

# A blueprint for expansion

Steve Moseley has set his sights on £1 billion of funds under management within five years and is motivating both staff and clients to get there

**By Tim Cooper**

Steve Moseley has aggressive and adventurous growth plans for Sterling McCall Asset Management, the IFA firm he co-directs with Kevin Mee and Paul Millott.

The company has just moved to a smart, modern office in Kegworth, near Nottingham, which at 3,000 square feet is six times larger than the last one. It's a bold statement of intent which underlines the firm's ambitious target of growing from £100 million to £1 billion under management within five years.

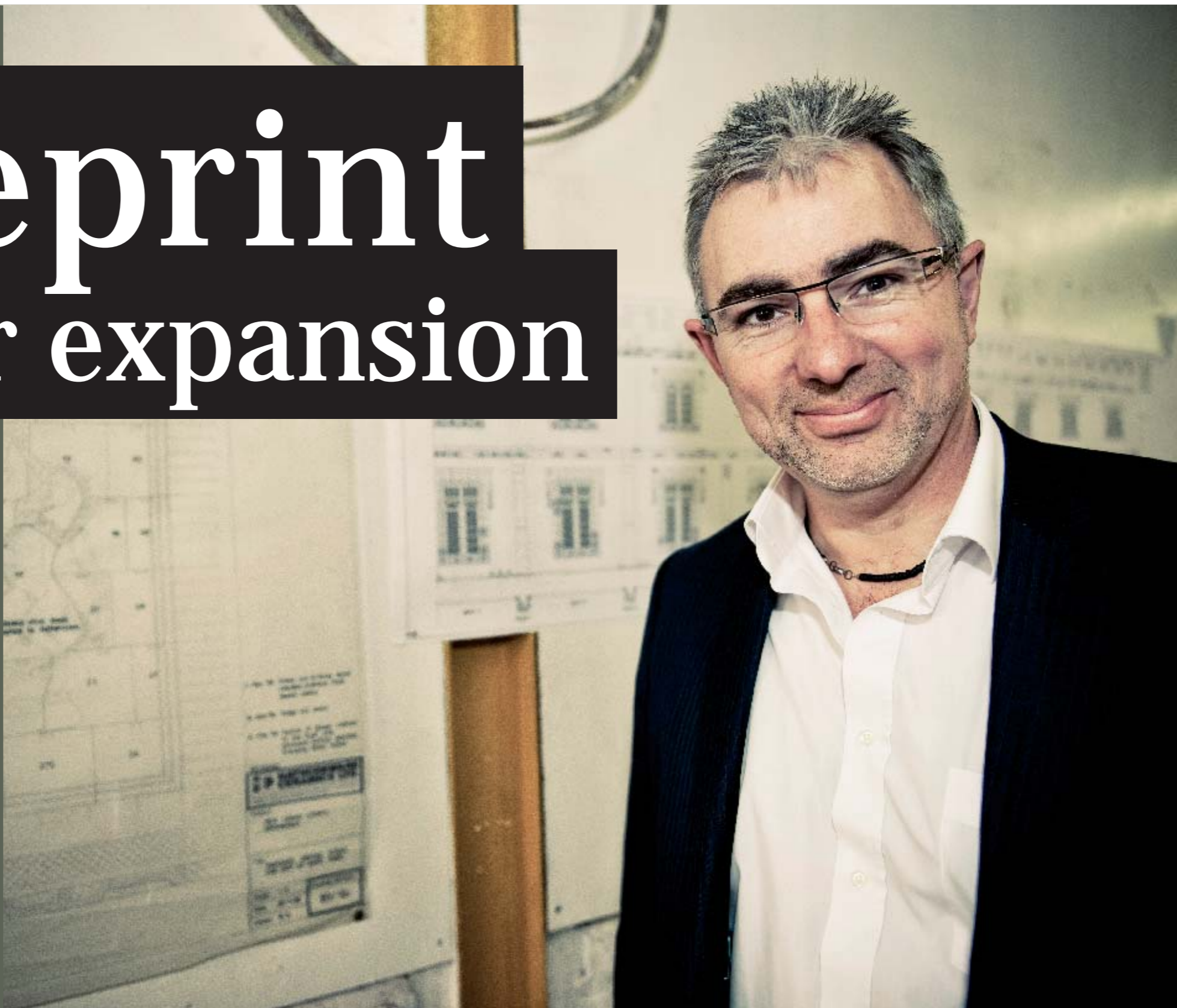
Before moving into financial services, Moseley worked in building restoration. As a sculptor, he moulded ornate features and statues, and was one of only two people in the country specialising in the

area. He worked on some high-profile structures, such as the Natural History Museum and Birmingham Law Courts. That creativity has now translated into a talent for cutting deals instead of clay, and shaping his company around a vision of the industry's future.

**Remoulding the model**

Two years ago the directors decided to review the model of the company comprehensively. Part of the restructuring focused on giving advisers a greater stake in the value they were creating for the business. To do this, Moseley set up a separate company, Sterling McCall Wealth Management (SMWM), as a limited liability partnership.

'Research showed us that a lot of advisers leave firms because they have no ownership of clients or of the wealth they create. Many feel that the



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principal doesn't offer them a part of the business growth. We thought that was wrong. For advisers to want to work for us they needed to own something. We couldn't do that through the limited company – trying to split off the shares was too complicated. So we launched the LLP.'

The Financial Services Authority gave it permission to create SMWM as an appointed representative of SMAM. This structure has allowed Sterling McCall to rapidly recruit new advisers to the firm.

The LLP now owns all Sterling McCall clients, while the original limited company provides compliance. The three directors share ownership of the LLP 50:50 with their new IFA partners (10 have joined already, with a target of 24 by the end of 2010). The advisers' share is divided evenly between them as partners in the LLP structure.

'We also say that, if they want to leave us, they are welcome to take their clients,' says Moseley. 'Clients are about relationships. If I've never spoken to them, what gives me the right to try and keep them? That's how the agreements are written. As far as I know, it is unique.'

As part of the review, the directors also decided to create joint venture financial services arms with accountants and solicitors – also as 50:50 shared LLPs. Two joint ventures have been set up already, with more expected to follow.

**Avid acquisition**

The third part of Sterling McCall's growth strategy is focused on acquisitions which Moseley has been

**BUSINESS FIGURES: STERLING McCALL**

	2007	2008	2009
Clients	2,100	2,400	4,400+
Active clients	350	450	1,000+
Employees	10	8	23
Income	£517,000	£469,000	£690,000
Costs	£198,000	£240,000	£279,000
Funds under management	£20m	£30m	£100m
Recurring income	20%	30%	39%

pursuing avidly. It bought three companies last year, has agreed terms with another, and is currently talking to several others, according to Moseley.

Once firms are acquired, Sterling McCall's IFA partners then contact its clients to strike up a relationship where appropriate.

Moseley says: 'We are currently negotiating with two or three other companies which would put us close to a billion under management already. But it is all about prices and deals. We will wait for the right ones to come along and we are only buying around one-in-10 of what we are seeing. The expectation of what people want is usually too high for what they actually have. All the firms we are talking to at the moment are in the Midlands but we hope to expand and would like a London office this year. We are open

to acquiring a company anywhere in the UK.'

Is there a risk that clients' needs might be forgotten in this vigorous pursuit of growth? 'No. Each client's revenue determines what service they get,' says Moseley. 'We will shortly be employing a client service manager who will contact clients one, three or six times a year, checking when they are due for review and asking if they want to see their adviser.'

**Discretionary management at a snip**

Moseley has also been working hard to create unique selling points which advisers, clients and other partners will find attractive.

'To survive in the future you need a USP,' he says. 'We looked at all the advisers in our area and there wasn't anything that made us different. So firstly we

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TAKE FIVE: (back row, left to right) Steve Moseley, director; Paul Millott, director; (front row) Mick Legg, compliance manager; Lynda Croome, chartered financial planner; Mark Truman, financial planner

looked at our sales process. Under the old system, two advisers could speak to two clients with exactly the same information and risk profiles but end up recommending different funds. That creates two different review systems. To run that we found you could only get up to a maximum of 60 to 80 clients before it becomes a huge cost burden.

'I have seen many IFAs where the advisers are hugely outnumbered by the support staff because of this. It becomes too costly to run at a profit.'

'We realised that, to grow our business, we needed to take fund choice away from the advisers. The only way to do that was through discretionary management.'

So the next move was to outsource investment to Newscape which has a unique offering among discretionary managers, according to Moseley.

'Newscape can do it much more cheaply than some of the other discretionary managers because they don't want client information. They just want to manage that money for us, rather than for the clients directly.'

To achieve this Praemium's discretionary dps-Select platform is used as custodian of the client information. 'A lot of the other discretionary managers wanted client information,' says Moseley. 'We said no, we keep the clients, we are looking after them. Praemium allows us to do that. We don't want the managers to charge us for holding that information, or for them to sell it on to another manager.'

**Power to the adviser**

Sterling McCall's strategy fits into a wider trend, where power is shifting away from fund managers

and life offices towards the IFA, he says. 'Our next problem was that the life offices said they would not run our system through their tax wrappers, because they don't make profit from tax wrappers, only from managing funds. So we went to the market and found our own tax wrappers – the first one we chose was Tenon Sipp services. It has provided us with a Sipp wrapper for £200 set up and £100 a year administration fees. We are actually cheaper than an execution-only supplier which charges £200 a year.'

Sterling McCall also now offers its own white-label ISAs and offshore bonds, which along with the Sipp are badged under the brand name Aureus, and is also about to launch a group Sipp. 'We have our own product range and our own investment strategy, so you could say we have broken away from life companies. It's a fantastic proposition now, very unique and our partner IFAs are loving it,' says Moseley.

But he also warns: 'This is the new style of IFA business. We are taking away distribution from the life offices. They are not getting our money any more and they will want that back in five years' time. They will want to buy back distribution.'

**Fees**

Sterling McCall operates a pure fee model that places it ready for the retail distribution review. It charges a maximum fee of 3% initial plus 1% annual, reducing as more assets are invested. 'But we are not all working with half a million pound clients,' adds Moseley. 'We can now work with asset levels of £30,000 to £50,000, so less wealthy people can have discretionary

**5 TOP TIPS**

- 1 Never take your eye off the ball.
- 2 Learn from every situation you find yourself in, good or bad.
- 3 Realise that change is good.
- 4 Never stop asking why.
- 5 Believe in what you do and execute it with 100% effort.

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CV

## STEVE MOSELEY

## CAREER

- 1991–1993** Prudential, customer services representative
- 1993–1999** United Friendly, various supervisor and managerial roles
- 1999–2000** Britannic Assurance, sales manager
- 2000–2003** Nigel Ricks & Company Accountants, IFA and business development manager
- 2003–present** Sterling McCall Asset Management, director
- 2008–present** Sterling McCall Wealth Management LLP, partner

## QUALIFICATIONS

FPC

## MEMBERSHIP OF PROFESSIONAL BODIES

Chartered Insurance Institute  
Personal Finance Society

## I am passionate about creating a firm that is individual

management and better services. For example, a client is coming in tomorrow with £27,000 in a stakeholder plan. We have run it through our system and our product is cheaper than the stakeholder scheme. Plus he will be going from one managed fund into 30 discretionary managed funds.

'There has been a huge amount in the press about needing to work in the high-net-worth area because that is where most profits are. But I don't agree. There is a lot of money out there that the general public want the best for, but at the moment it can't be done. If people end up with the same fund for 10 years, that means no one has managed their funds properly.

'My passion is to create a system where clients are getting value for money in the product wrapper and the investment service.'

### Bespoke back office

The review also threw up some cost-saving ideas like building a bespoke back-office system. 'We found that off-the-shelf packages didn't do what we wanted, so we built our own software,' says Moseley. 'It took 18 months, but we now have a

bespoke system which doesn't cost us a penny to run. It only cost £10,000 to pay a developer to build the initial system.

'Advisers often only use about 20% of the off-the-shelf system they buy. We built a system that just has that 20%. It is built purely around treating customers fairly and making sure they are receiving the right service level.'

Having got that working, Moseley is now turning his attention to the company's website which is under reconstruction.

'I didn't want our new website to look like all the other IFA sites,' he says. 'Again it will be bespoke, not off-the-shelf. I have some ideas which are all about promoting our USPs. It has to show how we actually invest client money – that's the key.'

It's also an opportunity to embrace new media, he feels, and so Sterling McCall plans to communicate updates such as investment changes to clients via blogs, twitter and text messaging.

### Eye on the exit

Having implemented much of the strategy resulting from the original review, Sterling McCall's directors

are now turning their thoughts towards an exit strategy. 'There are two ways that we could exit the market – either by flotation, if our turnover was big enough, or selling to a large plc wanting to buy distribution and assets,' says Moseley. 'We plan to do this in about five to seven years. But I still want to be in the company managing it. I want to be part of the deal. We talk about this openly with all the partners and tell them that, after seven years, they will still work for the same organisation. That will not change.'

Moseley still looks after about 200 of his own clients but that will gradually reduce as he is no longer taking on new ones. 'I enjoy that side but I love doing deals, buying businesses – that's what drives me nowadays. The three directors work together very well as a team because we are all different. I am described as the one out there on a very long lead and the two others have to pull me back every now and again. Paul is very focused on the financial side. Kevin is meticulous with paperwork, so all our agreements are done by him. He also does the IT development. I am given a bone to chew on to see what deal can be done with it!

'I am passionate about creating a company that is individual. It goes back to what I used to do – sculpting a completely individual piece of work that no one else could copy. I am trying to create an IFA practice that looks nothing like the others.'

## Next week:

Ian Blackburn of Platinum Portfolios