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Veterans Return to Old School Of Investment Advising

Sales Are Tied to Client Needs, Not Company Products

BY MIKE ALLEN

Two investment industry veterans knew there was a better way of operating an investment brokerage than the models that dominated the local landscape when they started their own business several years ago.

The partners, Joe Miller, 51, and Scott Heising, 46, started **Independent Financial Group LLC** in San Diego in 2003 and gave its representatives the latitude to deal with their customers the way they decided was best, rather than dictating how customers should be served.

Last year, thanks to an expanding network of independent representatives that reached 155 as of last month, the company doubled its revenues to \$16.5 million.

Since 2003, the year IFG opened, the pace of revenue gain was 3,561 percent, garnering first place on the *San Diego Business Journal's* List of Fastest-Growing Private Companies.

The partners are the first to admit their success has been due in large part to the quality of their independent representatives.

"We grow our business by attracting talented, independent representatives," Miller said. "In 2004, we went from having 17 reps to 85 reps, and our revenues went from about \$400,000 to \$8 million."

Independent Strategy

The concept Miller and Heising champion allows representatives to help their clients the best way they know how, without having to sell products that are part of a particular parent corporation.

The representatives are not direct employees of IFG, but contracted workers, who earn between 80 percent and 90 percent of the fees paid for their services. The balance is retained by IFG, which provides all the back-office support services and affiliations required of a registered broker-dealer.

IFG was launched in reaction to a spate of consolidation in the brokerage/investment industry, Miller said.

"A large wave of consolidations started in the late 1990s and into 2005 where you had large insurance companies and large banks purchasing independent brokerages," he said.

Along with the ownership shift came a change in philosophy. Representatives were expected to sell products belonging to the parent company rather than sell what was most suitable for a client.



Michael S. Domine

From left, Independent Financial Group LLC Managing Directors Joe Miller, Scott Heising and David Fischer grow the business by attracting talented and independent representatives.

Independent Financial Group LLC

CEO: Joe Miller

Address: 12636 High Bluff Drive, Suite 100, San Diego 92130

2005 revenues: \$16.5 million

2003-2005 growth: 3,561 percent

No. of local full-time employees: 18

Web site: www.ifgsd.com

CEO's secret to success: "We have fun, but we also work tremendously hard. The key to our success has been our fantastic group of employees, and the great group of reps who like how independent we are."

Heising, a former chief financial officer for Sentra Securities, Spelman & Co., and SunAmerica Securities Corp., saw firsthand what happened when an independent brokerage was acquired by a much larger entity, and said the results weren't pretty.

The emphasis on selling products belonging to the owning corporation turned

off a large number of talented representatives, and the friendly working relationships between management and representatives deteriorated, Heising said.

"We're a fully independent firm so we're not tied to any insurance company or banks or large investment groups who are pushing their branded products," Miller said. "We don't offer

our products so there's no favoritism of one product over another."

Without that pressure, representatives can provide clients with the best product mix that helps them achieve their financial goals, Miller said.

Most IFG branch offices are staffed by two to three representatives. The company operates 73 branch offices, mainly in the western United States.

New Direction

When mega-insurance company American International Group assumed control of his firm, Heising decided he'd had enough, and would launch a new, independent brokerage.

He enlisted the help of Miller, whom he had met several years earlier, and two other investors, David Fischer, IFG's managing director; and Art Molloy, who owns the San Diego IFG branch. Altogether, the investors pooled about \$850,000 to get the business started, Heising said.

The company originally set up shop in Mission Valley with three employees. It wasn't hard finding qualified and talented representatives due to the wave of consolidations of independent brokerages, Miller said.

Most of the representatives have more than 10 years of experience in the investment advisory industry.

While most of the offices are in the West, Miller said he's not opposed to looking at the possibility of expanding to other parts of the country.

"We want to be selective about our reps," Miller said. "We want to work with the best, but we also want to continue to maintain our high service levels."

This year, IFG should add about 60 new reps, but there's no specific goal the company is targeting.

As for IFG's revenues, it's on track to easily break \$25 million this year.

The company that now maintains its main office in Carmel Valley has 18 direct employees working in marketing, operations, registration, compliance, finance, accounting and recruiting.

Looking back at how fast IFG has grown, Miller said he's a bit surprised with its success.

"Scott had an excellent business plan laid out and it was amazingly accurate," Miller said. "I knew it would work, but I figured we'd have to slug it out one rep at a time."

"I guess that's what they mean when preparation and opportunity comes together."