David Lucca of Rhoads Grunden Lucca
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December 2000 Issue – It's not easy reshaping a firm top to bottom. It's especially difficult when you're the firm's newest partner, and just two years removed from CFP training. But that's just what David A. Lucca did.

After becoming a partner at the renamed Rhoads Grunden Lucca in 1991, Lucca convinced his two partners – John Rhoads and Ricky Grunden – to convert the Dallas-based firm to a fee-only practice, concentrating almost solely on investment management.

"We were a typical commission-based financial planning firm," Lucca says. "the broker-dealers and fund companies push practices to increase production and sell things. John [Rhoads] and Ricky [Grunden] had both been in the business for a while, and they were tired of that push. I was looking at things in a new and fresh way, and I wanted us to serve our clients without having to push products."

So, with Lucca as the catalyst, the firm began converting to fee-based services in 1991, and by 1996, Lucca and his associates were operating solely as fee-based advisers. Two years later, Rhoads and Grunden turned in their Series 7 and insurance licenses – Lucca hadn't been licensed as a broker-dealer – to avoid confusing clients about their ability to even offer commission-based services.

"It was a good switch for us," Grunden says. "With commissions, there's an inherent conflict of interest. Now, everything is above the table, and that's a better way to interface with our clients. David challenged our thinking."

Operating purely as a discretionary money manager, RGL raised its minimum portfolio from $100,000 to $250,000 and whittled its client base from more than 1,000 accounts to 240. "The big thing we gained from the transition [was] the new focus we have on managing money," Lucca says. "We now have the time and focus to do it well."

RGL now manages more than $113 million in assets, investing mainly in mutual funds, each with a colorful name intended to convey the risks it carries. Lucca manages the moderate "Solid Oak" portfolio, while Rhoads manages the conservative "Sleep Easy" portfolio. Grunden manages the highest-risk "Hot Jalapeno" portfolio, and the aggressive, though less risky, "All Growth" portfolio. This year, RGL added a fifth portfolio – "Wealth Opportunity World-wide" - composed of individual stocks of companies with a role in ascendant networking technology. Lucca says RGL is also looking to move some of the "All Growth" portfolio from mutual funds to individual stocks.

"The bigger you get, the harder it is to maneuver with mutual funds," Lucca says. "We generally don't want more than eight funds in a portfolio, and we never want to own more than 2% of a fund. That makes it harder to move and select funds."

Aside from the move toward individual stocks, Lucca also moved out of the firm's Dallas office and relocated to Pennsylvania, so his wife and children could be closer to their extended family.
The partners still hold twice-a-week investment meetings – with Lucca conferenced in on the telephone – to discuss changes in the firm's portfolios. Lucca says he talks with Rhoads and Grunden at least four times each day, and he still relies on administrative support from the Dallas office, and the partners monitor accounts and portfolios online across the company's network.

The move also hasn't been a problem for the clients Lucca handles personally. With clients in 18 states and four countries, the firm's not entirely dependent upon the Dallas area for business.

“Moving was a challenge to the firm. It brought us into the information age more quickly, and that has led to a higher level of communication,” Lucca says. “We run a better practice because we’re utilizing new technology to do research, communicate with our clients, and work together.”