A Nearly 200-Year-Old Success Story: How Janney Montgomery Scott Built a $135B Firm

A conversation with Jerry Lombard, President, Private Client Group, Janney Montgomery Scott

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is a nearly 200 year old success story. How Janney Montgomery Scott built 135 billion dollar firm. It's a conversation with Jerry Lombard president of the private client group at Janney Montgomery Scott. I'm Mindy Diamond and this is Mindy Diamond on Independence.

Mindy Diamond:

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Mindy Diamond:

It's often hard to imagine the longstanding history of many of the firms in our industry. Janney, for example, has roots dating back to 1832. The firm even once held the second oldest seat on the New York Stock Exchange yet it's their private client group that's making waves in the wealth management industry. The Janney as we know it today is a privately held firm, an independent subsidiary of Penn Mutual life insurance. It's become an attractive landing spot for top advisors who are looking for a more flexible approach to serving clients. So, much so that as of this courting, the firm has amassed some 135 billion dollars in assets under advisement, and has a footprint across 21 states served by over 850 advisors. It's a business that has grown exponentially over nearly two decades, sparked by the leadership of the private client group, president Jerry Lombard, my guest on this episode. And it's his leadership that has no doubt been guided by his own experience with the firm.

Mindy Diamond:

You see, Jerry has logged nearly four decades at Janney, having joined the firm in 1983 as a financial advisor trainee in its Philadelphia headquarters branch. Just three years later, Jerry was named vice president of investments as one of the firm's youngest advisors to achieve that title. He continued to build his practice becoming a top producer. Then in 1992, Jerry became the money management services unit first vice president building Janney's advisory services platform over the next decade and achieving the fastest growth of any of the firm's business units.

Mindy Diamond:

From less than a million dollars in revenue to over $500 million today representing the majority of the private client group division revenue. But it was in 2004 when things really took off as Jerry was named president of the private client group and has since worked to grow the firm's fee-based business. Yet in a sea filled with options how does Janney stand out and continue to remain relevant? What is it about out the firm that advisors find attractive? How does Janney compete amongst options in the independent space? In this episode, Jerry shares the Janney story and their unique value proposition. Plus he offers specific examples of top teams who recently joined the firm and the success they're seeing and much more. So, let's get to it. Jerry, I'm incredibly grateful for your time today. Really excited to talk with you.

Jerry Lombard:

I appreciate you having me Mindy and happy new year to you and everyone tuning in. I hope it's another great year for us.

Mindy Diamond:

Thank you. All right. Let's start at the beginning, Jerry. So, I'd love to hear a little bit about yourself. So, you have a long history at Janney. I know you joined the firm as a trainee in 1983, and just walk us through what took you from there as a trainee to taking over the presidency of the private client group, a role you assumed in 2004?

Jerry Lombard:

Sure, if I can remember back that far. Yeah, I was with a 403B broker dealer out of school and cut my teeth offering retirement plans to school teachers and hospital employees. Found my way to Janney in 1983 and had some success at small island and dialing as we did back in those days. And over time, I built a little bit of a niche with some local money managers here in the Philadelphia market. And I guess that was enough so that management at the time, when they went into the third party managed account space, asked me to manage that effort. And the fee base side of the business was a moonshot. And that led me to running all of our products and services for a few years. And then eventually, as you said, becoming responsible for PCG as we call it, gear, back in 2004.

Mindy Diamond:

So, I'm wondering now how you spend your days. And I guess what I'm asking is I know Janney has about 870 advisors. So, I'm wondering how much of your days are spent in traffic or in dialogue with them?

Jerry Lombard:

Quite a bit, actually. Whether it's on the phone or when I'm in the field, traveling to our branches, quite a bit of my day is spent with our advisors or working with other people on the executive team or here in the home office that support those advisors. It's pretty much all Janney does, or 85% of our revenues come from the private client group activities of our FAs working with their clients. I get involved in some industry efforts from time to time, recruiting is a big part of our success story. So, I'm with FAs from other firms that are kind of kicking our tires, and then we're always responsible for developing the next level down of manage and keep this thing going for another 190 years.

Mindy Diamond:

So, I know that having started your career as a trainee and having been in the trenches as a financial advisor, how do you think that that experience as a financial advisor informs the kind of leader you are today?

Jerry Lombard:

I think that it really has influenced the way I think about managing the division, in that I was in the chair and hopefully I haven't lost a sense of how FAs think. We start, whether it's in management or as advisors always putting the client first. And from the executive of level, I'd say that our financial advisor are close second to the client. And I've always found that if you listen to the field in terms of what FAs need, what they're not interested in, because the best ideas come from the field, that things tend to work out very well. We have a very collaborative process with our financial advisor council, which we started back in 2005 and we meet with them regularly. And their input influences a lot of the priorities we have in each year's business plan, whether it's technology, whether it's compensation schemes, you name it. We try to work hand in hand with our FAs. And I think that comes from my days in the chair.

Mindy Diamond:

Well, that's actually a really interesting statement. I like what you just said that advisor's input actually influences your plans for the year. There are a lot of firms that don't necessarily operate that way, that it's certainly they say that they are FA centric, but a lot of the mandates and the things that they do revolve around managing to corporate profits.

Jerry Lombard:

Yeah, we're not that way. I think being privately held and an independent subsidiary of our parent company, Penn Mutual, allows us to set our own priorities. And not being public, we don't have the ongoing pressures or whims of the Wall Street Analyst community dictating what we should be doing or not be doing. So, that helps. And our size is our advantage. Being small enough to be able to listen, instead of trying to manage to a one size fits all kind of scheme, I think makes us a little bit different.

Mindy Diamond:

Yeah. So, let's pivot then, that's a good natural pivot point to talk a little bit about Janney. The firm has been around since 1832, yet it still flies pretty much under the radar. Tell us a little bit about the firm's roots.

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Sure. We trace our roots back via one acquisition of a firm called Hop and Watson, which was the second oldest seat holder on the New York Stock Exchange. Hop and Watson was founded in 1832. The Philadelphia roots go to 1837 in a firm called E. W. Clark. And E.W. Clark merged with other firms along the way we had Janney Battles. We had Montgomery Scott and company. And Janney Battles and Montgomery Scott and company came together in the early 1970s to form Janney Montgomery Scott. Penn Mutual came along and bought the partnership out 1982. So, we have been part of the Penn Mutual enterprise for the last 40 years now. And I guess the only other major, and it wasn't major by most standards, but by us boutique that we are, we acquired Parker/Hunter, which was the Pittsburgh based regional firm. We acquired them in 2005 and brought over another 120 FAs at the time from that very century old storied firm.

Mindy Diamond:

So, you mentioned Penn Mutual as a parent, and you've been part of them for 40 years. Yet my knowledge of them as a parent is they have very little day to day involvement with Janney. Janney runs pretty autonomously. Would you say that's true. And how does being part of Penn Mutual, how is that a good thing for advisors and where is it a detriment?

Jerry Lombard:

Yeah, I haven't seen the detriment side yet, Mindy. I'd say they've been an extremely supportive parent over the last 40 years. Now, mind you, we've gone through lots of economic cycles market cycles during that timeframe and all long, it's been a very synergistic relationship with Penn Mutual. They're the seventh largest mutual insurance company in North America. They have a double A3 excellent credit rating by Moody's. They're hands off, I think because overall these cycles, Janney has always been the highest performing asset in their organization. This past year, we threw off over 16% on the captive capital that they have invested in us. So, in otherwise low interest rate environment and most of their assets being in investment grade corporate debt, they like the higher returns that we can generate. And have been there through thick and thin. I remember back in '08, '09 during the financial crisis, a lot of firms were having difficulties.

Jerry Lombard:

They were faltering. We were able to take advantage of that because Penn Mutual was willing to invest for growth at the time. And looking ahead in the future and said, go out there and hire as many of those wirehouse FAs that want to come over and join you, as you can. We had to meltdown in the auction rate securities market, you might remember in late 2008. Penn Mutual allowed us to buy all those securities back from our clients at par. And we did so probably within 60 days, if I recall. And that was doing the right thing by the client, but we were able to do that and I think we're pretty much the only firm that did it that quickly, because of the financial strength of Penn Mutual. So, it's been a great relationship.

Mindy Diamond:

Your comment about them saying, go out and recruit as many wirehouse advisors as you can demonstrates a real understanding of the wealth management space. That actually is a little bit unusual. Most times a parent company, like a banker insurance company, doesn't really understand the entrepreneurial mindset that goes into managing a wealth management firm.

Jerry Lombard:

Yeah, I think we have been very lucky in that Penn Mutual is not all that different than the captive BDs that most people in your audience are working for. Most of their efforts are in the life and annuity space and they're doing so through general agencies and those life insurance agents, those wealth managers are not dissimilar to what our financial advisors do. They have personal relationships with doctors and lawyers and business owners and they're out there sitting across the kitchen table for mom and pop. It's just that they're leading with insurance solutions instead of investment and planing solutions. But our DNA is very, very similar.

Mindy Diamond:

Yeah, that makes sense. So, tell us what Janney's value proposition is. If you met someone in a bar or we're in an elevator and giving somebody the two minute elevator pitch, Janney is what?

Jerry Lombard:

Yeah. You know what, we're different because we have this boutique size so we can get very, very close to our advisors and their clients if need be. We have open architecture, so we're not pushing any kind of products to clients. And we don't have many of the conflicts that bank owned firms do. We operate with integrity and the client always comes first. And because of our size, we're able to offer very tailored solutions and create a gold path for clients to be on that we feel is heavy on integrity, heavy on personalized advice, always being there. We're not trying to offer things through a robo. And it results in very, very high client satisfaction rates.

Mindy Diamond:

And Jerry, when you say we all offered tailored solutions, what do you mean by that exactly?

Jerry Lombard:

So, we start with every individual client. We don't have preconceived notions about house set, asset allocation models or what the investment portfolio should look like. Every one of our clients has a different set of goals, a different set of dreams, a different set of fears. And by sitting down one-on-one with those clients, through a team of advisors, we can craft a very bespoke outcome for them and adjust it accordingly because we're in constant contact with our clients.

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Makes sense. So, of the 870 advisors under the Janney umbrella today, that sit and I think it's 120 offices. What does the typical advisor look like? I guess, from what firms did they come? Where are the majority of the offices? Tell us a little bit about where they came from. And my follow up question is going to be why they came?

Jerry Lombard:

Sure. Our footprint triangulates from Maine to Florida, and then up, if you will, from Miami, into Georgia, into Tennessee, and then starts making its way back to the east coast in Michigan and Ohio and upstate New York. So, we're in that kind of Eastern seaboard, east of the Mississippi space. Smaller offices, as you said, 120 housing, 870 FAs, maybe that's eight or so per office. They are FAs that are highly productive. This year I would imagine they're going to generate more than a million dollars per FA. Assets at the moment, average 160 million per FA. 75% of their credits are advisory in nature and 85% are recurring.

Jerry Lombard:

Those that have not been, I'll call them lifers here at Janney have come primarily from the wirehouses. We hired 90, for instance, wirehouse FAs in 2008 alone during the crisis. Last year, we had 50 through the door and I would say more than 40 were from the four wirehouse firms. I spoke to our top or our million dollar plus producers of which we have about 300 the other week in a national conference and I told them that two thirds of them had joined since 2007, when we started that particular conference.

Mindy Diamond:

And why are they coming? As I think through what you shared about your value proposition, there are probably a lot of firms, particularly those that also are part of this regional firm space. So, firms like Stifel and Raymond James and RBC, which are typically the main competition, I would imagine for Janney, are also gunning for wirehouse advisors and having a lot of success in recruiting them. So, I imagine that many of the advisors that wind up at Janney, looked at some of those other firms as well. Why Janney?

Jerry Lombard:

So, I think that one of the distinctions that we offer even compared to our regional counterparts is our size. I've mentioned that before. We do not have national aspirations; we are not going from 2,000 to 10,000 as some of those former regionals are trying to do. We are not making acquisitions. We're not publicly traded. Penn Mutual likes the fact that we represent 25 to 30% of their top and bottom lines. They think that if we grew too fast, the profile in the eyes of the rating agencies would change as it pertains to their credit worthiness.

Jerry Lombard:

So, we are not trying to get bigger. And I think that is something that's appealing to wirehouse advisors, especially those that were not originally starting their careers at those larger firms. And they're trying to get back to their roots. They remember the days when they could pick up the phone and they could talk to decision makers. They could ask for an exception or to do something a little bit different because it made sense from a business standpoint, even though it wasn't the cookie cutter approach that their present firm may have been employing. And they don't give up the financial strength of the organization to be in that smaller setting.

Mindy Diamond:

I think actually, you make an interesting point that a lot of advisors tell us that what they're yearning for is the days of yester year. The days where it felt more entrepreneurial work at a firm, it felt more familial. It was more an easier access to the top. It wasn't as bureaucratic. So, I think you're right, that an advisor that may have started his career at Piper Jaffrey or her career at A. G. Edwards. Or even the early days of Merrill Lynch might be one of these people that would resonate with just what you're talking about to get back to their roots.

Jerry Lombard:

Yeah. I think we've been lucky to tap that need to get back to when things were a little bit simpler.

Mindy Diamond:

Yeah. So, you mentioned that the average advisor about a million in production, how about multimillion dollar advisors, advisors generating several million or more in production a year?

Jerry Lombard:

Yeah, so I mentioned we had our top producers conference couple weeks ago. We taped over 300 of our 870 or million dollar plus. When I look at the top echelon of those, you cut that 300 and half and you're talking about two and a half and up. My top individual advisor topped out at $8 million this past year on, well, over a billion in assets. My top team topped out at probably $14 million in productions on well over a billion dollars of assets. So, in both of those cases, I can look back a decade ago and they were nowhere near what they were. The top producer had joined from another regional firm and his business has just exploded. The other two are pretty much homegrown and we've helped them along the way. We just hired a, not just, six years ago, we hired a $2 million team from Morgan Stanley. They were just named our FAs of the year during that conference. And they'll print over 7 million dollars this year. So, in pretty quick order, they've tripled their business being here with us.

Mindy Diamond:

So, I want to come back to that in a minute to talk with you a little bit about some of these individual top advisors. But tell me a little bit about Janney's technology since we know tech is a pretty important driver these days.

Jerry Lombard:

Yeah. So, we're certainly not going to be on the bleeding edge. We've been pretty smart not to go into lines that ultimately went nowhere. I remember when full service firms, the last go around, we're looking at client directed trading platforms and like that, and now they seem to be, well, what comes around goes around every so many years. We've kind of stuck to our guns. We're not saddled with legacy systems. We can buy, build or license. And we've been very nimble and quick when we needed to go to market with a new tool. Our FA council a few years ago said that it was imperative that we have a client aggregation tool.

Jerry Lombard:

Quite frankly, the only person that was just dipping their toe into the water was e-money in that space. Morgan Stanley followed about six months later, we followed nine months later. I think we had a stronger tool than both of those other two platforms at the end of the day. But we have what our FAs tell us they need in order to be successful and that their clients want. When wirehouse FAs come to visit and kick our tires, the first thing, or second thing they say is, wow, I never expected the technology to be so good. In fact, this, that, and the other thing are better than I have right now.

Mindy Diamond:

Ah, that speaks volumes. That says it all. And tell me how you think about transition money, recruiting deals. And look, we know that no firm wants to recruit an advisor that's solely looking for the top bid or only about personal financial gain. A move should be motivated by wanting to do better for clients and then his or her personal finances should be second to that. But still deals matter and it's very much a seller's market right now where deals are at a high water mark everywhere. And I know AdvisorHub reported recently that Janney's deal was about 165% to 250% all in. That is sort of middle of the pack in terms of where other deals fall. So, just kind of wondering how you think about how often you lose, how important you find that, how much it mattered when you're recruiting some of these bigger advisors.

Jerry Lombard:

Yeah. So, that scales, so the low end at a 165% is for the $500,000, $600,000 FA. We really don't shop less than 500,000. And the 230 plus percent is for the multimillion dollar teams. One is I would say that, yeah, if you include the wires, we're going to fall to the middle of the pack. But we usually are not competing for talent that wants to remain in the wirehouse channel. So, I view our competition as that short list of other regional firms that you mentioned earlier. And I think within the context of that group, we're pretty close to the top. We're not necessarily the very top in any given year or any given deal. But we're always going to be very competitive and we think that our platform and compensation makes up for the rest. When we set our deals, I mean, what we're really trying to do is be good stewards of our parents capital because that's how we can afford to finance these transactions.

Jerry Lombard:

And we're looking for reasonable returns on the deployment of that capital. And we will close approximately 50% of all FAs that come and visit us here in the home office during the course of their search for a new partner firm or do so virtually, which we've had more of since COVID began. So, our close rate at 50% is pretty strong. And yeah, we'll lose to somebody that might have an extra 20% on the back end from time to time. But as you said, I think it's more about the fit of Janney with the individual financial advisor's business and the individual financial advisor's business fitting with Janney.

Jerry Lombard:

That at the end of the day is worth a lot more than that extra 10 or 20% that maybe is not in our deal. We are us again with a parent that has very, very strong capital. And they like us to deploy it because we've done so successfully for so long. And we always review our deals. I think the last three or four moves have been higher. And we're in the process of looking at that again. So, anyone in the listening audience might want to check in 30 or 60 days hence and see where our deals stand.

Mindy Diamond:

Well, that's helpful. Thank you. So, I want to pivot for a second. It's an interesting time in the industry, the waterfall of possibilities or the options that advisors can consider are more robust than ever before. The ecosystem born to support the breakaway advisor, the advisor that to go fully independent is bigger and better and more robust than ever before. Certainly the wirehouses are heavily in the game. Merrill's not recruiting so much, but Morgan, UBS and Wells certainly are. And certainly the firms we mentioned before, the other regionals like RBC and Stifel and Raymond James.

Mindy Diamond:

But I'm wondering one of the cattle that seem to be the category killers in a lot of cases are firms that feel to advisors like best of all worlds. So, firms like Rockefeller and First Republic for example, are crushing it, because they offer advisors the look and feel of independence without having to go through the brain damage of building a firm. And as I'm listening to you talk, it sounds like you might make the same argument about Janney that somebody that might say, yeah, independence is interesting, but building my own firm as a bridge or many too far. And I want the built in infrastructure, I want to monetize the business on the way in. I don't want the risk of just being long term focused. Would you agree with that? How would you say being an employee advisor of Janney compares to being independent?

Jerry Lombard:

Yeah. I'd say you kind of get the best of both worlds. You get a high degree of independence just by the nature of our culture, without the hassles of being a small business owner. You hit the nail in the head when you said you can monetize your business up front. And oh, by the way, we have a strong transition package when you want to retire and you can do it again without having to switch firms. You know what the deals are. I mean, there's no more competitive marketplace for advisory talent than is out there right now. Whereas if you're looking to sell an independent firm that you might build, you don't know what the market is going to be 20, 30 years from now, when you're trying to sell.

Jerry Lombard:

You don't know what the regulatory picture is going to be at that point in time. And I think being in the independent space has a lot of advantages for the FA with the right minds set. But having the legal compliance and deep pockets of any other W2 parent is going to be to your advantage as things get more and more complex on those fronts, especially when things go bump in the night, whether it's a client matter, a complaint, whatever the nature of the bump might be. You want to have some people on your side, you don't want to be out there flying solo.

Mindy Diamond:

And how about on the other end of the spectrum, Jerry? So, on the other end, you've got people that are coming from the likes of Morgan, Merrill UBS, Wells, who believe that the big brand name is what resonates and then a name like Janney might not resonate as well as the name Merrill does. What would you say to that? Are they right?

Jerry Lombard:

Well, they are right. And I think there was a time at the earlier part of the century when that did matter, the financial crisis changed the mindset of a lot of investors in this country after that. And any panache they had, and they were kind of looking at a lot of these brand a skew now with the problems they had and almost taking the system down. Again, being in the chair, I never thought that it was the name on the door. I always viewed the relationships as mine. And I think as long as a firm or a platform has the tools that you can service the sophisticated, wealthy household. That wealthy household doesn't choose a firm, they choose an advisor. So, it doesn't matter where that advisor is working.

Mindy Diamond:

Yeah. So, maybe we can make this more tangible. I know you've been on a recruiting tear and you and I were talking about this just before we hopped on this recording in the last year or so, had great success recruiting. And what I'd love to do is talk about a few of the wins you've had. You mentioned the seven million dollar team from Morgan Stanley that's really grown. I'd love to share some other examples that I know where Janney has had success in the recent past. And would love to hear how and why, what made these advisors choose Janney over anything else. And when they joined and how they're doing since they joined. Because if we know that they might have also been considering independence or concerned about the big brand they were leaving behind. I'd love to hear how in real life it worked for them. So, maybe let's start with that seven million dollar team from Morgan. When did they join? What is it that you think has been most impactful in their growth?

Jerry Lombard:

Yeah. Michael and Jeremy joined in mid 2016, as I said, they were just doing a little over two million and higher. So, their first full year, they were doing less than two million. They've told us that they receive a lot more administrative support. Now it's gone past administrative support with junior team members and planners on their team that we have funded in part so that they could grow. They're very entrepreneurial. They're very driven and focused. The other thing is that they've asked for us to get creative when it comes to marketing support dollars. How can they trade this for that? And we've been willing to work with them. And I always like to invest in my stallions. I'm not going to invest in my mules. So, people that are doing it, getting the job done are top producer by any firm standards. They're always going to have the attention of senior management here at Janney.

Mindy Diamond:

So, they joined 2016 and here we are almost six years later. So, now they're at seven million. And how about in assets?

Jerry Lombard:

Yeah, 850 as of 12:31.

Mindy Diamond:

Got it. Okay. Yeah, that's impressive for sure. Let me pick another, how about a 578 million dollar team? It's Peter Butera, Steven Jordan and Brad Bender and Mandy Hendrix that joined from Merrill Lynch.

Jerry Lombard:

Yeah. They joined us this summer. They were pretty much lifers at Janney-

Mindy Diamond:

At Merrill.

Jerry Lombard:

I'm sorry at Merrill. And Steve was a former manager. Peter had over 30 years there. They didn't feel they were getting the support they deserved from local management. They want more flexibility. One of their team members worked in Tennessee and for some reason that was a problem with their prior firm. But it didn't pose a problem for us. They were looking for more flexibility in how their next generation members of the team could be compensated. And I know that there's some build-in penalties, if that's the case at some wirehouses, whereas our guys get the top payout, no matter who's on the number on the team. So, they really liked that. They were concerned about the technology. I think a lot of wire FAs are brainwashed, if you go to a regional firm, you're going to get a second-class experience. But they came over and visited with some of the Merrill FAs that had joined us in recent years. And they were kind of blown away by the technology platform that we were able to offer them.

Mindy Diamond:

You mentioned that they were lifers. And that's actually an interesting point because one of the things we're seeing a lot is it's the lifers that are the advisors, the multi-generational team, where the senior member has been with the firm for 30 or 40 years and never, ever, ever thought that they would leave. They're the once moving more now than ever before. So, there's challenges that go along with being a lifer. Number one is that the wirehouse firm, certainly Merrill has a strong CTP or retire in place program, which could be very attractive for a lifer or a senior advisor. What was it, do you think that made this senior advisor on that team we're referencing, willing to look away from CTP and choose to make a move to Janney?

Jerry Lombard:

You know, where I have not been successful with Merrill, it's the solo practitioner who can see the CTP first in 10 goal to go, and they're not going to move. I mean, it just doesn't make financial sense. It's the multi-generational teams that are more interested and it's because of the frustration level they're experiencing, and they don't want the next generation to be saddled with the same experience or worse. And that's why they're looking for greener pastures.

Mindy Diamond:

Yeah. That is exactly what I am seeing from my perspective as well. And in a lot of those cases, it's the next generation that's leading the charge. If it was up to the senior advisor, they would just retire and be done and walk away. But where and when that senior advisor really cares about his or her next generation, oftentimes it's the next generation's desire for more freedom and control that leads the charge and drives the move.

Jerry Lombard:

Absolutely.

Mindy Diamond:

Yeah. Okay. Let's pick another one. How about the 250 million dollar team of Michael Graves and Jeffrey Tidwell in Ponte Vedra Florida? Where did they come from and what was their driving factors?

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Jerry Lombard:

Yeah, so they came over in the fall, probably August, September from Wells Fargo. Very competitive situation. Some of the firms in the regional space that you've mentioned earlier were in the hunt. They were looking at independent channels as well. Basically they didn't want to be in another big public bank owned own firm. So, they had ruled out the wires. They liked our history. They liked our financial stability and they thought they could weave that into the story about why they were going to Janney Montgomery Scott, if it came down to Janney being the winner. What probably won the day was our digital onboarding capability. When we talked about that and no other firm at the time. And I still think maybe only one wire has introduced this capability, the ability to onboard of their business. And they had 75% over of their assets over within 30 days.

Jerry Lombard:

The ability to hit almost a send button, as they're walking out the door where all of their clients are receiving a email package that all they have to do is e-sign and the ACAP process is underway, is unlike anything else that exists at other firms right now in terms of the transition. So, that probably won the day. But you ask them well, were they happy that they came? And they like the fact local management is sitting down with them and listening. And if they want to talk to senior management in Philadelphia, they can pick up the phone and do so. Everybody gets told that you have access at smaller organizations. It's not always true in practice though. And these guys have seen it, I guess we've delivered. They've been very happy.

Mindy Diamond:

So, actually I want to share a funny story, Jerry, that you will appreciate. When you talk about access to senior management, one of my newest recruiters reached out because they had a potential lead, a wirehouse advisor that was potentially interested in Janney. And my advice to that recruiter was to reach out to local management at Janney. And he had a specific question on behalf of the candidate for Janney. But he read our notes wrong and reached out to a Jerry Lombard to ask a very basic question that a local branch manager could have answered. And instead of Jerry Lombard, the president of Janney being snarky and saying, that's a question for somebody 10 levels below me, instead Jerry Lombard wrote a very thoughtful response, was very grateful for the interaction. And I think that speaks volumes of just what you're talking about.

Jerry Lombard:

Well, that's very nice to hear Mindy. We don't take ourselves too seriously. We are all just in the same boat as these advisors at one point in time and we appreciate what they do. And the advice that you give them, because it's a complicated maze out there. And I don't think there's too many firms that know it better than yours does.

Mindy Diamond:

Yeah, I think you're right. Let's do one more example. And I know there are many, but I think the tangible examples just make everything we're talking about more real. So, how about the Archer group? 225 million in client assets led by the father, son team of Scott and Michael Archer in Mount Laurel, New Jersey.

Jerry Lombard:

Yeah. So, again, coming from Merrill, here we have multi-generational and that was the nature of the conversation. Junior didn't want to necessarily spend the rest of his career at BofA. They were really intrigued because a father-daughter team doing 400 million had left the same Merrill Jersey office and joined our Marlton office not 12 months earlier. So, they were intrigued why they would've selected Janney and they were talking to them along the way. But a lot of the ground we covered, they really just got jazzed because they could talk with all layers of management and in a very entrepreneurial operating environment. They joined an office that's led by one of our top producers. We have a lot of producing managers that seems old school, but Bob had come out of the Lake Mason system via Smith Barney when that acquisition happened and the manager, and they like to trade ideas. They don't feel like there's tensions between management and the producers. They're all kind of one for all, all for one. That's how we won the Archers.

Mindy Diamond:

Interesting. All right. Well, thank you for sharing all that with us. That was actually incredibly helpful. I want to ask you a question as the president of a relatively sizable wealth management unit, I would love to hear your perspective on the industry as a whole. I'm wondering where you think it's heading. So, what do you think specifically are the biggest changes that advisors can expect in the coming decade?

Jerry Lombard:

I see more consolidation and not consolidation of firms per se, but consolidation of client assets. As our client's age, they're going to look for one primary trusted advisor. They're not going to have a bond guy. They're not going to have an IPO person. They're going to have a single person that's offering comprehensive advice. So, the golden age will continue for the financial advisors who have a team that offers a compelling value proposition that will help people in that stage of their lives, across the generations of the family. The other thing that will be alive and well as we move forward is price compression.

Jerry Lombard:

That is not going away. It's something where I see roughly 2% comes off of the price we can command for our advice each and every year. It's just a drip, drip, drip. So, price compression is there. And the only way to fight it is to make sure that the assets are coming in the door faster than they're going out. And I think that by offering comprehensive advice, not just investment advice, that you can engage with multiple generations, you can engage with other trusted advisors. And that web just spreads and it just becomes a flywheel of bringing assets in the door. So, I'm pretty sanguine about the next decade in our industry.

Mindy Diamond:

And how about technology? What role do you think technology will play in the wealth management space in the next decade or so?

Jerry Lombard:

It's only going to become a larger part of the client experience? I think it has to be intuitive, but I don't see it replacing the human advisor, the person that can deliver, understanding and experience and insight, and do so with an emotional connection and empathy. I think they're the things that as humans, we seek out in any kind of relationship and technology won't replace that. It will make any kind of charging for rote services like allocation modeling and performance analytics, dinosaurs. You're just not going to be able to do that. But I think the combination of technology with all those human attributes, unbeatable.

Mindy Diamond:

And I want to ask you some questions, so advice that you would give advisors about how to think about their careers. I'm in the business 25 years. 25 years ago it was very common for an advisor to be with the firm, cradle to grave like you starting out as a trainee and then retiring from the firm, the lifers. And yet, as we just talked about what we're seeing more than anything now are lifers, the advisors with 30, 40 years with a firm leaving more often than anybody else. So, what's your thought on, what advice would you give somebody about is it better to be with one firm for the whole of your career or better to make at least one change during your career?

Jerry Lombard:

Yeah. Having not done it, I'm not going to be able to say with any kind of certainty. I would say this, the advisors out there at the tail end of their career, mid-career, young career. I think what they should do is always avail themselves of what other options are available to them. Always take the time, whether it's every three years, five years to check in with your friends and your colleagues that are working at other firms and say, hey, can I sit down with that branch manager or that regional manager and learn a little bit more.

Jerry Lombard:

I want to compare it to what I've got. When it comes to the senior advisor that's been there multi decades. I think you have to make sure that any new partner is going to have a timeline deal structure wise that's going to be flexible enough for you. I think you have to be worried about what are your teammates going to be left with when you retire? And what's that transition deal look like when it comes time to pull the trigger, all those things should be relatively easy answers from the management of any other firm. But I'd almost, almost keep a log. I'd say like, okay, here's firm A, here's firm B, here's my current firm. And go down and see if the grass is actually greener or not.

Mindy Diamond:

Yeah. That's the same advice I give advisors all the time. I don't necessarily think there's a black and white answer that everybody should move once or everybody should never move. I think it's more that as fiduciaries advisors have a responsibility to make sure that where they are is the very best place to serve clients and certainly to grow their business. And you may only know half the equation, which is what your firm is doing. As the industry landscape has evolved, as technology has evolved, et cetera. If there are firms or options that are doing things better than your firm, you have a responsibility to know about it. Knowledge is power. It doesn't mean you should move. It doesn't mean you're going to move, but certainly to know about it is not a bad thing.

Jerry Lombard:

I agree.

Mindy Diamond:

What advice would you give a next gen advisor? So, an advisor that's partnered with a senior advisor and has the chance of inheriting in quotes, "a retiring senior advisor's business" via their firm's succession program. What advice would you give that next gen potential inheritor?

Jerry Lombard:

Tread carefully. Know what the lockups are going to be. You don't want to be an indenture servant for the best part of your career. Understand where your firm is headed. What's their strategy. Is the FA going to be central to the client relationship, or is the firm moving to a model where FAs are nothing more than relationship managers? And once again, I think it was Warren Buffet who said, "Capital goes where it's treated best." If it doesn't look like that's going to be the best path to take with your current firm, go out and kick some tires, find out where your talents are going to be best compensated, best rewarded, best respected in the decades ahead.

Mindy Diamond:

Great advice. Jerry, I can't thank you enough. This has been incredibly insightful. The culture that you have fostered for the last many decades or many years at the helm of Janney is obvious and certainly come through. I'm really grateful for your time and for your sharing it with us today.

Jerry Lombard:

A Nearly 200-Year-Old Success Story: How Janney Montgomery Scott Built a $135B Firm

A conversation with Jerry Lombard, President, Private Client Group, Janney Montgomery Scott

Well, I appreciate you having me on Mindy. And again, much respect goes to your organization and for all the help that you provide financial advisors when they are looking at the landscape of which firm might be best for my business and my customer.

Mindy Diamond:

Many thanks. Firms like Janney have been the recipient of so much great talent because they are answering a common call from advisors. That is just give us the tools and control we need to serve our clients free of conflict and without being tied to a big firm agenda. And based on the firm's growth, Janney is hearing the call loud and clear. I thank you for listening and I encourage you to visit our website diamond-consultants.com and click on the tools and resources link for valuable content. You'll also find a link to subscribe for regular updates to the series. And if you're not a recipient of our weekly email, perspectives for advisors, click on the articles linked to browse recent topics.

Mindy Diamond:

These written pieces are an ideal way to stay informed about what's going on in the wealth management space without expanding the energy that full on exploration requires. Feel free to email or call me if you have specific questions. I can be reached by cell at 973-476-8578 or by email at mdiamond@diamond-consultants.com. Please note that all requests are handled with complete discretion and confidentiality, and keep in mind that our services are available without cost to the advisor. You can see our website for more information. And again, if you enjoyed this episode, feel free to share it with a colleague who might benefit from its content. If you're listening on the Apple podcast app, I'd be grateful if you gave it a star rating and a review. That will let other advisors know it's a show worth their time to listen to. This is Mindy Diamond on Independence.