The Breakaway Process: A Transition Expert Shares Advice on Going Independent

A conversation with Caitlin Douglas, Director, Head of Transition Services – Dynasty Financial Partners.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is The Breakaway Process: A Transition Expert Shares Advice on Going Independent. It's a conversation with Caitlin Douglas, director and head of transition services at Dynasty Financial Partners. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

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

It was back in 2010 when Shirl Penney launched an exciting concept, a firm that sought to help breakaway advisors start their own independent wealth management business with the support of a team focused on helping them drive success and a top-notch platform to rival what the advisors left behind in the traditional brokerage space. Clearly it was a solution that filled a needed gap in the industry and a wildly successful one at that.

As of this recording in July of 2023, Dynasty Financial Partners boasts some 49 network firms across the country with 319 advisors and nearly 74 billion in assets under management. Dynasty's success speaks to the strong desire advisors have to gain freedom and control and reap the rewards of becoming an entrepreneur, all while having access to everything they need to start up and run their businesses, plus access to a community focused on continual growth. Because the reality is that making the leap isn't easy, and advisors on the Dynasty platform and other supported independent platforms like it extol the benefits of having a partner in the transition process to handle all the things necessary to start their own firm and the ongoing support as needed.

So in this episode, we're excited to welcome Caitlin Douglas, the head of transition services at Dynasty. It's a role she lives and breathes daily at the firm as she helps guide breakaway advisors through the transition process, and a role she has experience in from her previous life at Keeney Financial Group, and nearly two decades in the financial services world. Caitlin and my partner Louis discuss all things related to making the break, from preparing for the transition, to things you need to consider throughout the process, what makes one transition process more efficient than another, and much more. There's a lot to discuss, so let's get to it.

Louis Diamond:

Caitlin, thank you so much for joining us today.

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Caitlin Douglas:

Thank you, Louis. Happy to be here.

Louis Diamond:

Can you walk us through your background and your path to joining Dynasty?

Caitlin Douglas:

Absolutely. Prior to joining Dynasty in 2018, I was with an RIA in the Columbia, Maryland area. My title was the director of client services. My role largely consisted though of the COO and CCO responsibilities. And in 2013, the president of the firm made the decision that he wanted to make the move to independence. We were currently with LPL Financial. So what that meant is that I quickly had a second job, which was all of the due diligence that needed to take place to make that move to independence. So I sat in on every custodian meeting, broker dealers, technology platforms. Our real estate lease was actually coming to an end as well, so we sprinkled a new office in there.

So after about two years of due diligence, in October of 2015, we were ready and we resigned from LPL and made the move to our own RIA. And some people call me crazy, but I actually enjoyed the process, and shortly after that I started speaking with Dynasty Financial Partners and made the move over to the transition team.

Louis Diamond:

Very interesting. Yeah, I think most people, when they say the word transition, they cringe, similar to compliance, but you sound like one of the crazy ones who actually enjoyed it and decided to make a career out of it.

Caitlin Douglas:

Absolutely.

Louis Diamond:

That's funny. And funny enough, the firm we worked with was actually a client of Diamond Consultants, so we were partnering with your CEO in that transition as well. Just kind of a funny aside.

Caitlin Douglas:

It is. Everything comes full circle. I was actually thinking about that as I was preparing for this, that I remember speaking with Mindy several times when we were going through our transition process with the RIA I was formerly at.

Louis Diamond:

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Very funny. So I think you hit on some of this, but what was a learning or two that you had from... You were really in the weeds experience, helping transition from LPL Financial to the RIA. So maybe, what did you learn on the ground that helped inform the work you do today for Dynasty?

Caitlin Douglas:

It's a really good question, and it's a little bit of a loaded question too, because what I always say to teams that I'm working with now is that I can honestly say I've been in your shoes. I've touched every aspect of a transition, from the due diligence phase of it, to the emotional part of the resignation, to preparing and processing paperwork, or even speaking with clients if needed during transition to help move their assets over, and then also speaking with resource partners and implementing decisions that were made. So all aspects of the transition I have touched, so I can feel confident saying from a peer-to-peer standpoint, even from a CEO to the support staff that I understand what you're going through and can make recommendations for them on how to best execute.

Louis Diamond:

Yeah, I would agree. It's nice to have that empathy and to actually understand the stress and just exactly what they're going through. So I think most of our audience is likely familiar with Dynasty Financial Partners. We've interviewed the founder and CEO, Shirl Penney, a number of times, and we've had probably a dozen or more current and former Dynasty clients on the show as well. But just to level set, what does Dynasty do and why do advisors decide to contract with the company?

Caitlin Douglas:

Simply put, Dynasty is a wealth tech platform that partners with RIAs to outsource the day-to-day middle and back office functions, such as billing, compliance, marketing, technology. And by outsourcing these core functions to a team of a hundred-plus people and growing at Dynasty, it frees up the advisor and their team to do what they really love, and that's servicing their existing client base and the ability to grow their business going forward.

Louis Diamond:

Well said. And I would probably guess too that, and I know from my own experience that probably the number one reason that teams, especially those moving from a captive environment to independence, are even considering Dynasty, is for the hands-on transition work. And I think they've developed reputation, along with some others, as really being best in class at a white glove transition, and that's your job as the tip of the spear. So, you're the head of transition services and a director at Dynasty, so how do you spend your days? What's a day in the life of Caitlin Douglas?

Caitlin Douglas:

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Yeah, I would like to say that it's interesting, but I'm not sure if that's actually the case. Depends on who you ask, I guess. On top of managing a team of four individuals, my days are primarily spent speaking with clients or resource partners and then implementing decisions that have been made through those conversations. So a lot of the times the advisors that we're working with, they have their day jobs, so I'm speaking with them either early in the morning, late at night, even on weekends, because we understand the position that they're in that they need to focus on their day job. And obviously this somewhat needs to be kept confidential, so we need to be available for them when need be.

In addition to being on the phone a lot with clients and resource partners, a large part of my job is to be present and on-site with these clients, whether that be pre-launch or post-launch, providing them the on-site support that they need to be able to transition their book of business as quickly as possible. We truly build relationships with the firms that we work with to become best friends. Some are like family to me that I'll always keep in touch with, and that is proven through us just really building the relationships from day one.

Louis Diamond:

So I'm curious, when firms decide to work with Dynasty, they're leveraging you and your team, obviously. Where does your role stop and then the role of the advisor or their support team pick up? So in other words, what does Caitlin do and implement and kind of take on, and then where does the team really need to be instrumental and get their hands dirty as well?

Caitlin Douglas:

Yeah, that's a great question, because I would say that the transition team at Dynasty is never going to be able to replicate the institutional knowledge of the client base that the advisor and their team have. So when it comes to speaking with clients and to completing complex paperwork, that really is what's going to fall on the advisor and their team. The Dynasty transition team will take off the plate anything else that we can, and I truly do mean anything and everything. Our main goal with all teams in transition is that they focus on one thing and one thing only, and that's bringing over the clients and the assets and rebuilding their book of business as quickly as possible. So we will help with everything else that we possibly can.

A couple examples of that are tracking through our proprietary tracking process we've built out through our CRM system, both at a household and an account level, to make sure that we can provide real time live feedback to the team on where a household or an account stands to ensure nothing slips through the cracks, and also helps the team focus on a day-to-day basis on where they need to either shift their time or spend more time to help move the firm as a whole through the transition process.

Louis Diamond:

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Got it. Yeah, I think that makes sense. So it's really, I mean, advisors work with Diamond Consultants for similar reasons. They say that they don't know what they don't know and they've making one move, maybe two moves in their career. Certainly one move to starting an RIA. So being able to tap into your team and all your experience probably puts them at ease more and they know, even if it's hard work, at least they know what they have to do and that they're not going to miss things.

Caitlin Douglas:

Absolutely.

Louis Diamond:

I would say that transitioning firms is, it's always a major lift, but from our understanding, moving from a captive environment to independence is probably a bigger leap and there's more steps and just more responsibility on the shoulders of the advisor, regardless of whether they work with Dynasty or not. Do you... I'd love to get your perspective. What are kind of the additional steps that are taken for a team to move, let's say, from Merrill Lynch to starting an RIA, versus moving from UBS to Morgan Stanley? So first, do you agree that it is a bigger lift to go from captive wirehouse or some sort of captive environment to independence? And then if so, what are some of the additional things that they have to take on?

Caitlin Douglas:

Yeah, absolutely. I do agree wholeheartedly and it is a major lift, and I am fully transparent about that with teams from day one. We never sugarcoat that. But again, just as we were mentioning before, the experience of the Dynasty transition team of doing this over 50-plus breakaway launches and then countless number of M and A’s that we've done brings a ton of experience to the teams that we can help guide them through the process to make it as seamless as possible.

But some of those, I would say that some of the major lift items that are different, I would assume, I have not done myself a wirehouse to wirehouse transition, but I would assume obviously are the compliance and the legal piece of building out your own ADV, the legal piece of getting an operating agreement ready to go with any pertinent items that need to be incorporated into there. There's going to be a level of marketing, obviously, since this is going to be your own firm and you're not going to be that of a team of UBS or Merrill Lynch or whatever wirehouse you might be going to.

So there's absolutely more steps that are involved, but the key here is to have a great partner, an experienced partner that can guide you through that process and give you recommendations all the way along.

Louis Diamond:

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Yeah, I would agree with you, and no transition is for the faint of heart, but you have to really want independence in order to really invest the requisite amount of time. And you're also giving stuff up, right? You're giving up the certainty of an upfront check, giving up the comfort of turnkey infrastructure. So for teams that really want to be independent, they have to have that fire in their belly and realize that it's going to be a lot of work, but you're building the firm for yourself and you're doing each individual step because of the next 5, 10, 15, 20-plus years, and if it is just a very short term thing, it's probably not the right fit. And I think it's probably why we still see more transitions of captive teams that remain in channel, meaning going wire to wire or bank to bank, rather than breaking away to independence. So I think that makes sense.

And just overall, when launching an RIA, what are the major milestones and projects? So I know a lot of the Dynasty transition process is proprietary, so I'm not going to ask you to spill state secrets, but if you had to group some of the steps into major projects or milestones, just preview for us, what are the big things that teams are working on from the moment they sign with Dynasty to resigning from their firm?

Caitlin Douglas:

Yeah, it's a really good question, Louis. So one of the very first things that we do on the Dynasty transition team is we assign a transition lead, and that person is the quarterback for the entire transition and the main point of contact for the teams that we work with. This quarterback is the person that is going to put together the entire project plan working backwards from the intended launch date to make sure that we reach any major milestones. So I would actually say that the assignment of that quarterback and transition lead is really the first major milestone in the transition process, and also we want that quarterback to start building the relationship with the team. From there, it makes reaching those other milestones that are important pretty seamless, as long as the team is fully engaged and we're working towards the launch date.

And a couple of those I would say are marketing and branding. So the team, when they choose their name and their logo and their color scheme, that's a major milestone for them. When the team has chosen what they're going to do for real estate and maybe building out their office, gets them excited, right? We know that we can start working on many other things now that we have the real estate picked out. Custodian decision, if the team has not already come to us with a custodian mind, going through that due diligence process with the custodians is also another major milestone. Because we want to start working with the custodians as well to make sure that we're all aligned on agenda items and working towards their launch date, to obviously move their assets over as seamlessly as possible. And then the last milestone that I would say, which makes things feel very real, is the filing of the ADV. And typically, when the ADV is filed, that means that we are anywhere from 30 to 45 days out from resignation and launch. So it just brings the entire transition process together and really brings everything to fruition.

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Louis Diamond:

So just a couple of follow-up questions, maybe more kind of in the weeds on what you mentioned. So you said that a transition lead is assigned. I assume that's from the Dynasty side. But what does it typically look like from a team? How many team members are actively engaged in the transition process, and is there a best practice? Can there be too many folks on the team or can there be too few?

Caitlin Douglas:

So from our standpoint, everybody that is involved in a transition, and what I always refer to as the circle of trust, we want to keep that circle of trust pretty small, needs to have a role and responsibility. So if there is not a reason that somebody needs to be involved in a transition, then typically we will say let's not bring them into that circle of trust until we get a little bit closer to your launch date. All of this is always ran by the legal counsel that they have engaged to ensure that the legal counsel is also on the same page on when and if they can tell other team members. But for the most part, if somebody does not have a role or responsibility for the transition to move it forward, then there really isn't a need to open them up to any additional risk.

Louis Diamond:

That makes sense. So typically, I know every team you work with has a different size and different makeup, but most typically, if you had your ideal setup on a team, what roles on the team are going to be actively involved in the transition? Obviously you have the lead advisor or the team lead, but what other individuals are most impactful?

Caitlin Douglas:

So usually you would have either an operations manager or somebody from the support staff perspective that knows the client's accounts inside and out, so understands what type of complex accounts they might have or complex money movements we need to solve for. A lot of times the advisors or even the C-suite level is not involved to that level or that in the weeds, so we want to make sure that we bring on somebody that is, from an operations perspective, really knowledgeable from that standpoint.

From an investment standpoint, if it's not the lead advisor or the C-suite that is making the investment decisions, we'll usually want to make sure that we have the investment professional involved in the transition as we start talking through investment platform, trading tools, et cetera. And then obviously, from a C-suite level, as you had mentioned, the decision makers of the firm are always going to be involved so that we can make sure that we're all on the same page there on different decisions being implemented.

Louis Diamond:

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Yeah, appreciate you sharing that. It kind of makes sense if it's a very large team, it's not like you need 20 people involved, but I think also there's sometimes a belief that I'm going to keep this circle super, super tight, so it's just me, the lead advisor, me and my junior partner. It seems like you can probably take a little bit of a risk, because you want to have the people that have the right information and can take on the right work. It's probably sometimes a risk worth taking that we broaden the circle to get the right people engaged.

Caitlin Douglas:

Yeah, that's correct. I mean, but sometimes there's too many cooks in the kitchen, but you need to have the right amount of cooks to produce what we need to, what we're trying to get to.

Louis Diamond:

And how about, you mentioned the filing of the form ADV, that you do that 30 to 45 days before the transition. I've heard teams that just kind worry about what if it's approved in five days and then there's an ADV out there. How do you make people comfortable with the fact that, yeah, it's not going to be like it's going to be approved this day and then you're going to resign the next day. How do you get people comfortable with confidentiality and their firm isn't going to find an ADV that's circulating out there?

Caitlin Douglas:

Absolutely, yes. So the timing of the ADV is always strategic, where the SEC will take a minimum of 30 days, up to 45 days for approval. So we'll always work backwards from the day that they intend to launch so that we time that, that if the ADV is approved on day 30, they're ready to resign on day 31. All of that being said, that's not always the case, so we do have incubation strategies that we work with the legal team and our compliance internally to make sure that their names are left off of the ADVs so that there isn't the risk that once the ADV goes public, if they're not ready to go the very next day, that their names are still kept confidential.

Louis Diamond:

Makes sense. That's a good idea. So what would you say takes up the most amount of time or brain power for a transition? Is there one activity or kind of sub-project that is the most time-consuming?

Caitlin Douglas:

So I would actually bifurcate that question in saying the most amount of time versus the most amount of brainpower, two very separate things. So the most amount of time is hands down marketing. This is going to be the brand identity for ideally the rest of the team's professional career, so we need to get that right from the start. It's of the utmost importance that we do. We want to make sure that the team is excited about their new name, that once they launch that they're excited to have their name and their logo on different swag and telling all their family members and friends about it. So that's a really important piece, but it does take some time, and the process there can typically take about four months.

Then on the other side of the question is the most brainpower, and I would say that this is really the entity structure and developing the operating agreement. We have experts on our team that will provide advice based on the goals of the firm. So whether the operating agreement of the entity structure needs to allow for founder shares, non-founder shares, possibly profit interest units for highly performing individuals, or maybe the team wants to have things set up to be M and A ready from day one so that there's a repeatable process in place that can be easily explained to potential advisors. All of that takes very strategic planning and a lot of conversations, very in-depth conversations, not only with our team internally, but also with their legal counsel that they've engaged to implement within the operating agreement.

Louis Diamond:

Wow. Yeah, those are thorny topics that you never would even think about, I guess, attacking unless you're running your own company. I mean people, if you're captive, you're fighting over splits and joint production numbers. So it sounds, I think, enticing to probably everyone to own your own equity, but once you break into how that works, it sounds like it's classes of shares, it's how to grant equity, is it actual equity or phantom equity or profits units? That does seem like it's just a lot to understand all the different ways to do it, but also some potentially challenging conversations with team members.

Caitlin Douglas:

I couldn't agree more, and that's where our team internally always helps guide teams with those conversations, can even take part in those conversations with team members when they're ready to have them, so that we can just assist the teams that we're working with in any way that we can to make those conversations just a little bit easier.

Louis Diamond:

Yeah, I get that. So let's talk about timing. From someone signing a service agreement or letter of intent with Dynasty to handing in the resignation letter, how long does it typically take?

Caitlin Douglas:

Yeah, the typical timeline is anywhere from four to six months. Again, what is really driving that timeline, the longest lead time item is marketing, because we want to allow the team enough time to get that right. But I would say that most firms, as long as they don't have a specific date that they need a note to roll off or maybe an agreement to end will launch within four to six months with Dynasty.

Louis Diamond:

And I mean, obviously you work for Dynasty, so you know that timeline very well, but if you had to guess, if someone wasn't working with Dynasty, they just started an RIA through one of the custodians, how much time do you think they would need? Or maybe put another way, how much time do you think working with Dynasty saves someone?

Caitlin Douglas:

Yeah, I can speak from firsthand experience because it's what I did with the RIA prior to joining Dynasty, and that was a full two years of due diligence that we performed to really get comfortable with every decision that we were making. We didn't have a partner that we could rely on to ask the questions of what's the difference between Schwab or Fidelity, or why Black Diamond versus Addepar or Orion? We were making all of those decisions and figuring the answers out to those questions on our own. So to answer your question directly, I would say that my opinion would be it saves a minimum of a year's worth of time of the due diligence, but I think that's really dependent from firm to firm.

Louis Diamond:

Yeah, that makes sense. Someone always asks us, how long does it take to go independent? And usually we'll say, to really do it right, probably anywhere from eight to 12 months, including the due diligence. But as you know, I mean, sometimes there's fire drills. We've had some situations together where something has to be done within 45 days or 60 days because of some sort of event or a team was found out. So it's not that it has to take that long, it's more so in an ideal world, to kind of do things in a world class way, you want to make sure you take the right amount of time. But I mean, maybe it's also a question for you. Is there such thing as the transition, basically having too much time to do the transition? If you had to pick, and I know you and Dynasty make money once the firms are launched, but from getting everything done, buttoning everything up, is it kind of better for you if someone says, "I want to do this in a year," or "I want to do this in 18 months," or is there a drawback of that approach?

Caitlin Douglas:

I don't think that there is necessarily a drawback, but my answer to your question would be any day, all day, I would prefer a transition that is the lead time to the transition be shorter rather than longer, and the reason why is because I refer to this as transition fatigue, where teams are meeting with us on a weekly basis. We're talking to them constantly, and that can wear on somebody. They're not doing a day job for four to six months in a typical timeframe of a Dynasty transition. They're doing it from 18 to 24 months, and that's really wearing on somebody. So getting the decisions made, making sure that we're not going back and rethinking the decisions, and then executing and launching in the shorter timeframe is always more desirable.

Louis Diamond:

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Yeah, I get that. We always say too, you have your feet in two lands. So even things like prospecting is challenging when you have this opportunity and it's the back of your mind, well, I'm selling them on X, Y, Z Firm. I'm going to turn around and leave in two months. It's just not the best for stress, for confidentiality reasons, to have such a long time. But at the same time, if you're doing this right and you're investing in the company, you also want to make sure you actually can put the right amount of time and thought into getting things buttoned up so it looks like the firm has been around for 20 years once it's launched. So it seems like it's a balancing act, for sure.

Caitlin Douglas:

Yes, definitely.

Louis Diamond:

So an option advisors always have when considering independence is, we'll say, bypassing Dynasty or any of your competitors and just working with the transition teams of a major custodian. So really we call it the Do It Yourself-er. Can you just talk a little bit about what's the difference between transitioning or working through the transition planning directly with the custodian versus leveraging Dynasty? And I know on the Dynasty side you work closely with the custodians, but let's say if you and your team weren't in the middle, how does the process differ?

Caitlin Douglas:

Absolutely, yeah. So the process is completely different, and we have amazing partnerships with the custodians, where at this point we're finishing each other's sentences, but the custodian is focused on the custody of assets and transferring those assets over from the team's current firm to the new custodian, and that's the only piece that they are siloed in helping assist the firm with. Whereas Dynasty, we are touching every piece of building that firm, right? We're looking at real estate for them, we're helping them with compliance, their tech stack, legal, marketing. We're touching all pieces of the transition, not just the book of business, but the full transition to help them start a firm as seamlessly and as quickly as possible. And we do that in conjunction, again, through the great partnerships with the custodians, but they're focused on one siloed piece, where we're focusing on more of a macro level.

Louis Diamond:

Yeah, it makes sense. That's how ultimately their business operates. But let's take technology for instance. Don't the custodians have technology consulting teams, so if you are more of a do it yourself-er, there aren't resources within the custodians that can help with some of those decisions?

Caitlin Douglas:

That's a great question. I'm not entirely sure internally within the custodians if they have somebody dedicated to assisting with that, but what I do know is that from our standpoint, what we always do is we make sure that we're consistently reaching out and making sure that we're offering the best in class solutions from a technology standpoint so that our teams are always on the forefront of that technology.

Louis Diamond:

That makes sense. Yeah, I think from my experience, you're much more in the weeds, but for me, much more kind of at the high level, we find that custodians provide a roadmap or the recommendation. So on the technology side, here's five different tech platforms that integrate well with our platform and here's the contacts for Phil at Addepar and Joe at Orion and Bill at Black Diamond, and leave the conversations and the negotiation and the integrations in the hands of the teams. Where it seems like with Dynasty it's much more of a, we'll consult with you on this and we'll take those conversations and decisions much further in conjunction with you.

Caitlin Douglas:

Correct. Absolutely correct.

Louis Diamond:

So who in your mind makes the best client for Dynasty or just the supported independence ecosystem? Meaning someone who is willingly paying extra for the support. Are there folks that just make better clients or can get the best out of what Dynasty or some of your competitors do?

Caitlin Douglas:

Yeah, I do think that there are those ideal clients for that supported independence. And obviously I think that the right answer here is someone that is a true entrepreneur and understands the power of outsourcing, but also someone that is looking for a partner and a community of like-minded advisors so that they can grow themselves. Because when you go independent, if you don't have a community that you can rely on, it can become pretty lonely in all sense of the word of independence, right? If you don't have that group of like-minded advisors that and that community of people.

Louis Diamond:

Yeah, I see it the same way. There's some people that they think they're outsourcers and they think they want to partner, but when it's all said and done, they're someone that wants to control every little decision and they ultimately maybe are misaligned with the support structure that they're getting into. It's, you kind of got to know yourself. So you've participated at this point in many, many transitions. So what in your view are the characteristics of the most efficient and effective moves?

Caitlin Douglas:

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That's a great question. So this may seem like the obvious answer, but being overly prepared and engaged is the honest answer here. So our transition team will ask and re-ask and re-ask again questions pre-resignation to ensure that the team is fully prepared to launch, because if we ask one question at the beginning of a transition, then ask it again in the middle and then ask it at the end, we might get a different answer all three times because the team is learning throughout the transition process what things look like in the new paradigm of being independent. So being overly prepared is what is going to help with the most efficient and effective move, and being engaged as well. If the team is joining the weekly calls as we have scheduled, if they're reaching out to me outside of those weekly calls, asking the right questions, those are the teams that are going to launch and transition quickly. Whereas if a team is not making every call, if we're canceling or we don't have that relationship built, then it makes for a little bit more difficult of a transition.

Louis Diamond:

Yeah, I can see that. It's a big project, so you got to make sure your heart's in it and that you're making it a priority. How about any hacks or best practices to share?

Caitlin Douglas:

Yeah, so I actually would share a phrase, and we've said it a lot in our Dynasty transitions, but it's to trust the process. And the reason why we use that phrase is because some people may think that we're moving a little bit too slow, or why haven't we started talking about why when we're only talking about the letter C right now? So in order for us to effectively run the transition, we always tell teams from the beginning and remind them to trust the process. We've done this multiple times and we promise we're going to get you to the end point here, but you need to follow our guidance along the way and trust the process that we've done time over time.

Louis Diamond:

Yeah, it's probably similar to how an advisor would want their client to react, right? The advisors are hired because they have a planning process, an investment approach, and they've done this before, and it's somewhat similar. I can imagine. I mean, a transition and all the work is very stressful. It's like we're talking about on top of a day job, that there are certain things that maybe are more exciting or interesting or someone hears about, and sometimes you just can't help but question the process because you think that you found something that was missed. So it's challenging. You're dealing with people at their most stressed, so you definitely have to have a lot of patience too.

Caitlin Douglas:

Absolutely. I always say that it's emotional rollercoaster, and again, I think that the relatability that I have being in their shoes doing this myself, I can help them through that, but it's truly, I understand what an emotional time this is for teams that we're working with and can help kind of ease those ups and downs just with my prior experience.

Louis Diamond:

Yeah, and I think a lot of what we're talking about is the pre-transition planning, which is obviously very important. Getting everything right, the firm is ready to go, can begin receiving assets day one, and there's an office space for clients to walk into, et cetera. But that's only a small part of the puzzle, and a big part of your job is being on site and actually moving the book over and actually doing the transition once a team resigns. So can you just talk a little bit about once someone resigns, they're in their new office space, what's the flow of events between someone resigning, picking up the phone and calling their first client, and then having an account over? What are the big milestones to track there and how do you guys help?

Caitlin Douglas:

Absolutely. So we really try to have our teams adopt our CRM and our proprietary tracking process that we've built out in the CRM from day one, because that gives visibility to the entire firm on exactly where any account or household stands within the transition process. So if an advisor is calling and speaking with a client, he or she can take notes in the CRM, advance the process and push that forward to the support staff who then needs to maybe call the client to gather more of their information in order to open the accounts. Once those account... Once that additional information is gathered, the paperwork then can start to be generated and the support staff can then move the process within CRM through the workflow, and we can very seamlessly assign roles and responsibilities to each individual involved in the transition, saying, all right, now we have this household in this stage, that let's process and prepare the paperwork so that we can get the accounts over.

Louis Diamond:

Interesting. And are there any products or elements of an advisor's book of business that are traditionally harder to move, and what have you kind of done to help overcome this, or maybe pre-planned, so that it's not as difficult or not as big of a surprise?

Caitlin Douglas:

Yeah, so the proprietary products are obviously going to be the hardest to deal with because they typically can't be moved, and depending on the legal advice a team receives, it may be the case that they really can't even sell out of these positions pre-launch either. And that's on purpose, right? From the wirehouses or IBDs, that is the stickiness factor. So what we need to do is typically handle those items either during transitions so that maybe we're only going to the client once with maybe some additional paperwork that needs to be signed in order to sell out of a proprietary position before it can transfer. Or maybe we need to handle it post-launch as well, meaning kind of in a day two type scenario, where we're going back to clients and having them focus on getting out of those proprietary products and finding a new solution for them.

Louis Diamond:

Got it. That makes sense. And proprietary products, I would assume, meaning feeders for alternative investments. What other products are you talking about?

Caitlin Douglas:

Yeah, so a big one is usually a proprietary money market fund that is only available at a wirehouse.

Louis Diamond:

That makes sense. And what sort of transition success do Dynasty network firms typically have? I'm sure you track the percent of yeses or percent of assets that come over. What do you normally see as the success rate?

Caitlin Douglas:

Yeah, we typically see teams reach about 85% or greater of their assets within the first 60 days after resignation. Now, this can obviously fluctuate depending on the situation of the firm, whether it's protocol or non-protocol, and maybe that non-protocol also has a non-solicit or non-compete or maybe even a non-accept with it. So there's definitely different variables there that could impact the length of a transition and how long it takes for assets to get over. But in general, we see about 85% of assets or greater come over within the first 60 days.

Louis Diamond:

Which, that's really good. I think most advisors would sign up to know with certainty that in that short a period of time, they could have the book over. And I would say from, I give you guys kudos from doing this, that that is much quicker, and probably a better success rate too, than someone who just did it on their own. So maybe the success rate is probably similar, because I mean, look, the relationships are the relationships, but I think a big thing teams pay you for is that you're avoiding some mistakes, you're avoiding accounts from being flagged or not opened, and you can kind of just speed things along and ultimately have them collecting revenue sooner.

Caitlin Douglas:

That's right. And the client control is a big piece of a successful transition, and as long as the advisor and their team knows that they have client control, we can basically handle everything else from and help assist with the transition standpoint, and that's all part of the pre-planning process so that there's not going to be any surprises on maybe if a certain position or asset can't transfer, we're going to know that ahead of time. We're going to know what the solution is so that the advisors feel prepared going into those conversations with clients. And ultimately it does, it relates directly to the success rate of our transitions because we're fully prepared and ultimately the advisors have the client control.

Louis Diamond:

Interesting. Two more questions for you to bring it home. So one, and obviously you can make this anonymized, but what's a disaster story or a mistake or mistakes that if you knew what you knew now could have been avoided?

Caitlin Douglas:

So my honest answer here, and I know it's not a good one probably for the listeners, is that there really truly hasn't been any disasters. We plan and we re-plan for every single transition to avoid any disasters if at all possible. So does that mean that everything goes perfectly smooth? Of course not, but we've seen enough transitions that we can anticipate if we're going to see an issue arise, and if an issue does arise, we know exactly who to go to get answers to resolve it quickly.

Louis Diamond:

I was hoping for something funny. That's okay. That's okay.

Caitlin Douglas:

Sorry.

Louis Diamond:

Maybe offline you can give me the unfiltered version.

So Caitlin, last question to bring us home, I'm curious, how have you seen the RIA landscape change as far as the teams and type of teams that are now launching into the independent ranks?

Caitlin Douglas:

So since I've started with Dynasty in 2018, I've seen a big shift in the types of teams that are launching as far as these teams are now multi-billion dollars. They're multi-office, multiple offices around the country. They're wanting to launch in a very short period of time. That's very different than what we were seeing even just five years ago. In addition, teams are launching their own RIA and then immediately thereafter doing multiple tuck-ins or M and A deals with other groups of advisors, which again, all within the first year of them starting their own RIA. So again, that's very different from what we were seeing even just a short period of time of five years ago.

Louis Diamond:

Very interesting. I never thought of it that way, but I would agree with you. I think something we're seeing too is the big firms are pushing teaming, and we've seen it where by extension of that, you have kind of sub businesses that are really operating like their own independent fiefdoms within a major firm, so that when that team wants to lift out, they have institutionalized processes, they have a large number of folks that can fill in different roles, and then they're more ready to become a major RIA and either just grow organically really well and run a really efficient firm, or to your point, begin onboarding advisors or acquiring businesses. So I would agree with that, that probably the folks that are going independent, maybe the business is more mature or it's been incubated more, and because of that, I think the whole industry benefits.

Caitlin Douglas:

Couldn't agree more.

Louis Diamond:

Very good. Caitlyn, thank you very much for coming on today and I think giving everyone a perspective on what to expect through a transition and ultimately what teams can expect if they decide to work with firm like Dynasty.

Caitlin Douglas:

Thank you, Louis. It's been a pleasure.

Mindy Diamond:

No doubt entrepreneurialism has fueled change in the wealth management industry, and those with the desire to gain freedom and control are amongst the biggest benefactors when it comes to solutions available to make the leap more efficient. Caitlin shared thoughtful guidance for those considering independence, actionable advice around the essential details to be aware of, and the preparation required to make the transition a smooth one.

I thank you for listening and I encourage you to visit our website, Diamond-Consultants.com and click on the tools and resources link for valuable content. You'll also find a link to subscribe for regular updates to the series. And if you're not a recipient of our weekly email, Perspectives for Advisors, click on the articles 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 my email, 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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