

HighTower is starting to run the poaching table in Palm Desert

The Chicago firm's phone is ringing after it wins a top Morgan Stanley team on the heels of nabbing Merrill breakaways

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Brooke's Note: Early on in its expansion, HighTower Advisors seemed a bit like the upscale department store Saks Fifth Avenue as it took office suites and brought brokerage talent to flagship cities like San Francisco, Chicago and New York. But recently the company has taken a page out of WalMart's book as it knocks over the competition in smaller bergs like Portland, Maine; Watertown, N.Y.; and Palm Desert, Calif. It will be interesting to see how this secondary-city approach works for the firm but it's a good bet that HighTower can achieve brand recognition faster in smaller communities – and the wirehouse supply lines from New York are no doubt stretched thin in terms of resisting the challenge. This story gives a sense of the firm's current strategy as it scored the top teams of the Merrill Lynch and Morgan Stanley branches of Indian Wells, Calif.

HighTower Advisors is apparently leaving no cactus unturned in Palm Desert, Calif.: It's recruited a second strong wirehouse team in the space of a month and is looking to scoop up more.

The Chicago-based aggregator of advisory teams brought aboard the Blanke Schein Group of Palm Desert on the Thursday before Memorial Day.

The first breakaway, Amidei Romano Group, arrived from Merrill Lynch with about \$375 million of assets. [See: HighTower wins a Palm Desert Merrill Lynch team in lightning fashion.](#)

The Blanke Schein team broke away from Morgan Stanley led by three partners, William F. Blanke, Robert L. Schein and J. Michael Shields, all of whom will serve as partners and managing directors at HighTower. It also has three non-advisory staff and about \$300 million of assets under advisement.

That makes it HighTower's 22nd team. In all, the group has about \$18 billion of assets under management and advisement.

TWO TEAMS, ONE TOWN

Robert L. Schein, 35, a principal of the new practice, finds it affirming that his team and Amidei Romano are executing semi-synchronized breakaways – though to some extent the simultaneous nature of the moves is coincidental.

"We were the largest team at [the Indian Wells, Calif.] branch of Morgan Stanley and they were the biggest at Merrill Lynch [in the same town] and we ended up in the same place," says Schein.

Mike Papedis, managing director of HighTower's recruiting efforts, says that his company is seeking to gain efficiencies from having two teams in one town.



Robert Schein: Ten advisors called me. They said: 'You guys moved.' What more is there to the story?

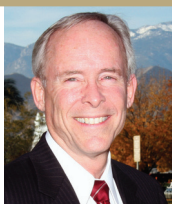
The practices will share a space and collaborate in marketing the HighTower brand. More specific matters such as where the office will be located and if the two RIAs will share a receptionist are still to be determined.

Papedis adds that the recruiting process itself was highly efficient. Elliot Weissbluth, CEO of HighTower; Kevin Geary, the company's west coast recruiter; and he had lunch with Blanke Schein on the same February day before hustling over to a local country club for a four-hour meeting with the Amidei-Romano team. The result: HighTower's 21st and 22nd team. In all, the company has about \$18 billion of assets under management and advisement.

CUSTODY QUESTION

One difference between the two teams is that Blanke Schein chose Fidelity as its primary custodian and

Shields spent three years with Morgan Stanley Smith Barney



Amidei Romano chose Schwab Advisor Services. Blanke Schein specializes in retirement planning and this focus is what led it to use 401(k) king Fidelity Institutional Wealth services as its primary custodian.

Yet Schein allows that several clients have spoken up since his practice chose Fidelity, stating their preference for keeping their assets at Schwab. Some of these investors already had retail accounts with Schwab and felt comfortable extending that relationship.

Schein says that both custodians are a big step up from where he came. “We have nothing bad to say about Morgan Stanley but the wirehouse model wasn’t right for our clients...it wasn’t healthy. The clients had to be defensive.”

There are early signs that Blanke Schein chose wisely in jumping from Morgan Stanley to HighTower, according to Schein. For starters, a \$17 million account from a foundation is expected to come aboard under the new RIA.

“I had 17 appointments today. Our biggest challenge is having enough people to process paperwork,” he says. “The only objection I heard was: ‘Why didn’t you do this sooner?’”

Schein has more than 20 years experience working as an investment professional, having spent the past 10 years at Morgan Stanley Smith Barney and the previous decade at American Express Financial Advisors, Merrill Lynch and Dean Witter.

HELPING HANDS

The Amidei-Romano breakaway occurred a month ago in near-record

time and the clock was ticking on Blanke Schein to make its move before most of Palm Desert’s well-heeled population of about 50,000 departed to Orange County’s shore or points north around the Memorial Day weekend to escape the wickedly hot summer. “This is the last weekend before everyone gets out of Dodge,” Schein says.

Blanke Schein’s team has received a boost from an A-team of Fidelity and HighTower support staff including the aggregator’s chief technical and chief compliance officers. It also got Matthew Harris to come from Lyon Wealth Management in Mill Valley, Calif., a HighTower office to help for the weekend.

Schein also had the benefit of some unpaid labor: Three of his four children pitched in to get the temporary office up and running. HighTower is still searching for space for the two teams but an Indian Wells location is likely.

SOUTHWEST SENSATION

Most surprising to Blanke was not that his clients called in high numbers over the weekend (when temperatures stayed mercifully at around 80 – they’ve been known to climb to 110 degrees in the summer!) but that he got calls from so many fellow advisors.

Blanke has 37 years of experience in the financial services industry, including 30 years with Morgan Stanley Smith Barney, 17 of which he spent as a branch manager. Financial advisors in Palm Desert considered him – because of his position,

tenure and age – to be the last person to strike out beyond wirehouse walls, according to Schein.

“Ten advisors called me from Southern California, Nevada, Arizona and New Mexico. They said: ‘You guys moved. What more is there to the story?’”

Schein says his team is pondering tucking in some of these teams to its own practice.

Papedis says that HighTower is also receiving phone calls in the wake of the latest Palm Desert breakaway. “Kevin Geary will be busy,” he says.

SYNCHRONICITY OR SYNCHRONIZATION?

Given the close time frame of the deals, it’s only normal to wonder: Did the principals of Amidei Romano and Blanke Schein know about each other’s breakaway plans ahead of the crowd?

Schein allows that the two teams encountered each other and obliquely discussed their interest in turning independent under the brand of an aggregator. After a while, Schein invoked the name of the Chicago aggregator by name.

“I finally said: we’re all talking about the same place.”



Blanke’s breakaway is causing a stir after 30 years with Morgan Stanley Smith Barney [and Dean Witter], 17 of which he spent as a branch manager.

Schein says the two teams were comfortable about sharing the Hightower brand name in the same small town from the start. For example, the two practices amicably share a common client. Each practice manages about half of that individual’s assets and neither team has tried to poach the other side’s assets.



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