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EXECUTIVE Q&A | Trevor Callan, Callan Capital

■ By SARAH DE CRESCENZO

Nearly a decade ago, the three Callan brothers, **Trevor, Ryan** and **Tim**, banded together to launch an independent wealth management firm. **Callan Capital** provides wealth management services with a focus on corporate executives facing significant financial changes, such as the sale of their company.

In a recent conversation about the industry, Trevor Callan said competition is fiercer than ever, but that as massive amounts of wealth continue to be created, especially in the technology and life science sectors, opportunities abound.

What are the major trends you see in wealth management today?

One is the growth of the independent space. Ten years ago, they said we were crazy for leaving a big bank. When we announced we were leaving a large brokerage firm to start our own business, most of our clients had never heard of such a thing and thought that it was a risky and bold move. It was only years later looking back we could see the independent space has more than proved itself.

Why have registered investment advisors been so effective at taking market share from the brokerages?

I think the consumer, the investment public, has realized how important it is to separate the investment adviser from

the custodian of the funds, because when you pair those things there is an unavoidable conflict of interest. A financial adviser should be completely separate from that role. The complete independence in terms of investment advice has proven to be a really sought after type of relationship.

Could you start a firm like Callan Capital in today's environment? Why or why not?

It would be a lot easier because we didn't have any contacts in the industry and there weren't many vendors. Whether it was sourcing the company to run cybersecurity or vendors overseeing compliance or sourcing technology for asset allocation or trading technologies, we had to start from scratch. The industry was in its infancy. You had to dig deep to find the best. Now a lot of the vendors who have risen to the top are more industry known and the support services are more advanced.

Although it may be simpler than in 2007, we've recently seen some consolidation in the industry. For example, San Diego-based wealth manager Hokanson Associates announced last year it would merge with Aspiriant,

a national firm. Do you expect that to continue?

We've seen it accelerate and I think this has to do with the increased regulation our whole industry has faced over the years, from the Dodd-Frank Act to the **U.S. Department of Labor's** fiduciary rule, due to come out next year. The cost of dealing with this regulation and compliance has only gone up so its raising the bar in terms of the scale of your organization and having the ability to sustain itself from a cost perspective. A lot of companies have found it in their best interest to merge and take advantage of economies of scale.

Your firm occupies a niche space, working primarily with corporate executives in areas such as pre-IPO and merger and acquisition planning. Do you expect more firms to become specialized or broaden their scope in the years to come?

I think in today's more competitive day and age you can no longer hang a shingle as a generalist because you're more than likely to bump into a specialist as it relates to clients coming your way. A lot of our

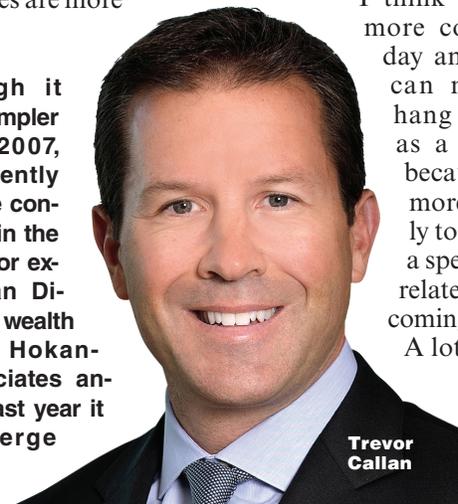
expertise has been perfected over the years we've gone through trial and error. In our area of specialization, if you don't know what you're doing, the chances to make an error, from a legal perspective, are quite high. That's no different from the 401K space — which we know nothing about. That's an area of expertise for which clients are best suited by finding a specialist.

While there are clearly challenges facing the industry, what are some opportunities for wealth management firms today?

The opportunities are the continuation of the technology revolution and the health care and biotech revolutions. The wealth that's being created is creating opportunities for firms like ours that have the ability to specialize and help with sophisticated and challenging situations.

Dating back to the dot-com era and all the things we've seen subsequent, the amount of wealth being created hasn't yet passed to the next generation. There's this huge bubble of wealth, and those individuals are still starting new companies.

That relates to San Diego's biotech market as well as the tech market in Silicon Valley. We see a lot of wealth being created through amazing innovation that's been sold to large pharmaceutical companies over the years. That's continuing to happen at an accelerating pace.



Trevor Callan