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Milwaukee Wealth Management was born when Jeff Geygan's investing strategy hit the UBS wall

A value devotee, his picks at times conflicted with the wirehouse's research department

10h 34min ago by Elaine Pofeldt

Jeff Geygan didn't intend to fly solo when he embarked on his career, but his commitment to value investing eventually made the choice inevitable.

Jeff Geygan: We have clients that are professional golfers, state senators, movie actors ... a leading scientist in his field.

The financial advisor started out in 1987 at Shearson Lehman Brothers in Eugene, Ore., moved to an office in Milwaukee and stayed put for 15 years, throughout several changes in ownership. In 2002, he moved his practice to Paine Webber,

which soon became part of UBS, and stayed there five years. See: [Two senior UBS brokers pass on retirement to pursue aggressive breakaway plan](#)

Geygan had been sold on value investing after reading *The Intelligent Investor* by Benjamin Graham, at a colleague's suggestion, back in 1989, and never wavered. That commitment ultimately led to frustration.

Wirehouse policies

"Over time, it became more and more difficult to be a value investor within a wirehouse environment, if you really want to be disciplined," he says. "As time went on and the industry became more and more regulated, the attorneys at the wirehouses were really restricting what an investment advisor like me could look at. I was forbidden from buying a security our research department rated a sell."

"Most of the wirehouses don't want registered reps recommending stocks that their research firm in New York is recommending to sell," he says. "There are obviously legal consequences for the brokerage firm."

UBS, where he worked immediately before his breakaway, declined to comment. See: [How a UBS skull session was complicit in showing this advisor the path to independence.](#)

The experience Geygan describes is not unusual, according to Paul Lieberman, a partner in Lawrenceville, N.J.-based [Stark & Stark](#), who previously worked in the general counsel's office at Merrill Lynch. "It is common practice for the wirehouses to require their brokers to follow the firm's research ideas and not go against the grain," he says. If a firm's research reports say to buy a security and the broker says to sell it – and it then goes up 50 points – "the client is going to sue the firm," he explains.

Brokerages put policies in place to prevent that from happening, he says.

A well-considered business set-up

Geygan finally made his move in August 2007, just prior to the market's peak, bringing along one administrative assistant. He set up Milwaukee Private Wealth Management Inc., where he is president and senior portfolio manager.

He approached the formation of his company the same way he approached his investment strategy: with discipline. A big part of his preparation was creating a very detailed pro forma, with an income statement and balance sheet – something he recommends that others do before a breakaway. You need to be able to envision "what is this business going to look like compared to what you have today," he says.

The first question he asked himself was whether he wanted a single custodian or more than one.

"I felt there were distinct advantages to having multiple resources to draw upon," he said by e-mail. "At the time, I also had an account that was custodied at SSB as well as an account at a Chicago area trust company. So my paradigm from the beginning involved dealing with and reconciling daily downloads from multiple custodians. In retrospect, it was a very good decision and one that I would encourage other breakaways to evaluate. ... Surprisingly, I have discovered that there can be significant price difference between custodians when investing in the fixed income markets."

He moved his assets to [TD Ameritrade](#) and [Schwab Advisor Services](#).

See: [How TD Ameritrade wins clients \\$47 million at a time](#).

He lost only one client during the breakaway – which he attributes to the fact he moved when the market was doing well. In October 2002, when he switched firms, more clients opted not to join him. "Tactically, the breakaway decisions should be considered in light of the market environment from my experiences," he said, adding that he employed the Chicago-based Iavarone Law Firm to represent his firm in what he calls inevitable disputes with the wirehouse.

"That was by far my best decision," he said.

Three more advisors have affiliated with Geygan, and the firm now manages money for individuals and families in the U.S., Europe, Asia and South America. With about 85 client relationships, it has about \$100 million in assets under management. Geygan lays out his investment strategy in detail on his web site, for prospective clients to see.

Multi-generational and entrepreneurial

Business owners and their families have become a core of Geygan's practice. "It's not unusual for us to deal with three or four generations," he says. "Generally, I'm dealing with Grandpa, who started the business and passed it on to junior."

Entrepreneurs and their families can be ideal clients, he explains. "Business owners understand risk," he says. "That's a hard quotient for any investor to be able to tolerate: risk and uncertainty." And entrepreneurs are not the type of investors who are likely to delay action indefinitely by saying "Let me think about it," he says. "Most business owners can make decisions, yes or no," he says. They're also so busy that they're fine with delegating control of their money, he adds. "I'm going to have a minimal amount of interference with that client," he says.

So far, Geygan has built his practice through word of mouth. "We have clients that are professional golfers, state senators, movie actors...a leading scientist in his field," says Geygan. The challenge is expanding it further, without stretching his team – which includes two colleagues in Milwaukee and one in New York – too thin or diluting the focus of the company.

"I think there's a threshold to how many clients a firm can really manage," he says.

"If I add new clients and not the appropriate amount of staff to service the new client relationships, does the overall 'client experience' decline, thus detracting from our business offering?" he added in an e-mail.

Sweet spot

"Additionally, I question the actual economies of scale when growing. Do the operating margins or net profit margins (in other words, the absolute dollars earned) by the principal improve substantially with growth? If not, then why the growth imperative? Could there possibly be a 'sweet spot' in the RIA business model where you have optimized resources. Something to think about..."

Instead of adding more advisors, he is adopting an organic growth strategy.

"We're going to talk to more of our peers about having us manage money for them as a traditional third-party manager," he says. The trick will be to figure out how to do so in a way that lets the firm stay focused on delivering excellent investment results, he says.

Elizabeth's note: Elaine Pofeldt worked with me at Crain's New York Business. A small business writer for many

years, she has a great feel for the challenges entrepreneurs face, and now she's interested in the investment advisory world. I'm happy to have her byline appear in the pages of RIABiz.

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