EPISODE TRANSCRIPT

Leaving the 4-Decade Legacy Behind: Why this $1.5B Merrill Family Business Opted for Independence

A conversation with Brent Chappell and Brad Chappell – Managing Partners & Founders of Chappell Wealth Management.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is leaving the four decade legacy behind why this billion and a half dollar Merrill family business opted for independence. It's a conversation with Brent Chappell and Brad Chappell, managing partners and founders Chappell Wealth Management. I'm Mindy Diamond and this is the Diamond Podcast for Financial Advisors.

This podcast is designed for advisors like you who are interested in learning more about the evolving wealth management industry through candid dialogue with breakaway advisors, those from the C-suite and industry thought leaders. It's available on our website, diamond-consultants.com, as well as Apple Podcasts and other major podcasts platforms. So be sure to subscribe and share it with your colleagues.

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Many of the most successful people attribute their accomplishments to having a great mentor. For a parent there's no better honor than to be recognized as such by their children. Brent and Brad Chappell fondly refer to their father as their childhood hero who became their business mentor. Robert Chappell founded the practice at Merrill 1984 at a time when being part of the thundering herd was like being part of a much larger family. The brothers proudly reminisce about the influence Robert and his work at the firm had on them, which gave rise to their early fascination with investing. So it was no surprise when Brent and Brad joined Merrill in 2002 and 2006 respectively. Their experience at Merrill was one of essentially two families blended together. Yet after the firm sailed to Bank of America, the kinship they once felt with the firm started to diminish.

Their ability to serve clients and conduct daily business became challenged. They were faced with new mandates around what would seem to be the simplest of tasks like banning cut and paste for certain email communications, for example. Like many successful wirehouse teams, they credit the firm for being the foundation of their family business, but they saw the handwriting on the wall and it said that they owed it to themselves and their clients to explore

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their options. In February of 2023, Brent, Brad and their team left the firm their father retired from and launched Chappell Wealth Management as one of the largest teams on the Sanctuary Wealth supported independent platform.

Today, Brent and Brad talk about their journey with Louis, who guided them through due diligence and their transition. They talk candidly about growing up with Merrill and share the details around the changes they witnessed over the years and the impact on their business. And they talk about their drivers, exploration process and ultimate transition. They share their unique perspectives as next-gens with insightful thoughts about family dynamics and succession. Plus, they talk about where they are one year later and their expectations for the future. It's a great candid conversation with lots of lessons for all advisors. So let's get to it.

Louis Diamond:

Brad and Brent, thank you so much for joining us today.

Brent Chappell:

It is our pleasure to be here, Louis, it's great to see you.

Brad Chappell:

Yeah. Yeah, we're happy to be here.

Louis Diamond:

Excellent. Well, why don't we dive in and you can both tell us about your backgrounds and how your interest in coming into this amazing industry developed in the first place.

Brent Chappell:

Sure. I guess I'll start. I think Brad and I were both really fortunate to have a dad here in the business. And so I think that our upbringing had probably about the same amounts of Scooby-Doo and Nickelodeon as the other kids in the '80s, but there was a little bit more talk of asset allocation mixed in there as well. And I remember it was probably fourth or fifth grade and it was bring your dad to work day. And my dad came in and looked at all of us kids sitting there and he promised all of us that if we saved 10% of our lifetime earnings that we could all be millionaires.

And he just got everybody's attention really quick with a line like that, and I thought it was just fantastic to the point he just inspired us with little teaching moments throughout our lives, little things like that. "Hey, save some money, it's going to pay off down the road." And even wrote a book report in 1990 about Will the Dow Cross 3000? Which it did the next year. So he piqued our interest at a pretty early age and I was hooked ever since.

Brad Chappell:

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Yeah, and then I'll tag along. Our dad is just an awesome guy. Rob Chappell, he founded Chappell Wealth Management and is just someone that people love to be around. He loves to help people. I remember in business school exploring different paths and sitting in on career panels of whether it's investment banking or accounting. And as I explored a lot of those professions more, it became clear and clear like, "Man, I would rather do what my dad does. That seems really cool. That seems super fun." And he was always pointing out positive things and Brett and I like I think you'd be really good at this or really good at that.

He never pressured us to do this, but I think he's always been a real student of finding happiness in life, and I think there's a lot of satisfaction that comes from doing things that you really enjoy and also using your unique talents and gifts in a meaningful way. And this is a career that has so many opportunities to utilize those gifts and talents. I love to perform and you get to speak at presentations and we've even done ... I've played the guitar at some of our client events and I love to be a teacher and you get to do a ton of teaching in this. I love human relationships, and so this is just an awesome career that allows to satisfy that itch in all those different areas in a really meaningful way. So I think that's how we both got into this.

Louis Diamond:

I think we're off to a strong start. You both absolutely crushed that answer and it sounds like Rob, who I've never had the privilege of meeting, is an amazing father, but also teacher and mentor. And I love Brad what you said too, that your dad is a student of trying to find fulfillment and joy in life. And I'm paraphrasing, that should be everyone's pursuit. So appreciate you sharing a little bit about your upbringing. Let's fast-forward to today though. Can you talk about what Chappell Wealth Management looks like? We'll call it Chappell Wealth Management 2.0, the independent version. What does it look like today as far as number of folks on your team, size of the business and anything else to give us a bit of a perspective?

Brent Chappell:

Sure. Louis, there are four founding partners of Chappell Wealth Management. So Brad and I are brothers, and then we have two other amazing partners, Michael Mills and Spencer Carlson. So we all really have the same role in that we use the same strategies and services and philosophy of investing. We all are responsible for our own clients that we're the primary contact for, and we have four support staff who are amazing, one of whom we hired after we left and became independent. We manage about $1.3 billion and about $1.1 of that is in fee-based accounts, maybe 450 households. So we just, in fact, in the last couple months, hit a new high watermark in terms of what our peak was in managed assets at Merrill, and we just surpassed that here about a month ago.

Louis Diamond:

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Congratulations. That's number one, building an amazing business, but also transitioning it and coming out far above par with I'm sure plenty of growth left in the tank. So well done.

Brent Chappell:

That's the hope.

Louis Diamond:

Let's talk a little bit more about your father, Rob. So I know he was a career Merrill advisor and the practice had been at Merrill for over 40 years before you guys decided to leave. So I'm curious, what did your dad say about the good old days of being part of the thundering herd in the '80s? Heard the herd stories. It sounds like your dad's a pretty tame guy, but I'm curious to hear what that perspective was like.

Brent Chappell:

Yeah, I remember watching the Wolf of Wall Street when it came out and saying, "Hey, dad, was that really what it was like in the '70s and '80s?" And no, the answer was far from that. He found out about Merrill Lynch opening an office in our little town, just in the newspaper and went in and applied and really built his business by cold calling out of our local interfaith phone book. IRAs had just come out and he called everybody and opened accounts that way. And for me, there was a good part of fear of failure anyway, in hearing about how hard it was to start a business and to do that cold calling, but he was very successful at it and was just diligent. And I remember him, he would bring us into the office on the weekends back when they had those vacuum tubes, right?

You'd be sitting in the office, a client wanted to buy something, you'd fill out the order, stick it in the vacuum tube and send it up to the cashier. And we'd go do that on Saturdays when he was catching up, he liked it. It was a competitive atmosphere, it was entrepreneurial. They went on, I remember them going on these amazing trips to China and France and Hawaii, and he would have little markers up in the bathroom of, "Hey, if I bring in this many more clients, it's this trip."

Brad Chappell:

It was more my mom that would make those. She would have this kind of fill up the tube of here, we need to get to this to go on that trip. But that kept him pretty motivated.

Louis Diamond:

I'd say. That is a good motivator. I'm curious, just hearing his perspective on Merrill, and obviously it changes a little bit once the two of you joined him, but did his admiration for the company or his feeling about the culture, did you see a shift in that over the years or did it stay relatively positive through retirement?

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Brad Chappell:

Yeah, I'll chime in. My dad is the super rare ultra humble person that you'll find in this industry. There's not very many financial advisors that have just this incredibly attractive humility about them and looking for the positive, always being grateful for things. So he is that way. But he definitely shared in the growing frustrations that we dealt with that this change wasn't something that just came about after he retired. It was something that we began explorations for well before Rob retired. It just didn't look like a right fit, the right time, those kinds of things.

Brent Chappell:

And I think if we look at the runway that we expected or continue to expect in our career and extrapolating the trends of what we experienced at Merrill, it was clearly trending in a particular direction that we weren't all thrilled about. But could you deal with it for a handful of years? Absolutely. But when you're in your thirties or forties and you're looking out, "Hey, is this the background that I want to have for my career for the next 20, 30 years or for my kids, if we're lucky enough that another generation of Chappells comes and does this in the future, do we want them to do it with this backdrop that feels a little bit like a box that's getting a little bit smaller over time?"

Louis Diamond:

Well said. I think that is the perspective of most multi-generational teams, especially family teams. What's good enough for G1 is probably fine for the next few years, but it's when you look at the business through the eyes of your kids and your grandkids and look out over the horizon, I think it's a great way to phrase it, extrapolating the trends and really figuring out is this the right place for this legacy to flourish? Let me drill a level deeper into something that you guys said. You mentioned that the perception that Rob had of Merrill maybe began to shift a little bit, especially as the two of you came into your own and were beginning to lead the business. Can you talk about some of these specific frustrations or pain points or some of his perceptions? I'd love to just hear that G1 perspective, if you will.

Brad Chappell:

Yeah. Again, so this is us, our words rather than his, but my perception of the time would be there was nothing ever traumatic, no event, no moment in time where we said, "Hey, this is not where we want to be." But I remember very clearly the experience of going through the financial crisis as an advisor at Merrill where our company was going under, and thankfully we were saved shotgun marriage with Bank of America, but it was really, that was the first time in my career where we knew that we owed it to our clients and ourselves to start investigating, are we at the right place? Is there a better option for us? And we met, I believe at that time it was really just with other wirehouses and took a bunch of meetings and really came to the conclusion that we're in as good a place as any, we're at a firm that's too big to fail, I believe was the phrase back then.

I certainly don't want to be at a firm that's just small enough to fail. And on balance the culture change and a lot of the frustrations really hadn't begun. We weren't immediate, right? So Bank of America took a long time to digest that merger and for the culture to really shift from being one that was really, again, entrepreneurial and competitive and client focused to one that still had elements of that, but was really more about reducing risk across the enterprise. And I totally understand the reasons for that. It is an incredibly challenging objective to try to oversee 15 or 20,000 financial advisors, whatever the number is. You just simply can't have a system that allows them to all create their own unique bespoke solutions for clients, monitor everything that they say and how the strategies work. The oversight of that is really challenging, and we found that stifling.

So specific examples would be you would get alerts that would take time out of your day that you had to address because there wasn't enough trading in a client account or that there were too many trades occurring in a client account or one that drove me insane was that the account wasn't diversified enough because I didn't have the minimum number of ETFs. And an acceptable solution for that was to sell some of this Vanguard S&P 500 index fund and add another S&P 500 index fund from Fidelity or any other issuer, and those things would solve the problem. So there were just a lot of hoops that we would jump through to solve problems that our own supervision created that didn't serve clients, sometimes created a tax issue. It was little things like that. None of those are insurmountable, but they layer and stack upon one another over time and the weight wears you down.

Brent Chappell:

And I'll just piggyback that a little bit too, just with regards to the relationship with the local management team. That's something that even at the beginning of our careers, but definitely throughout my dad's career, really valued and got a lot out of that relationship with the local manager and the local management team was able to resolve so many little things that if there was something that came up that didn't make sense, they were really empowered to do that. And it was something that you wanted to meet with the management team regularly because they were really helpful for your practice.

And I would say post merger, it became something that it shifted where we wanted them to just leave us alone as opposed to have them help us because they weren't really empowered to make decisions and they would require us to take meetings with this business banker and that business banker and this mortgage person, and here's a list of all your business owners. And I don't know how many times we got that list like, okay, now can we go at them for this and that? Or just compliance things that didn't really benefit the client or make sense. But that shifted that relationship from one that was really accretive and helpful to one that was more of a time suck and a drag and not helpful.

Louis Diamond:

I'm sorry to hear that. It's certainly not uncommon to hear that the death by a thousand cuts and the dreaded alerts and a few, Brent, that it is a highly regulated business. Most advisors want compliance. They want to be kept in bounds, and it's good for the client to have those guardrails. It's when the little things begin to add up, it takes time out of your day, it begins to get frustrating and like you said, live with any one of those things but as they begin to stack and stack and grow, starts to create a sense that we may not be in the right place. And ultimately, you guys obviously took it into your own hands to take action on that, which we'll get to.

Let's talk a little bit more about your ascendance in Chappell Wealth Management. So as both of you got up to speed in the early 2000s after going to UT Austin, can you remember some ways that the two of you helped to grow or transform the business? And I'm asking this question because every young advisor, especially ones joining a family business, I know I felt a similar poll joining a family business as well, has to make their own mark and obviously has to do things their own way, figure out how to do things differently, break a couple of things along the way. So I'm curious about your experience with that concept.

Brent Chappell:

The only way that I had heard that you could be successful in this business was cold calling. And so when I was at UT, I took an internship with a local investment firm in Austin and it was a pretty short internship and I was really cold calling. And to the best of my recollection, they had gone to a local Chili's or Applebee's or something and there was a fishbowl that you could leave your business card in and they would pull somebody out once a week to get a free burger or something. And I think they had stolen that. And it was my job to call these people who'd left their business cards, but I had their phone number and their title and all these different things. I wasn't very good at it. In hindsight, that may not have been the most fertile pond to be fishing in, but it was really hard.

But that was the only way that I'd heard of someone being successful. So when I started at Merrill, I started cold calling and again, the lack of success continued for me, but I did find that it's one of the ironies in the business that the further an advisor gets in their career, their ability to win new business is increasing at approximately the same rate that their willingness to take on a lot of new clients is decreasing. So we were, I think a really good solution for my dad's business that had sort of reached capacity, had a great client service model, had a planning based practice early on, and more clients wanted to do business with the Chappell group than we had the ability to service. And seeing the failure as a cold caller, I'm pretty good at client service and ramped up the seminar speaking, lots of hits and misses along the way. But that was a great way to get in front of a lot of people.

And again, the timing was '03, which was a fantastic time to get in this business. We'd just gotten through the big tech collapse, stocks had dropped 45% over the last three years. Everybody was open to a second opinion. And Brad had a much better experience cold calling and really did a phenomenal job creating brands within some of the biggest employers in our area.

Brad Chappell:

And I'd say Brent did a really good job of creating a process around everything that we did, our proposal process, our discovery meeting process, our investment solution process. And he is a brilliant guy. I remember I was actually doing a mission trip in Brazil when I found out Brent joined Merrill with my dad. And I was like, "Dang, that's what I was going to do. There goes my opportunity." And I don't know if we'll be growing enough for both of us, but I'm so glad he did. I couldn't ask for a better business partner than having Brent there.

But I remember when I started and I thought there would be more of a concrete, here's what you do. But it was more just my dad saying, "Hey, you've got to go set up appointments with people that have a lot of money that are willing to meet with us." And I didn't enjoy spending time on the processes as much. I really enjoyed talking to people. And we had a really cool office set up that all three of us sat next to each other in one office, and so you could hear every conversation. And I tried several other things and I just found a cold calling is the thing that I can control the most and do it over and over again.

And I got pretty good at it, and I could finish a conversation and Brent and my dad heard everything that we had just said, and I could get instant feedback like, "Hey, what would you have said in this? What would you have said right there?" And I had a little bell, in fact, I still have it, but I would ring that bell every time I had a good conversation with someone, if we set up a meeting and it would piss off some of the other advisors in the office, they knew like, "Oh, Chappell's got another one on the line or whatever." But it kept the morale high, because we were getting rejected a bunch. But yeah, that was something that I remember, Louis, and I'm not sure if this happened to you, but I remember sometimes people would ask, "So how is it working for your dad?"

And for me, I hated that. I wanted to let them know, no, I don't work for my dad. I work with my dad. And it was really important that we bring significant value to the table. It wouldn't be gratifying for me to just inherit something that was my dad's. That doesn't bring joy. The joy and satisfaction comes from putting forth a lot of hard work and effort and then building success off of that. If you're not putting forth that effort and you're just handed something, that's not satisfying. And so I think for Brent and I both, it was important to us that it wasn't something we work for our dad and we are his minion to go do this and that, but it's, we want to make this much better than it would've been if we were all three just working by ourselves.

Brent Chappell:

Can I piggyback on that? Just a couple little things that just struck me. One, you would ring that bell whenever there was a win. It was a good conversation, ring the bell. Someone's coming in for proposal, ring the bell. The first money came in, ring the bell. And we got to celebrate all these little wins along the way, which is so much more rewarding to do with a group of people than on your own. And we loved the sound of that bell. That was fantastic.

And then one of the other things you mentioned, well I don't know that you can overstate it, is for a young advisor to have a mentor in this business that is really invested in them, my recommendation is for everyone to have a dad that's in the business. All right, that's going to be hard, but how cool to have your childhood hero be your business mentor? That really cares about you and where you can sit in the same office, hear all the conversations, and there's an art of explaining complex concepts to a client in a way that resonates with them.

And we didn't have to create any of that. We could just fake it and mirror and parrot and say the same things that dad said until we got to the point where we had some experience along the way. But that was just a huge blessing for both of us, I'm sure.

Brad Chappell:

And this is the last thing, and then I'll ask another question, Louis, we told you we interrupt each other a lot. But I remember having that right mentor, I remember I would get all kinds of different ideas of how to prospect, and I was always just nervous, where's the next client going to come from? Where's the next client going to come from? And I remember there was a local oil and gas company here that just did a ton of layoffs and it's a cyclical sector. And I found out there was going to be this unemployment conference at a hotel nearby, like, okay, well this could be a great opportunity to get some people that have a 401(k).

And my dad at the peak of his career was willing to come on a Thursday night with me to this unemployment conference as I approached people in the most uncomfortable way possible. Like, "Hey, so you just got laid off. What are you going to do with that one?" But they never shut any ideas down. And I really am convinced if there's something that you believe in, whether it's cold calling or cold walking or whatever kind of marketing you want to do, if it's something that you really have conviction in and believe in, it can totally work if you continue to work on it and do it right. And that was a big help is having support of these ideas that may seem a little bit out there, but they didn't shut anything down and it worked out all right.

Louis Diamond:

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I'd say so. Well, I first off have goosebumps just listening to the admiration that you both have for Rob, but also for each other. I have the experience now of working with my brother as well. I hope he'd say as nice of things about me as you said about each other. One of the many things that struck me about what you just said though was that I think in the beginning you said, Brent was amazing with the processes. Brad was more so on the prospecting side, you all collaborated. That's the recipe for success. You both didn't have to be the exact same person. You didn't have to parrot and mimic what made Rob successful. You each made your own mark on the business. You did what was soulful and meaningful to you and came together as one team under a common goal.

So I always like the bell concept too. We've had a, back when we were in the office more, we always had a bell for when we facilitated a transition, but I like the micro reward of ring the bell every time we had to get a little success. So thanks so much for your humility and just really opening up to what I guess was the secret sauce behind your team's success all these years.

Let's pivot to we'll say probably 2022 leading into 2023 when two of you and your partners decided to explore options outside of Merrill. So we hit a little bit on some of the fundamental challenges that were going on, whether it was lack of empowerment by management or the alerts and some of the inefficiencies there. Was there anything that happened or what was the conditions on the ground leading up to your decision to call me as you began to explore options? And I guess it was 2021 or 2022 leading up to the transition in February of '23.

Brent Chappell:

Yeah. One other thing that stands out to me, it was just another example was, and this was actually in 2022. 2022 was a tough market, right? Everything went down and we had maybe 50 or 75 clients that owned a structured product issued by Barclays. And long story short, they had some small technical problem with the way they registered the investment and they were forced to buy it back, which was a great deal because it was like one of the only things clients owned that they made money on. Barclays had to buy it back at full value plus interest. But the communication from Barclays, it was an opaque process. It was legalese. The clients had to go do all this stuff on their own. So we decided, hey, let's make this easy for them. I'm going to create an email, copy the relevant parts of the Barclays communication for each individual client.

I'm going to send them an email that really spells out here's exactly what you need to do to get your money back. And I remember being called in to our local compliance office and was reprimanded because apparently there was now a policy against copying and pasting anything in an email. And their response was they had wanted me to hand type each of the emails to whatever it was, 50, 75 clients introducing one completely inefficient use of time, but then introduce the real likelihood of an error somewhere. And I just remember thinking, look, this is a trend. This is not going to get better. And it's no one's fault, but no one had an incentive to say yes, there's no compliance officer or supervisor's going to get an attaboy pat on the back or letting you violate a policy. And I'm sure there was a really good reason for that policy that made sense when it was created, but it was the sort of blanket application of the policy without the ability to think, does this make business sense or not?

Those things were really frustrating. So when the pandemic hit, that was the perfect backdrop for us to conduct some more due diligence. Our office was closed, we weren't allowed to come in, we couldn't meet with clients, and we had some more time to start looking under the hood at, well, what does the landscape look like? It's been since 2009 since we've done this, and certainly the articles that we would see, the headlines about advisors leaving Merrill, that piqued my interest when it was people that had great reputations that you admired and respected in the industry were making a big change. And I thought, well, let's investigate and see if there's something behind that.

Brad Chappell:

And I'll piggyback. One, I'll say, our other partners, Michael W. Mills and Spencer Carlson, they'll be listening to this and I want to give them plenty of shout-outs because this successful transition wouldn't have happened without them. And they're incredible. And there's this trust amongst a family member that I trust Brent to the death no matter what. I know he's got integrity and my best interest. And I feel the exact same way about Michael and Spencer, that it's that level of trust, but they really helped spearhead a lot of this as well. And I think we felt a duty to our clients to at least make sure we understand all of the options that are out there. Were there things that were pushing us out of Merrill? Possibly, yes. There were things that we were very comfortable, it was easy, but there were some some big pain points that would go on a regular basis that didn't make sense.

And so it was clear to us that we have to at least understand what the alternatives are. And maybe we'll come, and you were great with this too, Louis, when we met with you, maybe we go through this process and we reaffirm, hey, we should stay where we're at. And that's what happened in '08 when we did this earlier. And to be frank, there weren't the same level of service providers and investment to an independent advisor in '08, anything near to what exists today. Now there's been so much advancement in technology and transition to where it's a much easier process where we don't have to wear a thousand hats and become all these different roles. But that was something that really, not just the pushes out, but then there became an obvious amount of significant pulls as well once we were humble enough to go through that due diligence process and explore what those options would be.

Brent Chappell:

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I think there was a moment in time during the pandemic from where I sit today, it's easier to spot and see where for much of my career, Merrill's an awesome company and the other wirehouses, they're going to do fine. They do so many things really well, but the way that I had viewed it because of all of these little death by a thousand cuts, changed the color of the lens that I saw it through where rather than, "Hey, look at this is this amazing company, I'm so proud to work here, and they do all these things really well."

There was a color of, “What are they going to do next time? Oh, here's another change. Man, I see the new comp plan and now I take a meeting with my director and his job is to explain to me why it's not as bad as I think it is. And here's another thing that we can no longer help clients with.” And when you hit an inflection point, and if you start viewing your employer through a negative light more negative than positive, that's toxic. That wasn't a backdrop I wanted for the next 20 years. And I think we really owed it to ourselves not only to investigate, but then also to decide that if we didn't uncover a better solution, then we should be really happy about staying put and do our very best to make it the best place possible.

Louis Diamond:

You're reading from my playbook or singing from my song sheet. That's the exact advice we give any advisor, one we successfully work with or one who decides to stay put is every once in a while, not every day, not every year, you owe it to yourself and your clients to make sure that from a position of strength that you're in the best possible spot. And it's a very acceptable answer to the test that we go through this and either we're not that unhappy one, or two, that there isn't something that's more than marginally better enough.

And I do remember when we started to have our exploratory conversations over Zoom because we couldn't meet. That was the mark for it all was we're just curious, we're learning, we're getting educated. I think you said, we can't promise you we're going to move. And I think my answer was, I bet you have something really good going on and we have to find the right balance of the right firm or platform for you, but also it has to be the right time in the business. So do you all the way.

Let's talk a little bit more about Merrill before talking about the independence. So that your team managed over a billion in assets, you all had clean compliance records, had over 40 years plus a legacy at the firm. Did you feel you had more of a voice in the ability to get things done than someone else? Or was it fairly similar?

Brad Chappell:

I would say no. Even we've done these, we call them town hall seminar events since before I started. I think my dad started those, I don't know in the '90s, something like that. And it's a great client appreciation event talking about timely topics. And those had evolved even I remember a time shortly before the transition, probably just before COVID, where we had to pick from a bank of maybe 10 pre-approved seminar presentations that we were not allowed to come up with anywhere on content. So you pick from this bank of 10 pre-approved seminar presentations with these exact talking points and you have to go through this long submission process. And it got rejected for us because at the bottom we had that we'll conclude with Q%A and they said, "Well, what are the questions going to be? And you haven't disclosed what your answers to those questions are going to be."

And it just seemed like, come on, really? And so either we say, well, we're not going to do a Q&A then. And to be fair, eventually it got approved, but the initial reaction was just, no, can't do that. Even though our team had been around, we've been doing these for 30 years and no customer complaints or any of those kinds of things, it was the same standard. That was just frustrating and just hard to get someone that is empowered to say, yes, you're fine, go ahead. I'm sure that used to happen, but it didn't happen recently.

Brent Chappell:

We were a successful team, but we were in an office full of some really successful teams and I know that they had the same frustrations that we did. So our sample size was one, I only know what I experienced, but I can only imagine if you were a much smaller team, you'd get less love, less attention, less leeway, less of all of those things. So again, for us it was enough where we were really interested in making sure that we understood what our choices were.

Louis Diamond:

How do you go about getting educated on the space? There's obviously a lot to understand and unpack. It's one thing if you were just, "Hey, we're going to go to UBS," obviously you still need to get educated. It's still a process to follow, but much, much different when you wander out into the world of independence. So how were some of the ways you guys got educated on the space?

Brent Chappell:

One of the most useful for me personally was all of the content that your company produced. We listened to-

Louis Diamond:

Thank you. I didn't tell you to say that.

Brent Chappell:

No, I honestly think I've listened to every podcast from as far back as you can go in your little podcast catcher to when we broke and several of them multiple times. And that's one of the reasons why we agreed to do this is we got a lot personally out of hearing other people's experiences, even those that made very different choices than we did. But just hearing about that decision making process and there was a lot to unpack and uncover and I found it incredibly helpful to have someone like you that knows the lay of the landscape and can hear all of the things that we're running towards that we really want, that we really value and say, all right, based on what you're telling us, hey, here's the eight things that you should really consider and do and take a look at. And then of those, there's maybe, why don't we do a deep dive on three or four and see where it leads us. That was hugely helpful.

Brad Chappell:

And I'll add too, when we think about one of the big benefits of being independent where we have such a big free rein of service providers that competition generally is a real positive for the consumer. The more competition that's taking place, it's better for the consumer. And so we didn't want to just take a lot of meetings with this wirehouse or that firm, and obviously they're going to sell us on why they're the best.

But I think having a consultant that is very knowledgeable about all of the options was helpful for us to, one, really understand what's important to us, what are the pushes and the pulls that resonate most with our team, and then have a pretty unbiased view of the entire landscape of solutions as opposed to taking this headhunter call from this other wirehouse manager and they're going to ... They don't know the ins and outs of every other solution that's out there. So we knew if we went through this, we'd want to partner with somebody that had a really deep knowledge of all the different options and could take the time to really understand what's important to us and then navigate towards what solution might make the most sense.

Louis Diamond:

Appreciate that the efforts that I put in were so well received. That is always the goal is to give an advisor an advocate and a guide to help them through what is probably one of the biggest decisions of their lives, certainly of their professional lives. Your team was a pleasure to work with and I am delighted that I ... I'm trying to be humble and not to smile like a dork here, but it means a lot to me to hear you say that. And that's really our goal in every engagement is to help advisors get through this in an efficient way and also to get them to their destination.

So with that in mind, I know it was a little while ago, but can you share what your top criteria were on your list? Or put another way, what were the red line items or absolute must that you were evaluating firms through? And that obviously became a major part of our plan together, but what were the inputs to that plan, if you can recall?

Brent Chappell:

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We evaluated everything under the sun, but I think one of the other things that you offered to us that was a little gem was putting us in contact with some other advisors that had transitioned and hearing their perspectives. And it really didn't take us long to rule out a lateral move to another wirehouse. It was really clear that while it would've been very lucrative to do that, at least in the short term, we would be dealing with the same pain points. And this really wasn't a move that we made that was short term focused or really about short term economics or probably even medium term economics. And it was really important to us to control our destiny. The feeling that we didn't like was that our careers were being shaped and we were being subject to forces beyond our control, and I wanted to have a hand on the wheel. And there's chaos in the world, we get that, but we want to be in charge of charting our own path.

And so we were able to eliminate those lateral moves, other wirehouses pretty quickly, but then, hey, there's this entire landscape of full RIA, partnered independence and just a smattering of everything in between. We knew we really wanted to own our own firm when we visited and digested the content that was out there, we wanted to be able to be true fiduciaries, not fiduciary like. We want to be able to say whatever we think with clients and to be held to that best interest standard. Clients deserve it in our opinion, and we want to be able to deliver that. So those were huge for me.

Brad Chappell:

Yeah, I'll piggyback just briefly, but yeah, not wanting to be an employee and be subject to the uncertainty of policy changes or initiatives or when you're the employee of the custodian, there's going to be things that the custodian might be pushing that are in their best interest, but not always in the client's best interest. And those things were frustrating. And to be able to really tell the story with conviction to our clients, "Hey, we're going to put you through this." It had to be something that we 100% believed in and for us to have it be something we 100% believe in, we have to have control of that. I can't put a hundred percent faith and belief in something else that I don't get to control what it's doing.

So that was really clear, but we also didn't want to start wearing a thousand hats. It was clear to us that we want to be able to continue to focus a hundred percent of our time and efforts on the things that are benefiting our clients. I want to be a financial advisor. I want to have the time to understand what's going on in my clients' lives, to understand the solutions that are available and to really invest in those solutions and be that guide and partner to them and not become a real estate expert and then also become an HR person and then interview a bunch of compliance attorneys and all those kinds of things. We wanted a partner that could make that transition easy, but also have it be a partner that we could fire and get someone else if it wasn't a good fit where we weren't their employee.

Louis Diamond:

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It sounds like what you're contrasting is we call supported independence, which is ultimately where you landed on with Sanctuary Wealth versus building your own RIA, which certainly your team had the scale to do it. You had the technological know-how to do it, but you made a judgment call that said, we know what we're best at, we know what we want to do, what we don't want to do. And while I have every confidence that you could have gone and built your own RIA, ultimately what was the most efficient and best use of your time was finding a platform, in this case, Sanctuary Wealth to help get you from here to there.

So we'll talk a little bit about Sanctuary in a second, but I know with your team everything starts and ends with what's best for the client. Merrill is a very high bar to clear. It's a amazing firm world-class resources, and I'm sure clients, even though you were frustrated, were insulated from a lot of the frustrations and pain points that your team may have felt. So how did you go about building the case for why a transition was going to be better for clients?

Brad Chappell:

Yeah, maybe I'll start on this one, and Brent, you can chime in. I would say, do we feel like we could have stayed at Merrill and continued to deliver a great client experience? Absolutely. I think all of the resources were definitely adequate to do that. But an example I was thinking of this past year, I had a couple different hip surgeries. I'm not that old, I'm 42, but I had a couple of different hip surgeries, and I remember going to the hospital the day that you're having this surgery and my wife's there and you're meeting with the surgeon before you go in. I just remember I read some book or listened to some other podcast about getting the doctor in the morning when they're not hungry or when they've had a good night's rest versus when you're the last one of the day and they're rushing through.

And I remember just asking him like, "Hey, how are you feeling today, doctor? Did you have a good breakfast?" I'm about to be under and my whole world is at your disposal. And hoping that they have been motivated to take all the latest continuing education and learn all the best resources for this particular field and practice because it's my life, it's my livelihood. I'm really into pickleball, darn it. I need to be able to do this stuff and coach my kids' basketball teams. And one of the biggest things, Louis, that our clients get from this is the best version of the advisor. They're getting a version of me and Brent and Michael and Spencer that isn't feeling like I have to go through the motions because this box that I'm forced to operate within is getting and smaller. And the answer to so many ideas that we have is just no, because it's not easy to manage when there's tens of thousands of advisors at a company.

Well now they're getting a version of us that is so excited and fired up and anything is within our wheelhouse. We can explore any financial planning software. We can explore integration of a CPA into our practice. We can explore all different types of investment solutions and possibilities, and we're not so confined. And that has relight a fire within us, I would say, that being a financial advisor isn't just something that we're doing while we're in the office, but it's really who we are. That means a lot. It hit me when I was having surgery that I want my surgeon to be that just super motivated and excited and consumed with what they're doing. And I think our clients are getting that out of us in this setup.

Louis Diamond:

It's such an interesting answer that basically once you saw what was possible, you couldn't unsee it to an extent that you felt like you owed it to your clients to bring them the cutting edge techniques and procedures to use your medical analogy. And you thought that to be the best possible advisors that you had to operate in this very way. I think it's pretty brilliant.

Let's talk a little bit about Sanctuary Wealth. So you picked them as your platform, I know Vince Fertitta was a long time partner to your business when he was at Merrill, so that probably was part of your decision, but specifically about Sanctuary, can you talk a little bit about why you picked them to launch your firm? Obviously every option was available to you, so they had to stand out for some specific reasons to earn your business.

Brent Chappell:

We are the second generation of a family business, and one of the offshoots of that is that culture has a very dominant role in everything that we do. It's a very small group of people we spend an enormous amount of time with, and the people that you partner yourselves with and you interact with, it has a big influence on your mood and how you see the day. And it was so refreshing in some of those early meetings with Sanctuary. So we had some complexities with our transition to find people that were real partners, that were solution finders, that were creative and people that I had known for more than a decade, that had integrity that were really interested in building something new and building something new is hard work, and not everything works perfectly the first iteration. But that was really reassuring.

And then seeing the expertise that they had developed in transitioning teams, particularly teams from Merrill, and hearing about the process that they had developed in preparing you for a successful transition was huge. And the transition event for people that haven't gone through it is traumatic, right? You can't really overstate how stressful it is and you think about it constantly and leading this double life for a period of time. But they did just a phenomenal job helping us be as prepared as possible. And we worried a lot about it, but the results were fantastic. We were thrilled.

To Brad's point, clients are not well-served if Brent Chappell is investigating internet server configurations, that is not ... Everyone loses when that happens. So we want to offload all of those ancillary parts of running a business. And in hindsight, I think when we were at Merrill, we thought of ourselves as business owners, which is laughable. Now that I see everything that's involved in running a business, we were practitioners, we were good practitioners, but that's what we were. We were not business owners by any stretch, and we wanted to become partner. We wanted to have partners that had walked down this path before that knew where all the twists and the turns were to help us get to our destination.

Louis Diamond:

Yeah. And a big part of that decision, even though you have to really want it as far as the lifestyle and the responsibility, it is a pretty major financial decision. More so the opportunity cost of not getting a huge recruitment deal, coming out of pocket to start a bunch of things. You also had a CTP agreement that the Merrill Retirement Plan deal that I think you owed some money back on. So how did you reconcile the short term economics being really out of whack for a move like this?

Brent Chappell:

Again, this wasn't a move that was really driven by money or by short term economics. Clearly it plays a role, right? It is a business that has a meaningful value attached to it. But again, the oldest partner on our team just turned 47, the youngest one is 37. We have decades of runway ahead of us. And so what plays out over the first, I don't know, one to five years, while important, what's dominant for us is the life cycle of this business in years and decades to come, hopefully generations. I don't know that it's entirely grandiose of us to think that maybe another generation of Chappells or Mills or Carlson's will participate in this business down the road.

And the long-term economics are really good. It's long-term greedy, certainly not short-term, and we really like what we do. We've got no interest in monetizing or selling. It's a fun business to grow. It's rewarding. Sanctuary was, again, they were creative problem solvers. They understood, they knew exactly what CTP looked like and where we were in CTP and what it would take for us to be able to leave that and feel really comfortable about the future with them as a partner.

Louis Diamond:

Well said. Yeah. Thank you for sharing that perspective. Let's talk really quick about portability. How did your clients react? Many of them were with your dad from the beginning at Merrill, so 40 plus years at a firm. What did portability look like and how did clients react when you told them that you were no longer employed by Bank of America Merrill Lynch?

Brad Chappell:

Yeah, I could start on that. Boy, that's the big question that you are thinking about for the whole time you're considering this transition. It's so hard to not tell them in advance. And literally the day that we resigned, there's still an action item here and there. We're transferring money, we're doing this and you haven't mentioned anything, and then you go make all these phone calls. And they were surprised. And I think we really tried our best to insulate our clients from a lot of the pain points that were going on. They don't need to know about the challenges. They don't need to know that it's hard for us to execute this and that we're frustrated. We want to deliver an exceptional experience for them.

But it was, Louis, I'll say, one of the most bonding experiences to go through that, to have to talk to a client and they're like, "Brad, wherever you're going, we're following you." Just to have that kind of a reaction. I got emotional a couple of times. One, we weren't sleeping a whole lot. It was stressful. I remember one morning getting to see my kids before they went to school and I went to the bathroom and, "Oh, I just missed my family." But it was an incredibly bonding experience to go through this with clients and explain the why and get the feedback. And not everybody, not a hundred percent of the people you wanted to come with you came and there were some surprises that you were like, I don't know. And they're proactively looking you up and finding you and like, "Hey, what do I need to do to get over there?" I don't know what our official ... Brent's more the numbers person. I don't know what the number was. It was pretty what, 90%, 88%?

Brent Chappell:

Yeah. So we had a protocol move, and if you have the opportunity to have a protocol move, take full advantage of it. There's so much information we don't have because we weren't allowed to take it. So it's like finger to the wind. You knew what high watermark levels were. I think it's pretty fair to say that we didn't ask all of our clients to come. Of those that we wanted to, that were a really good fit for us, I'd say about 90% of those made the move with us and then with new clients and a little bit of market growth, we're at really all time highs on the things that we really care about. So it's a really humbling experience to go through to articulate a move.

But clients are rooting for you. You're the same person. Our whole team left together and it was the same group of people providing the same advice and the same service that had developed trust with clients and knowing that trust doesn't materialize overnight, that comes from weeks and months and years of clients seeing continuity between the things you say and the things that you do. And they can tell that you're really looking out for them. And when they say, yeah, absolutely, we're going to introduce chaos into our own lives and mess it all up to follow you, that's really rewarding and it makes us feel recommitted to them. It's like renewing your wedding vows or something like that.

Louis Diamond:

Yeah, I think that's right. And I think most advisors, if they said 90% would come, they'd sign up. It's obviously the fear of it dropping, but even not getting a hundred percent for some would feel like a loss. But I think the perspective that you guys shared was that we're not doing this for the short term. Obviously we wish a hundred percent came, but the fact that now you are a little bit over a year from the transition and you're above where you were at your peak at Merrill shows that even if you don't bring all of the business, that if you doing it for the right reasons, you're building the right way that you can fairly quickly grow your way out of anyone who doesn't come. And by the way, the clients that did come are, you said they re-upped their commitment to you. They took the wedding vows again, and my guess is they're going to be better long-term fits for your process and your business than the ones that didn't come with you in the first place.

Brent Chappell:

Yeah, I think that is a pretty accurate assessment of what we've experienced for sure.

Louis Diamond:

Let's do two or three more questions. Let's hit them pretty quick because you guys have busy days to go back to attend to. But now that you're over a year out, any regrets or things you wish you did differently both pre and post launch?

Brent Chappell:

I mean, the thing that comes to mind was just worry. And I guess we wish we'd worried less or I wish that I'd worried less, but candidly, there's no counterfactual, right? We only know the way that things turned out. And you could easily argue that fear of failure and that worry created the necessary prep work for a successful transition. So that may not even be a fair answer. One thing that we definitely didn't have a full appreciation for is financial plumbing, how data flows from a custodian to a trading firm, and then clearing the trades and how that gets reported. I think there were elements of that that we took for granted. Spending 20 years at Merrill, I knew how things operated at Merrill and that's it. They don't have a monopoly on the way to run banks. They do some things really well, but we didn't have a full appreciation for that.

And there's some elements that are not as well-connected or as well delivered for clients, right? It's a third party that does reporting on some things and they may account for accrued interest differently than the custodian. So the numbers are off by pennies or a couple of dollars. And that's not always reassuring to clients like, "Well, that dollar's missing, is there another dollar that's missing?" And both are valid methodologies, but they're not the same methodology. So I think that if we had taken more time to understand some of those nuances that we still would've made the same decision, but we could have communicated what to experience to clients in a little bit better way.

Louis Diamond:

Anything to add, Brad?

Brad Chappell:

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I think one of the biggest challenges for me, you're so used to prioritizing delivering an exceptional service experience where if you have an important client that has questions, you can't not answer those questions. And so the day that you break and those first couple of weeks, you want to talk to everybody and you don't want to be rushed. And so finding a better way, it was like as soon as if it's a normal waking hour, I need to be talking to people. But I struggled with keeping those conversations a little bit shorter so that I could talk to more people quicker.

And I felt bad for some people I didn't get to talk to for a week or a week and a half into the transition just because you hate to not answer someone's questions. So finding a better way to keep those initial conversations a little bit more concise. But that's just so hard because it's a big change and the clients are wondering about it and want to understand it and you hate to rush through that, but I hate to not be able to talk to everybody. If we could cast a time free spell, I guess that would be a regret that we didn't figure out that Hogwarts spell too.

Louis Diamond:

Those are two very original points on, I guess, things that someone listening could take away, which is understanding how the data flows and more of the mechanics of how the new environment or the new custodian operates. And then also putting a time limit or just being mindful of the fact that it's probably better to get to more clients rather than going super deep with a couple. And you could always double back to the initial folks if they have more questions or tag a team member to do it. So I think those are great answers.

Let's do one more question and then we'll let you go. What are some things that you're really excited having been able to accomplish for clients in the time since you've transitioned? Whether it's a new service offering, it's just an accomplishment or anything. I'll leave it open-ended for you to answer.

Brent Chappell:

It feels very good to be able to be approached by a client with a banking need and for us to be able to go search and find the right solution from multiple providers. So again, at Merrill, we could only recommend banking products available through Bank of America. If a client had $10,000 they wanted to invest for their grandchild, and we thought that an inflation protected treasury bond yielding 10% was a great idea, we couldn't say that because they weren't able to buy that from Bank of America.

Or if they were building a ranch or they've got a built to construction loan that they need and at that time Bank of America is not offering built to construction loans or construction to permanent financing, rather. We couldn't say, "Oh, you should go check out this other local bank." And so just within the last handful of months, I've had multiple clients have unique lending needs that we were able to search for a fantastic solution for them. We don't get compensated on it. I don't have a dog in the fight. I don't care who they use. I just want them to have the best possible experience.

Brad Chappell:

And I'll piggyback one thing that's ironic is we have turned down more business in this year than we ever have in our career. And when we were at Merrill, there were all these different tweaks to the comp plan. You had to take on X number of new households and there's major penalties if you didn't. And we're able to make decisions with the best interest of our client. Like our clients, they don't want me working with 300 households and spreading myself super thin and not being able to spend the time that they deserve to go through this transition. So that's been nice, just being able to be even more selective in who we work with, making sure it's really a great fit as opposed to we need to hit this metric or this hurdle.

Being able to do things like advise on a 401(k), there's awesome technology out there that can allow us to do that in a compliant manner that tracks the advice and the guidance. And like Brent said, being able to be a true fiduciary on mortgage advice as opposed to, well, and thankfully a mortgage products were pretty good where we were at, but we could only recommend our in-house product. And that competition in the marketplace is better for the consumer. It drives a better consumer outcome. So I love being able to do that. And then I'll say lastly, Louis, one thing that is just refreshing is there's not this dealing with headline risk of something that the company comes out and says or does. We get to control what are the true values that we want to stand for as a business and as a company? Are they the things that I'd really believe in the way that we want to operate?

Is this something that I would be proud to have my kid be a part of one day? And I can say, absolutely. The things that we're doing are things that we have true conviction in and belief in, and we're exceptionally proud of, and I'd love to have a future partner, next-generation 3.0, whatever we want to call it, that's a part of this. So we're excited, we're motivated. It's been a bonding, incredible experience. We're really glad we're on the side that we're on right now, that it's done and behind us. But it was a really cool experience and we're really happy with where we are right now.

Louis Diamond:

Yeah, this has been such an enlightening and fun interview. Your humility around all the success you've had, how the two of you work together, in an amazing way, in a complimentary way, and just hearing about some of the shifts and changes that your 40-year legacy at Merrill begin to bring to light, and ultimately now making the move to independence and crushing it. We really appreciate you sharing your wisdom today, and we'll definitely have to circle back with you in a couple of years when you're at $5 billion in AUM and are doing even more amazing work for your clients. So we really appreciate both of you spending time with us today.

Brent Chappell:

Absolutely, Louis, thanks for having us.

Brad Chappell:

Yeah, thanks Louis.

Mindy Diamond:

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