Nitrogen

CASE STUDY

$1.2B AUM RIA Redhawk Wealth Advisors Generates 25% More AUM Each Year Using Nitrogen

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1.2B	25%	40	70%
in Assets Under Management	More AUM added each year after adding Nitrogen	Advisors empowering clients to invest fearlessly	of prospects discover they're invested too aggressively

About Redhawk

Established in 2008 by Dan Hunt, AIF®, Redhawk Wealth Advisors is an SEC Registered Investment Advisory firm. Through its 40-advisor-strong team, Redhawk prioritizes accountability with a Fiduciary- ShieldTM Promise to consistently educate its clients about their investments and offer an honest approach to portfolio management. The firm offers a comprehensive set of services to investors from financial planning, investment management, tax planning, and insurance to legacy planning.

Challenges

There are three main challenges that faced Redhawk as they grew their firm beyond $1 billion in assets under management.

Finding New Business is a Never-Ending Story.

Redhawk opened its doors on April Fool's Day in 2008, but the challenge to grow revenue has never been a joke. Even as the firm grew to manage more than $1 billion in assets, that mentality of "survival mode" never left the firm's founding members. Choosing technology that grounds the sales process in objective discussions about investing not only benefits the firm, it benefits individual investors as well.

Setting Compliance Controls to Keep Advisors on the Right Track.

When you set up an RIA, "compliance is pretty important," says President and CCO, Rick Keast, AIF®. That's putting it mildly. Early on, Redhawk did not have the controls in place to efficiently monitor its advisors and their investment decisions for clients, making the entire process much more manual than the firm would like. Having a single solution that helps to control the investments that advisors recommend to investors has been a clear differentiator as Redhawk's adoption of Nitrogen has grown.

Identifying the Best Investments for Every Client.

As part of its unwavering focus on providing fiduciary advice to clients, Redhawk has developed an investment committee to guide its advisors' processes. "When the DOL rule was coming up, we worked with one of the top ERISA attorneys in the United States to review our entire process," says Rick. "When many were afraid of the DOL, we embraced it." Since its implementation at Redhawk, Nitrogen has become an integral part of that fiduciary process, and Keast says, a primary point in the attorney's glowing review of it.

> "The old way of doing business was using rudimentary questionnaires to filter clients into broad, subjective risk categories. Nitrogen is different because its objective methodology helps clients find their personal comfort zone."

Enter Nitrogen

Reflecting on the impact of Nitrogen, Rick puts it this way: "Even beyond our company-wide directive, our advisors have embraced Nitrogen. But with a lean and mean corporate office, we didn't have much space to add training to our plate. We pointed advisors to Nitrogen, and the support has been tremendous."

According to him, approximately 75% of Redhawk's advisors use Nitrogen's self-guided training materials to sharpen their skills in the system, and any questions go directly to Nitrogen's customer experience teams.

"The support staff gets back to us right away. Any question we've raised has been resolved within 24 hours. The customer service is always fast and thorough."

Building a billion-dollar RIA is no small feat, and Rick attributes the enthusiastic adoption of the Risk Number® among Redhawk's advisors as an important factor in the firm's ongoing growth.

"I definitely believe there's a correlation between advisors who use the Risk Number in their prospect meetings and Redhawk's explosive growth over the last five years. A major change has been that as our usage of Nitrogen has increased, our conversion rate has also improved significantly."

ROI Matters to Redhawk

When talking to Redhawk advisors about their asset growth since adopting Nitrogen, a few improvements became immediately clear. "My advisors told me that they began to grow at a faster rate, and that they could attribute their revenue growth to using Nitrogen," Rick says.

Every advisory firm wants to know the technology it adds helps put it in a revenue-positive state, and according to Rick, Redhawk began to see a return on its investment in almost no time at all.

It didn't take much added AUM for Nitrogen to pay for itself—or even time. "Nitrogen paid back its cost in four to six months," he says. "I would estimate that we bring in 25% more AUM each year because of Nitrogen."

Takeaways

Client Retention is Stronger Than Ever.

As important as it is to bring on new revenue, Rick acknowledges it is equally important for advisory firms to retain their existing clients. "Clients see confusing analytics all over, and their heads spin with alpha, beta, and sharpe ratios. What we've done with Nitrogen is simplify conversations with clients in a sophisticated way by focusing on the numbers that matter most."

Redhawk focuses on three areas with clients: increasing retirement income, reducing risk, and reducing investment cost. Nitrogen helps illustrate to each of their clients what their advisor has been telling them for years.

"Most people think that if you want more return, you need to take more risk, but I prove that's a fallacy each and every day. We typically come in with a lower risk portfolio than what a client has had before, but the new portfolio brings in more income at the end of the day. It's one of the reasons why we close more business now."

Advisors and Compliance Agree on Guardrails with Flexibility.

One of Redhawk's company values is to over-communicate with both clients and advisors. One way it puts that value into practice is by having its Investment Committee meet weekly to approve the investments an advisor can use. Adding Nitrogen has made it simple for Redhawk to enforce guardrails and maintain a transparent and consistent investment process with its advisors.

The addition of Nitrogen has helped Redhawk Wealth Advisors improve its average new client AUM to the $500,000 to $5 million range, up from $250,000 or lower, in only four years.

"We maintain our model portfolios on Nitrogen so advisors can pick and choose what they want based on client objectives. There is safety and security in this approach for our firm because it gives us complete insight into how advisors manage portfolios," says Rick. "At the same time, it provides incredible flexibility to advisors to manage their own portfolios and to request a new investment in a secure and consistent process."

Maintaining a Fiduciary Focus is Clear.

As an outgrowth of its focus on providing a consistent fiduciary experience for each client, Redhawk uses Nitrogen to generate an IPS for each client.

Rick explains it in this way: "Every advisor at Redhawk has to follow our fiduciary process, and we enforce that to create a better investment experience for every client."

"We check to verify selected investments are in line with a client's Risk Number. If not, we require the advisor to explain their choices. Plus, any portfolio change down the road requires a new IPS, whether the advisor is using our model portfolios or managing their own."

Takeaways Continued

Whenever those changes come, Redhawk can quickly generate a new IPS from Nitrogen to keep the process moving and get clients invested faster.

> "Clients can't believe it when we tell them we can increase their income and lower their risk at the same time. It's what everyone wants, and Nitrogen gives us the ability to be transparent in how we can create portfolios to achieve that outcome."

Conclusion

By enforcing a strict fiduciary process, Redhawk is better able to align itself with advisors who shares its core company values. "For us, it's about quality and not quantity. We want advisors who want to be fiduciaries and put their clients first," says Rick. "Running the entire process through Nitrogen is the smoothest way to accomplish that."

As important as it is to find advisors who are a good fit, it's equally important to help clients feel at home. Redhawk's ability to demonstrate alignment between risk tolerance, risk capacity and portfolio risk help clients just "get it." Market volatility can make clients nervous, but being able to make better decisions

for clients and illustrate them in a common language has made a discernible difference in the stability of client relationships.

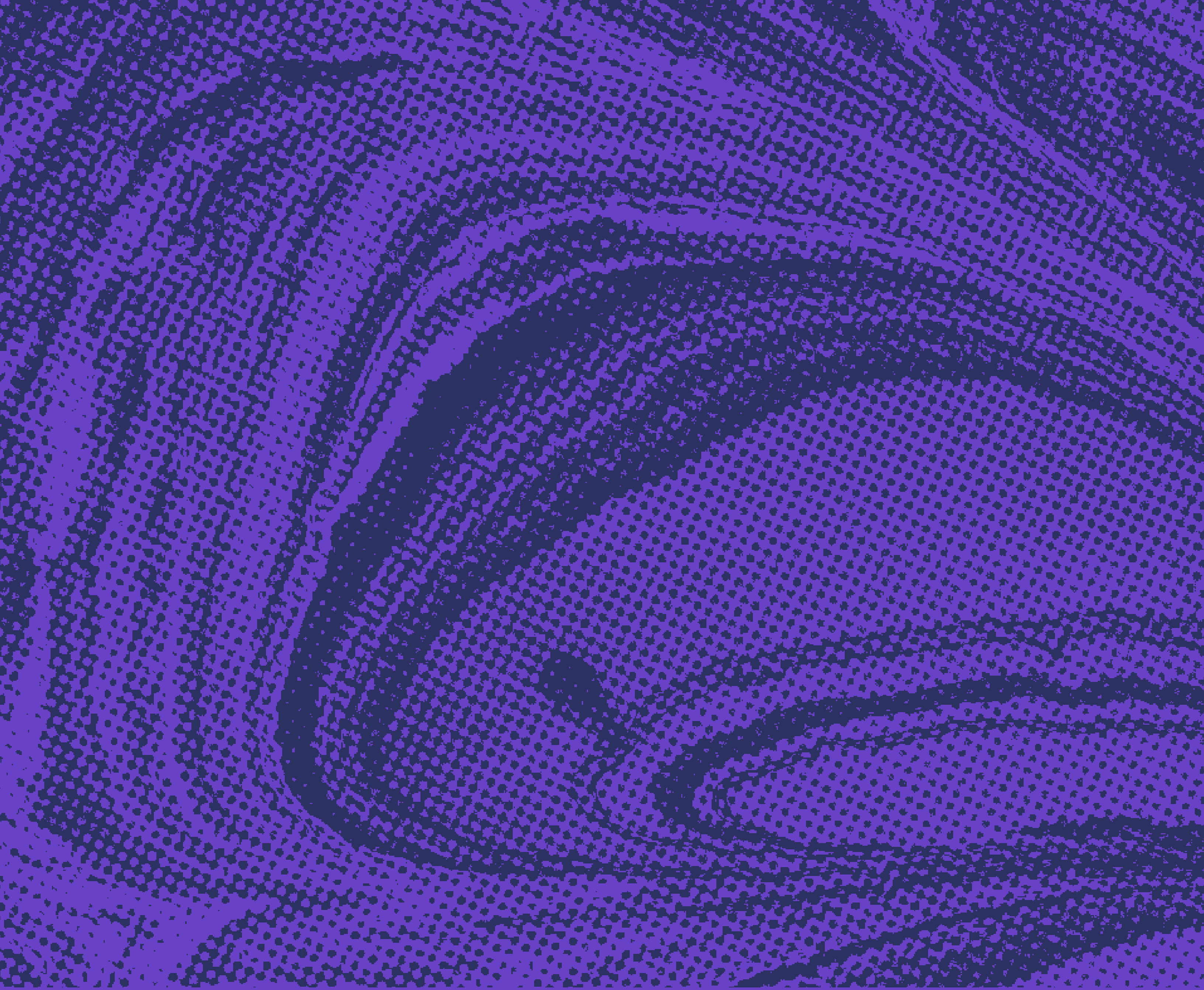
Rick stresses the impact that good communication practices can have on a firm. "When you over communicate, it helps to limit the nervousness someone feels when the market drops or they question their portfolio. A typical situation may be where a client with a Risk Number of 30 sees that the S&P 500 is up 12%, but their portfolio is up 3%, so they ask why. Those conversations have become simple to talk through with Nitrogen."

Above all, Nitrogen has helped Redhawk to solve for two of its most common challenges. Nitrogen has freed advisors to win more business by displaying objective, defined portfolios with a risk that makes sense to each client, and compliance tools have satisfied the firm's monitoring needs.

"Nitrogen has given our advisors more confidence in client conversations because it gives them an objective, simple way to discuss risk. And in turn, that confidence empowers our clients to invest fearlessly as well."

Nitrogen has positively affected these three areas for RedHawk:

- **Growth & Retention**
- **Model Management**
- **Fiduciary Focus**



READY TO JOIN THE FEARLESS INVESTING MOVEMENT?

Sign up for a product demo at Nitrogenwealth.com/advisors and get to know the power of the Risk Number.

Sign up

Special thanks to Rick Keast and their entire Redhawk team for their candor and commitment to empowering the world to invest fearlessly.

Nitrogen is the company that invented the Risk Number®, which powers the world's first Risk Alignment Platform and was built on top of a Nobel Prize-winning academic framework. Advisors, broker-dealers, RIAs and asset managers use the Nitrogen platform to create alignment between clients and portfolios, leverage sophisticated analytics to increase the quality of their advice, automate trading and client account management, and access world-class models and research in the Nitrogen Partner Store — all with the mission of empowering the world to invest fearlessly. To learn more, visit Nitrogenwealth.com.

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