

Case Study

Building Your Best Practice on Your Terms

How a client-first focus led to growth in recurring revenue—and a better work-life balance.



Executive Summary



John Pratti, Touchpoint
Financial Advisor Group

As an engineer with a deft human touch, John Pratti found a natural home in the financial services industry after starting his career in the technology sector. Having a natural penchant for people, he was recruited by a large Wall Street firm in 2001 and then later to a small broker/dealer managed by a well-known insurance provider. Taking care of his clients in the face of multiple mergers and acquisitions, changing expectations, unpredictable payouts, and countless head office snafus, Pratti reached a crossroads. In order to build an optimal business model for himself and his clients, he needed a firm partner that would support his vision for growth. That vision? Stable, recurring revenue from a fee-based business, which would align his clients' interests with his and allow him to succeed on his own terms.

Since joining Commonwealth in 2016 as Touchpoint Financial Advisor Group, Pratti, along with his invaluable administrator, Phyllis McGee, has achieved the goals he set for himself: working with the clients he wants, when he wants, with the support of a reliable firm partner that freed him up to do just that. And, he did it while more than doubling his fee-based assets under management.¹

¹Pratti's AUM has grown from approximately \$35 million on October 31, 2016, to \$88 million as of February 3, 2022.

Rules, Red Tape, and the Runaround

Pratti had built a successful financial services business by earning his clients' trust with a high level of service. This was a simple concept, in theory, but one that became more and more challenging to execute as the broker/dealers he worked for were bought and sold, upended their corporate strategies, and changed their payout structures.

At his previous firm, Pratti's autonomy was supplanted by corporate directives. "I wanted to be able to do things on my own, including choosing the products I recommend to my clients. I was challenged with that environment and didn't feel motivated to go to work anymore."

Like any serious relationship, the partnership had its upsides. The team environment and the sense of community were good, but not good enough for Pratti. "I loved the people I worked with, but the way I wanted to run my business was very different than the way I felt that they wanted me to run my business."

Payout and Revenue Woes

Around 2013, Pratti solidified his vision for the future of his practice. "My whole goal was repetitive income—a fixed income from the business that would cover all my expenses, both personal and in business," says Pratti. "I couldn't find a way to make that happen. Because everything was transaction based, you were encouraged to sell certain products. That didn't align with how I wanted to progress forward."

In addition, the payout he received was difficult to predict. "The payout was based on a formula that I couldn't understand. I couldn't look at a statement and figure out my income," says Pratti.

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² As of February 3, 2022.

Touchpoint Financial Advisor Group



Joined Commonwealth: 2016



Location: Woburn, MA



Business Model: Fee-Based



AUM: 88.4 million²

Putting a Plan into Action

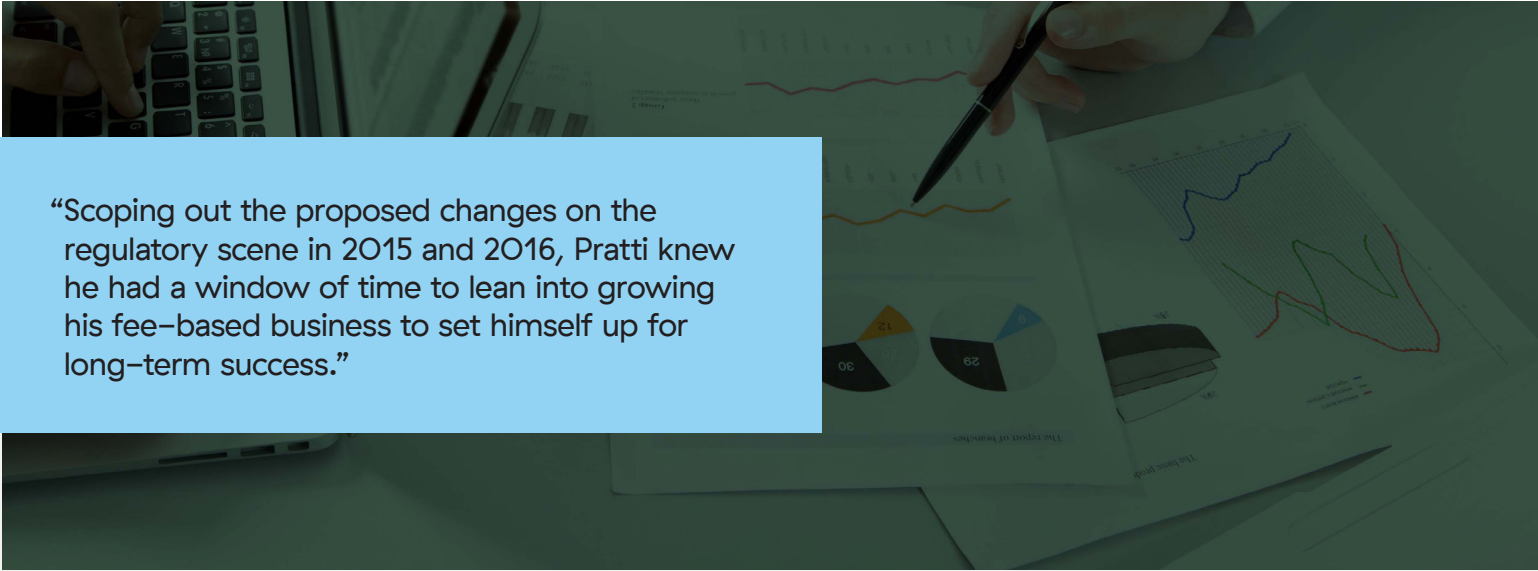
Because of his desire to run his own business, Pratti knew it was time to make a change. “I was afraid, but I wanted happiness—for my staff, my clients, and myself. I didn’t know what change to make. I didn’t know where. But I knew I needed to do it.”

Any time an advisor needs to part ways with a broker/dealer, be it a wirehouse or an independent outfit, it’s a major disruption to the business and to the clients. Naturally, this is why many advisors are reluctant to take this step until they absolutely must. The fear of losing clients, especially during a transition from working for a household name to hanging your own shingle, can be overwhelming. Pratti acknowledged this trepidation but chose to look at it differently. “I think most advisors fear losing clients, but I actually was not fearful of that because I always developed my business by selling myself, not my firm partner. Just like I don’t talk about Commonwealth; it’s Touchpoint Financial Advisor Group,” he says.

Focusing on Fee-Based AUM

Scoping out the proposed changes on the regulatory scene in 2015 and 2016, Pratti knew he had a window of time to lean into growing his fee-based business to set himself up for long-term success. At the same time, he saw that financial planning, holistic guidance, and fee-based business were the way the industry was headed, and he didn’t want to get left behind. “I was trying really hard with my old firm and having a big problem with it. I had about \$30 million in fee-based assets, and it wasn’t generating enough to pay for everything, so I always had to be running to make new revenue,” Pratti says. “You take on clients you may not have taken otherwise, and that leads to even more stress.”

Running a fee-based business would open the doors to living life on his terms, working with the clients he wanted, when he wanted, and achieving growth at a deliberate pace without sacrificing family time or time to recharge on the golf course—a beloved hobby for Pratti.



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Finding Common Ground at Commonwealth

The seed for independence was planted a decade ago at an investment conference when a colleague counseled Pratti that the independent channel would suit him. But it was another colleague who had made the jump to Commonwealth a few years prior that made the search for a new firm partner a rather short one. “He was showing me the technology. I was just blown away; I was amazed. At that point, I knew that I really didn’t want to go anywhere else. I didn’t want to even bother interviewing any other firm,” says Pratti. “I already had so many people I knew at Commonwealth. Everybody I talked to had great things to say about Commonwealth and how it was to be there and grow your business there. So, quite frankly, I targeted you.”

“As a firm, we’re not only looking to see whether an advisor is a good fit for Commonwealth, but also if we’re a good fit for them and how they want to run their business as owners,” says Andrew Daniels, managing principal, business development. “As career fiduciaries, we want to ensure a mutually good fit for the long term. We were confident that we could support John when he joined us and that, because of our flexibility when it comes to affiliation models, we could grow with him no matter where he chose to take his business.”

Commonwealth still had to walk the walk, cementing Pratti’s trust during the transition that would soon follow. Pratti had a few non-negotiables, including a commitment to remaining client centric and having rock-solid processes and procedures that his staff and clients could count on. More important, he wanted a flexible firm partner that would be there to support him, deal with errors expediently, and help him deliver the best product to his clients—himself. “I am a believer in people, process, and product. I’ve got the right people; I’ve got the right process; the product is us delivering our advice. What I needed was a firm that could have the right product. And to me the right product was allowing me to act as a financial advisor in my full capacity, and I wanted to be independent.”

When it came time to transition, Commonwealth’s dedicated transition consultants and a cross-functional team that spans the entire organization walked Pratti and McGee through every step. “The transition team was phenomenal. They were on us and with us the whole way. Every piece of paper we had, they took care of. Any questions, they would reach out,” says Pratti.

Learn About

Transitioning to Commonwealth

No navigating a phone tree to get to the right person for questions—your transition support team is just a call or email away.

You’ll be assigned a dedicated consultant and an operations specialist.

Commonwealth will create a custom timeline and monitor your progress.

Your team will be given personalized training sessions and web tours.

We’ll provide branding strategy, marketing materials, and a new website.

What a Difference a Partner Makes

“I would tell you that it’s literally service, service, service,” says Pratti. Being able to rely on prompt, accurate answers, consistent follow-up, and integrity meant that Pratti and McGee no longer spent their time tracking down information. Just the opposite, in fact. “With this level of service, I can walk into a meeting with a client and be 1,000 percent confident. Whether the person has \$50 million, or \$1, I can get any answer I need to get for these clients from Commonwealth,” says Pratti. “I can exude confidence because whatever they’re going to ask me, I can say I have a team that will get an answer, probably within an hour.”

With Commonwealth’s deep bench of full-time investment research specialists at his disposal, along with his usage of the firm’s outsourced fee-based solution, Preferred Portfolio Services® (PPS) Select, Pratti has the flexibility and freedom he wants so he can focus on prospecting for new clients and deepening his relationships with current ones. By leaving stock picks, mutual fund selection, and portfolio rebalancing in the hands of Commonwealth’s analysts, who are immersed in data daily, Pratti can focus on his complex financial planning and wealth management roles. “My philosophy is that I have access to a team that will do a much better job at investment management than I ever will. I don’t want to sit around and pick stocks or mutual funds or exchange-traded funds and figure out what to sell and what to buy. I would much rather be out meeting clients,” says Pratti.

“Our fee-based platform allows advisors to eliminate hours of time spent rebalancing portfolios, placing trades, or performing their own research,” says Peter Essele, vice president, investment management and research. “This allows advisors to scale their business efficiently while having more time to spend with their clients.”

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“As clients’ financial lives become more intricate, the Advanced Planning team helps advisors navigate everything from social security to eldercare.”

With Commonwealth’s Advanced Planning team, an experienced professional group that handles intricate financial planning topics such as social security benefits planning, trusts and estates, and charitable giving, Pratti is able to court—and service—high-net-worth clients who need holistic solutions for their personal life, businesses, and legacies. More important, Pratti can help families navigate life events both joyful and solemn with confidence. “I have clients being referred to me who want guidance on Medicare and health care in retirement or tax planning and the SECURE Act. With the help of the Advanced Planning team, we’re able to guide each of them through these complex issues during their time of need. How can we lose with resources backing us like this?”

“We’re able to function as an extension of our advisors’ practices. As clients’ financial lives become more intricate, the Advanced Planning team helps advisors navigate everything from social security to eldercare,” says Anna Hays, an advanced planning consultant at Commonwealth. “Not only that, we’re able to support advisors with niche clientele like high-net-worth individuals with legacy planning and charitable giving.”

Results That Speak for Themselves

With a supportive firm partner, Pratti has been able to pursue his goal of growing his fee-based business and then some. Since joining Commonwealth, he has more than doubled his fee-based AUM, going from about \$35 million to more than \$88 million, while also increasing his production nearly 35 percent.³ Because of this reliable revenue stream, Pratti now conducts client review meetings in biannual waves instead of continuously, allowing him to structure his business cycle to focus on prospecting and recharging the rest of the year. “The process at Commonwealth is so easy to navigate that it allows me to really focus on client acquisition and client service. In our business, client service is 90 percent of what you need to do. And that drives client acquisition.”

McGee and the rest of Pratti’s team are happy coming to work, too. “My staff does legitimately everything, except for finding new clients and servicing existing clients. This freed me up, and I think that’s why I’ve had this growth. My staff loves Commonwealth. We actually have an easy button in our office as a joke. Every time they call Commonwealth, they push it,” says Pratti.

“Our business can go one of two ways. You’re either going to do a very big volume business, and you’re going to work nonstop and make a lot of money. Or, you can go for more high-net-worth clients, less volume, have deep relationships, and live a really enjoyable life. And that’s the path I’ve chosen. I knew Commonwealth could get me there. I knew I could get there with Commonwealth.”

Key Results

A Successful Vision

With the support from Commonwealth, Pratti has been able to pursue his goal of:



Increasing
production



More than doubling
fee-based AUM



Creating a better
working environment

³Ibid., 2

Commonwealth

Your Firm Partner Established in 1979.

Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Adviser, provides a suite of business solutions that empowers more than 2,000 independent financial advisors nationwide. Privately held since 1979, the firm has headquarters in Waltham, Massachusetts, and San Diego, California. Learn more about Commonwealth by visiting commonwealth.com.

J.D. Power ranks Commonwealth “#1 in Independent Advisor Satisfaction Among Financial Investment Firms, Eight Times in a Row.”

Commonwealth received the highest score in the independent advisor segment of the J.D. Power 2010, 2012, 2013, 2014, 2018, 2019, 2020, and 2021 Financial Advisor Satisfaction Studies of customers' satisfaction among financial advisors. Visit jdpower.com/awards.

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