sifma

A Closer Look: The Facts on the DOL's Flawed Fiduciary Proposal

As the Department of Labor's (DOL) proposed Retirement Regulation moves forward towards a final rule, we remain concerned about its impact on low- and middle-income investors. Numerous studies have challenged DOL's sweeping generalizations and extrapolations, finding that this Regulation will have the ultimate effect of limiting choice and access to financial education while raising the cost of saving for retirement.

LIMITS CHOICE

57% WILL BE FORCED OUT OF THEIR BROKERAGE RELATIONSHIP

Today, investors can choose between three different types of financial advice models to fulfill their needs. The DOL's Retirement Regulation will limit this choice, with National Economic Research Associates finding that more than 57% of all retirement account holders will be forced to terminate their relationship with their financial advisor[1].

LIMITS ADVICE

THE COST OF DEPRIVING CLIENTS OF HUMAN ADVICE COULD BE AS MUCH AS **$80 BILLION**

The DOL's Retirement Regulation will take away the ability of small investors to have one-on-one conversations with investment professionals. Because they cannot afford a fiduciary investment advisory fee, they will instead be forced to solely rely on a computer algorithm known as a "robo-advisor." A conservative assessment by Economists Incorporated finds that the cost of depriving clients of human advice could be as much as $80 billion, or twice the 10-year benefits that DOL claims for the Regulation[2].

RAISES COST

THE SHIFT FROM COMMISSION- TO FEE-BASED ACCOUNTS WILL COST SAVERS **75-195%** MORE

The DOL's Retirement Regulation will prevent middle-income savers from using products that fit their needs at a price that works for them and could force savers to pay for products and services they may not want or need. An Oliver Wyman study showed that these unintended consequences will cost savers who use brokers 75 to 195% more[3].

QUICK STATS

281 Members of Congress have voiced concern about the DOL's Retirement Regulation

The DOL received 3,530 comment letters in 2015 - more than **10x** the amount for the original proposal in 2010

The DOL has received **391,621** petition signatures on the proposed Retirement Regulation

Look Deeper: More Concerning Findings

[1] NERA Comments on the DOL Proposal and Regulatory Impact Analysis
National Economic Research Associates (NERA)

- The Regulatory Impact Analysis (RIA) produces many different numbers representing different underlying assumptions, resulting in industry cost estimates that vary wildly from about $2 billion/year to $50 billion/year. The range of numbers is so wide it suggests no scientific confidence in their own methodology.
- The academic research cited in the RIA is misapplied and the DOL makes erroneous conclusions on investor behaviors, which renders their regulatory impact analysis unreliable and incomplete.
- In 2011, the DOL estimated that consumers who invest without professional advice make investment errors that collectively cost them $114 billion per year. Applying the DOL's own logic to the present proposal, combined with the likelihood that a large number of investors will lose access to advice, will result in aggregate costs that may exceed the DOL's own estimates of the benefits of the proposal.

[2] Good Intentions Gone Wrong: The Yet-To-Be-Recognized Costs of the Department of Labor's Proposed Fiduciary Rule
Economists Incorporated

- The DOL fiduciary rule has been justified based on economic analyses by the DOL and the Council of Economic Advisors (CEA) that are flawed and filled with contradictions. These flaws come mostly from "cherry picking" and misreading the relevant economic literature, and from ignoring significant costs to millions of small savers.
- The DOL rule wagers the welfare of millions of Americans on the mistaken notion that ending commission-based compensation is better for small savers than assuring them continued access to human financial advice through an affordable and time-tested model.
- The DOL's RIA concludes erroneously that the net benefit of the rule would be roughly $4 billion per year (the CEA, making related errors, pegs the benefit at $17 billion). A conservative assessment of the rule's actual economic impact finds that the cost of depriving clients of human advice could be as much as $80 billion, or twice the claimed 10-year benefits that DOL claims for the rule.

[3] The role of financial advisors in the US retirement market
Oliver Wyman

- Small businesses that work with a financial advisor are 50% more likely to set up a retirement plan (and micro businesses with 1-9 employees are almost twice as likely).
- Advised individuals, segmented by age and income, have a minimum of 25% more assets than non-advised individuals. And in the case of individuals aged 65 and older with $100,000 or less in annual income, advised individuals have an average of 113% more assets than non-advised investors.
- Advised investors have more diversified portfolios - own twice as many asset classes, have more balanced portfolio asset allocations and use more packaged products for equity exposure compared with non-advised investors.

[4]Financial Services Observer: The U.S. Department of Labor's Fiduciary Rule for Advisors Could Reshape the Financial Sector
Morningstar

- While the DOL rule appears "more lenient" than the Retail Distribution Review (RDR) implemented in the United Kingdom which outright banned commissions, "it isn't." The result of the UK RDR has been a decrease in the number of financial advisors and an "increase in explicit advice charging." The DOL proposal would cause "major shifts" in investment product choice.
- Under the proposed rule, practically any advice to a retirement account that leads to third-party remuneration would be considered a prohibited transaction.
- The shift from commission-based to fee-based accounts could translate to as much as $13 billion in additional costs to investors.

[5]Locked Out of Retirement: The Threat to Small Business Retirement Savings
U.S. Chamber of Commerce

- Small business owners, through SEP and SIMPLE-type IRA plans, provide roughly $472 billion in retirement savings for over 9 million U.S. households.
- 99% of U.S. employers are small businesses, and they produce 63% of new private-sector jobs. These small business owners and employees need retirement plans at work.
- The DOL is proposing broad new regulations that would impose significant new compliance costs and legal liabilities on advisors to SEP and SIMPLE IRAs, costs that will be passed on to these small business plans and employees.

[6]ICI Comments on the DOL Regulatory Impact Analysis
Investment Company Institute (ICI)

- The academic studies the RIA cites do not address or measure the core question raised by the DOL's proposal – whether investors would be better off using financial advisors who are fiduciaries.
- The academic research does not capture the current state of the market for mutual funds sold with front-end loads. The data used are out of date and no longer represent broker markets.
- Contrary to DOL's claims, investors who own funds that are sold with front-end loads actually have concentrated their assets in funds that outperform – not underperform – their Morningstar category.
- The DOL claims benefits of $44 billion to investors in its regulatory impact analysis, but an ICI study finds that the rule could cost investors $109 billion in lost returns and fees over 10 years.

[7]Matters of Fact: Consumers, Advisors, and Retirement Decisions (and Results)
LIMRA

- Households that use a financial advisor are twice as likely as non-advised households to have $100k or more in retirement savings, and three times as likely to have a retirement nest egg greater than $250k.
- People who engage a financial advisor are more likely to contribute at least 10% to their employer provided plan, which is the commonly recommended saving rate. This is much higher than the average default contribution rate of 3.4% that unadvised individuals make with automatic enrollment.
- Advisors can also add value by encouraging clients to save holistically, not just for retirement. For nearly every listed savings goal, advisors' clients are significantly more likely to save on a regular basis compared with people who don't consult advisors.

“We stand ready to work with the Department of Labor to ‘fix’ this flawed proposed regulation. We also stand prepared to fight for middle- and low-income Americans — so they have access to the retirement advice they need.”

-Kenneth E. Bentsen Jr., Dale E. Brown, Frank Keating, Dirk A. Kempthorne, Tim Pawlenty

-Roll Call

sifma

To learn more, visit
www.sifma.org/dol-fiduciary
www.keepretirementopen.com

BENJAMIN F. EDWARDS & CO.
INVESTMENTS *for* GENERATIONS

OUR MISSION

To empower our financial advisors with the freedom to address their clients' needs as they see fit in an atmosphere grounded in trust, integrity and mutual respect. We are committed to client-first service, and support our financial advisors with the comprehensive resources they need to provide the informed and objective financial advice their clients deserve.

OUR APPROACH

We accomplish our mission by aligning our employees towards the relentless pursuit of our client-first mission and vision every day. Our business model incorporates progressive technology and high-quality industry partnerships. It is a model built on a cultural foundation that is entrepreneurial, which enables us to adapt dynamically as our clients' needs change and our industry evolves.

OUR CORE VALUES

We achieve our mission and execute our approach based on generations of knowledge, conviction and success. Our character is shaped by the following deeply-held core values – embraced by all – that have guided the Edwards family's approach to business for more than 125 years:

The Golden Rule	We treat others the way we want to be treated.
Independence	We cherish and are committed to protect the company we own, the culture it fosters and the autonomy it provides to accomplish our mission.
Accessibility	Our leadership team is approachable and available. We welcome, expect and encourage feedback from our clients and our employees.
Striving for Excellence	We enjoy what we do and work together collaboratively to deliver superior results for our clients, employees and our shareholders. We firmly believe that our success today will drive the accomplishments of tomorrow.
Having Fun	We wholeheartedly celebrate our successes – together, and have fun doing it.

JAD EDWARDS

BENJAMIN F. EDWARDS IV
November 2012

FA
FINANCIAL ADVISOR JULY 2012

frontline

Benjamin F. Edwards & Co. Forges Own Path

Not many four-year-old firms have a legacy stretching back to the Lincoln administration. But the financial industry roots of independent broker-dealer Benjamin F. Edwards & Co. began when Albert Gallatin Edwards, who was appointed to a Treasury Department post by Abraham Lincoln in 1865, launched A.G. Edwards & Son in 1887 with his son, Benjamin Franklin Edwards. Subsequent generations of the family made the St. Louis company one of the country's largest brokerages before it was bought by Wachovia in 2007, which in turn was bought by Wells Fargo two years later.

A.G. Edwards' great-great-grandson, Benjamin F. (Tad) Edwards IV, left the company in 2008 to start his privately held, full-service brokerage and RIA firm that's named in honor of his father, Benjamin F. Edwards III, the longtime head of the former A.G. Edwards.

That company forged an image as a folksier, Midwestern alternative to the big Wall Street brokerages.

Tad Edwards is, rightly so, proud of his family's heritage. His office wall at company headquarters in the St. Louis suburb of Clayton, Mo., is crammed with family pictures—as well as pictures of friends and about 20 paintings. That heritage shapes the culture at Benjamin F. Edwards & Co., but it doesn't mean the company is A.G. Edwards 2.0.


Benjamin F. (Tad) Edwards IV

"We're a private company with an entrepreneurial culture and a deep, rich history, but we're very forward-looking," says Edwards, 56. He touts the firm's client-centric philosophy, its broad offering of non-proprietary products that runs the gamut from mutual funds to managed futures, and its relationship-based approach as some of the value propositions it offers advisors interested in joining the fold.

The company was launched with three employees, and it opened its first branch office in Springfield, Mo., in 2009. Today, the firm has roughly 230 employees at 24 offices in 15 states that span the country from New York to Oregon and from Florida to Minnesota.

"I believe we're in the first or second inning of our growth," Edwards says. Still, the company doesn't have formal growth plans to add a certain number of employees or offices within specified geographies or time frames. Nor does it work with headhunters or have a formal recruiting infrastructure.

Research:
HELPING ADVISORS HELP THEIR CLIENTS SEPTEMBER 27, 2010

BY JANET LEVAUX

Broker Benjamin Edwards Opens First Branch in St. Louis

The broker-dealer, led by the former president of A.G. Edwards, has 39 financial advisors nationwide and about 47 staff members at its St. Louis headquarters

Brokerage firm Benjamin F. Edwards & Co. has opened its 11th U.S. branch and the first branch office in its hometown of St. Louis, the company announced Friday, when it also moved into a larger home office.

The broker-dealer, which started its operations 13 months ago, is led by former A.G. Edwards President Tad Edwards, 55, who named the firm after his father.

Tad Edwards worked at A.G. Edwards for 30 years and is the great-great-grandson of that company's founder and the son of Benjamin F. Edwards III, its longtime CEO.

He started work on the Benjamin F. Edwards & Co. brokerage firm in 2008, a year after the firm bearing his family name was acquired by Wachovia Securities (now Wells Fargo Advisors).

"We opened our first branch in August of 2009," said Edwards in a phone interview. "We like this pace and plan to continue to open more branches."

The brokerage firm now operates in Illinois, Missouri, Virginia, Wisconsin, Georgia, Connecticut and New York. It has 39 advisors and 32 branch assistants nationwide, and 47 staff members at its headquarters in St. Louis.

"We are focusing more on the people and the leaders in the area to build around, and that's more important to us than the [branch] locations," Edwards explained.

The new firm is hiring advisors and staff members that "believe in the client-first approach and the Golden Rule," he added.

Blake Dunlop has been hired to lead the new St. Louis location as a regional manager. The financial-services veteran also was a professional hockey player with the St. Louis Blues.

Dunlop worked at A.G. Edwards for 27 years, where the branch he led "was consistently one of the top five highest-producing offices out of the firm's network of more than 700," the company said in a statement. "During the same period, employment at the branch also increased from 20 industry professionals to 44 at its peak."

A.G. Edwards was sold to Wachovia in 2007, when it had some 6,600 advisors. At the time, none of the original firm's family members were involved in the day-to-day management of the broker-dealer, which was formed in 1887.

Benjamin Edwards III retired from his executive work at the firm in March 2001 (and died in April 2009), while Tad Edwards – who had been working as a branch manager at the time – left in May 2008.

Edwards says that most of the firm's hires are former A.G. Edwards' employees and advisors. "But we are seeing people from other firms and want to hire people from different firms. We have many opportunities and hope to get a diverse group," he said.

The advisors are hired as employees, and the broker-dealer is positioning itself as a full-service brokerage. Still, Edwards says, "It's a bit of a hybrid, since people do feel somewhat independent because it's a boutique firm. We have the technology and other services advisors want and are pleased with the support and resources we offer," he added.

The broker-dealer has outsourced its back-office operations, such as clearing and some IT services, to Pershing.

In contrast to St. Louis-based Edward Jones, Benjamin Edwards aims for its branch offices to have more than one advisor. "We want them to have teams. It's a branch synergy and culture that we want to build up," Edwards said.

And despite the challenging economic and financial times, the new brokerage's growth is progressing nicely, he says. "A lot of people find our business model, culture and family attractive as we've been heavily involved in the business for six generations," Edwards stressed. R

Janet Levaux, MBA/MA, is the managing editor of Research; reach her at jlevaux@researchmag.com. She has worked as a features editor and writer for Investor's Business Daily and a community news editor and columnist for The Contra Costa Times.

THE WALL STREET JOURNAL.
TUESDAY, AUGUST 11, 2009

DEAL JOURNAL
Breaking Insight From WSJ.com

A New Branch For Family Tree

A.G. Edwards Scion Targets Old-School Feel For New Brokerage Firm

By MICHAEL CORKERY

Benjamin F. "Tad" Edwards IV, the great-great-grandson of A.G. Edwards, is trying to recreate the past.

The scion of the man who founded A.G. Edwards & Sons has started his own brokerage house, hiring about two dozen former A.G. Edwards's employees and locating the home office in St. Louis, where A.G. Edwards & Sons was founded in the late 19th century.

"People are looking for something that resembles the culture that A.G. Edwards had for 120 years," Mr. Edwards says. "One that is built on trust and one where clients are put first and where you can have fun and create wealth."

The new firm, **Benjamin F. Edwards** & Co., bills itself as an alternative to the flashy, impersonal culture of Wall Street brokers. It is the same image the original A.G. Edwards sought to project.

In May 2007, A.G. Edwards was bought by Wachovia, one of the nation's largest banks, for $6.8 billion. About 18 months and one global financial crisis later, Wachovia was taken over by San Francisco's Wells Fargo.

Mr. Edwards was on the board at A.G. Edwards at the time of the sale to Wachovia. "I did not want the firm to be sold," he says. "It's hard to lose something that had been in the family for 120 years."

Mr. Edwards left Wachovia about a year after it bought A.G. Edwards, the firm his family founded.

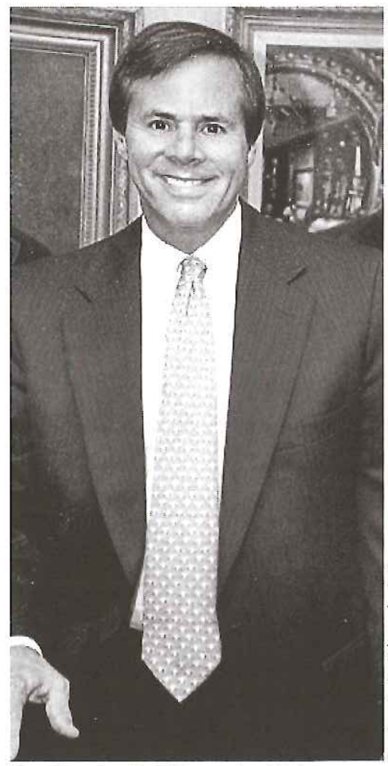
The new firm carries the name of Mr. Edwards's father, Benjamin F. Edwards III, who headed A.G. Edwards for 40 years, starting in the 1960s, and who died in April.

Mr. Edwards emphasizes that the new firm will be "independent" and "privately held," offering a range of fee-based brokerage services geared toward individual investors.

It is being funded by Edwards family members, employees and others. The first branch office is scheduled to open in the next several weeks, though he declined to say where. He hopes to have at least half a dozen offices open by year end.

The 54-year-old says it is an opportune time to be opening a brokerage house. Amid the financial turmoil, he says, investors want alternatives to big firms.

Mr. Edwards says his father typified the old-school A.G. Edwards, recalling that he once hit a hole-in-one but didn't tell many people about it. "With Dad, it was all about hiring people that he trusted, and that's the way we will do it," Mr. Edwards says.



Benjamin F. Edwards & Co.

Benjamin F. Edwards IV is following in his great-great-grandfather's footsteps.

THE WALL STREET JOURNAL.
MONDAY, JULY 12, 2010

Financial Adviser

News and insight for financial advisers, wealth managers and their clients.

Benjamin F. Edwards Branches Out in Georgia

(The following has been excerpted.)

Benjamin F. Edwards & Co., the young brokerage firm founded by the great-great grandson of A.G. Edwards, is adding yet another branch, this time in an Atlanta suburb.

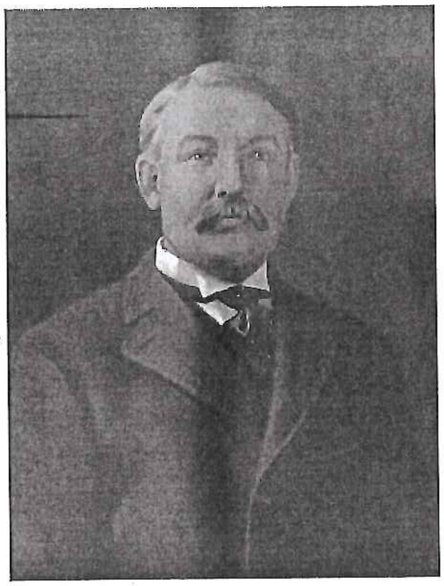
The Alpharetta, Ga., office, is the St. Louis-based brokerage's 10th new branch in 11 months and its first in the Southeast. It opened Friday with four brokers and two assistants.

The brokerage is focusing less on particular geographic areas than on finding the right teams to add as it grows, said Benjamin F. (Tad) Edwards IV, founder, chairman and chief executive.

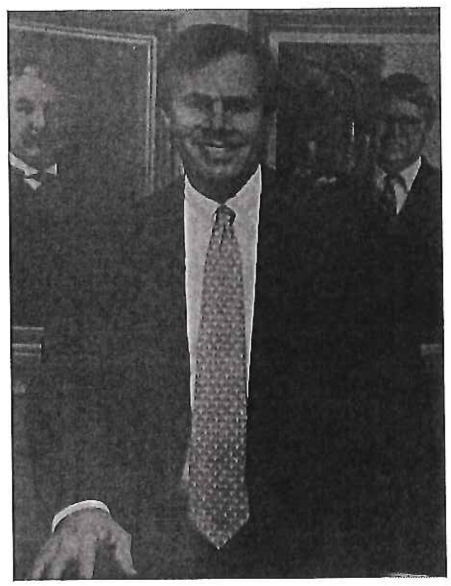
"We've got a very strong infrastructure here," said Edwards. "We have the ability to grow pretty rapidly if we want to. However, our objective is not to put different pins on a map. It's really more focused on the quality and character of the people."

"We sort of like the pace we're on," he added.

Edwards is son of Benjamin F. Edwards III, the long-time chairman of A.G. Edwards. That firm, founded in 1887, was acquired by Wachovia Securities, now Wells Fargo Advisors, in 2008, the same year Benjamin F. Edwards was founded.



In 1887, Benjamin F. Edwards I started A.G. Edwards & Son with his father Albert Gallatin Edwards.



Benjamin F. Edwards IV, the great, great grandson of Albert Gallatin Edwards and great grandson of Benjamin F. Edwards I.

The Alpharetta office will be led by Roland H. de Liniere, senior vice president-investments and branch manager. He joined A.G. Edwards in 1988. De Liniere will seek to grow the office "with the right combination of high-quality brokers," he said Friday. "This was an opportunity I couldn't pass up with the culture and atmosphere that Benjamin F. Edwards brings."

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February 24, 2010

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Opinion Online

Why 'Undercover Boss' wouldn't play in the brokerage world

The new reality TV hit can be fun to watch, but don't expect to see any financial services CEOs in future episodes

By Evan Cooper
February 24, 2010

Full disclosure: I rarely watch reality television shows. Call me a snob, but I don't give a flying fandango about would-be rock stars, worm eaters or piranhas-in-training trying to impress a billionaire blow-dried blowhard.

But Sunday night, I got caught up in CBS' "Undercover Boss" and can appreciate why it's becoming a hit: it's a morality play for our cynical times.

The plot is simple. In the episode I saw, the benevolent chairman of 7-Eleven puts on chinos and drops in on several of the franchise convenience stores, using an alias. As part of a ruse about filming workers in training, he discovers that many of the company's hard-working employees are terrific.

The premise of the show is that CEOs are so removed from their workers that the Big Man hasn't a clue as to what really goes on. Previous episodes featured the bosses from Waste Management and Hooters.

In the episode I happened to catch, the 7-Eleven chairman messes up making donuts and can't put up a pot of coffee without spilling it all over the place.

Despite his cluelessness, our CEO, Joseph DePinto, really does have a good heart. He assembles what seems like thousands of 7-Eleven workers at the show's end, plays videos of his klutziness and rewards the folks featured in the show by donating money so one worker can get a kidney transplant, arranging a 7-Eleven franchise for another and becoming a mentor to a third.

No wonder the show works — it plays to our worker-bee fantasies. So many of us have had experiences with crazy bosses, rotten corporations and out-of-touch managers that we long to see a story where the guy at the top sees the light after he rubs elbows with the simple folk on the front lines and rewards the good.

In the securities business, it would be hard to recreate "Undercover Boss." I can't imagine James Gorman working undercover in the operations department of Morgan Stanley Smith Barney to settle variable annuity trades. Nor, for that matter, do I envision Sallie Krawcheck putting on an outfit from Target and popping into a Merrill Lynch call center to field customer questions. And there's little or no chance that a UBS or Wells Fargo chairman would try to pass as a rookie broker and attempt to deal with clients directly.

Wirehouse CEOs just aren't like that. They simply don't see things from the average worker's perspective. In fact, whether because of the pervasive elitism of most of Wall Street, there don't seem to be many securities firms of any size where a we're-all-in-this-together spirit prevails.

Actually, there may be one, but the firm is hardly a giant. In fact it's a start-up of sorts. I say "of sorts" because Benjamin F. Edwards & Co., while only a few months old, is heir to the pre-Wells Fargo, pre-Wachovia A.G. Edwards.

If there ever was a securities firm that tried to look at things from the customer's and employee's points of view, it was A.G. Edwards. Although the St. Louis-based firm made it through depressions and wars and always seemed to be listed among the top 100 companies to work for, it was regularly criticized by Wall Street analysts for not being as profitable as it could be (I guess if top management doesn't squeeze every last nickel out of a business each quarter, the research savants don't think the company is serving its shareholders).

Brokers who worked at A.G. Edwards loved the firm. It didn't pay sign-on bonuses and its payouts were nothing unusual, but the firm always considered its customers to be the brokers' customers, and left the brokers alone to do what they thought was best for their clients.

The late Ben Edwards, who was active in industry issues when I worked at the Securities Industry Association many years ago, was one of the great gentlemen of Wall Street. Employees and customers always came first, and during many tough times the Edwards family took pay cuts and postponed bonuses so rank-and-file employees would not suffer.

Ben's son Tad, who heads the new firm, is a manager and gentleman in his father's tradition and is slowly building a firm like the old A.G. Edwards. I wish Tad every success. But isn't it somewhat sad that a new firm built on traditional principles seems kind of quaint? That kind of sadness is the feeling I got when I watched "Undercover Boss" and realized it really wasn't a management tale.

It was a fairy tale.

Investment News Online, **February 2010**

December 7, 2009

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From The Headhunter

Entrepreneurialism Is the New Trend

By Dan Sarch
December 7, 2009

Over the last twenty-five years, one of the over-riding trends in the retail brokerage industry has been consolidation. EF Hutton, Drexel Burnham Lambert, Dean Witter, Shearson, Smith Barney, Legg Mason are all part of what is now Morgan Stanley Smith Barney. And I've left off literally dozens of predecessor firms that make up each of those parts. Wachovia, AG Edwards, Prudential Securities, Kemper, First Union are all part of what is now Wells Fargo Advisors. Once again, I've left off dozens of predecessor firms. It's easy to see how the average wirehouse Advisor can be cynical, now that there are only four big firms left, and say that it doesn't matter if you move: you'll end up back where you started anyway.

The retail brokerage firms were originally established as partnerships, much like law firms and accounting firms today. As the years went by, young partners who wanted to invest in the business for the future were put into conflict with older partners, who wanted to get their money out of the firm. That drove the firms to go public. The need to grow and to assuage shareholders drove the firms to merge (I'm simplifying).

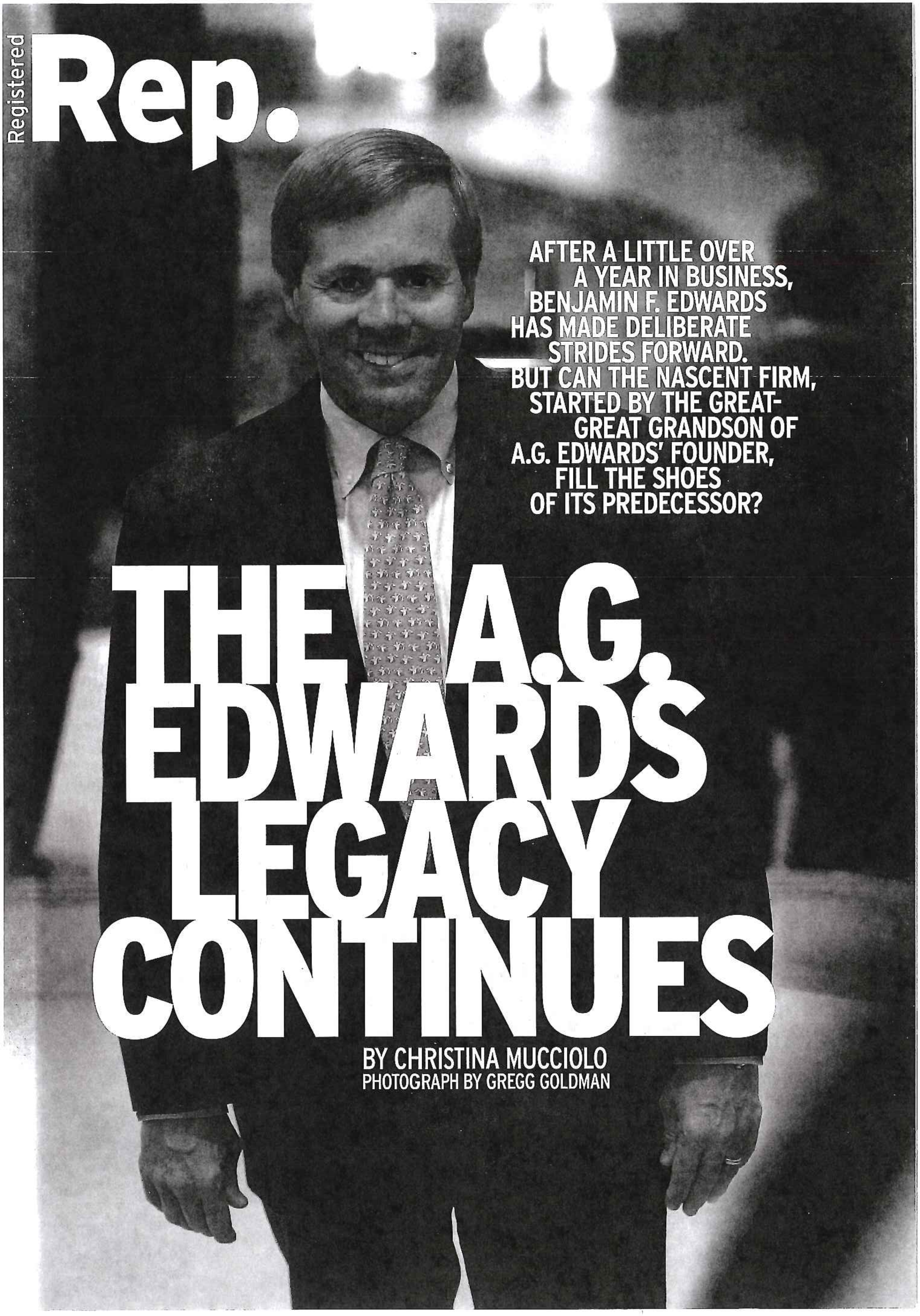
The drive to "wring costs" out of the new mega-firms has created an enormous talent pool of managerial talent who are either out of work or disenfranchised with their new roles at the new firms. These talented men and women are making the effort to once again control their own destinies and go back to the old fashioned partnerships of yore. Four prominent ones are HighTower, Focus Financial, United Capital, and Benjamin F. Edwards and Company. In addition, every week we read about Advisors forming their own Independent RIA or Brokerage firm. There are groups of Branch Managers who are looking into opening their own shop and hoping to attract groups of their former Advisors. And there are many thriving regional firms, already with platforms comparable to the Big Firms, capitalizing on the dissatisfaction rampant in the mega-firm model.

It's a fascinating time for this industry.

Next column: Questions to ask yourself and your "start-up suitor" to see if it's for you.

Investment News Online, **December 2009**

Registered Rep.



AFTER A LITTLE OVER A YEAR IN BUSINESS, BENJAMIN F. EDWARDS HAS MADE DELIBERATE STRIDES FORWARD. BUT CAN THE NASCENT FIRM, STARTED BY THE GREAT-GREAT GRANDSON OF A.G. EDWARDS' FOUNDER, FILL THE SHOES OF ITS PREDECESSOR?

THE A.G. EDWARDS LEGACY CONTINUES

BY CHRISTINA MUCCIOLO

PHOTOGRAPH BY GREGG GOLDMAN

In the spring of 2008, a year after Wachovia Securities announced its landmark takeover of 120-year-old A.G. Edwards, Benjamin "Tad" F. Edwards IV resigned from the newly merged firm to start his own version of A.G. Edwards, the firm he literally grew up with. He gave his startup the family name, handed down over four generations, Benjamin F. Edwards, and set up headquarters in the library of his 92-year-old family home in Ladue, MO., a wealthy suburb eight miles west of the former A.G. Edwards headquarters in St. Louis.

Tad Edwards is the son of Benjamin F. Edwards III, the popular former chairman and CEO of A.G. Edwards, who passed away in April of this year. He is also the great-great-grandson of the company's founder, Albert Gallatin Edwards. Tad spent 31-years at A.G. Edwards, working as a broker, director of sales and marketing, and branch manager. But when Wachovia acquired the firm in 2007, both he and his father, who retired in 2001, received well over a thousand unsolicited phone calls from advisors and others urging them to carry on the Edwards legacy. "It was a culture that was very meaningful to a lot of people, and a lot of people want to see that continue," says Edwards. The idea for Benjamin F. Edwards the firm was born.

Benjamin F. Edwards is, of course, still in its nascent stages. The firm says it "launched" in May of 2008. In August and September of this year, it opened its first two branch offices — in Springfield, MO., and White Plains, NY. Benjamin F. Edwards now has a home office staff of around 40 people, all but one of whom are veteran A.G. Edwards employees, and six financial advisors, most of whom started out with A.G. Edwards two decades or more ago. Edwards says he expects to open "a handful" of branches by the end of this year.

That's not a bad start, but in order to survive, Benjamin F. Edwards will have to grow a lot more quickly in the year to come. These days, small firms are difficult to sustain. Richard DeSalvo of Richard DeSalvo Consulting, a national consultancy for financial services firms, thinks Edwards will need at least 30 guys producing half a million dollars in annual revenue just to break even. To make a decent return, he'd need at least 120 of those half-million producers, he says. But even then, "I don't know," he says. "With liability insurance and other costs, that's a lot for a commoditized business."

Becoming another A.G. Edwards is another matter all together. In 2006, before it was sold, A.G. Edwards boasted roughly 7,000 advisors with average annual revenue of $430,000 per advisor, total client assets of around $350 billion and a pre-tax profit margins of 15 percent. In the 19 years *Registered Rep.* has been surveying broker satisfaction in its Annual Broker Report Cards, A.G. Edwards consistently placed second, and it received many accolades in other workplace rankings.

Start Up or Rebirth?

Can Edwards recruit over 100 half-million producers in the coming year? It's possible. "I think the $300,000 to $700,000 space would be their sweet spot," says Mindy Diamond, the CEO of Diamond Consultants. And there are plenty of unhappy wirehouse advisors out there, she says, who long for the days of A.G. Edwards and similar family-owned brokerages. But still, she has her doubts.

"WE'VE GOT AN ADVISORY PANEL OF 50 PEOPLE WHO ALL HAVE AN AVERAGE OF 30 TO 40 YEARS OF EXPERIENCE, INCLUDING A LOT OF FORMER KEY LEADERS FROM A.G. EDWARDS, WHO ARE INTERESTED AND INVOLVED."

"The fact is, without a track record, I think a lot of people might be skeptical of it."

Of course, Edwards feels the track record is there if you look for it: His staff is full of veterans from A.G. Edwards. "We've got an advisory panel of 50 people who all have an average of 30 to 40 years of experience, a lot of former key leaders from A.G. Edwards, who are interested and involved," he says. So far, Edwards has managed to attract all legacy A.G. Edwards brokers, but he wants to attract advisors from other b/ds as well. "I think currently and over time our average [producer] would be north of the industry averages, but we would never compromise character and integrity to get there. We want people to have a positive outlook, who want to be a part of something private and growing—it's a family culture." While the firm is currently targeting producers with solid books of business and several years of industry experience, Edwards says that down the road he would be interested in developing a training program.

The success of the firm may hinge on whether Edwards can convince prospects that he will, in fact, be able to replicate the A.G. Edwards model, and on what he can offer his recruits in the meantime. Without providing figures, the firm says it is offering some modest transition packages—but Edwards seems to be counting more on the lure of the firm's culture than on upfront cash.

Edwards says the new firm will adhere to a philosophy that puts the firm's clients first, employees second, and shareholders third—the same client-centric business model advocated by his father. And like A.G. Edwards, the firm will be committed to integrity, character and trust in its employees, he says. A.G. Edwards probably hired one out of every 50 people that came to interview at the firm, Edwards says, and he expects to do the same. Clearly, Benjamin F. Edwards is rooted in the Edward's family brokerage tradition. The firm's logo is even the Edward's family crest: a knight's helmet atop a shield together with a lion and the word Integritate—integrity in Latin.

As for its product offerings, Edwards says the firm will operate on an open architecture platform with mutual funds, separately managed accounts, insurance products, a managed wrap mutual fund program and an ETF wrap program. Otherwise, many details of the new firm's business model remain closely held—like its source of capital, the average production of the advisors now at the firm, how many clients it has and assets under management. Some in the industry have speculated that the new firm has a buy-in ownership structure, but Edwards declined to comment directly on this possibility. He would say only that Benjamin F. Edwards is owned by members of the Edwards family, formerly retired leaders from A.G. Edwards and a handful of other people. He also declined to say how many assets, advisors or offices he ultimately wants to have, or the kind of revenue he expects to generate.

Still, Edwards has some enthusiastic supporters. "There is a significant opportunity for smaller boutique-like full service investment firms that have a client first business model to do very well—that service model is what attracted clients for many many years, and is likely to do that again in the future," says Tim Reese, co-manager of the first Benjamin F. Edwards branch in Springfield. Reese joined A.G. Edwards in 1987 because it had "a long reputation of doing right by the client," he says. He met Edwards on an A.G. Edwards awards trip in the early 1990s, something offered to advisors who had reached certain production levels. Reese says he had no doubts about joining the new startup and contacted Edwards. "It's only new in terms of its age—in terms of the people in the executive office, interfac-

"SO FAR WE'VE BEEN VERY FORTUNATE, AND THE MAJORITY OF CONVERSATIONS I'VE HAD WITH RECRUITS HAVE BEEN REACTIVE RATHER THAN PROACTIVE."

"IT SEEMS LIKE THE SORT OF MARKETPLACE REALLY EVOLVED MUCH IN HIS FAVOR. THERE CONTINUES TO BE MERGER AND ACQUISITION AND MANAGEMENT UPHEAVAL ACROSS THE INDUSTRY. IT'S A MORE LIMITED AUDIENCE, BUT I THINK THERE IS AN AUDIENCE IN TERMS OF BROKERS OUT THERE LOOKING FOR KIND OF A THROWBACK TO THE GOOD OLD DAYS."

ing with us everyday—you've got more industry experience in that group than many other places," says Reese. "The Edwards name is very well known and very well respected, so that part of the transition was never a concern for me."

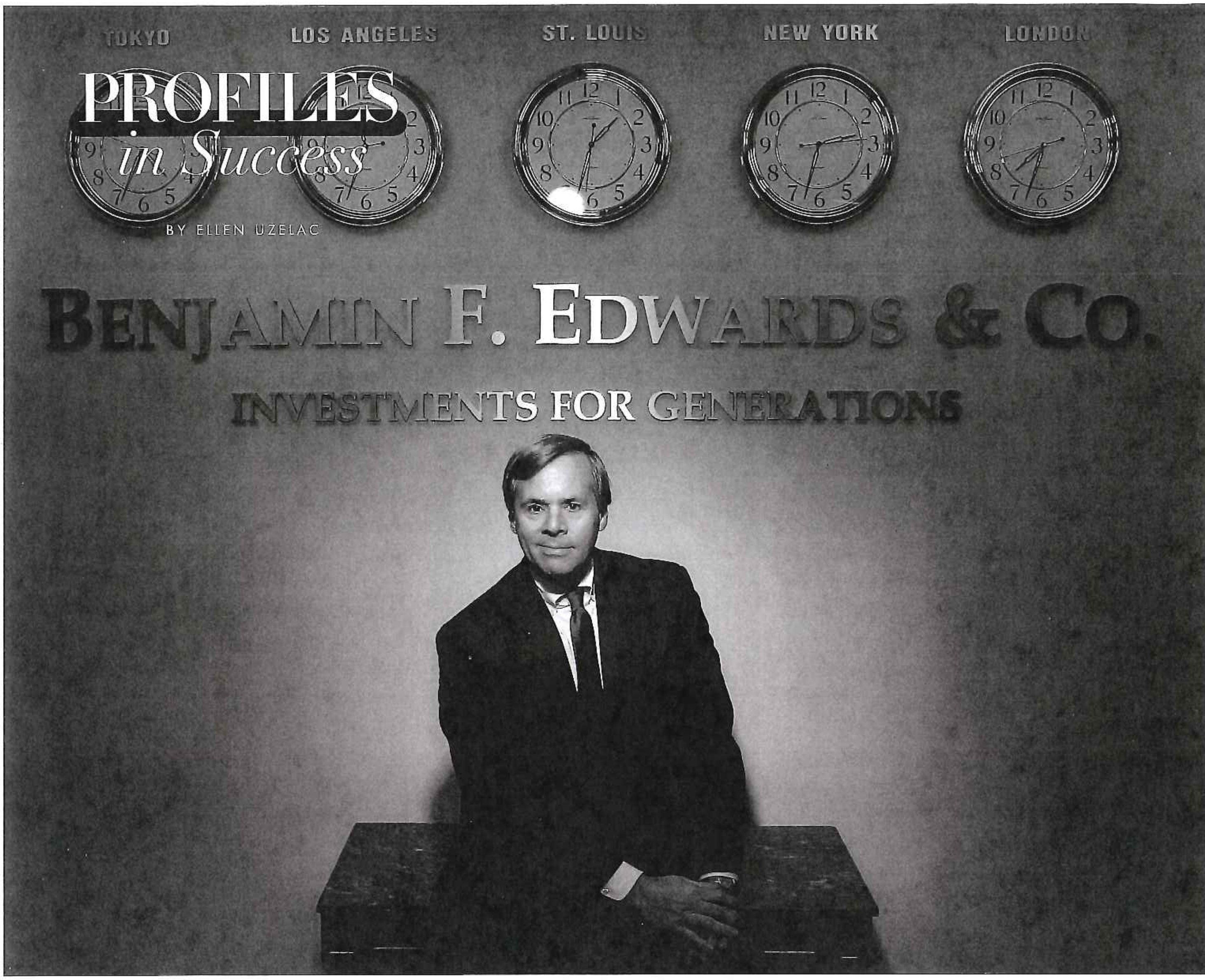
Edwards has even surprised one former skeptic. Gene Diederich, former director of the eastern division of Wachovia Securities Private Client Group and current CEO of Moneta Group, says he was "very skeptical," when he heard Edwards was leaving Wachovia Securities to start a brokerage firm from scratch during a meltdown in the financial service industry. But his opinion has changed.

Diederich, who has known Edwards for 20 years and now works across the street from him, says some of his skepticism early on was about whether advisors would be attracted to a brand new start up. But now he thinks, with all of the mergers and acquisitions upheaval in the industry, some advisors are looking for a privately-held company with an intimate culture. "There is an audience in terms of brokers out there looking for kind of a throwback to the good old days," he says. What's more, Diederich says he initially thought the firm would only appeal to lower-end advisors because of its inability to provide upfront cash. But so far, the firm has recruited the opposite: Both the back office people and the advisors he's hired "are exceptional and very top caliber… I don't think he's hired anyone that does less than $600,000 or $700,000 in production."

Indeed, the firm is still getting calls from interested advisors instead of having to seek out recruits. Martin "Marty" Altenberger, SVP and manager of branch services at Benjamin F. Edwards, says he has been spending the majority of his day talking to recruits. "So far we've been very fortunate, and the majority of conversations I've had with recruits have been reactive rather than proactive," he says. The true test will come over the next several months, as the firm opens subsequent branch offices and reels in new hires.

PROFILES *in Success*

BY ELLEN UZELAC



STEFAN HESTER

A Start-Up with Pedigree

***Tad Edwards** has started a new firm in the tradition of his forefathers, bearing its distinct Midwestern warmth and friendliness.*

BENJAMIN F. EDWARDS & Co. is a startup, but out of the box it has something that takes most companies years to build: brand and culture.

"We're not a new venture," notes Tad Edwards, the great-great grandson of A.G. Edwards, who founded the famous St. Louis-based brokerage that endured under family leadership for 120 years. "There were some people early on who asked how we were going to build something from scratch. The answer is: We didn't."

Edwards, 54, launched the firm in August — a little more than two years after Wachovia bought A.G. Edwards for $6.8 billion. At the time, Edwards, who was deeply opposed to the merger, was a member of the firm's board and the sixth generation in his family associated with the historic firm. Eighteen months later, Wells Fargo bought Wachovia in a deal secured by the government to prevent Wachovia's collapse.

But those are yesterday's headlines.

As Edwards puts it: "I would have written the script differently, but the exciting news is that we are doing this. And what we have is pretty special."

By the end of last year, six months after its launch, Benjamin F. Edwards & Co. had opened five branches across the country. Its advisors? A.G. Edwards alums. The financial consultants are supported by a home office, headquartered just outside of St. Louis in Clayton, Mo., by a team comprised of A.G. Edwards veterans. Meanwhile, the firm's advisory panel consists of over 50 people, the majority of whom had senior-level roles with the defunct firm they called home for an average of 30 to 40 years.

Laura McBride Waidmann, an advisory panel member who worked at A.G. Edwards for over two decades, jokes: "We've all drunk the Kool-Aid." In fact, the culture was so deep that after a non-family member took over the firm's leadership in 2001, she says employees and former employees gathered often to ponder the unthinkable: What if we could start it up all over again?

"There was a strong following of employees and clients alike that really longed for the old A.G. Edwards way of doing business. For a long time, people talked about it, but being a start-up brokerage in an industry where bigger was necessarily equated with better, it was something of a pipedream," says McBride Waidmann. "Then with all the fallouts and shakeouts, the concept of a boutique brokerage firm seemed just right — in fact a competitive necessity. It became very exciting to move ahead with creating a firm that brought that tried-and-true brand back to life."

While Edwards has patterned Benjamin F. Edwards & Co. after his family's old firm, there are some clear differences. A.G. Edwards, which dated back to the time of Abraham Lincoln, was a public company. The start-up, which Edwards calls an "independent hybrid model," is being funded by family members, employees and others. One other huge distinction: the outsourcing of its information technology and clearing and custody operations. "We made that decision early on," he says. "We're able to replicate the old model — only more efficiently." Pershing provides operational support for the company.

While hundreds of advisors have queried Edwards about Benjamin F. Edwards & Co., he declines to disclose what kind of footprint he has in mind for the brokerage. A.G. Edwards had over 700 offices when it merged with Wachovia in 2007.

Benjamin "Tad" Edwards IV

CHAIRMAN, CEO & PRESIDENT; BENJAMIN F. EDWARDS & CO; CLAYTON, MO.

SOUND BITE:

"The most important thing is we are a client-first firm. Employees come second and shareholders third. It's kind of like the Golden Rule — a very simple do-unto-others philosophy. If you do those first two things right, the shareholders will be rewarded."

"Our goal is to find quality people from any firm — people who believe in the kind of culture we want to establish. It's not all about putting pins on the map," he says. "We're really driven by the quality of the people and the quality of leadership, no matter the city or community. It's about the right leader to build around. It's possible we won't be in any major money center; it's possible we'll be in all of them. We just don't know."

McBride Waidmann, who served as chief of staff to Edwards' father when he was CEO, says Tad Edwards is building on his dad's legacy — demonstrating the "shared values" of the leadership team and surrounding himself with strong leaders "where everyone has a sense of their own responsibility in the big picture." Further, she adds: "When the opportunity arose to do this all over again, it was a dream come true. Tad would have kicked himself had he not taken the opportunity. You can't look back on your life and wonder: What if?"

Edwards named the firm after his father, Benjamin F. Edwards III, who headed A.G. Edwards for four decades. He died in April of prostate cancer.

At the funeral service, Tad Edwards talked about how his dad never used a private side door to get to his office, preferring to enter through the lobby like everyone else. Asked why, his father told him that he wanted to give the receptionist a hug and ask how the security guard's family was doing.

As Edwards notes: "Maybe that's one of the distinctive qualities of Edwards — that top leadership cares for people from all walks of life. Dad let people know how much they were appreciated. Today, we have the same culture here. Everyone here, I think, feels like they are part of the future. If you trust the people you work with, which we do, and you have the same vision for the future, you have a lot of fun together and you can be successful. Everyone wins." ®