

Private Partnerships: Positioning Your Practice for Long-Term Growth

By Kurt Miscinski

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When the financial services industry was in its infancy, prominent private partnerships were the norm, not the exception. Professional advisors aspired to become a partner at one of these firms, wearing it as a badge of honor when they did. It meant they had “made it.”

However, as the financial services industry evolved, many private partnerships morphed or merged into public corporations where client interests often took a back seat to short-term profit making. This trend continued until the most recent financial crisis.

In the wake of 2008, there’s been a movement away from large, public firms as advisors look to rebuild client trust by separating themselves from the negative connotations, rightly or wrongly, associated with large, publicly-traded financial institutions. Advisors who choose to leave these large, public firms typically face a choice between starting their own firm and joining an established, independent private partnership. The question is: which route to go?

Going the private partnership route

A private partnership provides advisors with an opportunity to be a business owner in the truest sense. Each partner of a good private partnership has a “voice” in the firm’s best practices and a “vote” in the firm’s governance—something that is often left to a select few at public firms. Partners also share in the firm’s profits and equity value. These economic incentives better align individuals to grow a firm together and for the long run.

More importantly, clients value partnerships because they convey a sense of stability and perpetuity. Clients recognize that advisors who achieve partnership status are likely to remain at a firm for their entire careers. These long-term relationships provide more opportunities for advisors to demonstrate their value and commitment to their clients’ financial well-being. It can also help an advisor better position him or herself to manage the next generation of wealth.

Transforming from good to prestigious

Since the financial crisis, clients and prospective clients have become more educated about the financial services industry



and the fiduciary standard. They have begun to ask for and expect objective advice tailored to their unique situation.

What distinguishes prominent private partnerships from the rest is their reputation for being an industry thought leader and their breadth and depth of expertise to provide holistic wealth management as fiduciaries. These traits enable advisors to foster deeper client relationships and to deliver an elevated level of objective advice that goes beyond investments to touch each aspect of an individual’s financial life.

Our industry will likely continue to go through cycles of consolidation and fragmentation. Individual advisors and standalone independent wealth management firms may find much value in aligning with prominent private partnerships. These firms have the reputation, financial wherewithal, broad ownership and expertise to help sustain robust organic growth through all cycles and trends. ■

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Learn more at www.hpmpartners.com.

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