunities in the growing Bay Area wealth management market says managing partner Liz Nesvold. (Silver Lane also opted for establishing an on-the-ground presence in another growing and dynamic wealth management market, opening an office in Chicago on Tuesday.)

“Silver Lane has had a half-dozen engagements on the West Coast over the last two years,” Nesvold says. “While technology allows you to be an M&A practitioner anywhere that you have a phones and a laptop, there is no substitute for face-to-face contact.”