

“EVOLVE your practice, I DID”

FIRM: Wealthnetic (www.wealthnetic.com) – a holding company for USA Financial/Portformulas Investing/AnnuAssure /Plug-N-Run

LOCATION: Ada, Michigan

FIRM TYPE: Independent Broker/Dealer, Investment Management, Insurance Marketing/ Cross Platform Marketing & Technology

FOUNDED: 1988

AUM PER EMPLOYEE: \$23.75 million

CUSTODIAN: Trust Company of America, since January 2007



Mike Walters

Wealthnetic serves high-quality, independent ensemble advisory firms specializing in retired or near-retirement business owners, senior executives and private wealth clients. The firm believes if it can “manage the quality, the quantity will take care of itself,” and aims to add 15 high-quality advisors a month.

Mike Walters is the success story to which many investment-minded financial advisors aspire. As did many in the business, he started his career in financial services by knocking on doors looking for new clients. It didn't take long for him to realize that there had to be a better way for him to grow his business. It was at a young age that Mike realized he needed to work smarter, not harder. Working smarter is what launched his firms to extraordinary levels of success.

In 1988, he founded USA Financial Marketing Corporation (now known as AnnuAssure) as an insurance marketing organization com-

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mitted to helping other professionals market their practices in different ways. Soon after forming the insurance marketing organization, Mike’s interests expanded into the investment side of the business. He became an OSJ working with other like-minded advisors, while servicing his existing retail clients. In 1998, he launched a second company; an independent broker/dealer known as USA Financial.

By the time his broker/dealer added an RIA platform in 2001, Walters was deeply immersed in the investment business. After the dot.com

crash of 2000 and the market plunge following the 9/11 tragedy, he became increasingly dissatisfied with the investment products available in the market. So Walters shifted his focus toward refining the investment strategy that he

had been developing for years. It was based on the notion that instead of buying and holding equities in fear of missing out on the next bull market, investors would fare much better if they could avoid the severe, but often short, periodic market downturns that can erode a major portion of a portfolio’s gains. “It’s interesting to note that the price performance of the S&P 500 has essentially been flat from the decade starting January 2001,” Walters said. “Yet, from a calendar year perspective, the S&P has been up 7 of those 10 years. If investors had measures in place to avoid the three down years, they would obviously have a different perspective on what is referred to as the Lost Decade.”

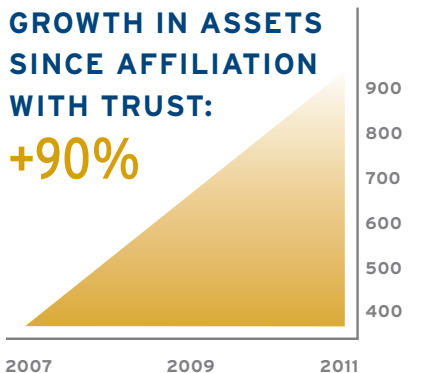
Ironically, Walters doesn’t refer to himself as a money manager - even though his firm has been managing portfolios for years. Instead, he refers to himself as a systems creator and trend spotter. He refers to his investment strategy as formulaic trending; a strategy that certainly isn’t buy and hold, but isn’t exactly market timing, either. “The goal of the strategy

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is two-fold: identify quality securities through proprietary formulaic analysis, and identify long term market and economic trends that might suggest when it’s not wise to be invested in equities at all,” Walters said. As a tireless researcher, he was continually refining the metrics in his system to increase its ability to spot trends, ending up with seven key indicators, which he weighs and combines into

GROWTH IN ASSETS SINCE AFFILIATION WITH TRUST:

+90%



a single patent pending indicator called RAM[®] Score (Recession and Market Allocation Management). The RAM[®] Score calculation serves as an integral part of the formulaic analysis within the model portfolios, which offer various risk levels and time horizons.

But Walters had a problem. For maximum effectiveness, he needed to run the analysis and rebalance each client portfolio accordingly each month. No technology system existed that could automate those transactions at an omnibus level, to eliminate the labor involved in manually rebalancing each client position. What's more, the transaction fees would be astronomical. Without a technology solution, the system wasn't economically feasible. "We knew what we wanted to do," says Walters. "And we were searching for a way to implement these portfolios. We just couldn't find a custodian that could do it."

NUMBER OF
EMPLOYEES:

40

AUM PER
EMPLOYEE:

\$23.75M

Fortunately for Walters, timing and a little bit of luck were on his side. In early 2006, Walters was attending an advisor conference and happened to overhear a conversation between two ad-

visors sitting near him. "I'm sitting at this conference and I overhear this advisor talking about how great his custodian's technology platform is," Walters said. "After learning more about it, I thought it could be the so-

lution to our problem. It turned out that the custodian they were talking about was Trust Company of America. Within two weeks, I had the Trust folks come out to my office."

Almost immediately, Walters realized that Trust was exactly what he was looking for; a comprehensive solution that simplified the application of his investment strategies across all client portfolios and accounts, no matter how large his firm became. He needed something that offered simplified money manage-

ment, streamlined trading, scalable back-office processes, and sophisticated investment capabilities - a system specifically designed for applying complex investment strategies across multiple model portfolios. Trust had designed a platform that eliminates the inefficiencies of portfolio models while maximizing the effectiveness of complex portfolio management strategies. For Walters, it was indeed the Holy Grail.

Within a few months, Trust became the custodian for his newly formed RIA, Portformulas Investing Corporation, the third company under his Wealthnetic corporate umbrella. Walters went to work with his team to create

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this new independent company that would utilize Trust's technology to implement client portfolios both for his b/d's (USA Financial) advisors, as well as outside advisors. The new company went operational in January 2007. At that time, his firms managed about \$500 million in total client assets. Today, they have about \$950 million in total AUM. "Without the technology platform, there is no way we could

run these quant models," Walters said. "It enables us to cross model, to cross trade, and rebalance between models, all at a macro level. We

move millions in assets at the first of every month, with a relatively small number of dedicated operations staff in our home office. Without Trust's technology and support, the trading and human resource costs would be prohibitive. Trust Company of America is the best kept secret in the industry, but it won't be for long."

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ABOUT TRUST COMPANY OF AMERICA

Trust Company of America is the only independent RIA custodian offering fully integrated, real-time technology and back office services built exclusively for RIAs. Headquartered in Centennial, Colorado, Trust has been helping RIAs optimize their portfolios by improving the scale, efficiency and sophistication of their trading for over 20 years.

For more information, please call 800-955-7808 or visit www.trustamerica.com.

