

Practice Profile



A Focus on Growth Trovena, LLC

When Scott A. Leonard started his Fee-Only financial planning business in 1996, he followed the same path that many NAPFA members had already taken. He set up shop as Leonard Capital Management (later changed to Leonard Wealth Management) in Redondo Beach, CA, and set his sights on building a one-man financial planning practice.

It didn't take long for Leonard to realize the value of hiring employees and delegating tasks to achieve maximum efficiencies as a business owner. "I came to the conclusion that in order to continue to grow and reach new revenue goals,

you really have to turn your practice into a business," says Leonard. "As my own firm started to grow, I began hiring help and taking the steps necessary to create a full-fledged business."

In 2008, Leonard made a major move to improve economies of scale when he merged his firm with Capital Financial Advisors, a San Diego Fee-Only firm headed by NAPFA member Christopher Van Slyke, to create Trovena, LLC. "We now have more professionals around to talk about the business with and bounce ideas off," says Leonard, who is the firm's senior economist and chief investment officer. "It's allowed me to more effectively run a

wealth-management business, instead of just being a practice that provides such services."

Making the jump from solo practitioner to a partner in a 12-person business wasn't easy for Leonard, who had grown accustomed to seeing his name on the shingle outside his office door. Still, he says, merging—rather than hiring a team of professionals and trying to grow organically—was the right choice. "Moving from a practice to a business requires adding other highly paid professionals and the systems to support them," says Leonard. "By merging with another firm, I avoided this step while still being able to get my company to the next level."

National Perspective

One of Scott A. Leonard's passions is working with professional associations to effect change and "professionalize" the financial planning industry. As a NAPFA member, he's had plenty of opportunity to do that. After four years on the NAPFA West Region Board, Leonard joined NAPFA's National Board for FY2010 as the representative of the West Region.

He participated in the Board's strategic planning meeting in August, and he said that his focus will be on helping NAPFA embrace the larger firms that provide Fee-Only financial planning and wealth management under one umbrella. "Going forward, I'd like to see NAPFA serving multiple types of advisor firms that are consistent with the Fee-Only and comprehensive approach," says Leonard. "That will really help the organization grow in a powerful way."

Leonard says he liked what he heard during strategic planning, where much of the discussion revolved around NAPFA's five- and 10-year plans. "We have some really great stuff coming out soon, so stay tuned," says Leonard. "I'm excited about the future, NAPFA itself, and our position within the industry."

—Bridget McCrea

Entrepreneurial Instinct

Entrepreneurial by instinct, Leonard says he was always intrigued by the "overall financial mechanics of business," and not just money and investing. "I wanted to start a frozen yogurt franchise when I was in high school; it was the hot thing at the time," recalls Leonard. "While my career options included brokerage and insurance, I was...more interested in financial planning and the broader picture that it presents."

He jumped into financial planning younger than most NAPFA members, and he was attending NAPFA local study group meetings and conferences while in his mid-20s. "To be able to sit in a conference with someone who was 20 years my senior and in the industry for a long time

was invaluable," says Leonard. "I received some very good business help and coaching, both of which played significant roles in my success as a business owner. The sharing, experience, and wealth of knowledge that I obtained from other NAPFA members was phenomenal."

Giving Clients the Broad Picture

As a larger operation than Leonard's or VanSlyke's former firms, Trovena can extend its comprehensive wealth management services. But even with its greater resources, the firm still doesn't hesitate to work with outside experts regularly. "We use a very systemized, consistent approach to wealth management that goes far beyond investing, to include wealth preservation, wealth transfer, and charitable giving," says Leonard. "We tie all of those elements together and handle the entire process with our network of experienced professionals, including CPAs, attorneys, and insurance professionals, among others."

The firm serves a fairly wealthy clientele, by NAPFA standards. Most clients have \$3 million to \$25 million in investable assets, and they are upper-level executives or owners of small or mid-size companies.

On any given day, it's not unusual to find Leonard or Van Slyke running through client scenarios with a CPA and a lawyer. "There aren't very many planning firms that will go through those motions if the client isn't in the \$50-million-plus range," says Leonard. "Because we have a systemized wealth-management system, we can do it effectively for the client with \$5 million or more."

The personal touch mattered immensely when the market began falling sharply in 2008. Trovena's clients increased their calls to the office to inquire about their portfolios and financial outlooks. "We have some clients who want to talk to us every day of the week, and while that really eats up resources, it's what we're here for," explains Leonard. However, he admits that in the spring of 2009, he was mentally exhausted by the high volume of inquiries. "I felt like a psychologist. It

Location: Redondo Beach, CA

Website: www.trovena.com

Year founded: 1996 (merged to form Trovena, LLC in 2008)

Number of staff: 12

Number of clients: 110

Amount of money managed: \$400 million

Typical clients: Upper-level executives and owners of small to mid-sized businesses

Typical client needs: Comprehensive wealth management

Favorite financial planning website: blog.trovena.com

Favorite non-financial planning website: www.theeconomist.com

Piece of advice to fellow NAPFA members: "In this business, you'll never be good at serving your clients if you're not making a good living for yourself. Some planners come into this with awesome intentions, and they truly care about their clients, but they wind up not making enough money to put food on the table. You can't feel guilty about making money in this business."

was emotionally draining," he adds.

The firm's passive investment approach, primarily through no-load mutual funds, weathered the financial storm about as well as could be expected, he says.

With the market stabilized, Leonard says the future looks bright for Fee-Only firms. "I believe the next six to 12 months will present an excellent opportunity for business growth," he says. "NAPFA firms will do particularly well, what with the recent rash of mergers in the financial arena and the equity-return turmoil."

For Trovena, the target is to reach \$500 million in AUM in 2010. It's currently serving 110 clients and managing about \$400 million. "We'll get there through market growth, new client acquisitions, and by finding other firms that want to partner with us," says Leonard. "Planners trying to make that move from practice to business can do it by merging with a firm like ours. Going forward, our goal is to roll even more Fee-Only firms into the Trovena model."

Bridget McCrea has been writing Practice Profiles for NAPFA for more than a decade. She is a business journalist who lives in Clearwater, FL.