



No matter how tough the going gets, there are always contenders in the financial services industry that are up-and-comers. The four firms profiled are growing rapidly, and are on target to becoming bigger fish in a bigger pond in 2008. They're in different segments of the industry, and their strategies are different, but what they all have in common is that they quite simply treat their advisors well, and that's at the core of their success.

By Rosalyn Retkwa

# “WE VIBED WELL TOGETHER”

AssetMark Investment Services/Genworth Financial, Pleasant Hill, California

The coming year should be another benchmark year for AssetMark Investment Services, Inc., which serves the independent broker market with its fee-based money management platform.

Founded in Pleasant Hill, California, by four financial advisors in 1996, AssetMark was acquired by insurance giant Genworth Financial of Richmond, Virginia, in October of 2006 for \$230 million, with additional performance-based payments of up to \$100 million over the next five years.

AssetMark's management, which still includes three of its founders, will stay in place, but during the first quarter, Genworth's money management platform – Genworth Financial Asset Management (GFAM) – will be merged into AssetMark's open architecture platform, and christened with a new, yet-to-be-determined name, says Brian O'Toole, AssetMark's CEO and a co-founder. It will be a powerful combination. Currently, the two platforms are used by more than 4,000 financial advisors at 254 broker-dealers.

AssetMark initiated the process that led to its acquisition by hiring an investment bank to conduct a search, O'Toole says, explaining that it was looking for a partner that could help it pull off its next “five-times event.”

Between 2002 and the end of 2006, AssetMark was able to grow its assets under management from \$2 billion to \$10 billion – its first “five-times event” – courtesy of an investment from a venture capital firm, he says. But, in terms of the kind of investment it would take to grow from \$10 billion towards its next target of \$50 billion, that's “pretty rarified air.”

O'Toole says that what he and his partners were looking for was not just a larger partner with substantial financial resources, but also an organization that had the same kind of “entrepreneurial spirit” and “high-energy commitment” towards becoming “a dominant player in our industry.” AssetMark and Genworth were already familiar with one another because they were competing for the same advisors in the TAMP (turnkey asset management program) market. “We would sit in meetings, and we liked them; we vibed well together,” O'Toole says, and like Assetmark, “their game plan was to dominate in the managed money space as part of their overall corporate strategy.”

Acquiring AssetMark will give Genworth a boost in the marketplace. At the time of the acquisition, AssetMark was the larger entity in the TAMP market with \$9.44 billion in assets under management (AUM) to GFAM's \$4.8 billion, O'Toole says.

Year-over-year, as separate entities, both have shown strong growth in AUM since the October 2006 acquisition. As of early November, AssetMark's AUM had grown to \$11.8 billion, a 25% gain, while GFAM's had grown to \$6.8 billion,

a 41% gain. Added together, the two had \$18.63 billion in AUM, “and I hope that will be bigger by year-end,” O'Toole states. And, of course, once the integration is complete, Genworth Financial will have a larger audience among advisors for its line of insurance and annuity products.

“The heart of Genworth's strategy is to provide retirement security products for the baby boomer generation,” says Ronald Cordes, AssetMark's chairman and also a co-founder. “We're working closely on a number of cross-offering initiatives with our partners in Genworth in the annuity and long-term care areas.” He adds that, “there may be an announcement prior to year-end.” Genworth, like many other insurance companies, is looking at “providing guaranteed income solutions to clients in new and unique ways.” AssetMark gets high praise from its advisors not just for its open architecture platform, but also for its peo-



BRIAN O'TOOLE: CEO & CO-FOUNDER WITH  
RONALD CORDES: CHAIRMAN & CO-FOUNDER

ple and for the “value added” of its quarterly meetings with the top advisors in its network, conducted on a regional basis in twelve different locations. The day-long meetings are put together with the help of a twelve-member field advisory board, made up of advisors who use its platform.

The quarterly meetings are “priceless,” says John Payne, who just recently finished a term on the field advisory board. Payne operates his own registered investment advisory firm under the name of Houston Asset Management in Houston, Texas, and he's affiliated with AIG Financial Advisors, Inc. The meetings are a mix of several elements, he says.

First, there's an investment policy committee review, which starts with a general overview of the leading economic indicators and indices, before progressing into a more specific review of Assetmark's asset allocations and money managers.

“They look at the performance numbers, and whether there are any laggards and why and whether changes need to be made,” Payne says. The quarterly meeting is also an opportunity for Assetmark to discuss any modifications to its platform – most recently, the ad-

dition of Genworth's own trustee, Genworth Trust.

Each meeting also features a presentation by one of the platform's money managers, “and it's always very enlightening when you get to speak to the horse's mouth,” Payne says, noting that a meeting he'd just attended included a manager from Goldman Sachs.

But the truly priceless component is the practice management portion, which covers topics like “how to work with clients to develop referrals, or strategic alliances with CPAs.” AssetMark is a “very solutions-driven company” that spends a lot of time “brainstorming” about client needs, says Neal Solomon, an independent broker who operates under the name of WealthPro LLC in Gloversville, New York, as part of the Strategic Financial Alliance, Inc., of Atlanta, and a current field advisory board member.

For instance, Solomon says, “a lot of time has been spent recently on the needs of retired people, who are taking significant withdrawals from their portfolios, and techniques to keep them from running out.” He also notes that AssetMark has developed a platform called “Distribution Strategies,” to help manage distributions and “provide a little bit of peace of mind.” “They keep bringing us new things to look at and think about – a constant stream of ideas and information,” Solomon says, adding: “When you're an independent, that's very valuable.”

The one-day meetings are “by invitation” to the top 20% of AssetMark's brokers, O'Toole says, though the content is available to all of its advisors via a conference call. To qualify as a “premiere consultant,” an advisor has to have “roughly \$7.5 million of assets” with AssetMark, he says, adding that about 350 to 400 advisors attend the meetings in person every year. The field advisory board meets twice a year, to give AssetMark feedback on its platform, O'Toole says.

AssetMark also has a professional development program for its advisors called “The Mastery,” a two-and-a-half day “boot camp.” That program is now being re-engineered and will be re-launched in late January.

Part of the motivation for revamping and expanding the program is that GFAM's advisors are going to be moving from GFAM's platform, which has “a single set of solutions under a single philosophy, and a single group of investments” to AssetMark's open architecture platform, O'Toole says, but the firm is also encouraging the AssetMark advisors who've already been through the program to take another look at it.

“They work hard at it, and they're always coming up with new things we can use in our practices,” says Payne. “These guys are committed to their philosophy of being on the cutting edge of money management, but also practice management.

They live and breathe it every day; it's not just something they say because it sounds good.” ■