As consolidation continues, what happens to the solo practitioner?

The answer depends on whom you ask

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By **Jeff Benjamin**

As the financial services industry continues to consolidate, growing to a list of nearly 700 mega-sized advisory firms with at least $1 billion under management, what becomes of the solo practitioner?

The answer depends on whom you ask.

"I see the industry evolving simultaneously toward both more successful, scaled advice firms and a golden age for solo advisers who, thanks to technology, also can be more efficient than ever," said **Michael**

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"The problem is being in the middle," he said. "A large swath of firms are too big to be small, and far too small to be big, and are at risk of getting squeezed out — a phenomenon that is actually happening in many different industries right now, as technology makes it easier for large businesses to scale and for small niche providers to chip away at them."

That is not the view of David Canter, head of the RIA segment at Fidelity Clearing & Custody Solutions.

"With the competition that our industry is facing, gone are the days when an adviser could easily thrive as a sole proprietor," he said. "We believe that the trend toward consolidation will continue in our space, and firms must be focused on how to scale their businesses while also continuing to deliver an exceptional client experience."

The 2018 InvestmentNews Study of Pricing & Profitability defines solo practices as firms with one professional who works with all clients and manages the practice.

While solo practices are smaller, they are by no means less profitable than many of the larger RIAs.

The median pre-tax owner income of solo practices that were part of the InvestmentNews study was $245,500

With median 2017 asset and revenue growth of 14.4% and 6.3%, respectively, solo firms lagged the industrywide median of 16.8% asset growth and 11.7% revenue growth.

But, perhaps a testament to lean operations, solo firms rose above the pack when it came to profit margins.

In 2017, solo firms produced a median operating profit margin of 28.2%, which compares to an industry median of 22.7%.

"There are plenty of clients who prefer size and scale, and plenty of others who find much to dislike about that and prefer the more intimate relationship and feel of a solo or small shop," said Kashif Ahmed, a sole practitioner and president of American Private Wealth.

"Folks who like to give business to local businesses would rather do business with the local financial adviser in the area than work with a large, perhaps impersonal, multinational firm," he said. "I suspect most folks perhaps rightly may feel that an adviser in a large organization has loyalties to the firm, and not necessarily to the client."

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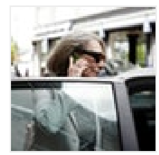

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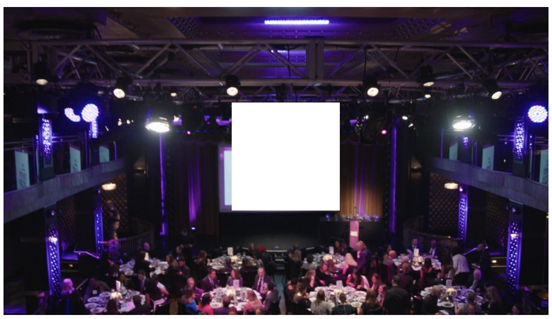

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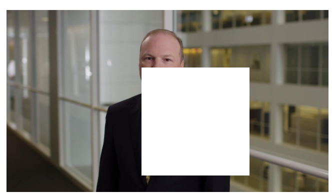

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