



# EPISODE TRANSCRIPT

## **20X Growth in 10 Years: A \$20B RIA on Embracing the Value of Private Equity and Interdependence**

A conversation with Michael Nathanson, CEO and Chair of The Colony Group.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is 20X Growth in 10 Years: A \$20 Billion RIA on Embracing the Value of Private Equity and Interdependence, it's a conversation with Michael Nathanson, CEO and Chair of The Colony Group. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

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Interdependence is an interesting word, particularly when used in the context of the independent space because for many, the thought of starting an independent practice conjures visuals of being more solitary and self-dependent. Yet for Michael Nathanson, the notion of interdependence is one that fostered the growth of RIA, The Colony Group. It's a philosophy that revolves around embracing partnerships and the merging of ideas, experiences, and expertise, and it extends to providing anything and everything their clients need in a multi-family office construct. And it's that very philosophy that fueled the firm's growth from \$1.2 billion to some \$20 billion in assets under management in just over a decade.

In his previous life, Michael was a senior partner at the international law firm of Wilmer Cutler Pickering Hale and Dorr when he was first introduced to The Colony Group. In 2004, he resigned his role at the law firm to take a chance on doing something different, as he put it, opting to become The Colony Group's CFO and General Counsel. Michael quickly advanced to president and CEO of the firm and now serves as its chair and CEO.

So how does a former attorney become such a driving force behind the culture and vision of an independent wealth management firm? I think you'll find in this conversation that Michael is motivated by a desire to help clients bring real meaning and joy to their lives, and it's an ethos that extends to the entire team at the firm, that is a culture built around a collaborative environment where individual practitioners work together toward the same mission and values, which is also a big attraction to the firms that join them.

In this episode, Michael talks about The Colony Group's extraordinary growth and how their capital partnership with Focus Financial helped to drive their mission. He shares what he sees as the real value of a capital partner and why they opted to join Focus. Plus, Michael will discuss key aspects of the firm's acquisition strategy, the unique services they offer their high net worth clients, actionable advice for other independent business owners considering their firm's future and much more.

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A conversation with Michael Nathanson, CEO and Chair of The Colony Group.

Michael is a super smart, genuine guy who shares my love of learning, so I'm thrilled to have him on this show. There's a lot to talk about, so let's get to it.

Michael, I am incredibly grateful for your time today.

Michael Nathanson:

It's so great to be here, Mindy. And I'm incredibly grateful that you actually wanted me to be on your show.

Mindy Diamond:

All right, mutual admiration.

Michael Nathanson:

Definitely.

Mindy Diamond:

A lot to talk about. You have an amazing story, so let's jump in. Let's start at the beginning. Tell us a little bit about your background, Michael, the path you took from Harvard Law School to joining The Colony Group in 2004 after practicing law for 13 years.

Michael Nathanson:

Yeah, I've come to believe that the universe speaks to us and that it's up to us to listen to the universe and it can help direct us where we go in life. And I had always wanted to be a lawyer. I had always wanted to go to Harvard Law School. I grew up in the LA Law generation. I wanted to be the next Michael Kuzak for those who have seen the show played by Harry Hamlin.

So my dreams came true, I got to go to Harvard. I had an amazing class around me. I like to tell people I was in section three of the Class of 1991, which means that I was in the same section as Barack Obama and we took all of our first year classes together. People often ask me if it's a surprise that he became the president and actually, in retrospect, it's really not. Neil Gorsuch was in our class as well, so we had a lot of pretty high profile people.

And then, I wanted to go to the best law firm, and I wanted to stay in Boston at the time, and I felt that the firm, Hale and Dorr was the best law firm, and this was the firm that had represented the army and the army of McCarthy hearings, and they represented Nixon, and if you've seen the movie, A Civil Action, it's about Hale and Dorr. So it was all going great. I went there, I was going to be a litigator, and I got a call two weeks before I was supposed to start that Vicki Summers, who was married to Larry Summers, who went on to become the Secretary of the Treasury, needed to move because Bill Clinton was in the process of getting elected and that they had an opening in the tax department.



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And I was given the choice of changing to become a tax lawyer. I was not thinking about being a tax lawyer, it was the furthest thing from my mind. I didn't really feel like I had a choice even though they presented it that way. So I became a tax lawyer and ended up loving it. And this is what I mean when I say that sometimes we just get directed toward things that work out. And I practiced tax law for 13 years, had a very successful practice, became a senior equity partner at a very young age, and I was very proud and still am very proud that I had the honor of working at that firm, which is now known as WilmerHale.

And I had a growing base of my own clients. And one client, very small client at the time, was this little registered investment advisor that had probably about \$500 million under management and 30 or so people and I started to do a little bit of work for them and got to know them and became friendly with them and just fell in love with the culture at The Colony Group. And ultimately, I was recruited to resign a partnership that back then no one would ever resign at my law firm and take a chance and do something different. And once again, I just felt the universe calling, went to The Colony Group, and well, the rest is history.

Mindy Diamond:

Okay, that's amazing. And I too believe in the universe calling and all of that. My kids roll my eyes when I use terminology like that, but I'm right there with you. But was it more about not liking the practice of law? Was it more about wanting to do something else? Was it more about something interesting going on at The Colony Group? Because I can see leaving one of the top law firms in the country, but why not go to a Merrill Lynch? What was it about The Colony Group that drew you?

Michael Nathanson:

Everyone at Hale and Dorr at the time or WilmerHale told me I was crazy to go and do it. They were supportive, but they thought it was crazy that I would ever do something like this. And it wasn't so much they were directing me toward a Merrill, but just some of the, frankly, larger RIAs at the time. In fact, one specific RIA, I'm not going to name the name, it's a firm that I have great respect for, which was much larger than, they said, "Well, if you're going to do this, at least go there." And now, of course, we're larger than them. But everyone thought I was crazy.

I didn't do it because I didn't like what I was doing. I will admit that I was feeling less challenged. I was still in my 30s, but I just got to a place where I felt like I was on top of my practice and I felt like it was important work. I still look back on it and think it's very important work, but I didn't find it as challenging and it was becoming less challenging. And one of the things that I was doing was seeing entrepreneurs all around me doing amazing things in the world, and I had the privilege of working with some extraordinary people. And when you see that, sometimes you say to yourself, "I wonder if I could do that." And I look back now and think about what I did and think I was probably a little bit crazy. I mean, I didn't even have an agreement to come to The Colony Group, I just went on a handshake. And I left a lot



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of money on the table, I took a big pay cut to come to The Colony Group, but I was looking to try something different.

And you know what, Mindy? What I would say is I had a lot of confidence in myself, and I told myself that if it didn't work out, no problem, I'd either go back or if the firm didn't take me back, I'd go someplace else.

Mindy Diamond:

Okay. So let's talk now a little bit about what was so spectacular. What drew you to The Colony Group all those years ago, and then, a little more about what The Colony Group's value proposition is today. So let's start with today, how much in assets under management, how many employees, what kind of clients The Colony Group serves?

Michael Nathanson:

Sure. We have approximately \$20 billion in AUM, and I don't really believe in using things like AUA, so I just think we should all talk in the same language, which should be about AUM.

In terms of number of employees, we probably have just under 400, maybe 360, 370. We're always growing, just announced another merger.

And we serve, generally, high net worth individuals, ultra-high net worth individuals and families. We have a pretty large institutional practice, and that is both an OCIO or outsource CIO practice as well as a consulting practice.

And then, in terms of areas of specialty, we serve all types of clients, but among the clients that we serve, we serve corporate executives, we serve business owners, we serve many professionals, we have a great athlete and entertainer practice, again, institutions of all sorts, although, definitely a large number of foundations and endowments.

Mindy Diamond:

Got it. So tell me a little bit about how the business grew or how it's changed since you joined all those years ago.

Michael Nathanson:

Yeah, it's grown dramatically. Mindy, you know the industry as well as I do. And the way I've come to think about the industry is that organizations are generally categorized in one of four ways.

Most advisors operate through what I would call a practice. And a practice is one person who controls a number of client relationships. They may be supported by other people, but it's really one person.

And then, I would say that there is a collaborative model. And in a collaborative you have multiple practitioners that may share resources, but they're not necessarily doing things in coordination. Now,



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sometimes they will say they are, they may even call themselves a single company. And you know this type of company. And by the way, it's not a bad model. All four of these models can provide great advice to clients, so it's not a judgment. But in a collaborative, you'll have multiple practitioners sharing resources, they may even share a name, but they're really separate practices.

And then, you have businesses. And a business is where you have multiple practitioners, lots of people working with those practitioners. I don't really love terms like support people because I think that that betrays how important those people are. But you have practitioners and they all have the same mission, vision, values, and plan. And most people think that the evolution ends there, that you go from practice to maybe collaborative and then, to business.

And there is something beyond business. And the fourth form of operating, in my opinion, is an enterprise. And an enterprise, to me, is a business that is sustainable, it's a business that's built to last for a hundred years, and that's what we have been doing at The Colony Group. We have evolved across, I believe, all of those models. And when I joined The Colony Group, I would've called it a collaborative, we had multiple practitioners sharing resources, but doing things somewhat separately. And then, while I was there, and I don't take credit for this, it was a group of people, we became a business and now, we are an enterprise. And while I don't claim that that's unique, I think that there are other enterprises in our industry, it's much rarer than you would think.

Mindy Diamond:

Maybe because I have a front row seat to it, I think it is rare. You are right. And so, it begs the question that today, with \$20 billion under management, what are the things you did? What were the most impactful things you've done that brought you, first of all, from almost 20X in assets under management since you joined and then also, to go from being a collaborative to a business to a sustainable enterprise?

Michael Nathanson:

Mindy, have you ever read the book, The Seven Habits of Highly Effective People?

Mindy Diamond:

Oh, my favorite book in the whole world.

Michael Nathanson:

Is it really? It's one of mine too.

Mindy Diamond:

Oh, for sure.

Michael Nathanson:



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I love all seven habits, but if you think about the seven habits and how Stephen Covey places them, what he really talks about is an evolution from dependence to independence to interdependence. And he says that when we're born, we're completely dependent, we can't take care of ourselves. And most of us, not everybody unfortunately, but most of us evolve to a place where we become independent. And sadly, most of us cling to that independence so hard that we never go past being independent because we don't want to rely on other people, we want to make sure that we are in control of everything.

And the bottom line, how have we done it is that we have embraced interdependence that we are an independent advisor, in the technical sense, but we have also embraced interdependence.

And so, the way we have done it is we have brought in people who are different from us. We partnered with Focus Financial, I'm happy to speak more about that, but with the help of Focus Financial, we now had the ability to merge with other firms that could bring new ideas and better ideas and new ways of doing things and we were open to them. But also, we've embraced interdependence with all of our business partners, whether that's our custodians or our technology providers. It's our overall philosophy, we embrace interdependence, that has been the number one key to our ability to grow to where we are today.

Mindy Diamond:

Yeah. What's so interesting about that is in order to embrace interdependence, you have to first embrace self-awareness and be willing to acknowledge imperfections, gaps, holes, and not everybody's willing to do that, so kudos to you.

Michael Nathanson:

Oh, thank you.

Mindy Diamond:

So a lot of stuff there that you said to unpack because the growth is extraordinary. We know that The Colony Group is one of the models of one of the best firms in the industry, but let's start with the decision to partner with Focus Financial. For those not familiar, Focus Financial is the largest investor in the independent space. So what drove the decision to partner with them at the time? And how has that partnership been impactful?

Michael Nathanson:

We joined Focus in 2011, but we began speaking with Focus years before that, as is the journey typically for many of the firms that ultimately join. And I had already been thinking about interdependence at the time and thinking about the need to work with others and partner with others if we really wanted to become the great firm that we had hoped to become. So I got to know them over the years. I initially wouldn't even take their call because I had never even heard of them back in the early days. And they dropped a name and so, I took the call and started to learn about them, and I was impressed.

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We did go down the road with them in 2008, and then the great financial crisis occurred, and at that point, we just felt we needed to focus on our clients and nothing else, so we did.

But after that, we did go back to our strategic plan, which was to partner with others. And a good friend of mine, Bob Glovsky, at the time, Mintz Levin Financial Advisors, and I began to speak. And I spoke with him and his partner, Cary Geller, and we began to talk about bringing our firms together, and we went pretty far down the road and ultimately, we were not able to bring our firms together. And at the time, that would've been an extraordinary merger because we were getting close to a billion dollars, they were getting close to a billion dollars, and back then, two billion dollar firms merging together, that was actually a big deal, it's not so much anymore.

Mindy Diamond:

Yeah, a very big deal, for sure.

Michael Nathanson:

Yeah, I mean, these days, not so much, but back then it was a big deal.

And we weren't able to get the deal done for a variety of reasons, it was around capital, and frankly, I think it was also around expertise and credibility and just being able to move it forward.

Tried to do another transaction, and I'm not going to name this one because I don't think I'm allowed to, but tried to do another transaction with another firm about that size, and we didn't get that one done either.

And when Focus came knocking again in 2011, it was different and we were ready to move forward. Life is short, so we moved forward with them. We did talk to a number of other firms. Everyone was knocking on our door at that time, although, the list of players was much smaller back in 2011 when we joined Focus, but we talked to everybody. And I told you the theme earlier, I do have something inside of me where I always want to work with the best, and I just perceived Focus to be the best, and I still do, of course, though I am very biased. And so, we finally, on October 1st, 2011, closed our merger with Focus and I was very excited about it.

And that same day that we announced it, Bob Glovsky called me and said, "All right, are we talking?" And we started talking, and nine months later, we closed our first merger and it was Mintz Levin Financial Advisors. And that was the beginning of the journey. We could not have done it without Focus.

And what I loved about Focuses model is, as they say, they will never turn a successful entrepreneur into an employee. What I love about their model, the way they structure it, is that we retain complete control of the way we operate, and that makes a lot of sense for us, for people who are entrepreneurial. They act as a financial partner. They also offer all kinds of other great help and great services, and we increasingly are taking advantage of them for our clients. But it was just a great match for us. And yeah,



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the rest is history. I'd like to think that it's been a big win for The Colony Group, for all of our stakeholders, including our clients, but it's also been a big win for Focus.

Mindy Diamond:

Mm-hmm. Yeah, no, I think it clearly was a match made in heaven. A couple questions about that. If you had not had interest in going into the M&A game, acquiring Mintz Levin or anything else in between any sort of inorganic growth, would you still have thought it was a good idea to take capital, to give up full control, to sell a piece of equity?

Michael Nathanson:

We did not need capital. We didn't have great succession planning problems at the time. And so honestly, if we were not trying to embrace interdependence, I don't know that we would've gone down the road. But I do think we would've run into a problem at a certain point and the reason is because our beloved founder, Kirby Hamilton, still owned a large piece of our company and he was becoming much less active in the business, and there was going to be a time when we were going to have to start buying him out. So Kirby ultimately did retire in connection with the merger, but we went into this not thinking he was going to retire and then, we had some conversations and ultimately, Kirby decided it was a good time, and we did use Focus' capital to help solve that problem.

I will say this, though, Mindy, one of the great benefits of doing the transaction is when you take value off the table that you've been building up for all these years, you kind of get to start all over again. And what that does is it enables you to realign future equity ownership with the people who are going to build the future equity. And that was a great opportunity. See, what happens, and you see this all the time, but what happens in a lot of independent advisory firms is the people, the founding generation, deservedly own most of the equity and then, they build it up and then, they have so much value to take off the table and the people who are going to be responsible for the next generation it's very hard for them to acquire a meaningful equity stake.

And that is one reason why we might, ultimately, still have done Focus, but it really was about, again, embracing interdependence and having a strong capital partner and also a permanent capital partner, so we weren't going to have to keep replacing capital, which is what would've happened with many of the other options we had.

Mindy Diamond:

So Focus Financial is an investor and a source of permanent capital, that is correct. And what that is the opposite of or different than is the notion of a private equity investor, which is usually about temporary capital, so that is correct. The notion of embracing interdependence, Focus is different than many other investors, whether it be, yes, it's different because it's permanent capital and not temporary, but it's also different because they are a strategic investor where they understand the space and they are willing and able to offer a whole lot of advice and add value in a whole lot of areas.

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So my question is this, we talk with an awful lot of business owners that value sole ownership and control so much that while, yeah, having more smart people at the table would be appealing, while yeah, having more credibility when going to the table to negotiate an acquisition, while yeah, getting extra capital for buying an owner out or freeing up capital to realign future ownership and all the benefits you mentioned, what would you say to those owners that are concerned rather about giving up sole control? How do you balance the two, I guess, is what I'm asking?

Michael Nathanson:

I think if you are looking to be in complete control, then you are limiting not only your upside, but the upside of your organization and all of the people that are part of your organization. And in turn, you're thereby limiting what all of your stakeholders, including your clients can gain from your organization. And I have found, in my career, that frankly, the less I seek to control, the more successful I am and we are. Another one of my favorite books, Mindy, is How Google Works. Have you read that one?

Mindy Diamond:

I haven't, but I know, it's on my list. Supposed to be fabulous.

Michael Nathanson:

It's a great book. And of course, it's not about how the search engine works, it's about how the company works. And what they talk about at Google is their people, they call them smart creatives. And what they say is, when you have people who are smart creatives working for you, just top people who are smart and creative, you can't control them. And if you try to control them, you will fail and they will ultimately leave. And that the best thing you can do with smart creatives is to let them spread their wings and let them fly. And your job as a leader is not to exert control, which is, frankly, a behavior that's really directed at ourselves, but it's to help them be the best people that they can be. And typically, we do that by offering support and inspiration and resources, but most of all, offering people freedom to do what they ultimately are meant to do. We call that, by the way, at our company, we call that zone of genius, which we borrow from another book called The 15 Commitments of Conscious Leadership.

Mindy Diamond:

I love it.

All the reasons you taught about what drove you to partner with Focus in 2011 and what might have driven you years later, if not for going through a failed acquisition and wanting to get something done, are all the reasons why anybody who's looking to build a business, not even necessarily an enterprise, but a business that's more than a practice that has sustainable value should look or will come to a point where they hit a ceiling and they need to do something. And that something could be either selling equity, selling completely, merging, et cetera. And so, it sounds like that's exactly what you did. And I



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agree with everything that you said. And it sounds like taking on that investor more than made up for the downside of selling equity.

Michael Nathanson:

It did. And I'll tell you, I'll be honest as always, we had people in our company, partners in our company at the time we did the Focus merger, that said, "Oh, this, we're giving up part of our upside. This doesn't make any sense." And now, very playfully, I rib those people every time I possibly can because they did say those things, they know they said them. And yeah, we did give up part of the upside, but the upside has, for us anyway, been so much larger than anyone could have expected that I am absolutely convinced that we stayed purely independent, not embraced interdependence or brought on a part like Focus, sure, we would've had a hundred percent of the upside, but in my opinion, that 100% of the upside would be nothing compared to the percentage that we have of the current upside.

Mindy Diamond:

Yeah, it sounds that way. It's exactly right. All right, so let's go back to talking about The Colony Group itself. I know that one of the things you're very proud of is the family office services that you offer clients. So talk to us a little bit about the services you offer. And this is an important question because many of our listeners are wirehouse advisors, advisors practicing at traditional firms, Merrill, Morgan, could be Raymond James, RBC, whatever it is. And those advisors that service high net worth clients under those umbrellas often believe or do believe that the family office services that those big firms offer are not limited and more than good enough that in no way are they missing the ability to service their high net worth clients in any way. So I'm curious about what's family office services you offer and how you think offering family services as an independent firm is different than the kind of services that a big firm might offer?

Michael Nathanson:

Yeah. The first thing I'll say is I am not one of these so-called indies from the independent space that thinks people from wirehouses and broker dealers are bad or doing anything wrong. I think the service model, and I think the fiduciary standard stands out in the independent space, I'm biased. Ultimately, I think that what really matters most is people who care deeply for clients and are willing to put their clients' interest first, and that's the most important thing.

So family office, for us, is something that's evolved. I try to avoid cliches, generally, when I speak. I think cliches do more damage sometimes than they do good. And one of the cliches that really drives me crazy is holistic, and it's something that people use and people use that to basically sometimes disguise estate tax planning tips and maybe some income tax projections. And that's not family office services.

So for us, we speak to the entirety of our service model, and that's part of what we call the five Es of how we differentiate ourselves. The entirety of our services is one of those Es. And as I describe them, I hope that you might consider the Fidelity advice value stack, which you can look up. It was created in

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2018. It's a pyramid where you have asset management at the foundation of the pyramid, and then, the next level up is achieving goals, and then, the next level up is achieving peace of mind, and then, the next level up is achieving fulfillment and legacy. And that's the way I think about these services.

So managing money for family office clients is a bit different, one needs to be more flexible and not simply present what you have and say, this is the best, but you need to be able to provide what family office clients often are looking for, which includes much more institutional feel, including access to and elite access to private investments and alternative investments. You need to be able to offer, for many families, some sort of an ESG overlay, socially responsible investing overlay, perhaps impact investing as well, and certainly all of the core investments including a global approach to how you manage money.

Our approach we call enhanced open architecture, which is another one of the five Es by which we differentiate ourselves. And through enhanced open architecture, we have the ability to be active and passive or one or the other. And we have the ability to use individual securities where appropriate, but also to be able to access privates, put an ESG overlay, use funds, and when appropriate, really to broaden our access beyond simply what we used to be able to do, we just keep building out capabilities.

On the planning side, you have to have the most in-depth planning expertise. And this does not just mean having the ability to understand rudimentary estate and tax planning, it means having very, very sophisticated capabilities. We try to bring in experts from the big accounting firms and the big law firms and people with the top professional designations and educational credentials. And to do that in a way that's not simply domestic based but also international based, but it goes beyond that, you have to have the ability to provide great philanthropic planning, cash flow planning, debt management for those family office clients that utilize debt. It's a very, very broad offering.

But to stop there, if I were to stop there, then many could say that they're doing something similar to that. For us, family office means you have to be also able to offer that tax compliance function. So for us, we do thousands of tax returns a year, and that's not just income tax returns. We can do fiduciary returns, we're able to do information reporting, information returns, entity returns, partnership returns, corporate returns. This is also part of being a family office for those clients that want that.

Now, even there, if I were to stop and say sophisticated asset management plus sophisticated wealth management plus sophisticated tax compliance services, some would say, okay, well, that's great, but we do that too. And again, I think a real family office has to go beyond just that. So we offer the ancillary services such as bill pay and supervising employees of clients and serving as an outsource CFO to their entities to the extent that they have entities as part of their empire, being able to go beyond the base of what most do, bookkeeping.

And then, for us, it goes even further than that. There are certain services that we are not able to provide ourselves. And one of the cliches I don't like is, well, there's another firm trying to be everything to everybody, no one can be everything to everybody. Yeah, that's of course, true, but try telling your client that. Clients want us to do more. So we have developed a platform of third party service

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providers. We call our platform Curated by Colony. And once again, taking the position, we should listen to our clients and not simply tell them, "Oh, you should want what we have to offer," we asked them, "What do you want? What do you care about?" I think the number one complaint was that they wanted more access to cybersecurity services. So we now have a menu of cybersecurity providers that we bring to our clients, some really cool providers by the way, health and fitness and wellness.

So through Curated by Colony, we offer concierge medicine, and that can be maintenance type of concierge medicine or acute care, can be behavioral care. Clients want life enrichment. Again, think about that Fidelity Advice Value Stack, what's at the top of it is fulfillment and legacy and peace of mind. So we offer high-end travel and life experience concierge services where our clients can access services that help them with, not just a wealthier life, but also a happier life. We offer nutrition consulting, fitness consulting, second career coaching, philanthropic coaching. And I'm not talking about helping people with charitable remainder trusts or private foundations or donor advised funds, I'm talking about helping them decide how they can make a more meaningful impact in the world. Again, fulfillment, meaning, legacy.

So yeah, the menu of services has to be broad for a family and the way you provide those services has to be through a team. You need a full, meaningful, large team to provide those kinds of services to families.

Mindy Diamond:

And are these services available at The Colony Group to clients of all sizes?

Michael Nathanson:

They are, but as most companies do, we're always segmenting. I have talked about segmenting in the past, and I believe segmentation, first and foremost, should be around the type of client as opposed to the size of the client, but really, we do segment in that regard as well. And for a large family, these are the kinds of services that will always be there, for smaller clients, they're available but not part of, necessarily, of the routine menu.

Mindy Diamond:

Yeah. What's incredibly cool to me about what you're describing is that family office services were historically only available to the wealthiest family, like billionaires, and now firms like yours have really democratized access to them. And that's really the notion of bringing the kind of services that people of any kind of wealth, not necessarily just a billionaire is entitled to. What do you think about that?

Michael Nathanson:

Yeah, it's so true. One of my partners and I did a presentation about this recently. And I believe that the history of family office actually goes back to several hundred years in England. And it's true, right up until sort of the middle of last century, these were not available to others. And now, yeah, the multifamily office model is very much becoming the way to offer services to clients. I mean, I'll tell you,



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it is true that while the size of the client matters in terms of the extent towards these services are just included as a matter of course that they're offered more a la carte to some of our smaller clients, all of our clients should think of us as a multifamily office because it is about the family.

I mean, one of the things that we're increasingly focusing on is I love the idea of sitting with a client, I do this with my own family, sitting with a client and the family, the whole family, and saying, "What are your shared values as a family? Do you have a shared mission as a family? Do you have a shared vision as a family? What are you passionate about? Is it about doing group philanthropy? Having something that you can do together? Is it maybe travel experiences? Maybe every year your family believes that you should travel and experience the education that can only be offered through a meaningful travel experience." It's having these conversations with families that, again, it goes beyond. Yeah, I think about the industry, it used to be all about asset management, then it became about wealth management, I think, increasingly, it's becoming more about life enrichment generally.

Mindy Diamond:

Yeah, I think that that's right. And I love the way you think about it. And I think that that is probably one of the most exciting things about how the ecosystem born to support breakaway advisors, advisors leaving traditional firms to be independent has grown and just in the way what it means to be an independent business owner has morphed as well.

But I want to get to something that I know Colony Group is incredibly proud of is its culture. I know InvestmentNews reported that The Colony Group was voted multiple times as one of the best places to work. I know that you are really viewed as a rockstar, CEO. Talk to us a little bit about the kind of things you've done to... Your bio says relentlessly dedicated to bringing meaning and joy to the lives of clients and team members. How do you do that?

Michael Nathanson:

I get so much energy from knowing that I have had some sort of impact on other people's lives, a positive impact of course. And that is what we talk about. Our vision is to be the leading financial advisory company in the world for clients and team members who seek meaning and joy in their lives. Because after all, isn't that really what it's all about?

So I'll give you some of the examples of the things that we do. We've recently made a net positive pledge. So we've made a pledge. It's on our website if you want to check it out. And what it says is very simply, we have pledged to give more to the world than we take, and we talked to our people about what that would mean for us. And we have 10, what we call strike teams, whose mission is to explore and set parameters for 10 different aspects of how we can give more to the world than we take.

So some examples would be, for example, some of the more obvious places is breaking the cycle of a lack of diversity in our industry. And there is a significant lack of diversity in our industry, and I don't



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think we should hide from it, I think we need to address that and do it proactively, and we are doing that at our company.

Much more gender equality. Making sure that people have livable wages and benefits, not just enough to attract people, but to actually live comfortable lives and for people to achieve their own goals. But also more obvious things like reducing waste, reducing our carbon emissions, being much more active in the community and philanthropic and even bringing sustainable investment opportunities to our clients.

So we have a book club, we call it the CBC, the Colony Book Club. We don't require anyone to participate. We don't require anyone to do anything, except when it comes to compliance of course, and that we do require, and we're very strict about that. But when it comes to learning, lifelong learning is our top value above all others, it's the key to everything. So we do a quarterly book club and we buy the book for everyone who wants to participate and give everyone a little allowance to go buy some milk and cookies or wine and cheese or whatever is your thing when you talk about a book. And we have done all kinds of business books and we did a book about unconscious bias, and our next book is actually going to be about a Holocaust survivor. And so, just different things, but all part of our desire to learn.

We offer a career paths at our company for everybody, not just advisors. We think everybody is important. And one of the cliches, again, that I really despise is the concept that everyone is replaceable. Our company, no one's replaceable. Everyone offers a unique contribution. And it's true, when someone leaves, that we often have to go find someone to take their place and be a substitute, but they'll never be the same. Every person is offering something unique to our organization. So we think that in order to attract, develop, engage, and retain the best people in the industry, we have to offer meaningful career paths that ultimately lead to the potential for partnership.

I think we're one of the leaders in terms of the number of equity owners, it's not the exact number, but we're at about 90 equity owners in our company, our principles. And again, you have to understand the Focus structure, it's our management company. But we think it's really important that we offer that on a broad base because we think that people spent half of your life, half of your waking life working and we want people to have meaningful experiences as they do that.

We do mindfulness sessions on a regular basis, again, it's all voluntary. We offer training and leadership. We have Colony University, which is our online learning program. We have a chief learning officer, very few people do, very few companies do. But we have a full-time, that's all he does, we have a full-time chief learning officer-

Mindy Diamond:

I love that.

Michael Nathanson:



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... because it's so important to us. But you know what I would say, ultimately? We love our people, and I love our people. Simon Sinek says that love in the workplace is simply having the greatest possible appreciation for the people that you work with. And if you really want to understand our kindness, it's simple, it's a culture of kindness, it's a culture of super teams before superstars, and it's a culture of having awareness of how we show up with each other when we're in drama, when we're not in drama, when we're open and curious and when we're just committed to our truths. And it's just having awareness of those things.

Mindy Diamond:

It's extraordinary. And I guess, what's going through my mind is what prepared you to make the leap from lawyer to leader of this extraordinarily unique firm with unique values, with unique everything about it? This whole having a chief learning officer, where did all that come from? How did you get from there to here?

Michael Nathanson:

I take that as a personal question, and I'll say this, that I recently had the privilege of interviewing John Vogelstein, he wasn't technically a co-founder of Warburg Pincus, but he's a pretty special human being, and he co-led Warburg Pincus for many years, and he's an extraordinary person. And his company, New Providence Asset Management, was actually a firm that we had the honor of getting to merge with. And I think he's an absolute brilliant investor, and others might agree with me if you look him up. And I was asking him about, is that something that you learn? Can you learn to be a great investor? And he said, "Well, you can learn to be an investor, but being a great investor is a different thing." And he said, "You can teach anyone to draw, but you can't teach anyone to be Picasso." And what he was saying is, you're born with some of these things.

Now, I don't claim in any way any kind of genius like Picasso, in fact, quite the contrary. But I actually think that I've always been a leader and I've always cared deeply for people and that that's always been there. And then, I just chose to be a lawyer for 13 years and now I'm doing this. But I think it's just always been. I don't think it's been a transition, I think it's always been there with me because it's my personal values. I speak about values all the time. People talk about, "Well, how can you have a culture of accountability? How can you have better accountability?" Accountability is a value. You can do things to punish bad behavior or incent good behavior, sorry, those things are not going to be as impactful as just finding people who have accountability as a value. I think leadership is a value as well.

Mindy Diamond:

It's funny, when I started Diamond Consultants on my bedroom floor almost 26 years ago, I didn't know anything about being a leader. And I think that my success as a leader, and I'm proud of the firm, not as big as yours, but a wonderful firm we've built-

Michael Nathanson:

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With a great reputation.

Mindy Diamond:

Thank you. ... has been all about finding the right people that have shared values, people that are passionate about what they do, who don't need to be micromanaged every day. And I've led from my soul. I lead by instinct, by what's soulful to me, and it works and I'm proud of that. And I think you're saying the same thing.

Michael Nathanson:

I am saying the same thing. Well said.

Mindy Diamond:

Yeah. I love it. Okay, let's talk more about your acquisition strategy. You mentioned that when you do an acquisition, you're not doing it just for the sake of growing AUM, but the goal is to add new and value add capabilities to make the overall firm better. And my question is this, so many prospective breakaways, so advisors that are thinking about leaving W2 land behind to become an independent business owner are doing it because they have the goal of building a firm like Colony, becoming a sustainable enterprise, as you call it, so as someone who has clearly mastered an inorganic growth strategy, what advice would you give to folks interested in buying? What are the most important things to look for?

Michael Nathanson:

You have to ask yourself why you're doing it first. I mentioned Simon Sinek, I'm going to mention him again. He's probably best known for his start with why. Don't start with what, don't start with how, start with why. And I think you have to ask yourself why you want to do it. And so, if you're going to pursue, well, you used the word acquisitions, first ask yourself, are you doing acquisitions or are you doing mergers? I know the terms are used together and they're used interchangeably, but there is a big difference. At The Colony Group, we do not do acquisitions, we only do mergers. And what I mean by that is that whatever the legal structure, what's important to us is that we find a firm that makes us better than before, and that we can make them better than before. In fact, that's what we call our strategy, it's a better than before strategy.

And when we think about mergers, the way we think about it, and the way I would suggest for those that want to be successful and really successful doing it, here's the secret, don't seek to impose yourself on others, but rather, ask yourself, be curious about what they have to offer. What are they doing that's better than you? And what are you doing that might be better than them? And can you come together and have a discussion about that?

Another thing I would say is the thing about culture. People say, again, cliches, culture eats strategy for breakfast, blah, blah, blah. Yeah, culture matters, it's very important, you mentioned it earlier, and it's



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very important to who we are. But as I think about culture in the context of mergers, if you're looking for other firms that are just like you, you're missing the best part. Mindy, did you watch Schoolhouse Rock when you were a kid?

Mindy Diamond:

I did.

Michael Nathanson:

You and me both. I loved it. Such catchy jingles. One of my favorite ones was the Great American Melting Pot, and this was a concept that back in the '70s that people thought about, it's like, well, aren't we great because we bring cultures together and we put them in a big pot and we melt it into a single solution, and that's us, we're America, and people come from all over the world, and well, they just become American. And that's the way people used to think. And I look at that now and it's kind of horrifying because that's such a bad model because what we've realized now, thinking about America, is that actually what's great about our country is how we've brought all these cultures together and we respect them and appreciate and learn from all these different cultures. And we don't want to want to meld them together, we want them to actually retain what makes them special and also be part of America.

It's the same thing as you think about mergers, seek out cultures that aren't necessarily just like yours, but they can actually add to yours and offer a new element of the way you think about the world. So when we do mergers, we want to become better than before, but we also want to be in a place where our culture is becoming enriched. So we have a national culture, kindness, super teams before superstars and awareness. But every office that joins us, every company that joins us, we say to them keep your culture and let's just learn from it.

I look at integration the same way. People talk about that, "We need a strategy around how quickly can we integrate." Well, you should integrate all the things that should be integrated. There's a book called The Outsiders, which speaks to this concept, and absolutely, integrate and centralize the things that can be integrated and centralized, that's, after all, what synergy is all about. But the things that don't need to be integrated, can you be open to the possibility of still letting people do things slightly differently? And can you do that where you can still feel like it's all part of one company?

And I will tell you this, again, this gets back to control, actually, if you think that you're merging with others and then, you're going to snap your fingers and then going to do things just the same way you're doing, you are delusional because that's not the way it works. When you've been providing advice for 20 years, you don't just suddenly change to a new way of providing advice. So I see these differences as strengths. I see mergers as a way to bring new opportunities and new learning and new ideas into our company. And that is my advice to your clients and your friends that are looking to get into the game.

Mindy Diamond:

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I love it. It sounds really good. But every once in a while, there has to be a red flag. So even if you meet a business owner that represents a business that you believe could be real value add, whether it be because they can plant a flag in a market you're not, or because they have some expertise you don't, or because for whatever reason it's additive, it can impact your succession plan, whatever it is. And even though they may see the world the same way, there have to sometimes be some red flags, and I'm wondering how you uncover those.

Michael Nathanson:

There are many. You see them all the time. The number one red flag is it's all about money. And again, if you're doing mergers to make it all about money, run.

Another one is ego. And we all have egos. I have an ego, I think you do too, although yours is probably kinder. But we all have an ego and we should have awareness that we have egos. In our industry, there are some real egos out there. And when you see someone who frankly is acting like a superstar and putting superstars, "Aren't I super important over super teams?" you got to run from that as well.

And then, there are the people that just think that they're closed off to learning. There are people who believe that what they are doing is the work of God, and well, good for them. And if that works for them, then good for them. That doesn't work at our company. One of our great strengths is that we are open and curious and that we can have awareness of when we are not open and curious, and we are committed to our truths.

Mindy Diamond:

And interdependent.

Michael Nathanson:

Yeah, exactly.

Mindy Diamond:

Got it. All right. Let me ask you a question, you talk about the goal of The Colony Group becoming or being the leading financial advisory firm in the world. That's a big goal. So how do you get there? What does The Colony Group look like five and 10 years from now?

Michael Nathanson:

Well, first, I'm going to say that it's not just about size, that's just not the way I think about success. I think size actually is a, what's called a lagging indicator. When you have a company where you've made it all about meaningful experiences and joyful experiences, I think size and great clients and other forms of success come with it.



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So we have an ambition to be a national company. We have 21 offices, I believe, I think it's 21 now, offices around the country. There are still some areas where we currently are not located. And for me, that vision means that we would be in some of the areas where we are not currently.

I have a vision of having an international presence as well. I think the world is more and more global. And I understand that there has been some anti-globalism of late. But I do think that the world is increasingly global and I think that we need to have a global presence in turn. And I think that we need to keep building out our team, we need to keep attracting, developing, engaging, and retaining, as we like to say, the best people in the industry, at least the people we think are the best people in the industry.

So what I say about five years and 10 years, I read a book called Vivid Vision by Cameron Herold, and what he says is that if you're making predictions about five and 10 years, you're living in a world that you can't possibly predict. And so, I think about three-year increments. We go through a process every year that Cameron Herold calls a vivid visioning process. And what it speaks to is what you're going to look like in three years.

And what we're going to look like is we are going to be an organization where clients and team members look at us as the place to be for the rest of their lives. We're going to be seen, again, this is our vision, so I want to be careful about how I say this, our vision is to be seen by the industry as an example for others to follow. I think it's important that we increasingly see ourselves as a stakeholder company. I am a capitalist and I want to be clear about that, but I also believe that our stakeholders don't just include our shareholders and our team members and our clients. I think that for us to truly achieve that vision, our communities need to see us as a critical element of the communities, and I want our communities and the industry itself, to see us as important cogs in the machine.

Mindy Diamond:

I love it, Michael. Do you think that the M&A space will continue to be as robust and frothy with valuations as high as they are as you go forward?

Michael Nathanson:

For the foreseeable future, I actually do. I know it's the conventional wisdom to say that, it's not going to continue at this pace. I think that more and more firms are entering into the space and the private equity side. I think more and more firms are being created with help from people like you, Mindy, coming away from the wirehouse and broker dealer segments and from the banks and entering into our space.

I think we'll see continued entrance from other unconventional entrance as well. I've been warning for years about disruption from different places, and I think the custodians are playing a role in that. They're now, I guess, a co-competition place with us where they're competing with us, but of course, we're also interdependent with them and they're among our most important partners. I've been saying that if



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Google or Apple or Amazon get in the business. And sure enough, a group of Google executives, most recently announced they're getting into the business.

So I think that we are still in a mode where consolidation and growth are happening at the same time, multiples, ultimately come down. I do think that they'll ultimately come down, but I don't think it's going to happen as soon as...

It's kind of like house prices. The thing about housing prices is people get to a place where they say, "Okay, my house is worth a million dollars." And now a year later, there's no market for that house at a million dollars but people have a psychology that, "Well, no, no, I know my house is worth a million dollars, so that has to play out, and the laws of supply and demand have to play out. And I still think we have some time before that happens.

Mindy Diamond:

Well, I happen to agree with you. And I think, part of what's driving it is because everyone wants into this space because it's such a wonderful space to invest in.

So my next question is, do you think that there will continue to be so many active buyers? And what I mean by that is a lot of our audience are prospective breakaways, right, so advisors that are not yet independent, but thinking about it. And one of the questions we get asked a lot is, okay, so if I do this and build a firm and build it well, and 10 years from now I want to want to sell it at some point, will there still be as many active and qualified buyers interested in it?

Michael Nathanson:

You and I have both had similar experiences, we'd go to a lot of the same conferences. And you go to a conference and people say, "Okay, hands up if you think you're a buyer," and most of the hands go up, and then, "hands up if you're a seller," and a few hands go up. And I do think that there were many people who naturally see themselves as buyers and might not be thinking through what makes the most sense, whether they are best serving their clients and their team members as buyers or their best serving their stakeholders as sellers.

So I still think that there will continue to be buyers. I hope that the buyers out there are doing it for the right reason and not just buying for the sake of getting larger. I know many of them and have great respect for most of them for what they're doing, but I'm a big believer in PE in this space. I think private equity is playing a very important role in providing the capital that's enabling our industry to mature and to move forward in the typical maturation curve of any industry. And yet, the ready availability of capital, I think can also create a situation where you have people that are not necessarily natural buyers acting as buyers. And hopefully, people are focusing on what made our industry great in the first place, which is independence and being fiduciaries in putting our clients first.

Mindy Diamond:



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Yep. So I agree with you. And actually, probably a better way to have asked the question is, do you think that there will continue to be so many appropriate buyers or capable buyers? Because you are absolutely right, every firm fancies themselves a buyer, especially in this market. Everybody wants in on it, but not everybody can be. And we always say that maybe there are 20 or 30 real buyers in this space, and we know that Colony is one of them, so I agree with you, the way you think about it.

So I like to sort of wrap things up by asking some questions that give our listeners a lens into where you've come from, if you will. It just helps people to think through how does somebody that's got all this success today, how did they get here? So one of the questions I like to ask is, what is the best business book you've ever read? But you gave me a list. I want to join The Colony Group's book club because that's amazing. So I don't need to ask that question.

Michael Nathanson:

But Mindy, I'm sorry, can I just jump in and really quickly give you my actual favorite business book?

Mindy Diamond:

Please. Love it.

Michael Nathanson:

Okay. It's The Five Dysfunctions of a Team by Patrick Lencioni.

Mindy Diamond:

I love it. All right. What is your morning routine? Just rapid fire.

Michael Nathanson:

Coffee first, news, and a big long workout. I'm really into fitness. Then I eat. And then, I go to work. And I go on social media first and see what's what everyone's up to and maybe do a post or two.

Mindy Diamond:

Love it. Okay. Who was your best mentor? Who taught you the most about being a good advisor and a good leader?

Michael Nathanson:

In terms of being a good advisor, I don't know if these people are my mentors, I don't think about org charts, but I guess they're under me in the org chart. But actually, it's some of the people that I work with right now, it's Steve Sadler, Liz Talbot, Steve Stelljes, Cary Geller. I mean, there's so many great advisors at our company and it's just seeing what they offer their clients and their practical approach to providing advice. And yeah, I'd say they are.



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In terms of leadership, there was a lawyer that I worked with named Harold Hestnes, and he's since passed away, but he was a big influence on me, and he was a very powerful man. He was regularly on the list of the 100 most powerful lawyers in the country. He's very politically active. He was the chair of everything. He just was in charge of everything. And I got to work with him a lot when I was a lawyer and I loved him. And he was kind and humble. And as successful as he was, he always nurtured others. He always was in a place where he just offered kindness and understanding around him and didn't act like he was Mr. Important, instead, he just wanted to help and nurture others.

Mindy Diamond:

Yeah. Love it. Okay, my last question, because the truth is this has been extraordinarily enlightening. You are just such a delight to talk to, and the notion of, I said before, you're a rockstar CEO, nobody would argue that after listening to this episode. But one final question, what's been your favorite failure?

Michael Nathanson:

I'm going to answer that, but before I forget, just thank you so much for all of the kind things that you've said. At The Colony Group, we like to say that we live in a world of appreciation, which doesn't just mean giving appreciation, it means receiving appreciation. And I just want to say how much I appreciate those kind words that you just offered to me. Thank you, Mindy.

Mindy Diamond:

They're authentic.

Michael Nathanson:

My favorite failure, well, I have many failures and I pretty much have one every day. But my favorite failure actually relates to where I am right now and what I do right now. While I was a lawyer, that was during the big internet bubble days before the dot-com bubble burst. And back then, I didn't even know what an independent advisor was yet, it wasn't until later that I really got into that space as a lawyer and learned more about it. I had a broker, a classic broker from one of the big brokerages, and I started working with him and buying everything he said, and I bought options and I went on margin and I made a ton of money on paper. And then, the internet bubble burst and basically ended up exactly where I started. And that was a real lesson about not only investing, but about confidence, about having a longer term perspective and frankly, a lesson, ultimately, about the service model that, ultimately, I am now a part of.

Mindy Diamond:

I love it. And I will tell you, I also have many failures. I embrace my failures. I love my failures. I love something good to work on. I love when I've got something that I really have to try and make better.



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So this has been an absolute delight. I can't tell you how much I enjoyed the time we've spent together. Your graciousness, your transparency, your willingness to share so much about what made you great and what you learned. And I have no doubt that you will reach all of your goals.

Michael Nathanson:

Mindy, thank you so, so much. It's been such a joy. Thank you.

Mindy Diamond:

Michael offered a unique perspective around shared values, which extends to their team members, partners, and the families they serve. It's that interdependence, which is pervasive among all that The Colony Group touches and provides a solid foundation for a firm that's well poised for now and into the future.

I thank you for listening. And I encourage you to visit our website, [diamond-consultants.com](http://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 expending the energy that full on exploration requires.

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 by email [mdiamond@diamond-consultants.com](mailto:mdiamond@diamond-consultants.com).

Please note that all requests are handled with complete discretion and confidentiality. And keep in mind that our services are available without cost to the advisor. You can see our website for more information.

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