Thursday 8/27/09

by Brooke Southall

Eric Thurber, 39, Fred Molfino, 40, and Brett Sharkey, 37, left Smith Barney 11 days ago to form Three Bridge Wealth Advisors in Menlo Park, Calif.

The three partners have spent years serving the elite of Silicon Valley’s venture capital community from Sand Hill Road and their revenues are split between wealthy families and the institutional business from VC firms themselves. Though they have been ensconced in the richest of deal-making cultures, it took a momentous event to decide to put themselves in play.

“Last October Citigroup [shares] went to under a dollar a share and we realized our custodian was at risk,” says Thurber, a managing director of the firm. The partners were fielding calls from clients asking if their assets were safe, he adds. Now they have decided to move their book of business of more than $740 million to Charles Schwab Advisor Services.

“This concern about financial stability of custodians has been a major boon to Schwab’s efforts to bring aboard teams from wirehouses, according to Barnaby Grist, managing director of strategic business development for Schwab.

“We get a lot of calls around here asking about the strength of The Charles Schwab Corp.,” he says. “We love getting those calls.”

Yet before committing to go the RIA route, the advisors decided to vet all the opportunities of joining another Wall Street firm. They were aware of the big signing bonuses they could command from a competitor.

After considering those offers, however, they came to a realization that the offers wouldn’t solve their clients’ concerns.

“No one was clean,” Thurber says.

They looked a little further afield at JP Morgan and other Wall Street firms but found they didn’t have what they were accustomed to.

They gave cursory consideration to joining an independent broker-dealer but they decided they wanted a clean break from “legacy” models so that notion was quickly dismissed.

“If we were going to do this, we wanted complete control,” Molfino says in response to a question about joining an IBD. “[By becoming an RIA] we can build the right moral compass. We can put our brand on it.”

They spent months doing due diligence on the custody platforms of Fidelity Investments and Pershing LLC before deciding to go with Charles Schwab Advisor Services. A visit to a Schwab service center in Scottsdale, Ariz. made a big impression on them, they say.

Service and support were the keys. The partners had seen steady erosion in back office support at Smith Barney because the staff at their branch was slashed to a skeleton crew. These were employees they relied upon to assist with a multitude of tasks like wire transfers and various paperwork.

The principals are ebullient in their new offices on Sand Hill Road.

“People want to share with us and it’s different from where we just came,” says Molfino, managing director of Three Bridge. “I’m happy; this is fun.”

They were surprised to find such a high level of support from other breakaway advisors. The Three Bridge partners received important mentoring from advisors at Luminous Capital of Los Angeles and Menlo Park. The two firms share some clients in common.

There was only one note of regret mentioned by Thurber about his firm’s breakaway.

“If I had known we would be this successful [in bringing over clients], I would have done this sooner,” he says.

Editor’s Note: If you want to try an alternative to caffeine in your mid-afternoon lull, try calling an advisor who recently broke away to independence. Call it what you like: entrepreneurial fervor, evangelical passion or the zeal of the converted. It’s high voltage positive energy.

Breakaways suddenly realize that they are part of a great club of support from fellow independents and people in general who appreciate a good leap of faith. Thurber and Molfino expressed this contagious excitement as strongly as anyone I’ve spoken to in a while.