

CITYWIRE
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**MINDY DIAMOND
HUNTS FOR TALENT**

**THE BATTLE OVER
PPP LOANS**

**WHEN TO HIRE
EMPLOYEE #1**

A portrait of David Root, a middle-aged man with light brown hair, wearing a dark blue suit jacket over a light blue button-down shirt. He is looking slightly to the left of the camera with a neutral expression. The background is a solid blue color.

THE ACCUMULATOR

**DAVID ROOT IS SHOOTING FOR
SUSTAINABLE GROWTH**

COVER STAR

A DISCIPLINED APPROACH TO GROWTH

DAVID ROOT IS PURSUING SCALE — BUT WITHOUT SACRIFICING FOCUS

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David Root is a believer in manifest destiny, of a sort.

He sees it as inevitable that DBR & Co., the \$5.5bn RIA he helms as chief executive, expands beyond its home base in Pittsburgh.

‘Why can’t I work with somebody in Pittsburgh if I’m in Atlanta or Seattle or Las Vegas? These are places where we have clients and we do video conferences. We make it a point that we are going to meet face to face at least once a year with our clients,’ Root says.

He adds that in order to facilitate face-to-face meetings, ‘it’s incumbent upon us to build out our footprint

beyond just Pennsylvania and Ohio.’

Root’s plan for expansion is a methodical one. In January 2018, the firm struck a key pair of deals – it snapped up R. Applegate & Associates in Pittsburgh and the Paul Abendroth Group in Toledo, Ohio.

The two deals more than doubled DBR & Co.’s revenues, Root says, and were a big factor in pushing the firm’s 401(k) and wealth management asset figures to where they are today.

But Root is still approaching the takeover boom skeptically.

‘There’s a race to obtain assets and acquire scale,’ Root says. ‘I’m not as interested in that. We’d rather acquire experts. That’s what we’ve learned in the last five years, especially with these two acquisitions.’

SELLING SKILLS

Expertise is ultimately what Root is selling to its prospective clients. The firm works with 80 retirement plans that have more than 75,000 participants and has a wealth management client base that largely consists of healthcare professionals and executives, small business owners, lawyers, and corporate executives.

Both R. Applegate and Paul Abendroth were particularly skilled 401(k) plan advisory practices, Root says. If a prospective acquisition target doesn’t have a valuable area of expertise, he sees little reason to break out the checkbook.

‘We’re a little bit skeptical as to whether the M&A deals that hit the headlines are really creating value.’

Root points to a McKinsey study, which argues that two-thirds of acquisitions are either neutral or destroy value for acquirers. ‘There’s clearly value destruction that happens here. This is especially true in an environment with more buyers and fewer sellers and higher prices, at least pre-pandemic.’

Root says he’s agnostic about how DBR & Co. should ultimately grow, whether it’s organic or inorganic, so long as the firm continues to attract and retain subject matter experts.

The firm has managed to hire a 401(k) plan advisor and an investment analyst during the recent economic slowdown, even though the dip in the markets prompted the firm to take out a Paycheck Protection Program (PPP) loan to avoid layoffs.

‘Our next quarterly billing is going to be as much as maybe 15-20% lower than where it was the quarter before. You can absorb that. And you can absorb maybe a couple of quarters of that. But our number one goal is to keep our roster in place; our team of experts in place,’ Root says. ‘And I told everyone on day one of the shutdown that no one was going to be let go, no one was going to be furloughed, that jobs were safe.’

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COVER STAR

CAREER

1994 – PRESENT

Founder and CEO, DBR & Co.

1987 – 1994

CFP, president and shareholder, Bill Few Associates

1983 – 1986

Advisor, The Guardian Life Insurance Company

FAMILY AFFAIR

Root talks about his employees – the firm has 22 – with a familial attitude. That may be fitting, given his own career origins. Root’s grandfather, Paul Root, founded his own broker-dealer, PB Root & Co., in 1933. Root’s father, David Root Sr. and Paul Root Jr., his uncle, both joined the family business.

Meanwhile, after graduating from the University of Michigan, Root spent the first few years of his career at Guardian Life Insurance, tracking down policyholders whose primary agents were no longer active.

‘All I had was a map and a used car,’ Root says. ‘I had no place to live. I lived with my boss for three months.’

Although he appreciated the geography lessons he learned while driving around the bridges and hills of Pittsburgh, Root yearned for more. In 1985, he got his Series 7 license and joined a financial planning startup founded by local advisor Bill Few and affiliated with Charles Schwab. Root worked with Few for seven years and grew to admire Schwab’s business model before setting off on his own.

His company’s new name, DB Root & Co., was a direct homage to his grandfather’s business. The firm operated as a hybrid RIA affiliated with Commonwealth Financial Network. While the business was

ASSETS UNDER MANAGEMENT

\$679 MILLION

NUMBER OF EMPLOYEES

22

NUMBER OF CLIENTS (2019)

883 PRIVATE CLIENTS

80 CORP & FOUNDATION PLAN CLIENTS

successful, Root felt that there was something missing.

‘My bigger regret was that when I left [Bill Few], I didn’t leave as a fully independent RIA, but rather stayed with the broker-dealer model,’ Root says. ‘It was more convenient, it was more efficient. I didn’t have to repaper clients. It was essentially a new account number.’

In 2015, Root’s company made the jump to independence, hiring Dynasty Financial Partners to assist with its transition. The stakes of this jump were lower than the typical Dynasty transition: With no wirehouse to compete with for clients, Root was more worried about repapering than retaining the bulk of his business.

‘The industry wasn’t there yet in 1994. It just wasn’t there yet,’ Root says. ‘It was a matter of convenience to do it the way we did it.’

In addition to helping set up DBR & Co. as an independent RIA, Dynasty also provided the inspiration for Root’s expansion.

‘They’ve helped us to learn about scale,’ he says.

What will DBR & Co. look like at scale? That’s an open question. Root sees the firm building out a balanced client base that has more young, wealthy individuals alongside its traditional wealth management clients. On the 401(k) side, Root wants the firm to work with more multi-employer 401(k) plans.

‘We want subject-matter experts to either add to what we have or add something different that can make us as competitive in some other field,’ Root says.

Either way, one thing is clear: ‘In three to five years, we see the firm being bigger.’ ♦

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