



Why sudden wealth at Facebook is gushing into a \$17-billion RIA and triggered a merger of two DFA giants

Buckingham Asset Management won a single Facebook employee and now it's all hands on deck as eight teams see prospects -- often til 2 a.m.

Tuesday 9.11.12 by [Lisa Shidler](#)

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Joe Goldberg: [A Facebook employee] told me, 'I've met with Goldman, Merrill and Morgan and no one has given me a reason to pay them a dime.'

Brooke's Note: It was with at least a grain of skepticism that we wrote about one of the nation's largest RIAs appointing a 32 year-old as CEO. See: [Giant DFA customer puts young CEO in charge to execute ambitious national plan](#). Sounds good on paper but does being younger really help you connect with younger investors? Well, apparently we have our answer as (now 34) Adam Birenbaum's company is not only taking meetings with hundreds of wealthy Facebook employees, he's also engineering a deal to acquire a major Silicon Valley RIA right in the Facebook backyard to better tap the oil well of sudden wealth. It's the second time we've seen Facebook fortunes captured by young entrepreneurs. See: [How the Facebook IPO is creating the mother of all RIAs, Iconiq, and what an in-your-face it is for Wall Street](#).

When Facebook went public last May, hundreds of its employees, now instant millionaires, reached out to brand-name wirehouses with whom they and their families have been associated for years in order to get advice on how to invest their new-found wealth. In doing so, however, some discovered that the wirehouse business model no longer makes sense. One Facebook employee signed with giant RIA Buckingham Asset Management.

In short order, many more followed. In just a few months, Buckingham, based in St. Louis, has gone from having just one Facebook employee as a client to nearly 40 on its roster. The Silicon Valley influx helped Buckingham close on a merger with Cupertino, Calif.-based RIA, Founders Network, which specializes in providing wealth management to instant millionaires from tech companies.

Last week, the two firms announced they've merged and Founders Network will fold its company into Buckingham using Buckingham's name. Founders will keep its offices in California in Cupertino, Burlingame, Palo Alto and San Francisco.

Chain reaction

It all started a few months back when a Facebook employee reached out to Buckingham explaining that he had met with advisors at all of the wirehouses and banks and was afraid that some of them might do a disservice to his friends, says Joe Goldberg, director of business development and principal for Buckingham.



Bob Kresek: We both feel we're going to accelerate growth in the San Francisco Bay Area more quickly than we could have independently.

"He told me. 'I've met with Goldman, Merrill and Morgan and no one has given me a reason to pay them a dime and you just explained why I should pay you. Will you come out and talk to some of my friends?'"

Since then, Buckingham has done about one Facebook presentation a month at a local Silicon Valley hotel and many one-on-one meetings. In fact, when one employee e-mailed friends that Buckingham would host a meeting, there were 75 people who responded to a meeting meant for 25.

Goldberg says that sometimes the back-to-back meetings have gone on until 2 a.m.

"It's pretty wild because we're cramming in as many meetings as possible and that's why the Founders deal makes so much sense because we'll have offices there," Goldberg says.

As a result of those meetings, Buckingham now has about 40 Facebook clients and they are hopeful to get as many as 100 total in the coming months. There are eight Buckingham teams who are working with Facebook employees now.

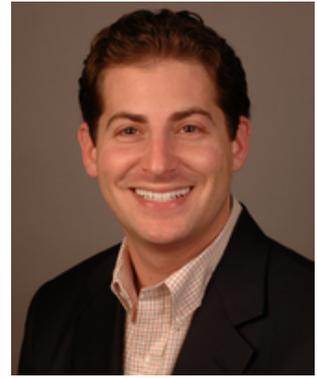
Buckingham growth spurt

Before the Facebook infusion, Buckingham was already on an upward trajectory growing from \$7.7 billion in assets in 2007 — the year it joined [Focus Financial Partners, LLC](#) — to more than \$17 billion at present. In the last two years alone, the company's assets have grown more than \$5 billion, says Adam Birenbaum, CEO of Buckingham. See: [Giant DFA customer puts young CEO in charge to execute ambitious national plan](#).

Founders Network with its \$600 million in assets approached Birenbaum earlier this year because it felt it couldn't continue to grow without bolstering technology and back-office services and was looking for a firm that already had those services in place. When Bob Kresek, managing principal for Founders Network, called Birenbaum, the timing was perfect since Buckingham had just begun to gain Facebook clients. Birenbaum was eager to establish offices in Silicon Valley where Facebook, and many other startups, are based.

"It continues to be our execution on a grand vision," says Birenbaum, 34. "We've known Bob for years and he's someone we have the utmost respects for including the kind of firm that he's built and the type of clients that he has. He raised the opportunity to me and we just jumped it. The Facebook employees have been pitched by everyone

and many of them want to go with an independent RIA and they chose us. It's such a very cool opportunity that came to us. The timing of this merger is perfect." See: [What RIA principals in the Focus Financial family have to say about a rumored deal for the consolidator.](#)



Adam Birenbaum: The timing of this merger is perfect.

For his part Kresek says, "We both feel we're going to accelerate growth in the San Francisco Bay area more quickly that we could have independently," His firm has a total of 10 employees who will all stay on board — which includes six advisors.

'Like'-minded

Executives from both RIAs have known each other for several years as both are part of Dimensional Fund Advisors and Focus. Founders joined Focus in 2006 and Buckingham joined in 2007. When Kresek began his search for a partner that would give his firm the ability to develop better workflows he looked within the Focus family. See: [Dimensional Fund Advisors still has low RIA acceptance rate and stunning growth.](#)

"We realized we didn't want to reinvent things so we began looking at partner firms within Focus. Buckingham has reinforced the art of assuring there's a consistent client experience no matter where the office is located." See: [RIAs reveal their M&A war stories with 200 Schwab IMPACT attendees.](#)

Birenbaum is equally enthused about Founders. "These guys are doing deep planning for their clients — true wealth management," Birenbaum says. "They're great people."

And, of course, the fact that Founders is based in Silicon Valley and attuned to the needs and concerns of the high-tech nouveau rich is a major plus.

"Most of our clients' wealth comes from company stock and stock options," Kresek says. "One day they wake up and they're richer than they ever thought they'd be. That opens up a host of issues with tax planning and investment planning."

Focus lends a hand

Both firms say Focus was instrumental in effecting this deal, particularly providing legal support to help draft the paperwork. "Our expense in doing that was almost nothing," Kresek says.

Birenbaum also credits Focus in bringing its expertise to bear on the deal.

"Focus was a critical part of this transaction. We've done six deals in less than two years and they've helped us out in every transaction. It's all about their expertise in these deals. They are always there to provide financing support but it wasn't needed in this deal."

It's the second big-time deal that Focus can take some credit for See: [Mintz Levin sells its \\$1.2 billion RIA, and Focus Financial nabs the assets through a partner firm.](#)

Both men declined to go in to the specifics of the deal. Birenbaum says Kresek and other Founders executives gained ownership within Buckingham.

Rudy Adolf, founder and CEO of Focus, says in a release: “I am pleased to see how this relationship has developed over the years. It has grown from mutual admiration to a deeper level of partnership, further emphasizing the value we bring to our partner firms.”



Rudy Adolf's Focus was instrumental in brokering the deal.

What are those Facebook guys like?

Goldberg says that these new Facebook clients and prospective clients are brilliant in terms of their academic knowledge and understanding of finance but aren't necessarily interested in buying extravagant toys or being wooed by advisors in fancy suits. In fact, Buckingham advisors have been asked to wear jeans at the presentations.

“They don't want the money to ruin them,” Goldberg says. “They don't want to buy yachts. They want the money to last for generations and that's an appeal to our approach.”

Because of their book smarts, many of the employees are attracted to Buckingham's passive business model, which the firm backs up with academic and evidence-based research.

“We've found that while they're young, they're really some of the brightest people we've ever interacted with,” Goldberg says. “They've done their homework and they've clearly looked at the academic evidence and it leads them to recognize that following a passive investment strategy is clearly in their best interest and gives them the highest odds of success.” See: [Why the San Francisco Bay area is almost certainly the capitol of the RIA business.](#)

Tom Myers, a principal at Brownson Rehmus & Foxworth Inc., which manages about \$8.1 billion of assets and has been meeting with Facebook employees, agrees.

“In a nutshell, these folks are super smart, they don't accept conventional wisdom on its face, and they have the advantage of the Wall Street model being exposed for what it is. I had heard about Buckingham's success at FB and give them kudos.”

'These guys get it'

Goldberg also says that although many of the Facebook employees could in fact manage the money themselves, many prefer not to, recognizing the complex issues related to estate planning, tax plans and risk management issues that come into play.

“There are few clients and prospects that actually get the value between both investment management and wealth management and these people do,” Goldberg says. “They recognize that while investment competence is important it is also important to have a wealth advisor who will interact with the attorneys and accountants will let them do what they like to do.”

He adds: “The financial services industry is so confusing and they throw out the term 'independents advisors' in

nearly every arena, but these guys get it, and they recognized that the big banks of the world don't have their best interests at heart."

Facebook has about 4,000 employees and the company's market capitalization, with shares hovering at less than \$19, is more than \$40 billion.