



'This model can scale': How a Texas RIA turns college grads into skilled advisors



Andrew Foerch / 02 June 2021, 11:47



49 Financial has found an innovative solution to solve two of the industry's biggest issues: talent development and an aging advisor population.

Travis Penfield believes two advisors are better than one.

Such is the philosophy behind the operating model of his retirement planning firm, 49 Financial, which went independent in October of 2019 in Austin, Tex. before joining Thrivent Advisor Network in July of 2020. Each client is paired with a duo of advisors – one senior, one junior – who jointly work to manage a client’s account. Seniors lead the financial planning and client meetings, while juniors manage the relationship and project management responsibilities. Even Penfield (pictured left) brings a junior advisor into the room when he meets with his own personal clients.

‘When there are two minds trying to plan for a client situation, let alone the follow-up, the project management and the reviews, the client is receiving a superior outcome,’ Penfield said. ‘Everybody gets better return for their labor by partnership.’

This model, Penfield believes, solves two of the RIA industry’s biggest problems: talent development and an aging advisor population. Junior advisors hone their skills working alongside senior ones, and if a senior advisor decides to retire or scale down their involvement, the client already has familiarity and trust with the junior advisor, making the transition relatively pain-free.

At just shy of \$500m in assets under management, 49 Financial has doubled in size in the last year and currently has 120 working advisors, about 35 of whom are seniors.

Sharing is caring

49 Financial’s advisor duos split the fees each client pays based on their AUM. Penfield conceded this can be a major turn-off for some.

‘At first blush, that’s usually where people who’ve entertained this idea stop,’ he said. ‘There are a lot of really great advisors out there that do not want to be part of this model. That’s fine.’

Penfield, however, believes ‘a high tide raises all ships.’

If a younger advisor doesn’t have experience guiding small business owners through a succession-motivated sale, for example, bringing in an advisor with more expertise in that area can help 49 Financial secure a prospective client who otherwise may have walked away in search of a better fit. For the advisors splitting the earnings, 50% of something is better than 100% of nothing. Penfield said their client fees average out to about 1%.

Such an unusual strategy raises questions, not least of which is why a client would trust someone in their 20s or early 30s to properly manage their life’s savings?

‘The average age of advisors out there is somewhere in the 50s. There’s a fear that clients have ... Will their advisor retire? Or in a worst-case scenario, what if they pass away?’ said Penfield, who is 32 years old.

He said clients feel good knowing that an experienced advisor is leading the show while mentoring a younger one to take over in the event of their departure – like a form of insurance.

But if an advisor with 49 Financial does want to scale back their involvement, what happens to their book? In a traditional situation, an advisor might sell their list of clients to a well-aligned firm, cashing out handsomely on their years, or in some cases decades, of work.

According to Penfield, most senior advisors don’t want to drop everything and walk away from their clients. Instead, they’d like to do less work while still maintaining some relationships and watching over their book in more of an ‘assistant coach’ role. As such, 49 Financial doesn’t buy books outright, rather, it rejigs the compensation split to more heavily favor the junior who assumes a more active planning role, while the senior continues earning a smaller percentage of the ongoing revenue generated by their book.

Penfield hopes his firm can become an attractive employment destination for advisors from other firms who want to scale down but not eliminate their involvement with clients.

From post-grad to planning guru

Penfield credits his ‘2>1’ strategy to his mentor Jeff Davidson, who recruited him to AXA Advisors in 2012 from Deloitte, where he landed after graduating from Texas A&M the year prior.

Davidson at the time was winding down his career as an advisor and saw potential in Penfield so invited him to begin sitting in client meetings. For years, the two operated as a master-and-apprentice team.

‘He’d do the bulk of the talking when clients would ask in-depth financial questions. I was the relationship manager,’ Penfield said. ‘He got me national exposure in that company within just two years.’

In 2019, Penfield said, the entrepreneurial itch took over and he got to work creating a training and education framework based on the mentorship he’d received from Davidson at the beginning of his career.

His aim was to train junior advisors from the ground up. As such, 49 Financial recruits early, before a potential hire has even passed their series 65 exam, mainly through referrals and college finance programs.

‘We are incredibly selective on who we let in,’ Penfield said. ‘For college-aged people, we average somewhere around 3% to 5% of them that we talk to will ever get an offer.’

The lucky few enter an intense bridge program where they prepare for their Series 65 and insurance exams. Those who pass move on to a three-year development process that consists of academy-style training classes and real-world, client-facing fieldwork.

About 80% of licensed hires make it through the development process and become full-service junior advisors who ‘know all the facets of the job,’ according to Penfield.

When they feel they’re ready, junior advisors can then enroll in 49 Financial’s internal university program, which consists of undergraduate and master’s courses taught by senior advisors. Graduation from the Master’s program means a junior advisor has levelled up and become a senior.

Around 100 candidates are currently working through the bridge program preparing for their licensing exams. Penfield said he aims to maintain a 4:1 ratio where each senior is a mentor to four juniors.

‘We’ve heard in this industry the term “joint work,” but I’ve not met a firm that’s actually scaled it out,’ he said. ‘This model can actually scale.’

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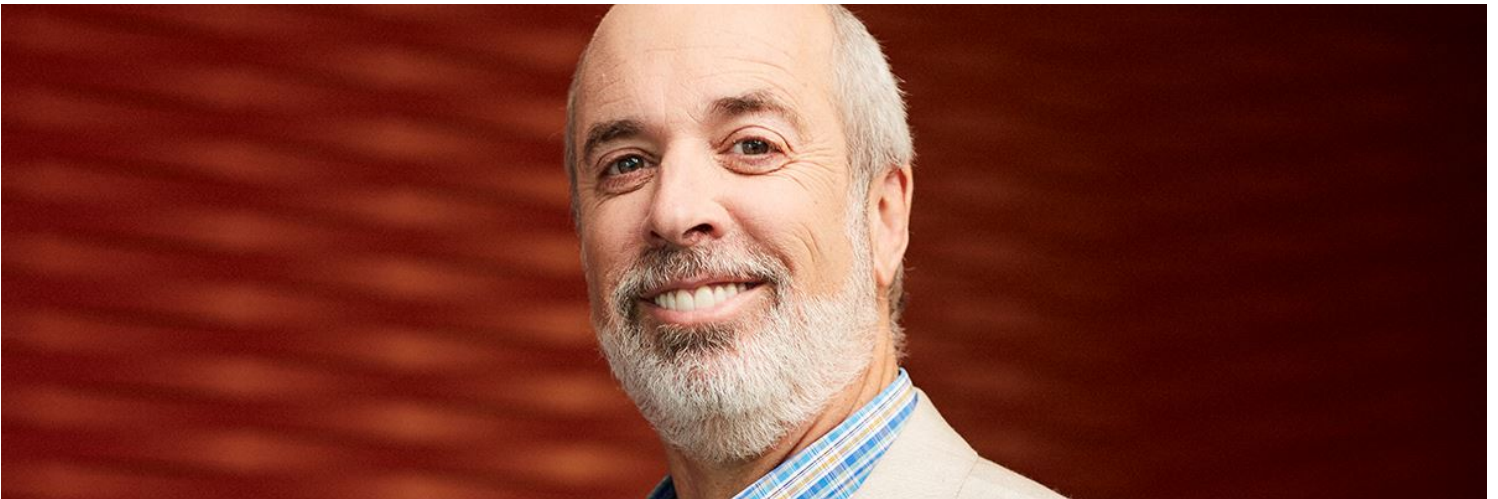
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