EPISODE TRANSCRIPT

Industry Update: How to Maximize Your Career Enterprise Value

A conversation with Louis Diamond

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is An Industry Update: How to Maximize Your Career Enterprise Value. And it's a conversation with my partner Louis Diamond. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

Mindy Diamond:

This podcast is available on our website diamond-consultants.com as well as Apple Podcasts and other major podcast platforms. If you are not already a subscriber and want to be notified of new show releases, please subscribe right on your favorite podcast platform or on the episode page on our website. For Apple Podcasts users, I'd be grateful if you'd give the show a review. Your input helps us to make the series better and alerts other advisors like you who may find the content to be relevant. And while you're at it, if you know others who are considering change or simply looking to learn more about the industry landscape, please feel free to share this episode or the series widely.

Mindy Diamond:

Enterprise value is often discussed in the context of the total value of a business or the cost to acquire a company. And to maximize the value of one's business is a goal strived for by any business owner including those in the wealth management industry, particularly those who are independent business owners. But what of those advisors who are not independent? They're investing their time, energy and talents in serving clients and fostering growth while employed by a brokerage firm. They're indeed building the enterprise value of their career. And as such, how can an advisor maximize that value regardless of which industry channel he or she practices in? Is it possible to do so by staying at one firm for their entire career?

Mindy Diamond:

Louis Diamond, my partner, has been exploring the concept of maximizing one's career enterprise value with several advisors he's working with and views this process as a central tenant of Diamond Consultants' value to advisors. So in this episode, I've asked him to share more about the concept, how it impacts advisors and what they can do to ultimately maximize their own career enterprise value. So let's get to it.

Mindy Diamond:

Louis, thanks so much for joining me again.

Louis Diamond:

Yeah. Great to be back here.

Mindy Diamond:

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I am so excited about this topic. I'm excited about every topic, but particularly this one, because we use the words maximizing enterprise value with independent business owners all the time, but it's not necessarily words we use with wirehouse advisors or advisors practicing in the traditional space. And I know you and I think that it should be. It's what we want to unpack today. So first and foremost, let's define what we mean by enterprise value.

Louis Diamond:

Yeah, absolutely. So enterprise value, the textbook definition would be the value that a buyer would pay for a business. Or if a business went to market, what kind of some of the parts would be worth. So it does have an M&A tint to it, and it is, you're right, something that we talk about almost exclusively with independent advisors or RIAs as we're helping them think about a sale or just thinking through whether there's things they can do in the short and medium term to bolster their ultimate enterprise value.

Mindy Diamond:

So let's unpack it. How can you explain how you came about this concept of career enterprise value?

Louis Diamond:

Yeah, so like we talked about, one of our value ads is helping independent advisors maximize their enterprise value through M&A. That may be things like having repeatable processes or making sure there's next generation in the business, or keeping an eye on expenses, a bunch of qualitative and quantitative things that most business owners can do to ultimately impact the sale price. But we wanted to extend this concept to advisors across the industry because it really is an important concept. And no matter where an advisor's practicing, they're still running a business. So really what we wanted to do was think about how this calculation could be broken down into component parts because every advisor every day makes a calculation as to how they want to live their business life. And if it makes sense, to maybe head for greener pastures by seeking a higher payout from another firm or going independent in order to get a higher payout, perhaps getting paid a major recruitment deal to change organizations or to go out and go independent and build their own equity.

Louis Diamond:

So the point is, regardless of whether an advisor ultimately makes a change, they are actively making a choice or a decision, and that choice has an impact on their career enterprise value. So really what we're doing is just boiling down what we think are the component parts of an advisor's career earnings so we can point out the ways in which an advisor can impact their enterprise value.

Mindy Diamond:

Yeah. I appreciate that and agree with that totally. And I think it's important to point out though, we are not suggesting that the reason an advisor exists or the raison d'etre is to maximize their own enterprise value. An advisor exists to serve clients, to better their clients' lives, to be a good steward for their

clients' money, for taking care of their team, for being a good steward and corporate citizen at whatever firm they work. But what we are saying is that wirehouse advisors or advisors sitting in any traditional brokerage channel had never really been taught to think about their business as a business.

Mindy Diamond:

And if you apply that same concept, which is one of the things I think that's really changed in the industry landscape is that advisors really began to think about their business as a business, we are saying that regardless of which channel you practice in, yes, of course, you've got your eye focused on servicing clients and being a fiduciary to those clients and taking care of your team and making good investment decisions, none of that changes. But we are saying at the same time, you as an advisor are running a business and want to keep an eye on how to maximize career enterprise value. Would you say that's right?

Louis Diamond:

Yeah, I think that's spot on. I'll also just point out that we're probably taking some liberties with how we're defining enterprise value because it really is, it's the sale price of a business. It's probably more like maximizing career cash flow. But another way to think about this concept is if you fast forward 30 years from now and you were buying your career in essence, what would you have paid in order for you to acquire that career? So that's kind of the way to think about it as we're walking through this exercise.

Mindy Diamond:

Okay. I love it. So why is it important to advisors to maximize their career enterprise value?

Louis Diamond:

Yeah, so I think you're already hit on one of the concepts, which is advisors really should and do think of their business as a business. Any independent business owner wakes up every day thinking about how they can impact enterprise value and protecting the franchise value if you will, so why shouldn't advisors everywhere be doing that? I would also say that maximize may be a leading term or an unfair term because not every advisor is driven by maximizing their financial output. For some it's about just living their best life. So I think that's why I'm excited about how we define this formula, because it will take into account some of the qualitative and lifestyle factors. It's not all about dollars and cents.

Mindy Diamond:

Yeah. Well, I think that's a really good point because some people know that they may be leaving chips on the table but don't care. It's equally important to them or sometimes more important to them to protect quality of life, to protect the ability to be able to turn off the lights at 4:00 in the afternoon or whatever it may be. So let's jump into that.

Mindy Diamond:

I know that there's a worksheet that advisors can download from our website. We're excited about it. Can you describe the formula and its components that help advisors visualize their max career enterprise value?

Louis Diamond:

Yeah, absolutely. So here's the four different components of career enterprise value as we define it. It's the total sum of net take home pay. We'll dive into all of these components as we move through this episode, but it's the summation of net take home pay plus cumulative earnings from recruitment deals, plus post-tax proceeds from the sale of a business. And that can be through selling it to an independent firm, it could be through a firm retiring advisor program, et cetera. And then what we're calling the best business life quotient, or we'll say the qualitative kind of lifestyle factor. So that is again, not all about dollars and cents. So I'll repeat it again. Career enterprise value, we're defining it as the summation of net take home pay plus cumulative earnings from recruitment deals, plus post tax proceeds from the sale of the business, plus the best business life quotient.

Mindy Diamond:

I love that. I need to insert something here. I am the queen of best business life. To me, if you maximize career enterprise value, having loved what you did and being able to do what soulful, what good is it? It is no good as far as I am concerned. So I'm excited not only to talk about the quantitative aspects of this, but the qualitative as well. Let's break it down then. How do you break down, starting with net take home pay, how you define each of those components.

Louis Diamond:

So I think as we move through this, what we're going to hit on is how we define the component. And then we're going to talk about the different levers you have to maximize it, and then finally some different considerations or just things to keep in mind since again it's not all about just the dollars and cents. So for net take home pay, it's defined a little bit differently depending upon the channel of the industry. But what I would call out is for W-2 advisors, so advisors that are employed by a firm, this would be the post grid proceeds less any additional expenses they have to do to run the business. So whether I have to pay an extra support staff or I bonus my assistant $50,000 a year or I have to pay an extra 20,000 to sponsor the golf event, so it's really what your cash flow is on an annual basis. We'll say it's probably what's on your W-2 statement at the end of the year, not just what's available post grid.

Louis Diamond:

And then for independent advisors, this would be their free cash flow, or some would say their EBITDA or the proceeds available to partners. So it would be the revenue less direct expenses for operating the business, things like staff costs, real estate, insurance, et cetera, and then any sort of override or platform fees or retention that a broker dealer or platform takes. So the short answer is it's really your

net take home after expenses from running the business as W-2. And then as an independent, it's your free cash flow. So after all expenses, what's available to you as the partner of the business.

Mindy Diamond:

Yeah. So I wanted focus for one second on the net take home pay for W-2 advisors. From having spent the better part of 25 years counseling W-2 advisors, they are not trained to look at net take home pay. They look at payout. Payout, let's say, brings them somewhere close to 50%. And so when you talk to them about another option or model, they'll say, "I'm paid at 50%." Well, not necessarily because your payout may be 50%, but what percentage of that is deferred and for how long and how much in expenses or staff comp are you taking on yourself? And what we find is that when you sort of force a W-2 advisor to look at net take home pay, that net take home pay is often a whole lot less than what they thought.

Louis Diamond:

That's exactly right. Yeah. I mean, for some, if their belief is "I'm at a close to 50% payout," when it's all said and done in many cases, it might be closer to 40%.

Mindy Diamond:

Right. Right.

Louis Diamond:

It really depends upon the team, and of course what you said, the deferred compensation. With this formula too, we're trying to make it somewhat apples to apples for a W-2 advisor to compare their net take home versus an independent advisor. And if you're talking payout for an independent, we're not just talking about, "I get a 95% payout for my broker dealer," but it's really the net number, after direct expenses, after paying the broker dealer, et cetera. So that probably is the best proxy for comparing a W-2 take home versus an independent.

Mindy Diamond:

Okay. So how then can an advisor maximize their net take home pay? What are some of the things they can do to impact it?

Louis Diamond:

Yeah. So I got a couple for you. So the first one is working for a firm or platform with consistent and predictable compensation plans where every year advisors know what they need to do in order to make a certain income. So we saw this a couple of years ago when Merrill instituted the growth grid. It made it so that advisors knew what they were making one year for doing a certain amount of business and hitting certain hurdles, then the next year they saw 2% of their income taken away. Or it could be, really at most major firms, the carrot and stick approach of "Do this and you get that" or "Don't do this and

you lose that." So part of enterprise value is making sure that your income is predictable and that if I do 2 million in revenue this year, I get X. So that's one, is just making sure that you're at a firm or being comfortable with the fact that there may be some variability in your take home pay because the firm you're at may change compensation plans as they often do.

Louis Diamond:

Another way to maximize would be to take advantage of teaming incentives. So this would be more for advisors that practice at major firms. Firms oftentimes allow advisors to aggregate production in order to get the highest possible payout. Some firms would pay an advisor at the grid rate of the largest advisor on the team. So if you're going to practice at one of these big firms, I would say advisors are pretty masterful of making sure you're doing everything that's legal and ethical to not gain the system, but to take advantage of how to maximize your payout. This also could extend to gaining scale through teaming in order to get more firm support for salaries and expense budget.

Louis Diamond:

The next thing you can do is assess whether your current firm has a competitive grid and compensation plan relative to its peers. So this could be for independent advisors where you say, "Okay, I get this payout. I have this in admin fees, this in platform fees. Is this competitive with what the other firms are doing? Or is this competitive with what it would be if I started my own RIA, for example." Or it could be for W-2 advisor. "I know my firm's compensation plan. I know they defer X percent every year. I know if I do this much in revenue, I get Y." So looking out at the competition and seeing if there is a better financial formula, either one that's more predictable or one that provides more cash compensation.

Louis Diamond:

Another couple that I'll run through pretty quickly here is if an advisor is entrepreneurial and they believe in the value of the independent space, then they certainly can weigh the higher net take home pay of independence. That also may include the concept of operating leverage or keeping more of the profits as the business grows versus letting your firm keep it. And then of course, the tax benefits of owning a business relative to W-2 income. Of course, independence is a big leap so an advisor shouldn't just go independent for the higher payout, but certainly having a net payout, probably 65 to 70% for an independent versus something that's probably 40 to 45% for W-2, would be a very easy way to impact this formula.

Mindy Diamond:

I guess it's worth noting a couple of things. One, the whole notion of no one's stuck. The notion that the industry landscape has expanded a lot. So if one looks at their net, not gross, but net take home pay, and doesn't feel that they're being compensated fairly, that they're getting enough value relative to what they're paying their firm, there are always options. No one is stuck. And it is the notion that advisors have more control over it than they think.

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Mindy Diamond:

I think one of the things that particularly wirehouse advisors tell us is they just feel like they are losing control. And a lot of times they might be. Payout is something that is dictated to them. But I think our message to advisors has always been, not that every advisor should move no way, but you're not stuck, or said another way, you hold all the cards, because if you are dissatisfied where you are, there are so many, either ways to impact it, as you said, kind of game the system or leverage the system to the best of your ability where you are, or so many options for a quality advisor to consider elsewhere.

Louis Diamond:

Yeah, I'm completely with you. I did also want to mention one more pretty important point for how to maximize the net payout quotient. So it would be inorganic growth. So it could be taking on the book of a retiring advisor through a big firm sunset program. It could be buying a business via M&A. Of course it's expensive to buy businesses. There's considerations like how long you're locked up for, debt costs, et cetera. But once the business is integrated into your practice and maybe you've paid off the balance of the deal, et cetera, obviously you're going to have a much higher net payout. So thinking through doesn't make sense to dip my toe into the M&A waters, or am I at a firm where I'm able to either add advisors to my practice through recruitment or to acquire businesses for those that are looking to maybe exit or are looking to gain some scale in the process.

Mindy Diamond:

So it's worth asking the question. If you're at a traditional firm, you're a W-2, can you engage in M&A? And how does that impact your net take home pay or operating leverage if you will?

Louis Diamond:

Yeah. So if you're a W-2, you technically don't own your business. So you can't really acquire businesses obviously. But in practice, taking on the book of retiring advisor through the Merrill CTP or the UBS's Alpha Program, or the Morgan Stanley FAP, or fill in the blank of whatever firms' program, it is a form of M&A. Even though you're, in essence, buying a business for the benefit of the firm you work for and you're using your own blood, sweat, and tears to buy a business for someone else, at the end of the day, that revenue is still integrated into your practice. And if in theory, you did leave in the future and let's say you went independent, you would then own the business. So that's kind of like phantom equity.

Mindy Diamond:

Got it. I love it. Okay. So is there anything else to keep in mind when thinking through this?

Louis Diamond:

Yeah. I'll give you two things. You mentioned this one. Pay attention to the time value of money factor. Meaning for deferred compensation, which is the percentage of the annual compensation that's

deferred for 3, 5, 7 years, et cetera, make sure you apply an appropriate discount rate to this because obviously money that's not earned for five years from now, let's say, is less valuable than true cash compensation. So it's especially important for W-2 advisors who have firms that are deferring a large portion of their comp. If they retire from the firms, they get that at deferred comp. And of course, if they keep staying, they get that money. But it's kind of like being on a treadmill. Each year, you're growing, you're adding revenue, but you're never going to get the full amount. So really the way to do that is to go to firms that don't offer deferred comp, which there's plenty of W-2 firms that do that or to go independent where every dollar is compensation to you.

Louis Diamond:

The other quick thing I'll mention is of course you can go independent to get a higher payout, taking time to run the business rather than working on growth. So you have to think about whether is it worth it from a financial standpoint to get the higher payout but is my growth rate going to suffer because maybe launching without the right amount of support or maybe I don't have the right team behind me.

Mindy Diamond:

And because now I'm going to have to do things that just may not be soulful to me and I'm better off focusing on my core competencies. But okay, let's move on to the second component of this, of career enterprise value, cumulative earnings from recruitment deals. How does that factor in and what does it all mean?

Louis Diamond:

Yeah, so this one's pretty exciting. I mean, everyone knows what recruitment deals are or transition assistance packages or transition deals. A lot of different ways to describe it. But this would be the upfront and backend bonuses that advisors are granted typically as forgivable loans for either changing employers, changing broker dealers, or in this environment, even going independent and getting some capital from either a broker dealer or an RIA. So if an advisor, moving within the W-2 world, typically they're offered a forgivable loan. They're anywhere from nine to 12 years. Some firms even are 13 years now. And an advisor might see between 200 and 350%, maybe even more sometimes, of their trailing 12 in this recruitment deal. If an advisor is going independent or already is independent, most independent broker dealers will offer five-to-nine-year forgivable notes ranging from 25% to 100% or even more of an advisor's trailing 12 months, gross dealer concession or GDC or trailing 12 months revenues. So of course, if you do the math, this is some pretty significant capital that an advisor can get from changing firms.

Mindy Diamond:

And is there a downside to that?

Louis Diamond:

Absolutely. Yeah. Everyone knows the downside is moving is a crazy hassle. It's a lot of work. It does slow growth for a period of time and there's breakage in a move. And of course it is an inconvenience to clients. So the downside is, you make the wrong move and either go to a firm that's not quite right, you kind of chase the biggest deal or you don't have a successful transition. There's a reason why these deals are so large. It's not because the firms are just being generous. It's because they're compensating advisors for the amount of risk that they're taking.

Mindy Diamond:

Yeah. And the majority of those moves when made are successful. So it's not even the breakage that occurs when it's unsuccessful, but I think what's harder to quantify, you may get a 200 to 350% deal all in, but a couple of things. The back-end components of those deals are often hard to hit, so no guarantee you hit all of them. And the X factor is the disruption factor. To what extent does making a move slow down your growth? How does that impact overall career enterprise value?

Louis Diamond:

Yeah, exactly. And we call it sometimes client fatigue. So for advisors that are moving multiple times, likely each move that you have a client make probably slightly reduces the chance they're going to follow you. So you want to make sure that you're not just moving in order to get another check. Certainly it's your right to change firms when you think it's the right time to, but you have to pay attention to the client factor. And you hit on it too. These recruitment deals, they're never just, "Here's a big check to come over." Sometimes in the independent space there are. But to really get the mega deals we're talking about these 200 to 350% deals in the traditional space, usually there's five to seven different backend bonus periods. And it's far from a guarantee that you're going to hit them all. So with recruitment deals like with M&A, the structure is oftentimes more important than the headline number.

Mindy Diamond:

Absolutely. And there's no question that getting the right transition deal and maximizing that transition deal is one of the greatest ways of influencing overall career enterprise value. It can be massive. It can be life changing money. But again, we are always about at what cost. And it doesn't always mean that it's the right thing to do, but historically we have always believed that an advisor will usually make one well timed or should make one well timed move in their career. Not always and not necessarily just for the sake of moving, but it's usually hard to imagine that the firm that one joined when they were 22 years old right out of college is, or remains I should say, the very best firm for the whole of their career. So the notion of changing firm should be a combination of obviously getting the best deal, doing it at a time when it's driven by how am I best able to serve clients, and it's done at the right time. So all of it is maximized, your business life quality is maximized and how you service clients is maximized as well.

Louis Diamond:

Yeah, I'm completely with you. If you do the math and you try to plug in how to calculate your career enterprise value, I mean, one of the biggest drivers of this is how much in recruitment deals am I getting? So of course it's not unreasonable for an advisor who's really well served by staying at one firm for their career. It's admirable. Stability is awesome. And if you feel like you can serve your clients really well, and you personally value stability and sticking with the status quo, then that's terrific. But mathematically speaking, making at least one well time move in their career either to get a recruitment deal or to go into the independent space and build your own equity value is ridiculously meaningful to influencing the outcome of this equation.

Mindy Diamond:

Yeah. So I want to ask you next about how you can influence maximizing career enterprise value in this regard. But I will make the comment or ask the question. So then why wouldn't somebody move two or three types?

Louis Diamond:

Yeah, I mean, plenty of advisors do, especially over a long career. We're not here to pass judgment on how many moves is the right move. Oftentimes advisors move once. They say it's going to be the last move of their career, and then something shifts. Their business needs change. Their firms bought and sold, or the industry just changes and now suddenly there's a new model or new firm that wasn't available before so it might make sense to move again. So I think each advisor decides what's best for their clients. If ultimately they find that a new firm is going to grant them the ability to do that, then they should go for it. We like to think that each time you move, the bar to move again is going to be higher. You've seen the amount of work it is. So maybe the bar becomes higher for you anyway. But again, because of the client factor, you just have to be mindful of not being labeled as a serial mover by a firm that's recruiting you. And obviously you don't want your clients to think you're just moving and you're trying to enrich yourself.

Mindy Diamond:

Yeah. And we always say that the first move is easy to forgive. Meaning clients generally have no... If you've done right by, your clients have no real problem believing that you're making the move for their benefit. But with each subsequent move, it becomes harder for a client to really wrap their head around that or believe that. So I think there's a certain amount of diminishing returns with each subsequent move. So while yes, you can increase career enterprise value by getting two or three massive recruitment deals in your career, doesn't necessarily serve your business best and that's the delicate balance. All right. Let's move on. Next in the calculation is post-tax proceeds from the sale of a business. How do you describe this?

Louis Diamond:

Yeah. So this one is very different depending upon your channel of the industry. Again, we call out post tax proceeds from the sale of a business because if you're a W-2 advisor, any sunset deal is going to be paid at ordinary income, which of course is very different from getting long term capital gains if an independent business sells his or her practice. But really the definition of this would be how much an advisor gets from monetizing their life's work from a big firm's retiring advisor program or sunset program and then of course seeing what's left after taxes. And then what an advisor who's independent can get from selling their business on the open market? And this can be when they're solving for succession, looking to sell a minority piece of the business to take chips off the table, or if there's a strategic gap they're looking to solve for whether that's gaining scale or looking to tap into a larger team, et cetera.

Mindy Diamond:

You hit it on the head. There is an enormous difference between how an advisor sells his business as an independent versus how an advisor sells his or her business as a W-2. So I guess it begs the question, what is the impact then of a firm's retire in place program versus what an advisor might get for their business on the open market as an independent?

Louis Diamond:

Yeah. So the firms retire-in-place programs or sunset programs are preset. It's, you've been at the firm for this long, you do this much in business, you hit some criteria for amount fee based, you're on a team, et cetera, here's what you're going to get. You might have some choice as to the length of time you want to get paid out over. So if you want to get paid out in two years, you get less than if it's a four-year structure. But you don't really have much of an ability to impact this number. Or put another way, you don't have competition for the buying of the business. Like we also mentioned, retire-in-place programs are ordinary income. They're also paid out over typically a five-to-six-year period. So you're not going to get the big upfront lump sum payment.

Louis Diamond:

This is compared to an independent advisor or an advisor even who may go independent from a W-2 firm in order to sell their practice where there's limitless buyers. It can be other RIAs, it could be a private equity investor. It could be a family office. It could be a bank. It could be an insurance company. So demand drives price. So if there's multiple bids, an advisor's able to get a higher purchase price and also will have more flexibility with the structure, with how much they're going to get upfront or at time of closing in the transaction. Typically, it could be around 70% plus of the purchase price. And then also of course the tax treatment. So there is definitely a major impact to taking a sunset deal from a firm versus selling the business on the open market.

Louis Diamond:

An advisor has to decide, "Okay, here's what my business might be worth if I went independent versus here's what I get from a W-2 deal." And similar to moving in order to get a recruitment deal, stability and whether you feel well served is probably the first thing that you view of the way. It's not all about the dollars and cents, but from experience. Especially larger practices can see many cases two to three times as much on a post-tax basis from selling their business as an independent versus selling it in W-2 land.

Mindy Diamond:

Yeah. I was just going to say the same thing. It's unequivocal that an independent business owner's career enterprise value will be greater than a W-2's overall career enterprise value. But that said, the retirement place programs were really a gift that the wirehouses first and then all traditional brokerage firms put into place as a mechanism for which their advisors could monetize in place. Without, in other words, people before these retirement place programs came into view or into practice, if an advisor wanted to really monetize their business, they had to change firms, and everybody lost. So these retirement place programs are a gift. While they can't replace the amount of enterprise value you'd be building by being an independent and selling your business on the open market, it's a close approximation. Or I probably should say a good enough approximation for an advisor that wants to impact enterprise value, but doesn't really have the desire to be independent.

Mindy Diamond:

So what else should an advisor keep in mind?

Louis Diamond:

Yeah. So there's a concept that we've written about, and we'll include the link in the episode page, called Move Once and Monetize Twice. So what this means is if an advisor's feeling like they're not in the right place or there's gaps they're looking to solve for, that can't be figured out by staying put. An option they have is to move to a competing firm, get a recruiting deal. So meaning kind of lever two in our equation, and then also qualifying for that firm's retiring advisor program. So in effect, getting paid twice for moving the business.

Louis Diamond:

So for someone who's never moved before, moving once and monetizing twice is an absolute game changer as far as impacting this equation. But of course, it's still a move. The move is one that of course you want to be successful, but you are taking some risk that the transition's going to be good because the ultimate retirement deal you get and then your ability to get the full recruitment deal is going to be predicated on what actually comes over. So if you don't feel confident in portability or you feel like, "Hey, at this stage of the career, 63 years old, I'm trying to slow down. I'm not trying to work really hard," then maybe you disregard this concept. But for those focused on the equation and also on

making sure they're aligned with the right legacy, meaning the right firm, then moving once and monetizing twice is certainly a very popular concept these days.

Mindy Diamond:

Yeah. And I think that's the point of all of this. We're sharing ways to impact career enterprise value, but we aren't saying that the only way to live one's career is to do every one of these things. For some people never moving, staying at one firm, having been lucky enough to find the exact right firm from day one of your career, how lucky you are, that's great. For others, it's right to make multiple moves whether it be because they were forced to, or because they want to. For others, the notion of moving once during their career from one traditional firm to another to get paid a significant recruitment deal and then moving again to go independent 10 years later is another way of maximizing enterprise value, but doesn't mean everybody should do it. We're just sort of throwing out the different things to think about.

Louis Diamond:

Agreed.

Mindy Diamond:

So let's talk then about the best business life quotient because I think it's one aspect that you and I talk about a lot with advisors that we know is critical because we believe, as we've said, that achieving one's best business life is about ensuring that what you do each and every day feels good and soulful. Building a career worth a ton of money overall, but that at the end of the day didn't feel good or didn't allow you to do your best work isn't good either. So talk to us a little bit about what it is the best business life quotient and how you account for it.

Louis Diamond:

Yeah. I mean, I think you summed it up pretty well there. It's really best business life is how an advisor's current firm, broker-dealer or platform enables them to meet their personal and professional goals, an ability to serve clients to the best of their ability. This one's cool because every advisor's going to define what living their best business life means in a completely different way. And this one's kind of like the X factor in the equation. Even though there isn't a strict number you can put on the best business life quotient advisors are going to wait this part of the equation differently. Some will put almost no meaning on it because they're focused on the dollars and cents. That's their prerogative. While others who probably in the example of staying at their firms for their whole career even though they know there's greener pastures elsewhere, they're putting a really high value on this best business life quotient because to them, they can meet their goals at their current firm and being loyal and staying at one organization is how they live their best business life.

Mindy Diamond:

So how does an advisor maximize that part of the equation? What are some things you can do to impact it?

Louis Diamond:

Yeah, so again, very subjective unlike some of the other concepts we've talked about. But I think one thing they can do is frequently taking stock of any frustrations or blocking factors that you may have. And perhaps every once in a while, conducting strategic due diligence to really see if another firm or model can enhance your ability to live your best business life. Or put another way, is the grass really greener? This isn't a as shameless plug for using our services. But we do think that given the pace of change in the industry and how quickly firms change, that even if you are well served, you don't really know what's possible unless you poke your head up every once in a while.

Mindy Diamond:

I totally agree with that, Louis. And we talk about that all the time, that with the pace of change, I like how you just said that, of expansion in the industry landscape, it sometimes can be irresponsible to never lift your head and explore or at least get armchair educated about what other options are. Because how can that your firm or model is really giving you all the tools you need to run the best business if you haven't had a chance to compare and contrast it against some of the others? Again, not necessarily to say that everyone should make a move. Definitely not. And certainly we don't really advocate for people making more than one move in their career overall. But we do think that some sort of due diligence or education every three or four years, particularly in the past decade where the pace of change has been so crazy, makes real sense. So is there anything else?

Louis Diamond:

Yeah, I mean, I think just overall, inertia is the greatest competitive pressures to firms that are active in recruiting. It's not their competitor next door it's inertia that is holding them back for meeting their recruitment goals. Meaning it's easier to stay put and do nothing and just letting the business kind of run itself. So it's fine to do if you are well served, but don't let just kind of the ease and the inertia carry you forward. Or put another way too, a concept of taking time to work on the business instead of in it. So everyone's busy, everyone has a lot of different priorities, but pressing pause, taking a step back, whatever cliche you want to throw in here and just assessing whether the business is optimally served might make sense even if you do have to slow down for a little bit in order to figure that out.

Mindy Diamond:

Yeah. So can an advisor maximize career enterprise value by remaining at one firm for the entirety of their career?

Louis Diamond:

Yeah, so mathematically speaking, probably not. And we're not saying that to hope that everyone who's a lifer reaches out and calls us. But if you just do the math, the proceeds from a recruitment deal are a game changer for this equation. But again, if an advisor puts a higher weighting on this best business life quotient, maybe they put a higher value on that, then they do on the value of the recruitment deal. So mathematically, I think making one well-timed move is a major impact to the equation, but if someone really does value this best business life quotient above all else, then yeah, you can certainly maximize your career enterprise value from staying at one firm.

Mindy Diamond:

Yeah. And I think that's the point of it all. I think that probably the greatest gift of being a financial advisor and what makes it, in my opinion, one of the greatest careers there is, is the notion that every advisor gets to define success differently and in their own way. And so what may be right for me may not be right for you. And while yes, maximizing career enterprise value means you make at least one well-time to move in your career, that doesn't necessarily mean that you should because everything is about a delicate balance between what's soulful, between what's in the best interest of your clients which should always be true north, and between what's going to allow you to make the most amount of money. And I think that's the coolest thing about this business.

Louis Diamond:

Totally agree. Yeah. I mean, I think what really sums up this best business life concept and just overall career enterprise value is something that an advisor that I really respect said to me, and this will not be an advisor that ever moves. His quote, and I've changed it a little bit to protect his confidentiality, is, "My number one goal is enjoying life and my family over growing my practice. I make plenty of money simply by doing the right things for clients every day. And my measuring stick is how I can serve my clients in the best way possible while still really enjoying my life." So for him, the best business life quotient is the entire equation. The rest of it kind of works itself out. And again, that's the really cool thing about this industry, about running a business within a business, is you get to decide the weighting of this formula and you get to decide if you want to take action in order to impact the output of this equation.

Mindy Diamond:

Well said.

Mindy Diamond:

So it often feels that the conversations around an advisor's business tends to either focus on the transition deal they might have received or looks at some very specific paths, that is to solve for limitations or frustrations or to offer more to clients or perhaps even to build a business with long term value. Yet there's value to the work that an advisor does, and that value needs to be a part of the

conversation when considering one's future. So I think this is the right concept to help advisors conceptualize what that value is and how to achieve it if they want to.

Mindy Diamond:

You can download the worksheet on this episode's page on our website, as well as in the tools and resources section. So Louis, I want to thank you so much for joining me. I think this is one of the most important and really eye-opening conversations we've had.

Louis Diamond:

Yeah, I agree. A lot of stuff and subtopics to hit on here but bringing it all together I think is a really cool way to have a framework for evaluating where you are in your career and ultimately where you're trying to go.

Mindy Diamond:

Agreed.

Mindy Diamond:

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 article's link to browse recent topics. These written pieces are an ideal way of staying informed about what's going on in the wealth management space without expanding the energy that full on exploration requires.

Mindy Diamond:

You can feel free to email or call me if you have specific questions. I can be reached at 973-476-8578, which is my cell, or my email, mdiamond@diamond-consultants.com. Please note that all requests are handled with complete discretion and confidentiality. 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, please feel free to share it with a colleague who might benefit from its content. If you're listening on the Apple Podcasts app, I'd be grateful if you gave it a star rating and a review. It will let other advisors know it's a show worth their time to listen to. This is Mindy Diamond on Independence.