MINDY DIAMOND ON INDEPENDENCE
A PODCAST FOR FINANCIAL ADVISORS CONSIDERING CHANGE

EPISODE TRANSCRIPT

The Pull of Pure Independence: A Former FiNet Advisor's Journey to Building a $1.7B Fully Independent Firm

A conversation with Steve Dimitriou, Managing Partner, Mayflower Advisors

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is the Pull of Pure Independence: A Former Finite Advisor's Journey to Building a 1.7 Billion Fully Independent Firm. It's a conversation with Steve Dimitriou, Managing Partner of Mayflower Advisors. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

Mindy Diamond:

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Mindy Diamond:

For Apple Podcasts users, I'd be grateful if you 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. While you're at it, if you know others who are considering change, we're simply looking to learn more about the industry landscape. Please feel free to share this episode or the series widely.

Mindy Diamond:

It's interesting how a tough job market can divert the path one may envision as they graduate college. But as the guest on this episode shares, it can result in an incredibly successful journey. It reminds us of an important lesson: the only thing that's constant in life is change.

Mindy Diamond:

Steve Dimitriou left college with a degree in Honors Physics and Economics, yet the job market was tight. So he ended up selling insurance at New York Life. While there, the investment management and planning side of the business intrigued him. It was a path he continued on building, his knowledge and book in firms like MFS, Alex.Brown, and later Advest.

Mindy Diamond:

Yet it was in 2005 that Steve and his team heated the call of independence and transitioned to FiNet. It was an extraordinary move that resulted in growing the team from five to 30 over the course of 15 years and assets under management to $1.3 billion from a client base that was transitioning from mass affluent to high net worth.

Mindy Diamond:

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The wealth management world had grown dramatically over that time period as well, motivating them to consider an even more independent path than they had at FiNet, one where they had access to the full universe of products and the freedom to build their business without limitation.

Mindy Diamond:

So in 2020, Steve and his team chose to leave the FiNet umbrella and build their own 0RIA from scratch, Mayflower Advisors in Boston, Massachusetts. Steve's story is an incredibly instructive one that demonstrates how they were motivated by evolving client needs and the positive impact of changing firms and models over time by opening up new doors of opportunities for their clients and expanding Mayflower's ability to grow organically and inorganically.

Mindy Diamond:

Today the firm manages over 1.7 billion with Steve at the helm as CEO. In this episode, Steve discusses his journey with Louis Diamond, including the motivations behind his moves over the years and the lessons learned along the way. His choice to build an RIA scratch rather than opt for a platform provider, how independence as an RIA differs from what he experienced at FiNet, the impact of his own personal transition from advisor to CEO, and much more. There's lots to learn from Steve's story, so let's get to it.

Louis Diamond:

Steve, thank you so much for joining us today.

Steve Dimitriou:

Thank you very much, Louis. It's a pleasure to be here.

Louis Diamond:

Perfect. So let's jump in. Can you tell us how you got into the wealth management business to begin with and what inspired you to become a financial advisor?

Steve Dimitriou:

We only have an hour, correct? The short story is that I was coming out of school with an Honors Physics and an Economics degree in 1991. It was an absolutely horrible job market. I really wanted to get to Wall Street, but all of the investment banks had cut their hiring, or actually it eliminated some of their hiring. And so, I took a job. I took one of the first jobs I could at New York Life. I quickly learned that nobody wants to buy life insurance from a 21-year-old.

Steve Dimitriou:

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And so, I literally picked up the internal revenue code, taught myself about retirement plans and SEPs and 401ks, and quickly, very quickly actually, became a regional go-to for the system there at New York Life. From there, I found a real passion for the investment side of things, certainly for the retirement plan side of things.

Steve Dimitriou:

I was very fortunate to land at a couple of other companies after New York Life, with MFS that was at the forefront of burgeoning 401k product and market. Then ultimately Alex.Brown & Sons in the mid-'90s, which was the place to be in terms of investment banking and investment management. It was just a phenomenal opportunity for me. Things just flourished from there.

Louis Diamond:

Thank you for sharing that. It's very interesting. Most of our guests have a somewhat unorthodox route to become an advisor. So it sounds like you somewhat had that, but I love the fact that you were self-taught and found your own way.

Louis Diamond:

So I know from a prior conversation with you that, we'll say, one of the highlights of your career was working at Advest. Can you explain to our listeners what was Advest, because it's no longer in existence, and why were you such a big fan of it?

Steve Dimitriou:

Sure. For those who don't know, Advest was a regional broker-dealer focused here in the northeast. It was attractive because it wasn't run like a lot of the large wirehouses. They were more flexible and accommodating when it came to product and making exceptions on trades and client issues. It was a very easy place to do business.

Steve Dimitriou:

It was interesting, when my partners and I had left ... We'd left our previous firm to create our partnership there, we took no money upfront. Advest was flexible. They negotiated a higher payout with bonuses for certain asset thresholds and production milestones. We hit them all so quickly there because it was just easy to do business. There was great management that listened and understood. It was a really unique place at that time in the industry.

Louis Diamond:

So what caused you to leave, to go to FiNet in 2005?

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Steve Dimitriou:

Well, Merrill Lynch came in and bought Advest. It was their first material acquisition, I think, that Merrill Lynch had done in decades, I believe. For one reason or another, it materially changed the culture, the product set. It wasn't quite as much open architecture anymore, and some of the processes internally.

Steve Dimitriou:

I will say to Merrill Lynch's credit, they've really made a tremendous effort to try and accommodate my team, my partners and I, in particular. In the end, it just couldn't happen. We had already set a pretty open architecture product set in the retirement plan space with 529s, with a whole bunch of other things that our clients were interested in that at the time Merrill Lynch just could not accommodate despite their best efforts.

Steve Dimitriou:

And so, that just caused us to start looking around and I think accelerated our move towards independence, which had always been in the back of our mind.

Louis Diamond:

Yeah. So the Advest and Merrill Lynch acquisition was long before my time in this industry, but we still to this day hear from advisors that are legacy Advest, that are either still at Merrill or have moved on to other firms, how special of a place it was. Everyone talks about the culture. From what I understand too, like you said, it wasn't about what Merrill did to the company. It's more that just a smaller, more high-touch boutique firm, it's very hard to continue the same culture when you're now part of a much larger investment bank.

Steve Dimitriou:

Yeah. That's absolutely correct. It was a great leadership team and a great culture, and things don't always stay static all the time. It was a good move for Merrill Lynch. It ended up being a good move for some people at Advest who stayed with Merrill Lynch, and others moved on.

Louis Diamond:

Absolutely. So you said you felt the urge to go independent in 2005. So catalyst was the Advest acquisition. But not everyone was thinking about going independent back in 2005. We definitely didn't see the acceleration toward independence like we have since. So I'm curious, what was it about independence then, and a follow up to that would be what was it like to be independent in 2005, before all of these other services and platforms and outsourcing partners were really established?

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Steve Dimitriou:

Yeah. It's a very different world today than it was back then. Back then, if you think about it, 15, 20 years ago, the stereotypical independent person was the person trying to squeeze as much money out of their small piece of revenue and maybe doing a lot of insurance, and independence wasn't where money managers and investment advisors and stock ... Where they went.

Steve Dimitriou:

We ended up choosing to work with FiNet, which was at the time Wachovia's independent channel, very similar to an LPL or Commonwealth. We made that decision ... We definitely looked around. We ultimately wanted to become independent. I think the Merrill Lynch transaction accelerated that timeframe for us and we decided let's just bite the bullet now because we don't want to make two or three moves over the course of the next five years or 10 years.

Steve Dimitriou:

What attracted us to FiNet, simply put, was they were on the First Clearing platform, which was the same platform that Advest used. So we already understood the systems and it made things a lot easier. Once we had met the leadership team there, with John Peluso and his team, it became an easy decision for us.

Louis Diamond:

Yeah. And so, then from a support and infrastructure standpoint, did you feel like you were extremely independent, or was FiNet back in '05 relatively well-supported?

Steve Dimitriou:

They were very well-supported. I mean they definitely were going through some growing pains at the time. In fact, we helped be the catalyst for some of it because we did have a pretty large client base and a more sophisticated one with, at the time, a lot of options. It helped them streamline some of their systems as well.

Steve Dimitriou:

But we always felt that we were getting the support from FiNet, particularly from upper management. Even if there were some struggles operationally, there was always an open line of communications, and they were very honest with us about what they were willing to invest in, how long it might take them to invest in something, to fix what we perceived as an issue. It was just a very honest and open relationship.

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Louis Diamond:

Yeah, it sounds that way. So let's fast forward to 2020. That's when your group had close to 1.3 billion in assets and ultimately decided to transfer away from FiNet into the RIA channel. So maybe we can just talk about the time period between 2005 and 2020. Can you just describe the growth of your business, some of the strategies you used to grow, and then ultimately what started to change either within FiNet, within your business that became the catalyst to leave?

Steve Dimitriou:

Sure. So we started in 2005 with five people. By 2020, I believe we were at 30 or 32. We had just consistently been adding one to two advisors per year and adding the staff to support it.

Steve Dimitriou:

We always had a belief, my partner Larry and I, always had a belief in investing in staff ahead of our growth. We didn't want to be reactionary. We would rather have someone sit here and be a little bit idle, but knowing that provided us with capacity if we brought in a new advisor. That paid off. It worked very well for us.

Steve Dimitriou:

Over time, I mean it was simple blocking and tackling, to be honest. We do not run across the board. We don't have any crazy strategies. We don't have any advisors who are doing research on their favorite micro-cap stock and loading the boats. I mean we're very plain vanilla over the years, particularly for the first 10 to 12 years of our existence as an independent. But we used the products. We used lending. We used these check-writing services and other banking services that, fortunately, Wachovia, and ultimately Wells Fargo, was able to provide to us.

Steve Dimitriou:

For the first decade or so, like I said, FiNet was fantastic in that if there was a product or something we were interested in, we could bring it to them. They would very quickly do the due diligence, get things approved, and move forward.

Steve Dimitriou:

Ultimately, once Wachovia sold to Wells, I think a little bit of that culture started to change. Compliance became a little ... Stricter isn't the word, but a little bit more regimented. Ultimately, unfortunately, some of the troubles that Wells Fargo had on the banking side, which had no impact whatsoever on our clients, on the wealth management and the security side, but those troubles ultimately made it more difficult for us to continue recruiting advisors.

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Steve Dimitriou:

It didn't really slow us down in terms of new client acquisition. I mean we would have to overcome some objections once in a while, but once we were able to explain things, it worked out well. In fact, across the country, the fact that people could still walk into a Wachovia or a Wells branch and do banking and their securities business with us, it was fantastic.

Steve Dimitriou:

Our recruiting efforts started to really slow down in 2000, I'd say, 16 and 17. That was a bit of a problem for us. At the same time, our client base was changing. As we were moving more from the upper end of the mass affluent to the lower end of high net worth, our clients were demanding more and more product, more sophisticated product, more in the way of alternative investments, more services from us in terms of what we can do, our staff can do for them.

Steve Dimitriou:

That's where, I think, culturally things became a little bit more of a challenge within Wells or within FiNet, because they couldn't move as quickly on approving new products or offering the types of products that our clients were looking for.

Steve Dimitriou:

And so, it ultimately just became a decision of, okay, looking five years out, 10 years out in our business, do we want to build that flexibility in now or wait and hope that Wells and FiNet can make those adjustments for us? We just ultimately decided ... I think we just outgrew the platform a little bit.

Steve Dimitriou:

But, honestly, FiNet was fantastic. They tried. They made it very easy for us on the transition. They fully supported us. It was a very good relationship we had.

Louis Diamond:

Yeah, not everyone could say that.

Steve Dimitriou:

Yeah.

Louis Diamond:

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So I want to come back to the advisory recruiting, because I know you have a somewhat unique model, but you mentioned that the feeling of maybe outgrown the platform a little bit, that there were specific products or services that your clients demanded that were impossible to provide within the FiNet construct. Can you just go a little deeper there and describe what you mean?

Steve Dimitriou:

Sure. So, for example, certainly, too, as this past decade progressed, the demand for alternative investments, the opportunity to get into some private investments, certainly from our higher end clientele, was increasing. FiNet had options there, but it wasn't quite what our clients were looking for. So that forced us ... I wouldn't say we lost business because of that, but we were unable to gain business. Our clients were sending money to other advisors in other places to get that type of access. As we were taking on more and more eight-figure clients and higher, that was just a limit for us.

Steve Dimitriou:

Another issue too, frankly, was technology. Here in the northeast, and other parts of the country as well, but the northeast is a very mature and developed marketplace when it comes to advisor services. There are a lot of independence here that we're able to leverage a lot of very good fintech. Again, we liked a lot of what we had with Wells. As any large company, they couldn't be on the forefront of some of that technology revolution, yet our clients, again, were demanding some of this, and even our advisors too were demanding some more sophistication when it came to things like financial planning and other pieces of software.

Steve Dimitriou:

And so, ultimately, Wells was great in that they gave us plenty of exceptions to do some things and gave us some leeway, as long as we were playing ball with compliance, to do some things that other practices may not have been able to do also in terms of media. But still our demands kept growing beyond what I think they could comfortably accommodate.

Louis Diamond:

Yeah. It sounds like the box that you were provided was a very nice box. It was comfortable and it served you extremely well. But as your needs became more sophisticated, your advisory recruitment efforts were accelerating, that you no longer wanted to be the exception. You wanted to take full control over everything that you did.

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So I love it. I think that's a very clear why or catalyst through the direction that you ultimately planned. It sounds like there isn't any ill will toward FiNet at all. It's what got you to where you were. But sometimes businesses just evolved beyond where they started.

Steve Dimitriou:

They were absolutely the right place at the right time for us. They have a business model that they're trying to run and operate, and they do it very well. Our business model and needs started to change and evolve over time. It was a good partnership for a long time.

Louis Diamond:

Yeah, it sounds that way. So let's talk about your advisor recruitment efforts. So you mentioned, by 2020, you had about 32 employees. I would assume a good number of those were advisors. So can you describe how you bring advisors into Mayflower, whether that's maybe back at FiNet or even how you do it now?

Steve Dimitriou:

Sure.

Louis Diamond:

Are they independent contractors? Are they employees? What's the succinct pitch that you use about why someone should come join your organization?

Steve Dimitriou:

Sure. We have right now a mix of independent contractors and employees. Frankly, I think it's moving more and more towards the full employee model for a variety of reasons, including HR, regulations, and things like that. I think that's the way to go.

Steve Dimitriou:

But our model is a little bit different. Our model has always been to give the advisors ownership or control of their own book of business and with that provide a high level of ... We see our role as to provide a high level of infrastructure and support to them.

Steve Dimitriou:

I would say our payouts, though they might be a little bit higher than they probably should be for the amount of support we give, we do not try to be that place that attracts people who are simply looking for payout. We instead are really looking for advisors who care about the quality of what they deliver to their clients versus maximizing their bottom line.

Steve Dimitriou:

Part of our appeal, I think, is we try not to dictate to our advisors as to how they should run their business. We want to give them some freedom and autonomy to do things the way they want. It's why we wanted to be independent in the first place. With that said, we want to make sure that we're providing resources and tools that best help them grow and try to create some consistency across the firm to drive the efficiency and the economics.

Steve Dimitriou:

It works well for us, or it has worked over the years. We fully recognize that most consultants would tell us that we're a little bit crazy to do this. It's definitely a little bit more expensive of an approach, whereas when we speak with other firms and other consultants out there, consultants for advisory practices, they point us towards, "Well, you should be hiring salaried advisors. That helps drive the bottom line to the firm. You keep the ownership for yourself. It'd force everybody to repeat the same process, et cetera."

Steve Dimitriou:

I completely understand the benefits of that as a business owner and operator, but it's just not how we've grown up in the business. I mean we've become independent because of certain things that we like to do and don't like to be told to do. We try to project that and offer that to the people that are coming here to join us.

Louis Diamond:

Yeah. I completely agree with you. As one of those consultants, I would completely agree that from an enterprise value and scalability standpoint, acquiring businesses and bringing advisors in as W2s is more beneficial to you as the business owner, but at the same time it's a very different pitch and attracts a different advisor. I would probably guess 90% of the advisors that are with you now wouldn't have been with you if you required they sell their practice to you or that they join you as employees.

Steve Dimitriou:

Correct. The difference between employees and contractors, I think, is not so extreme, or that's not the driver of what attracts someone. It's the way they're compensated and the fact that, look, if we ever ... First, if someone did not ultimately like it here, then they're free to take their book and their business with them, and we'll help them do that. I mean that's the type of respect that we would expect, and it's worked out well for us.

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Louis Diamond:

So when you ultimately left FiNet, did you retain all of your advisors? Because we often see it with large OSJ or office of supervisory jurisdiction groups that have multiple advisors, that there's a lot of benefits to the transition for the owners of the platform. So in this case, you and your partners. But sometimes the benefits are a little bit less accentuated for the underlying advisors. So I'm curious when you left, because obviously any move is a hassle and it's a lot of work, what was your retention like and what was the pitch to those advisors?

Steve Dimitriou:

Everybody came with us, save for one person. He was a fairly large producer, but it was, frankly, a very good move for him. His business had a higher percentage of brokerage and trails while we were moving more distinctly towards the pure IRA world. He was also fortunate ... He found a situation with actually, frankly, an Advest-like firm that gave him a chance to grow a branch on his own and do some other things.

Steve Dimitriou:

When we all sat down to discuss it, we looked at him and said, "That's a better deal for you in the way you are running your book." We helped him move. To this day, we're all very good friends. It was a good move for him, for us. We would've preferred to have him stay, but it really wasn't a big step for us in any way. It actually helped us streamline our product set and the type of things that we had to support. So it worked out well for both sides.

Louis Diamond:

Definitely. When you were considering this move that ultimately led to the launch of your hybrid RIA firm, what other options did you consider given the size of your business and your reputation? I would guess you had no shortage of suitors. So how did you decide what to look at before ultimately going down this path?

Steve Dimitriou:

We looked at everything. We knew this was coming for a little while, so we had a couple of years of runway just to keep educating ourselves. But we looked at other hybrids like FiNet. So think about like the LPLs and the Commonwealths and the Raymond Jameses is out there. We looked at some of those provider platforms, some examples, Dynasty, resources, et cetera. Then obviously also the fully independent RIA world and maybe attaching a friendly broker-dealer or getting rid of the brokerage side altogether.

Steve Dimitriou:

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We really did our homework on all of them. It got frustrating for some of the suitors because we kept saying, "Yeah, call us back next month, call us back next month." But ultimately we decided to go the fully independent route. We just thought that was the best fit, what we were ultimately trying to provide to our clients and to our advisors.

Louis Diamond:

What was the rationale, probably more so on the why not hire a platform like a Dynasty or some of these turnkey options that gets you from being an independent in a broker-dealer to being an RIA owner, given all of the work, the complexity that comes with it? Was that the second option as you were thinking about it and was it cost? What was it that made you say, "We're going to figure this out on our own"?

Steve Dimitriou:

Yup. You touched upon a few of them. If I'm going to be completely honest, I would tell you that, looking back on it, despite all of the homework we did, the consultants we had, I don't think we fully understood the differences between absolute full independence and the advantages of using one of those platform providers.

Steve Dimitriou:

We looked at it and said, "Okay." It depends on which provider, but for the five basis points, eight basis points, 10 basis points, 12 basis points that you might pay to those providers, was that worth it? And had this notion that we did not want to be tied in with a particular tech stack, that we did not want to be tied in with a particular custodian per se, the more we looked at it, we thought, okay, well, maybe we can save a little bit on the costs by doing it on our own.

Steve Dimitriou:

When I look back on it, I would tell you certainly we've learned quite a bit between, say, 2018 when we started the homework and now when we feel like we're completely operating in a routine manner. In the end, I'm glad that we have the full independence to make all the decisions that we want. We're not beholden to anyone else.

Steve Dimitriou:

But I would say too that some of these platform providers, for a lot of firms, the efficiencies that they can bring, particularly in the ease of a transition and the support you can get in learning the new platforms that you're on, new technology, I think there's an attractiveness to it.

Steve Dimitriou:

The interesting part, when I look back, we're very happy with the decision we made. We're glad we did not choose to use one of the platform providers, because as we're starting to see now, ownership structure of those platform providers is changing. Some of their equity owners are looking to them to increase their margins, et cetera.

Steve Dimitriou:

I think ultimately those are the things that we wanted to avoid was to have things dictated to us. We were willing to pay maybe a slightly higher price for that flexibility. With that said, I would tell you too, if a firm is thinking of making this change and they really want to drive their bottom line, they can do that. You can make choices on your tech stack, on the services you're offering, on your staff that definitely can save some money from those platforms.

Steve Dimitriou:

Ultimately, we didn't go that route and we rebuilt a lot of what those platforms have to offer ourselves. So I don't think we materially took advantage of that opportunity to eliminate costs, but that was because we wanted to offer a higher level of service and technology to our clients.

Louis Diamond:

Right. With hindsight now, do you think it was the right move not to leave FiNet altogether, but more so to take the path that you did?

Steve Dimitriou:

I'll say this. Our advisors, they love what we've done. The fact that we have the flexibility, the fact that we can go and talk to almost any product provider or manager out there. If it's something we want to do and it passes our due diligence and compliance screens, great, we can adopt it. Same thing with new technology. That type of flexibility and the speed at which we can react to the marketplace, our advisors and our staff seem to really appreciate and like, and our clients as well.

Steve Dimitriou:

As the operator, if you ask me and my COO, yeah, we sit here going, "Oh man, it would've been a lot easier to grab one of these platforms," and it's a little bit more work for us, but I wouldn't trade it. I like where we are. I'm a geek for knowing how things work behind the scenes, and there's no doubt I have my fill of that because of the way we've chosen to operate the business.

Louis Diamond:

Right. Sounds that way. You opted for Pershing Advisor Solutions, part of BNY Mellon, as your lead RIA custodian. What attracted you to them over Schwab and Fidelity and many other potential options?

Steve Dimitriou:

It's a good question because that was a tough one for us. I mean, at the end of the day, custody and training, it is definitely a commoditized business. And so, trying to flesh out the nuances between the different firms was difficult.

Steve Dimitriou:

In the end, I think for Pershing, a couple of things attracted us. I mean certainly the integration of their lending solutions meant a lot to us, along with the fact that they definitely tend to cater to larger firms, and we were on the larger end of firms that make this decision.

Steve Dimitriou:

They also ... They made it very clear to us that they could support the brokerage side of our business and that they had good relationships with friendly broker-dealers, made some recommendations. Even though that was a shrinking part and continues to be a shrinking part of our business, there was still enough of it there that was material.

Steve Dimitriou:

Interesting, I'm not so sure that the Pershing people will like to hear this, but we actually had signed a contract with Fidelity and we had just not submitted it yet. In one final meeting with Fidelity at the time, something became very apparent to us that there was a real silo effect going on between their broker-dealer side of the business and the RIA supported side of the business.

Steve Dimitriou:

At the time, Fidelity wasn't quite advanced with the lending products. It gave us pause. We went back, reevaluated everything, and ultimately decided that Pershing was going to be, I think, a better fit for our business.

Louis Diamond:

Are you multi-custodial now or plan to be in the future?

Steve Dimitriou:

We will be much sooner rather than later.

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Louis Diamond:

Yeah, makes sense. During the pre-transition process, how did you interact with Pershing? What did they do for you? How'd they help you with all the moving parts of building the business?

Steve Dimitriou:

Oh, that's a good question. So a couple of things. They were fantastic with giving us some guidance and support early, well before the transition in, hey, how do we select our tech stack? What are some of the things that we need to line up in terms of client data in order to bring the client accounts over in a smooth manner?

Steve Dimitriou:

That type of coaching and guidance in business consulting as well. Hey, how should we restrict the business? How do we communicate this to our advisors and staff and ultimately to our clients? They did provide us some recommendations on marketing support as well. The funny thing, looking back on it, our transition date was originally supposed to be April of 2020.

Louis Diamond:

Oh boy.

Steve Dimitriou:

Yeah, COVID. I'll say another. What they had promised us in terms of support was phenomenal. The team that they had lined up to come up to sit in our office, both on the RIA side as well as the support from the friendly broker-dealer that we were working with, we were ecstatic because we felt like we were going to get plenty of support for a firm of our size. I mean we're talking all in double-digit number of people that were supposed to be coming up and helping us.

Steve Dimitriou:

COVID hits. Everybody is grounded in terms of travel. I mean it was just awful. The SEC approved our RIA, I think, in February of that year. So our clock, our 180-day clock, started ticking. I mean it was a scramble and it was really ... It was no fault of Pershing's. It was no fault of our BD's. It was just an unfortunate ...

Steve Dimitriou:

Everything that they had worked so hard to line up for us just got thrown out the window last minute. But their management team that wasn't under the same types of restrictions really stepped up and tried to help us quite a bit.

Steve Dimitriou:

I mean it was a mess. It was very difficult. The only saving grace was all the clients were stuck at home as well. So there was no excuses for them not getting paperwork or doing things. But it was a challenge, but we worked through it.

Steve Dimitriou:

Again, I would've really loved to see how it would've worked out had the teams that they were leveraging for us been able to be here and do their jobs, because I think it would've been a great process for all of us.

Louis Diamond:

Everyone is sick of talking about COVID, so I don't want to spend too much time on it. But did you second-guess the decision to leave at all and just completely pump the brakes until ... I guess, well, it would've been two years of pumping the brakes, maybe. But did you think about just pressing pause and waiting for things to settle down?

Steve Dimitriou:

The SEC and their timing didn't give us much of a choice and we decided to press it. This is another instance too where I cannot express enough gratitude and praise for the way FiNet handled everything. They recognized the challenges that we were facing, the fact that we couldn't make a transition in the timelines that we had all laid out and negotiated because of COVID.

Steve Dimitriou:

And so, they worked with us. They allowed us to start moving things piece by piece, allow ... And because of our size and scale, we were able to physically, literally physically, split our offices so that there were no regulatory issues having people on both sides for a while. They worked with us. It was great.

Steve Dimitriou:

Eventually, FiNet came to us and said, "Oh, okay, enough is enough. You've got to finish this." But the support we got from them and from Pershing to make it happen, everybody ... It was brand new. Everybody was creating new processes and new things, new ways of doing things, and it ended up working out.

Louis Diamond:

Yeah. Man, it's hard to think about what it was like then, and hopefully we never have to think about it again. I'm sure you're the same way. You had COVID, uncertainty, and a transition, not ...

Steve Dimitriou:

We've onboarded a couple of advisors since then, and it's been incredibly smooth. It's good comparison. Again, I wish we had the opportunity to take advantage of the teams and the people that had been promised to us.

Louis Diamond:

Yeah. Thank you for sharing that. So you mentioned earlier in the episode that your strategy has always been to overbuild or to over-stack, which is at the impact of margins. Was this an approach you took during the transition as well? Would you recommend this if it was the case?

Steve Dimitriou:

Very much so. I would say I would recommend it if you can afford to do it. For us, it created a good margin of error. It gave us leeway, particularly if you're making the transition and you're not quite sure yet of exactly what technology you need, exactly what services you're going to be taking advantage of with your new custodian, et cetera.

Steve Dimitriou:

I think the ability to overbuild ... For example, in our planning software, we ended up adopting two planning softwares instead of just one. Your FinTech offering. So it just gave us a lot of confidence that, okay, we can pivot. We can have advisors try one thing out, see if something works, try something else, see if that works, and eventually make some decisions and focus on products and technologies and move forward.

Steve Dimitriou:

That works for us. Again, we're a very mature business, so we're fortunate enough to have capital and to have margins that give us the opportunity to overbuild or, I would call it, invest like that. For some smaller firms, maybe I think it might be more helpful to make sure do your homework ahead of time so that you know exactly what you want to focus on technology and service-wise and go right to that.

Steve Dimitriou:

But just be prepared. Don't sign a lot of long-term contracts, because once you get on the side of the fence, you're going to find very quickly like, "Oh, wow. I didn't know I could do that," or, "Look at this new thing somebody showed us. Oh, I wish we could adopt that." If you're locked in with contracts, you have to wait.

Louis Diamond:

Yeah, very good advice. I think it's on the press release from your move. You mentioned it to me offline that you worked with a company called Mirador for technology consulting. What do they do for you? Is it a group you'd recommend?

Steve Dimitriou:

They saved my life. I've been able to keep what little hair I have left because of them. Seriously, I cannot emphasize this enough, particularly if you are a firm of any size. Get a true tech consultant, and I don't mean just an IT guy. I mean a tech consultant that knows how to build technology stacks, that understands how different software products and platforms communicate with each other and how they integrate.

Steve Dimitriou:

I think the single best move we made in this entire transition, honestly, was to hire Mirador. It was because they came in and told us about the things that the recruiters and the marketers don't tell you. The best example I think of, for lack of a better word, our commission tracking system. It's not commissions, it's advisory fees.

Steve Dimitriou:

But coming from a wirehouse environment that FiNet provided, you take for granted all the things, all the little things, that they're doing behind the scenes, little things like, oh, yeah, we set up splits amongst some of our advisors. Oh, and look, you can track every single trade and every single transaction or every little fee or charge that is being applied to an advisor in their runs. You just naturally think that, "Oh yeah," and when we go independent, oh, we have that same system. The platforms will tell you, oh yeah, when you take your fees, we deposit it all in an account. You can see what's there, et cetera.

Steve Dimitriou:

But there's a big step from that to your advisors being able to just pull up a screen and see exactly what they're getting paid on, broken down by account, by client, by the charges. That doesn't exist. And so, you need to have that system. You need to create that system and probably buy that technology to do that.

Steve Dimitriou:

Nobody told us this as an example until we were already in the transition. When we had hired Mirador, they asked us that question. We said, "What are you talking about? We get that data from our custodian." They pointed out that, "No, you don't. It comes in one form, but not in the usable, consumable form for your advisors. Maybe for your finance staff it does."

Steve Dimitriou:

And so, the tech consultant and the other business consultants can help fill in all these little gaps that either aren't aware of because they're not operators or that they might pull that punch in telling you, because if you really did know all of these little things that you have to do and take care of, you'd be scared away from making that decision in the first place.

Louis Diamond:

That's funny. Well, as one of those potential recruiters, I would put myself in the category of just not even knowing that was a potential challenge. So it goes to why you pay for experts and also why the RIA channel in particular has become so much more mature, because you have companies like Mirador that you can tap for expertise instead of a number of years ago just having to figure it out on your own.

Steve Dimitriou:

Exactly. There was a lot we thought we knew coming into this, and I know we knew a lot, but it was a lot of those little things. In particular too where the tech consultant helps is in designing those systems. For example, you choose your performance reporting system, whether it's Black Diamond, Envestnet, Orion, et cetera.

Steve Dimitriou:

In the sales process, you see all these glorious-looking reports, all this functionality, but what you don't necessarily recognize is, well, yeah, the optionality behind that, those reports, is enormous and you need someone to help you identify, hey, what do you want included? What don't you want included? Where should the comma be here? Where should the line be drawn there? You don't realize that these are all decisions you have to make.

Steve Dimitriou:

Some of these groups will provide a prepackaged thing. But, like we did, we invited our advisors to help us evaluate all these different platforms and they got to see different ways of doing things. And so, there were requests of, "Oh, could we include this on the statement, or could we include this in a particular report?"

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Steve Dimitriou:

And so, when you want to go off, a little bit off, of a prepackaged, very simplistic design, you need someone to help you with that and to help explain to you what can and cannot be done.

Louis Diamond:

Right. Yeah. And so, a question I wanted to ask you ... You told me about this when we did a preparation call in advance of this, but I think it's a fascinating topic, the idea of shifting from an advisor to a CEO. So you were always the CEO when you were with FiNet. Now it's still your role today as Mayflower RIA version, but how has that role changed? Are you still working with clients and what's been the shift like?

Steve Dimitriou:

Sure. Very simply put, there are so many more moving parts in this world in terms of compliance, accounting, product and vendor management, tech issues, that there's just more demands on my time.

Steve Dimitriou:

I'm very fortunate. I mean technically you're calling me the CEO. My partners and I, we split up all of our real managerial duties, but I'm fortunate enough to have a bit of a background and operational responsibility so that's why I take more and more of that on, whereas my partner Larry, his expertise is absolutely dealing with clients on the advisory side. So we play to his strengths and I play to my strengths in terms of the operational management and oversight.

Steve Dimitriou:

There really is so much more that needs to be done. I have a great COO who's a great partner and helps quite a bit. We want to try and stay on ... I don't want to say the cutting edge, but we don't want to get complacent. We find that if I don't stay involved in some of these things, then there's a tendency to be complacent. I mean sometimes I come in and just act like the ... I'll walk into a room and lob a grenade and say, "Hey, why can't we do this?" or, "Let's go make that happen," and everybody groans and then I walk away.

Steve Dimitriou:

But, really, I miss some of what I was doing on the advisory side, but I wouldn't trade it because this allows me ... Most of my personal clients are institutions and businesses. And so, I am now in a much better position to relate to some of their challenges beyond just the investment advisory services we're delivering, and that makes us a better advisor for them as well.

Louis Diamond:

I completely agree. So I think that is ... And I'm glad you were so honest about that shift, because one of the objections or areas of pushback that we often hear from advisors, especially in a more captive environment, is that they're worried about getting bogged down in the minutia and spending time away from the things they enjoy, which might be the markets or business development or working with clients. So do you think this type of move is possible for someone that wants to stay more focused on the client service versus more of the operational and business operating type stuff?

Steve Dimitriou:

I think you bring up a great question. Advisors are notoriously bad operators and advisors notoriously are hesitant to invest in a business. It's hard sometimes for people to say, "Oh, well, if I bring on that staff, oh, how am I ever going to make up that $100,000 that I'm paying for that staff when you think about benefits of everything else?" instead of thinking, "Oh, okay. Well, with that person, I can grow my revenue $300,000," they focus more on the cost.

Steve Dimitriou:

Over the years, particularly in my time at Alex.Brown and at the firm after that, H. C. Wainwright, I was more in a managerial position where I did a lot of advisor training. The one thing I would always tell advisors and I tell other practices that I come in contact with around the industry, don't hesitate to invest. Don't be afraid.

Steve Dimitriou:

But that's not for everyone. I mean as an advisor, if your absolute passion is working with that client, rolling up your sleeves and digging into the plan, or doing the research on particular stocks for a portfolio, if that's what you're best at, don't get away from it. But just recognize that you're not helping yourself and you're not helping your company if you try to do the operations and CEO stuff halftime, part-time, half-assed, however you want to say it. That is not going to help you.

Steve Dimitriou:

You have to trust people to be responsible to handle that operational side. If that's going to be you, great, then you have to trust people to do some of the other advisory work. Maybe instead of doing all the planning all the time, you bring in a planner to do that part of the business for you, or you bring in a trader to do that part of the business for you. That frees you up to stick to, okay, the operational stuff you do like and the advisory stuff you like.

Louis Diamond:

Yeah, I'm with you. That's a perfect natural segue to the last segment of questions I had for you. So how has your hitch to prospective advisors changed since becoming an RIA versus when you were at FiNet? I expect a lot of your answer you probably just covered.

Steve Dimitriou:

Interesting. So I would tell you that I don't think materially our pitch has changed that much in that, while we were at FiNet and here independent today, we still try to attract our advisors by letting them know that you have ownership and your book is your book. You're not selling your book to us. You have the right to put your book to us, if you want to, if you want to leave the business or go someplace else, but we are not going to sell your book out from under you. It's yours.

Steve Dimitriou:

We also still preach that we're not going to tell people what to do. We'll encourage them. We'll build resources and infrastructure to help them grow and help them grow in a way that we think is more responsible and efficient, but they still have the freedom to make the decisions on how they want to operate their business as long as it's compliant.

Steve Dimitriou:

Where I think the pitch has changed, however, is the fact that our quiver is just so much more broad than it was before. The fact that we can preach true independence now is attractive. The fact that we've greatly expanded our ability to do alternative investments, to look at and seek out specific specialized managers on things like ...

Steve Dimitriou:

Here in the northeast, we have a lot of clients that have concentrated stock positions and that need to be handled in a unique way. The fact that we have that broad ability now to do these things, where going to a simple OSJ or going to another wirehouse, or a regional, that type of flexibility is not there.

Steve Dimitriou:

And so, I think our pitch, the things that made us attractive while we were at FiNet are still there. But now behind that, there's just so much more in the way of technology and product set, it just makes that pitch so much stronger.

Steve Dimitriou:

I didn't mention the technology side of it as well. We've gone to great lengths to build a very good client experience, their own customized portal all branded Mayflower, a few other things that we don't have enough time to get into today. But that too is, again, something that I think is attractive to ...

Steve Dimitriou:

We've had a couple of advisors join us recently, and they're more excited to talk about the tech that they can leverage for their clients that their clients have been asking for. It just makes their lives and their clients' lives easier. It makes it a lot easier to attract assets as well.

Louis Diamond:

One more question on the recruitment side. Has the flow of potential recruits or the possible recruits or acquisitions that you're seeing, has that changed since leaving FiNet? Has it gotten better or worse?

Steve Dimitriou:

Yes. I am about to onboard my third new advisor in the last nine, 10 months. It's changed dramatically. We purposely waited a little while because we wanted to make sure that we felt comfortable that our operations and knowledge of our technology was routine and since we felt like, okay, we really have our feet underneath us.

Steve Dimitriou:

We've been very fortunate. Like I said, we're about to bring on our third advisor. We're opening another office in the mid-Atlantic. Things are really starting to move and happen for us.

Louis Diamond:

How come you think you're seeing more opportunities?

Steve Dimitriou:

Simply put, I mean, one, our pitch, like I mentioned before, the way we talk about people retaining the value of their own book as opposed to ceding it to the company is attractive. We're out there pushing our technology and, at least for us, the unique aspects of Mayflower a little bit more and with more ease than we were before.

Steve Dimitriou:

Again, it was a little bit of a challenge, the last couple of years with Wells, is simply because of some of those Wells bank issues. We had advisors that were very interested, but they just could not get over the hump of explaining to their clients, "So good news. I'm moving your accounts to Wells." Now that discussion is significantly easier for these prospective advisors.

Louis Diamond:

Yeah. Thanks for sharing that. Two more questions before we wrap. So today the firm is over 1.7 billion in assets. What's contributed to that growth? So that's almost 400 million in assets, maybe more, since you left. Aside from the recruitment, what else has fueled that growth?

Steve Dimitriou:

Sure. That's just on the wealth management side of the business. Our retirement plan consulting side is another, call it, probably three billion or so, and that continues to grow as well.

Steve Dimitriou:

Certainly some of the recruiting is part of that, but, frankly, those assets are only now just coming online. Our average client size has definitely been accelerating. Our average new client size is ... I wouldn't call it double what it was before, but it's significantly larger.

Steve Dimitriou:

Part of that is, again, because of the services and the product set that we're able to offer is just ... We're getting more wallet share from clients, as well as clients that were looking for some unique things that they can't get maybe with either some other independents or weren't able to get with, for example, their wirehouse advisors. Those have been the driving factors for us.

Steve Dimitriou:

We're also doing more and more ... When I think about where the business is going, we are adding services, like more of the family office type of services as well. Again, that type of flexibility to do that in the independent space versus being a captive advisor at a much larger firm, those type of services are definitely attracting a different set of clientele as well. Our clients, frankly, are referring us more to other prospects than they were before.

Louis Diamond:

That's exactly what you hoped would happen when you were whiteboarding the plan. So I'm sure you're pretty gratified that everything's came full circle.

Steve Dimitriou:

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Yeah. It's what you write down and you go, "Boy, I really hope that happens," but it is. It's working out that way.

Louis Diamond:

Last question, something we ask everyone who comes on the show, any parting advice for advisors who are considering change?

Steve Dimitriou:

Yes. I would say don't rush into things and, above all else, don't do it or don't go for the money. Seek advice from others beyond just the recruiters and the salespeople, particularly even the salespeople for the products, for the tech stuff that you're looking at, because, I referenced it earlier, it's all of those little things that the recruiters and salespeople either don't know or are a little hesitant to tell you about. It's those little things that make the difference in the transition, in your ongoing operations going smoothly.

Steve Dimitriou:

The other thing I would say too, put in the effort upfront before any transition to organize your data. Go far beyond name and account number. Think about things like, hey, does this client have ACH? How many trustees are on this account? Because we need to make sure we get all that paperwork. Does my new custodian require background checks on those trustees? What about beneficiaries? Account types? Do they have periodic investment program?

Steve Dimitriou:

Get all that stuff lined up ahead of time. The more data you have and the better organized it is, the smoother the transition will go. When you find something that you missed, which you will, if you have the data, you can easily address and remedy those issues.

Steve Dimitriou:

Our transition took us the better part of a year to get past, and I would even argue year and a half to get past. I mean we now feel like we are on absolute solid ground. We understand our systems, our capabilities, the pitfalls very well, but it takes time. The more prepared you are with your data and the more organized you are upfront, the easier it is to adjust on the fly, the easier it is to accomplish whatever it is you're trying to do.

Louis Diamond:

Very well said. Lots of good nuggets there. Steve, thank you so much for spending time with us today, and just for your candor and transparency. I loved all the specifics you're able to share. I think your operational background and just your vantage point on the business was particularly refreshing. So thank you again.

Steve Dimitriou:

Thank you. It's my pleasure. I really enjoyed it.

Mindy Diamond:

Steve's story is one that demonstrates how both the business and the individuals who build it grow and evolve over time. As the leader of the firm, Steve made the tough decisions required to steer the ship in the right direction, even if that meant changing the course along the way. That landed Mayflower Advisors on terra firma, in a land where they can serve clients and grow their business as they see fit.

Mindy Diamond:

I thank you for listening, and I encourage you to visit our website diamond-consultants.com and click on the tools and resources link for valuable content. You'll also find a link to subscribe for regular updates to the series. 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 to stay informed about what's going on in the wealth management space without expending the energy that full on exploration requires.

Mindy Diamond:

Feel free to email or call me if you have specific questions. I can be reached by cell at 973-476-8578 or by email at mdiamond@diamond-consultants.com. Please note that all requests are handled with complete discretion and confidentiality. 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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