
PETER MALLOUK OF CREATIVE PLANNING ON HIS “FAMILY OFFICE FOR ALL”

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On last week’s “Behind the Markets” podcast, we spoke to Peter Mallouk, president of Creative Planning, a \$40 billion registered investment advisor (RIA) and one of the country’s largest independent RIAs.

Creative Planning was born out of an insurance business in the 1980s. The company became one of Mallouk’s clients in 1988, and as he continued to expand his clientele for legal, estate and tax work, he saw an opportunity to evolve his services on a broader scale.

In 2004, Mallouk took over Creative Planning when it had only a few dozen clients, and he has expanded it into a firm with more than 30,000 clients today.

Mallouk attributes his success to being early to many trends in the industry: Creative Planning dropped its dual registration status and transitioned from being both a brokerage firm and an independent advisor to focus on the independent advisory element.

Mallouk also focused on passive investments and the exchange-traded fund (ETF) structure well ahead of his peers. He described being an early adopter and having to educate clients on the efficient structure of ETFs.

Big or Small?

I described Creative Planning as a large independent firm. Mallouk contrasted Creative Planning’s size with the trillion-dollar brokerage platforms and still sees his firm as being in its early days, with independent firms being relatively new. Mallouk said his definition of “big” would be double or triple where his firm is today.

Mallouk said that he sees 10 firms with \$25 billion or more in assets, and he believes more strategic buyers will enter the space. He was not surprised that Goldman Sachs wanted to acquire a firm like his (Goldman recently acquired United Capital, a \$25 billion RIA), and he also would not be surprised if a large custodian were to acquire one of the large independent firms.

One of the most interesting sections of the podcast was Mallouk’s description of what it means to be a fiduciary. In Mallouk’s view, selling your own products puts you in direct conflict with your clients’ interests.

Acquisitions or Organic Growth?

In the last year, Creative Planning had \$1.5 billion of organic growth and completed a \$500 million acquisition, and it plans to continue on that trajectory.

Mallouk thinks the breadth and depth of services at Creative Planning is what makes it an attractive firm to join. Creative Planning has 50 traders, a team focused on alternative investments, fixed income and other specialists.

One *Barron's* article described Creative Planning as "A Family Office for All," and that headline is prominently displayed in Creative's buildings and ingrained in its culture.

Mallouk said his clients' main concern today is one they struggle to articulate: that the world is always changing. [volatility](#) and swings in equity prices obviously are no different for any generation, but some experts hold the view that the market moves much more quickly and ferociously today. For example, during the fourth quarter of 2018, the equity market plummeted and then recovered in the span of a few weeks.

This was a great conversation with one of the leading RIAs in the country. Please listen to the full conversation below.

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volatility: A measure of the dispersion of actual returns around a particular average level.