

Why RIAs should not take PPP loans

By Daniel Wiener / 18 May 2020



Daniel Wiener, chairman and co-founder of Newton, Mass.-based Adviser Investments (\$5.5bn AUM), says RIAs should think twice before taking forgivable coronavirus relief loans.

According to press reports, many wealth managers applied for and took loans from the Small Business Administration through the Paycheck Protection Plan or PPP.

Industry watcher Citywire RIA reported that mega-advisor Ron Carson's Carson Group took a loan from the government, though his company refused to disclose how much it took. Same goes for RegentAtlantic, a large New Jersey RIA.

Along this line, I'm expecting there will be more stories of potential greed usurping actual need.

My story: When the PPP program was first announced, Adviser Investments, our fee-only wealth management company,

applied for a loan. We were approved for a hefty \$2.2 million. But as the deadline for accepting the loan approached my partners and I carefully assessed both the growing 'guidance' from the SBA and our collective conscience.

We concluded that while we might be able to convince the regulators that we were eligible for the loan, we could not convince ourselves that it was right to take it. We felt there were probably much more deserving and needy businesses than ours who might yet apply for funds. We declined every last penny of the \$2.2 million we were offered.

As a wealth manager and financial adviser to thousands of individuals, families and businesses, one of our basic pieces of advice is that they build a 'rainy-day' fund. Wouldn't it be hypocritical if, as a financial adviser, we had not taken that same advice for our business?

Put it another way, shouldn't any wealth management company that purports to provide sound investment and financial-planning advice be maintaining a robust

balance sheet for just those periods when the economy, the markets or an exogenous event require emergency funding?

Despite unprecedented times and hardships, we have been able to hold onto and pay our Adviser Investments staff and grow our business. But it hasn't been easy, and we aren't resting easy—these are as challenging times as we have had to manage through in our more than 25 years in business.

My partners and I would encourage all of our peers who have taken money from the PPP program that could better serve more deserving businesses in their towns and communities, to return it. Don't bite the multiple hands that feed you in good times and bad. Do the right thing now so that everyone reaps the benefits in the future.

As for Ron Carson, who makes no secret of his taste for flashy private jets and claims he's personally financing half of the cost of his new multi-million dollar headquarters, I'm kinda surprised he needed the money.

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