

# RIABiz

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Exceptional Practices.*



Peter Mangan: [RIAs] like that we're a boutique operation

## [A small RIA custodian in San Diego faces a new challenge: accelerating growth \[updated\]](#)

Peter Mangan is creating a company that resembles the old Jack White more every day

**Monday 1/11/10 by Brooke Southall**

*Editor's note: This article was updated with a comment from Mark Tibergien who heads Pershing's RIA custodian.*

It seems like a simple business plan but Peter Mangan was one of the few with the vision and patience to make it happen.

In 2002 he founded an asset custodian for RIAs – and *only* registered investment advisors — called Shareholder Services Group in San Diego. Since then, Mangan has been to content to let the company grow at an organic pace, and it has sought no media attention.

Mangan made make it a welcoming place that takes on the smallest practitioners and assures them personal service. Though Mangan declines to disclose the cumulative assets under custody at his firm, he says that his company now has more than 500 RIAs as clients and it brought aboard about an RIA per business day in 2009 — like Scottrade Advisor Services. Read: [Scottrade rakes in small RIAs](#)

Mangan founded SSG after nearly a decade of helping to build up Jack White, a place also famously welcoming of the little guy, before it was acquired by TD Waterhouse in 2000.

Starting an asset custodian is a little like starting a bank. You're immediately thrown into battle with companies of enormous scale, with household brand names. For custodians, that includes brokers like Charles Schwab & Co, Fidelity Investments and TD Ameritrade.

## **Scrap for every customer**

But, if you're a small custodian, you do have an advantage. Banks might scrap for every customer, but the asset custodian business is so profitable that the big companies are content to focus on certain segments of the market.

The more successful the big custodians are, the less likely they are to want to compete with you for fledgling RIAs that are just getting their feet on the ground.

With no minimum asset requirements, SSG thrives on small advisors: Only about 5% of SSG customers have more than \$100 million of assets under management.

There is little doubt that SSG can continue to thrive, though with one caveat, says Mark Tibergien, CEO of Pershing Advisor Solution.

“They are making some interesting moves” including making the hire of Dan Skiles, he says. “In terms of a niche market, they can be relatively superior as long as they don't try to be something that they are not.”

Indeed, one good source of client referrals for Shareholder Service Group is referrals from larger custodians because of this niche focus, Mangan says.

The other source is more straightforward: “Advisors are telling other advisors,” he says.

SSG's new clients fall into four main categories:

- de novo clients, like a brokers setting up their own business.
- colder starts, such as a mutual fund manager setting up shop as a financial planner.
- a large number of fee-based IBD reps who are bringing their business under their own RIAs.
- Finally, existing RIAs who are moving assets from legacy custodians.

Of the RIAs in the last category, some of them are pleased enough with the services of the custodian; they are merely “worried about the direction” that their custodian is headed. Many custodians engage in multiple lines of business and offer more comprehensive financial advice in their retail branches with each passing year.

## **Potential conflict**

This potential conflict has made RIAs of a certain mindset distrustful enough of these companies that they have been motivated to move their assets elsewhere.

“[RIAs] like that we're a boutique operation,” Mangan says.

Mangan co-founded his company with Robert Reed, SSG executive vice president, who formerly led the creation and development of Jack White & Company from its inception in 1978. The men have bootstrapped the business by outsourcing where necessary and keeping service levels high.

The low-overhead approach had a quick side benefit: positive cash flow within two years of starting up.

Now the company is facing a new challenge: robust growth. It is bringing aboard on average an RIA per business day. It is seeking more space, increasing staff [by about 25% from 12 to 15 in 2009] and bringing aboard more executive talent. See: [How Schwab's top RIA tech executive ended up with a fledgling competitor](#)

## **Equity stake**

Mangan brought board the former head of technology for Schwab Advisor Services, Dan Skiles, last spring and gave him an equity stake – most of SSG's employees have one —and a mandate to prepare the company to grow even faster. Skiles worked for Jack White from 1994 until it was acquired by TD Waterhouse in 2000 and then stayed on under Tom Bradley for two years.

“It's indicative of our growth,” Mangan says.