



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View. It's a conversation with Louis Diamond and Kelly Milligan, managing partner of Quorum Private Wealth. I'm Mindy Diamond and this is Mindy Diamond on Independence.

Mindy Diamond:

This podcast is available on our website diamond-consultants.com, as well as Apple Podcasts and other major podcast platforms. If you are not already a subscriber and want to be notified of new show releases, please subscribe right on your favorite podcast platform or on the episode page on our website. For Apple 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.

Mindy Diamond:

When you have clients with complex needs, it can be difficult to serve them from within a large firm. Because at the end of the day, the big brokerages have little choice but to set rules to govern thousands of advisors in a way that is profitable and efficient. And making concessions to special requests, while many veteran advisors will share was practice in the past is something that rarely, if ever, happens today. It's a scenario experienced by even top of the food chain folks like a former chair of Merrill's advisory council to management, or known as ACTM. And in this instance, we're talking about Kelly Milligan, who was a member of the ACTM from 2015 to 2018, serving as its chair in 2017.

Mindy Diamond:

The advisory council was established as a conduit for advisor feedback at Merrill Lynch to management on issues surrounding the direction of the wealth management business, its compensation and practice management. As a result, members of this illustrious council are privy to inside baseball on Merrill's direction, oftentimes well before their colleagues. But as Kelly shares, the group acts as an advisory council, not a decision council. And therefore, while input may be provided by the advisory staff, the actions and policy mandates may ultimately not reflect as such.

Mindy Diamond:

Regardless, being a part of the ACTM is prestigious, and chair even more so, and is reflective of Kelly's extraordinary career over more than two decades with this firm. He started from ground zero and built the business along with partner Mike Barry and their team to over a billion and a half dollars in managed



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

assets. He credits Merrill for providing the right environment to build and grow their business, which caters to corporate executives, business owners, and professionals.

Mindy Diamond:

But over time, the culture at Merrill changed, and their ability to serve the specialized needs of their clients was met with many more nos than yeses, as Kelly put it, “The merger with Bank of America created a culture that shifted from one being focused on accomplishing things for clients to one being focused on eliminating risk to the firm.”. So what happens when you're limited by what you can do for your clients? You need to make a choice. Live with the status quo or consider a path that would expand your ability to serve clients and grow the business on your own terms.

Mindy Diamond:

And Kelly and the team chose the latter. In April of 2021, they left Merrill to launch Quorum Private Wealth in Walnut Creek, California. With the support of Sanctuary Wealth, the platform founded by former Merrill alum, Jim Dickson. In this episode, Louis and Kelly talk about life in the pre-Bank of America days, the shift in culture, and the impact on business. Kelly discusses his role on the advisory council and how that experience shaped his thinking. They explore the choice to go with Sanctuary, to build Quorum, and the other options they looked at, their journey since the launch, and their vision for the future, plus much more. So let's get to it.

Louis Diamond:

Kelly, thank you so much for joining us today and sharing your story.

Kelly Milligan:

Oh, you're welcome. Happy to be here.

Louis Diamond:

Perfect. So why don't we start off, if you can tell us about your background, and how you found your way into being a financial advisor in the first place?

Kelly Milligan:

Sure. So I went to UC Berkeley undergrad, got a degree in economics. And then following that became a litigation consultant. So we would prepare damages calculations for attorneys that were involved in massive litigation. Then we would provide expert witness testimony as to our findings. And so I was very comfortable talking with general counsels and CEOs and CFOs in that capacity. And then the day that I made partner at that firm, I left and joined Merrill Lynch in January of 2000. Along the way I earned an

Note: This is a transcription of a spoken word dialogue and as such there may be errors and/or omissions.

Page 2 of 22



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

MBA and a Juris Doctorate at UCLA as well. But my career previous to Merrill was as a litigation consultant.

Louis Diamond:

And how come you made the move into being an advisor?

Kelly Milligan:

Well, I realized that being a litigation consultant was a very narrow field. You have a very highly specialized set of skills, and a great day being a litigation consultant would be winning a case, and you add \$100 million to the bottom line of some giant corporation. But now I sit across the table from my clients, and a great day is telling them that they can retire with the lifestyle they want, or they can send their kids to the college that they want, or they can buy a vacation home that they've always dreamed about. So it's just a much more satisfying outcome in the day-to-day work.

Louis Diamond:

That was the “why”, and clearly based on the substance of the rest of your interview, I think you made the right call.

Kelly Milligan:

I think so too.

Louis Diamond:

So you started with Merrill right in the year 2000. What was it like starting a new career during the height of the dot-com crash?

Kelly Milligan:

It actually turned out to be a great time to start. And that is because I didn't have any clients, so I didn't cause any financial distress for anyone by investing their money at the peak of the dot-com bubble. And everyone was open to another opinion, and they were open to another call. That was also a nice time because it was before Merrill had instigated a relationship management tool where they prohibited teams from calling or advisors from calling anyone who was involved in a liquidity event. Back then it was the wild, wild west. You could call whoever you wanted. So I would call CEOs and CFOs of companies because no one said that I couldn't. And I had an opportunity to pitch to them along with 600 other people. And then I would keep calling them and keep calling them and keep calling them until I heard a no.



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

Louis Diamond:

I like it. Persistence. Let's talk about your business at Merrill. Let's talk about the time period. We're going to talk about kind of that data capture point right before you guys moved. So what did the business look like as far as number of advisors, folks on your team, client assets, or any other metric you care to share?

Kelly Milligan:

So we had about a billion and a half under management, although that is a qualified number because Merrill counts liabilities as assets, which is a strange way to do it. We have eight people on the team, four financial advisors, and four client associates at the time. And we had about 150 family units, I would say. So often we work with multifamily clients. So we might have mom and dad and sons and daughters. So we probably had about 250 rooftops that we interact with, but I'd say 150 households.

Louis Diamond:

Congratulations. That's a heck of a business. And makes sense why you kind of elevated to where you did. But I'm curious, what was your secret to success to becoming a nationally ranked Forbes advisor in fairly short order? So, 20 or so years at Merrill before leaving and building such a successful business. What led to your success? What was your secret to getting to where you were?

Kelly Milligan:

Well, I would say being focused on a specific client set. We were pretty judicious about the clients that we wanted to serve. So we really now, as then, only serve three kinds of clients. And those are executives at public companies, business owners and entrepreneurs, and professionals, doctors, dentist, lawyers, CPAs, consultants, investment bankers. And we really wanted to deliver to them a very high touch service model that took complexity off of their plate.

Kelly Milligan:

So, so many of these people have this commonality of typically very complex financial circumstances. They may have trusts; they may have philanthropic goals. They may be borrowing money. They may be investing money. They may have their own businesses. A lot of complexity to deal with. And they just want a team to take that, be proactive about what they should do, and allow them to focus on what made them wealthy in the first place. And that's the model we have run from the beginning. So our clients tend to be larger, more complex, and we love it because there's more challenge and every day is different.

Louis Diamond:

Note: This is a transcription of a spoken word dialogue and as such there may be errors and/or omissions.

Page 4 of 22



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

Yeah. And I love the focus on the specific segment of clients. I would assume too, and we'll talk about it in a little bit, but that probably did help your marketing message as you were going independent and trying not to be all things about people. And focusing more on what makes you unique probably helps with capturing referrals. And appreciate you sharing part of your playbook. So what were some of the best parts of being a Merrill financial advisor over the years? That's the first part of the question. And the follow up would be, did that change as time went on? Did what it meant to be a Merrill advisor change?

Kelly Milligan:

Well, we always told clients that anything you can conceive of doing financially, you can get done at Merrill. I mean, it is a big firm with big firm resources. You can confidently represent that and generally deliver that. What changed over time? Well, one thing, and I'm sure we'll get into this, that changed over time was they implemented this compensation system called growth grid, which was certainly detrimental to our business model. Growth grid said that if you don't grow by a certain number of households per year, per FA on the team, then we will penalize your grid.

Kelly Milligan:

So for a team like ours that had four financial advisors, we had to grow by six households in the first version of this. And it iterated over time. We had to grow by six households per FA on the team. So if we got 24 new households, we "won" one growth grid. If we got 23, you lose growth grid. So it's a cliff. And so that really caused us to kind of erode the type of client that we were looking for. It shifted from one of those three segments to really any client we could bring in the door. Because we got to have 24 clients at the end of the year to win growth grid. So we literally found ourselves onboarding a \$251,000 client that would buy CDs. And we were looking at ourselves going, what are we doing here? This isn't doing that client any favors. It's certainly not doing our staff or us any favors. But that was the game.

Louis Diamond:

Interesting. So outside of growth grid, were there other things about being an advisor of Merrill, because people speak very highly about what it was like to be a Merrill advisor, certainly before the B of A merger, did you start seeing some changes, outside of growth grid, that led you ultimately to want to change?

Kelly Milligan:

Well, originally Merrill was a very, I would say, entrepreneurial firm. They would encourage you to seek new ways to help clients. And you could generally get business decisions made rationally, and kind of the north star is your client's wellbeing. And Merrill's principles started with clients first. And then after



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

the merger, there was a new set of principles that did not start with clients first. And the environment shifted to being one of let's make sure that we are accomplishing things for our clients to-let's make sure we are minimizing, and even better yet, eliminating risk in the business. And one of the best ways to eliminate risk is to not approve anything. Not do anything. Easiest to say no, and then there's no risk in that decision.

Louis Diamond:

Right. I definitely see how you're a very focused business that was on more complex clients. You probably needed more exceptions than the norm because of the complexity of your client relationships. So I definitely understand, at least the makings of, some of your frustrations that ultimately led to your team's decision to leave.

Kelly Milligan:

Absolutely. When you have to call 10 times, and you hear no, no, no, no, no. And then on the 10th time you hear yes. We actually kind of prided ourselves as being a team that's willing to do that. Willing to go to the mat and make that call 10 times because we know it's right for the client, and ultimately we would get the yes. But can't we just circumvent all of this and agree that the yes should be the first call, and how do we help the client?

Louis Diamond:

Yeah, absolutely. So one of the reasons I was most excited to interview you today was that while at Merrill you had the major, major honor of serving as the chair of Merrill's advisors counsel to management, or ACTM. For those non-Merrill listeners, can you explain what that is and why it was such a prestigious posting at the time?

Kelly Milligan:

Yeah. So Merrill has a council of 13 advisors selected from among the 15 to 18,000 advisors that they have, that is representative to management of the financial advisor population. So we were really kind of a body that weighs in on policy decisions. And really provides management with the perspective of financial advisors. And the way we threw weight behind that is we had an open call line or email inbox that was staffed by the members of the ACTM, and always responded to, where we'll accept any and all comments, complaints, criticisms, and source those to the right person. So we were really kind of the conduit between management and financial advisors to get answers about policies.

Louis Diamond:

Very cool. It sounds like you're almost like a member of Congress.

Note: This is a transcription of a spoken word dialogue and as such there may be errors and/or omissions.

Page 6 of 22



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

Kelly Milligan:

Exactly. You really are. Because it's regional. They try to divide the representation up sort of by region.

Louis Diamond:

It's similar to being a member of Congress. There's a lot of noise to cut through, but at the end of the day, your mandate is to try to drive change. And clearly your peers talk highly enough of you to put you in that role. So congratulations. I know many, many advisors try to get on the council, but don't. But I'm also curious, because you had this ACTM lens, did you get a sense of certain changes that management was trying to implement or different things that were coming down from the pike that gave you unique information, or dare I say, inside information about where the firm was headed? So maybe it was double edged sword that you had this role?

Kelly Milligan:

Well, I think we learned that there are certain policy decisions that we are advising on and certain policy decisions that we are informed of. And an example of policy decisions that we're informed of are largely compensation decisions. If they have to make a compensation change, they're going to inform us. And we can object all we want. But ultimately if the mandate is, look, you got to take \$150 million out of labor expense, they do it. And we can tell them, well, the reaction is going to be visceral all we want, but ultimately we're the advisory council to management, not the decision council for management.

Kelly Milligan:

Something like the name change to Merrill, which in my opinion was confusing. The first time I heard about it, I asked, "You mean Merrell, the shoe company?" So I think we were pretty vocal about this is confusing, and we're kind of obfuscating Merrill Edge with Merrill Advisory, and there's a huge expense to this. Why would we give up on a name that we spent over a century building and branding? And they were like, "Okay, great. Thank you. Your reaction is noted." And the next week, it was like, "Guess what? We're changing to Merrill." Some things are informational.

Kelly Milligan:

Some things we did affect policy changes on. So for example, if we wanted a certain report in our reporting package, we could explain the reasons why they should prioritize that, and try to get that to be higher in the work list than other items. So a lot of the times we would have influence in prioritization of strategic projects that Merrill Lynch was working on.

Louis Diamond:



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

Very interesting. Did you see the power or the influence of your ACTM cohort, did it changes time went on? Or was it relatively consistent with the inform versus advise on paradigm?

Kelly Milligan:

Well, I thought it was consistent. I mean, the council was very well regarded. And we had the ability to call before us everyone in leadership, from the marketing group to HR, to legal. We even had Brian Moynihan come join us one year, the CEO of Bank of America. So we really got to see how the sausage was made. And I think that still is true. But I think also there are some decisions that they are looking for ACTM blessing on because it's just kind of easier to sell it to the advisory division once you have that. And there are some things that they are just not interested in, in a blessing. It's happening, it's a policy decision already made.

Louis Diamond:

Right. So how about the concept of this inbox or the helpline that advisors could reach out to? Did you see consistent themes in the reasons advisors would reach out? And did those themes change tenure on the ACTM increase?

Kelly Milligan:

I think there was a consistency throughout my tenure in that it's just so wide ranging. I mean, the stuff that comes into the inbox is everything from, "Guys, I don't know where to go for a new business opportunity. Can you help me?" To, "Boy, this new compensation system that they're rolling out, I have objections. And here are my 37 objections." And everything in between. So I think that doesn't change. And the council, I mean, it is a second job. It is completely unpaid, and it should be unpaid, but it is a lot of time. And the people who do it are very, very dedicated. And it was an honor to be part of it, for sure. But I would say the types of questions that we got were the same year after year after year. There was just different policy decisions that were being contemplated and reacted to.

Louis Diamond:

You're kind of analyzing the state of the Merrill advisors, kind of the overall sentiment, which I think naturally you get a perspective on in that role. When you left, and you gave up the ACTM chair title, how would you describe the overall sentiment of the company, and especially of the advisor ranks?

Kelly Milligan:

Yeah, I think advisors are seeing more and more the influence of Bank of America manifest itself in terms of risk control. And I would express it as Merrill Lynch was a firm that for 110 years strived to help advisors manage risk for clients. That's their job. And Bank of America is a firm that seeks to eliminate



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

risk. You can't do that. Every business decision, every time you try to do something for a client, that has risk in it. But I think advisors are feeling more and more this environment that, I'll give you an example of a couple of things that really drove our decision to leave.

Kelly Milligan:

One was that in May of 2020, we were told by management that the agendas that we prepare, so we would type up a word agenda of everything that we could think of to talk about for a particular client when we have them in to do an account review. We've been doing this for 22 years. In fact, Merrill flew us, my partner and I, around the country as part of their optimal practice model to expound the virtues of detailing what client meetings are about and preparing agendas. They told us in May of 2020, so those agendas that you've been preparing, those will now require management approval before you send them to clients. And that will take two weeks.

Kelly Milligan:

And we're like, "Well, in two weeks, all the data that we put on those agendas is going to be stale. You're effectively telling us that we can't prepare these agendas." And they're like, "Well, that's the policy." I went right on the SCTM inbox and said, "Guys, is this true?" I mean, I went all the way up to the top. And they were like, "Nope, that's the policy." And we're like, "That is antithetical to the process of communicating with clients. And that's the opposite of communicating with clients." That was just mind blowing to us. That's an example that affected us that is kind of descriptive what the FA population is feeling now. It's just an environment that is more about eliminating risk to such an extreme that it compromises clients first.

Kelly Milligan:

Another example, we had a client who had over \$10 million with us on deposit. This client had been buying condominiums in Santa Fe, New Mexico. Had bought five of them and rented them out. Cash flow positive. And for each condo, they would get a small mortgage, about 50% loan to value, and just put a little leverage on it. That's the way that they liked to do it. So this gentleman was an executive at a biotech company. Retired. It was a biotech company that we ran their deferred comp for the corporation. He had about \$2.3 million in this deferred comp plan, in addition to the 10 million he had with us.

Kelly Milligan:

He retires. He moves to Santa Fe, New Mexico. They do condo number six. And the bank, after three months of trying to evaluate a \$200,000 mortgage for a \$400,000 condo, denies them. And we go back and forth and back and forth. And they're like, "Look, we're unequivocally denying this client." We're



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

like, "Well, they have this deferred comp plan. They're going to get \$230,000 a year just in income from that." "Oh, we don't count deferred comp. That counts as a zero." "Okay. How about the income that they get from the five condos that they have loans through you with? You can verify that." "We don't count those because those are too new. You don't have a long enough income stream to count. We'll count all the debt against you, but we won't count the income." "Well, what about the assets that are on deposit?" "Oh, some of those are IRAs and qualified money. We have to discount all of those down to a factor."

Kelly Milligan:

So they basically denied him for lack of income. The guy has \$10 million with us and a \$2.3 million deferred comp plan. So they were like, "Kelly, this is insane. We love you and your team, but we're leaving Merrill because this is nuts." And I was like, "Look, I agree with you. This is crazy. It's this environment of risk elimination." They said on the way out, "Anything we should do on our way out?" And I said, "Let me give you an email for Brian Moynihan. And you should just email him about your experience. And don't be inflammatory. Just tell them factually what happened."

Kelly Milligan:

So they wrote it very factually. The next day, loan approved. After being unequivocally denied, the next day loan approved. And it's like, Brian Moynihan is now the underwriting department? I mean, that's how we're treating ultra-high-net-worth clients, like that? So it's just the environment has, I think, changed to such one of this myopic focus on eliminating risk, which is irrational, that it's very, very difficult to deliver the type of client service that we think our clients deserve.

Louis Diamond:

Yeah, it sounds that way. And that's usually the straw that breaks the camel's back. We normally see a lot of different issues kind of bubble up when there's compensation plan changes, similar to the growth grid that you talked about, or where certain policies, which are annoying and inefficient. But when you start losing clients, or you start losing the ability to prospect for the types of clients that you want, that's usually a light bulb moment for teams of advisors.

Louis Diamond:

And so I wanted to spend the rest of the interview talking about the launch of Quorum Private Wealth. But real quick, just one last question on kind of your views on Merrill. Can you just comment on Merrill's overall strategy right now? So very publicly, they're not looking to recruit many experienced advisors like your team, and they're still part of protocol, but definitely focusing the business in a different way. Can



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

you just comment overall on where you see the company headed, and whether you think it's a positive or a negative?

Kelly Milligan:

Well, the overall strategy of Merrill, I think only Brian Moynihan really knows what that is. And I can only guess. But my guess in looking at the policy decisions the firm has made is that they want to be the Starbucks of investment management. And by that, I mean, they want to get to a state where if you walk into a Merrill Lynch office, or a Merrill office, or Bank of America office, in Miami or New York or San Francisco or Kansas City, you're going to get exactly the same advice and exactly the same model delivered in exactly the same way.

Kelly Milligan:

And if that were your strategy, the first thing you would do is stop hiring experienced advisors because they're not going to do that. They're going to create bespoke investment policies for clients as they have always done. The second thing you would do is train new advisors on really bank products and bank models, which they have done. And so eventually you just play a waiting game, and you wait for experienced advisors to either retire or die or leave. And then you are left with a workforce that is trained by the bank to sell a very limited number of specified firm run models. And what happens is your risk goes to zero because it can all be monitored. It can all be documented.

Kelly Milligan:

So it's far more profitable for the firm to get 1,000 \$100,000 clients than it is to have 100 \$10 million clients. Far more profitable. Because you can sell how many auto loans and credit cards and bank accounts and checking accounts and mortgages can you sell to 1,000 \$100,000 clients. It's way more profitable for the firm. And the risk is so much lower. And I think that's the direction they're taking. At least all the policy decisions they've made points to that assumption.

Louis Diamond:

I think it's a fascinating commentary. I mean, it sounds like it's a pretty brilliant strategy. And if you're in one of your MBA classes and studying a company, sounds like a pretty good idea. But I certainly understand why an experienced, very high-end advisor like yourself started to see some issue with the approach and kind of the way the firm was headed.

Louis Diamond:

So perfect segue into talking about your due diligence process that ultimately culminated in the launch of Quorum Private Wealth in April of 2021. So you ultimately launched in partnership with Sanctuary



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

Wealth brand, Jim Dickson and Vince Fertitta, ex-Merrill executives. But curious, up until you committed to Sanctuary, what did your process look like? What types of firms or firms did you consider, and why did you pick Sanctuary?

Kelly Milligan:

Yeah. Well, I would say our process actually started with a team meeting we did. So every six months we take our team offsite. And we sat down with the whole team, and our senior partner led us through this exercise of he had one white board. And he said, "On this whiteboard, we're going to put down, we're going to list, everything that we love about now working for Merrill. And on this whiteboard, we're going to put down all of our pain points." And so the team just started going at it.

Kelly Milligan:

And the first whiteboard, we got about three quarters of the way down the page of a lot of great things that there are about Merrill. It really is. I mean, I owe Merrill a lot. I mean, I spent 22 great years there. They do integration really well. And by that, I mean they integrate banking and wealth management together very well. Their technology is fabulous. Integrated. All works together. I wouldn't say it is maintained and updated well, but it all works together. Firm has a big brand name that is pretty well recognized, and the people there are really good people. I loved my Merrill colleagues. So there's a lot of good things that filled the first whiteboard.

Kelly Milligan:

The second whiteboard, we had to cut it off at four pages of pain points. I mean, big picture stuff like the way the firm is dealing with risk, to nitty-gritty tell me why I need to take a firm mandate that explains what a bank teller in Singapore has to do for a new client. I mean, why do I have to take that firm mandate? Not to say that now I don't have to take firm mandates. Sanctuary has that too, but they're rational at least. So that's where it started.

Kelly Milligan:

At the end of that exercise, we said to the team, "Look, we don't know if we should leave or not. But I think after this exercise, we owe it to ourselves and we owe it to our clients to go kick the tires and see what's out there. And be resolved to accept that perhaps the grass is not greener elsewhere. We have to be willing to come to that conclusion too." So we started first with the other wirehouses, the Wells Fargos and the Morgan Stanleys and the UBSes, and we took maybe a couple hours to dispense with that notion because that just seemed like a big lateral to us. Certainly they would pay you a check to come, but you're still working for generally a big corporation with their own agenda that's going to make the same type of irritating policy decisions that the current corporation that we're working at is making.



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

Kelly Milligan:

So then we looked at a regional bank. And we were very close with this regional bank that offered banking as a very positive experience. And we were like, "Well, if now we are experiencing banking as a giant client negative, let's at least go to a benign bank that turns banking into a positive." And we were very, very close to signing. But two things prevented us. The first was that for some odd reason, the bank was unwilling to let us market ourselves or represent ourselves as a team. They're like, "Nope, you're all part of this bank. And we'll put your face out there, and you're part of the bank's army now. So even though you're a team and you've always been a team, you're not going to represent yourself in a team website." So we just thought that was odd.

Kelly Milligan:

And then the second thing was the translation to that bank was very poor. Meaning that we use a lot of managed money, separately managed accounts. So we wanted to make sure that any managers that we used would be available at the firm we went to. We didn't want to hand clients a big tax bill for the privilege of joining us at our new venture. So it was a very poor translation at that bank.

Kelly Milligan:

So then we looked at other firms like kind of a Rockefeller type of firm. And our challenge there was that, again, the translation was low. Again, you are a W-2 employee, and it's a big recognizable name, but I don't know if their policy decisions are going to be any different than anybody else's policy decisions. You're an employee.

Kelly Milligan:

So we went through all of that exercise and finally came to the conclusion, gosh, our biggest challenge is that we don't want to subject ourselves to irrational policy decisions that can interfere with our ability to help clients. Should we look at independence? Maybe that is the route. And so from there we started looking at firms like Dynasty and Focus and Sanctuary. And so Dynasty, we just thought that was a kind of a bridge too far. Our perception of Dynasty is that they help you create an RIA. That means you have to hire your own compliance officer, and you have to provide your own platform and back office and technology support and supervision. And we didn't want to be in the business of creating a whole back office. We were happy to pay for that and have someone do it that does it well.

Kelly Milligan:

Then we looked at a firm like Focus Financial. And the challenge with Focus is that they required an up front agreement to sell part of your firm to them. And we just felt like, boy, we don't even know what our firm is. We've never been independent. We've never lifted it out. We don't know what that looks



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

like. So how could we now make a decision to sell something that we don't even know what we have. Not to mention the asymmetry of information there. Focus has done 100 transactions in the last year and we have done zero. Who's going to win in that transaction? So we decided against them.

Kelly Milligan:

And then we found Sanctuary. And the argument for Sanctuary was, number one, it was founded by people from Merrill Lynch that I knew because I worked on the ACTM. But more importantly, they knew the Merrill platform. They knew what environment in which we had operated so they knew what we expected. And they knew all of our pain points. So they worked intentionally to solve those pain points and provide an environment where, getting back to my I got to make 10 calls to get to the yes, I pick up the phone now calling Sanctuary, and there's a person on the other end of the line who says, "Yes, that is the right thing to do for a client. Let's figure out how to get that done."

Kelly Milligan:

So it's just much more of a rational policy, making decision making process. They're actually partners in the business as opposed to adversaries. And then the translation was extremely high. So we were able to engage all of the managers that we used at Merrill. Almost all of our alternative investments came over. All of our structured notes came over. The platform for structured notes here is way more robust. Just a lot of positives in the transition process that made it not only easier, but a pretty compelling value proposition pickup for clients.

Louis Diamond:

So Kelly, it seems like you took almost a reverse course to independence. Many teams that we engage with, they'll start off saying, "I want to be a business owner." That's their saving grace. They'll never even consider another wirehouse or bank owned firm. So is it fair to say that you weren't always thinking about being a business owner, but that when you looked at the independent landscape, you found a partner like Sanctuary, that you got a light bulb moment. And it clicked that in order to accomplish what I need to for clients, because of my own goals and our team's goals, we really need to be independent in order to accomplish this. Is that a fair characterization?

Kelly Milligan:

Yeah, I think that's it. It's we started with not "what is our experience as advisors?" because we felt like our job is to be a buffer between the firm and clients. And if there's ridiculousness and challenges from the firm, our job is to smooth those over and then deliver to the client a five-star experience. So, we started from the lens of are we now at a firm that delivers the best possible client experience? Yes or no. And I think the independent space, and Sanctuary in particular for us, was the answer to this is the best



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

it can be. We can offer objective advice. We have true business partners that can help us achieve client outcomes. We have robust technology platform. We have all the same supervision and compliance that is rational and client focused. And so if we can deliver that, it's kind of our north star. If we're trying to get to a better client experience, that's why we ultimately got to the decision for independence.

Louis Diamond:

Love it. And I think your analysis of the different platforms you looked at was I think pretty spot on. But a different advisor, who went through the same process, may have called out some deficiencies in Sanctuary, for example. And their north star may have been things that another platform's able to offer. So for instance, looking at a company like Dynasty, with having more control and freedom than you would in a shared ADV model, that may be what a team thinks they need in order to serve their clients best. So we always say there's no perfection in any move or any platform. There's give ups and tradeoffs across the board. But it seems like for you, you found the right partner and just happened to be in the independent space.

Kelly Milligan:

Yeah. Look, if you want to hire your own compliance officer and have control over that, this is not the right model for you. Sanctuary is not the right fit for you. You're not going to be able to do that here. To us that always seemed like a conflict of interest. Who pays the salary of that compliance officer? Whereas now we can say, look, one thing we really enjoyed at Merrill was the fact that there was a robust compliance and supervision infrastructure that protected clients. That's a benefit. We liked compliance. We comply with compliance. Hopefully it's not unreasonable or obstructive compliance, but even then, we buffer the client from that and we comply. We like that.

Kelly Milligan:

So we wanted to find a firm with the same infrastructure so that we could represent to clients we're starting with safety and security. That's where it has to begin. You're coming from Bank of America. You can assume safety and security. With us, the first place we're going to stop is the choice of our custodian. We chose Pershing, which is a larger custodian of client assets than is Bank of America. So you pair that with the compliance and supervision that you get from Sanctuary, which is derivative of Merrill Lynch, because all the people who provide that came from Merrill Lynch, clients get the same level of safety and security, if not better, through Quorum Private Wealth.

Louis Diamond:



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

Very interesting. It seems like for how much you likely are paying a platform like Sanctuary, that there has to be more services you're deriving other than just the back office. Can you explain maybe some other areas that Sanctuary helps your business?

Kelly Milligan:

One of the intangible areas is the culture that Sanctuary has created that I really didn't expect. I mean, that independence would be this very cloistered, very individualistic environment in which you really don't have interaction with colleagues. And the opposite is true at Sanctuary. So, Jim Dickson has created many opportunities for advisors at the different partner firms to get together, to share ideas, to help each other on their businesses. He's actually kind of recreated an advisory council, which I'm a part of. So there's a lot of interconnectedness in the firm. And I think that is very valuable.

Kelly Milligan:

There are also resources at Sanctuary that are somewhat unique. They have a global family office that we have partnered with that offers a variety of services to ultra-high-net-worth families. Everything from pre-IPO planning to family governance meetings to day-to-day bill paying or staff management. Something very unique for an independent firm to be able to offer. And Sanctuary brings those resources to all of the advisory firms as part of their package.

Louis Diamond:

Yeah, it sounds compelling because, as an independent, nothing stops you from building a back office or creating a family office, but it's more about do you have the scale and the desire to hire and kind of build that yourself? Or as your team decided, let's pay to outsource it. And probably we can make more if we did it on our own, but it also would take valuable time and energy, which seems like you want to pour into actually running the business.

Kelly Milligan:

Well, that's the thing is you can decide to maybe save a few bucks and hire your own compliance officer, which you have to meet with and monitor and hire and supervise. And we would just rather spend that time finding our next client.

Louis Diamond:

Absolutely. And how about the transition? So how did it go? I would assume you sent shock waves through Merrill when you left. And we hear stories about what Merrill has been doing to try to retain clients. So how did that go? So what sort of transition portability did you have? And what did the pitch



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

sound like when you called up your top client when you left? What did a sound bite from that conversation... Just if we can get an inside look into, that'd be very helpful.

Kelly Milligan:

Well, first of all, I'm humbled by the idea that we sent shock waves through anything. I don't think that's true. Merrill loses advisors every day. So, we are one in quite a multitude. But the transition went well. 91% of our clients that we wanted have joined us. So that is fortunate. We're still working. There are a few folks that haven't joined us that we would really have hoped would've joined us. But I would say, overall, the transition went well.

Kelly Milligan:

I cannot understate the amount of work it is. Transitioning to your own firm is a lot of work. We spent 22 years setting up client accounts and all the paperwork that goes along with that. And all of the loan accounts, all of the infrastructure, all of the stenciling and titling, I mean that is a lot of documentation, and you're trying to recreate that in four months. So just be prepared. It's a lot of work.

Kelly Milligan:

But it's also an opportunity to reconnect with your client. We decided that we would adhere to protocol and take the five pieces of information that protocol allows. And I would recommend that highly of every advisor that is contemplating a change. Protocol is a gift. Take those five pieces of information and nothing else. And then go call your clients, explain your reasoning, why you left, and collect the other information that you need at that time from those clients.

Kelly Milligan:

So you asked about what our pitch was, what our calls went like with clients. First, shock, we were a pretty entrenched team at Merrill, and we did not call any of our clients ahead of time. You should never do that. That's not allowed, and it's not part of protocol. And I think you owe your employer a duty of loyalty up until the second that you resigned. So we didn't call any of our clients ahead of time. We called them on the spot, and told them, "Look, we actually left seven figures of deferred compensation and hundreds of thousands of dollars of startup costs to make this new firm. Why did we do that? Because we know in our heart of hearts that we can deliver a better client service experience for you that is conflict free, that has rational businesspeople in the back office, making decisions guided by the notion of client first. That's why we did this, and no other reason. Because believe me, it's a lot of work. And if we could've avoided it, we would've. But we made the decision purely for clients." And that resonated very well.



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

Louis Diamond:

So, I'm curious that the clients that still haven't come, you mentioned the 9% or so that you wanted to come that are still at Merrill presumably, what was their reasoning for staying behind?

Kelly Milligan:

So couple of them were stapled to the bank with banking, which is sad. I mean, we have told every client, "Look, if you love banking at Bank of America, keep banking at Bank of America." I mean, they are a good global bank. "If you want to work at Chase, we're fine with that. If you want to work at Wells Fargo, fine. Do your banking wherever it suits you. We can connect to it. We can complement it. But we're not a global bank and we're not going to continue to be your tellers when really, we shouldn't be doing that work." And so a couple of clients stayed behind because they just were married to the integration of banking and wealth management, which is the firm's strategy. But it's not as persuasive as the relationship that you have built with these clients most of the time.

Kelly Milligan:

A couple other clients are just super slow. I have one that was originally kind of laid down by COVID, and then he's been traveling to India. And has just taken a long time. And he's a slow decision maker to begin with. And then I have another client that is a corporation whose corporate benefit plan takes a board resolution to move. And so they are going to be transitioning in August. It's been more than a year. That happens. So for various reasons, there are the stragglers. But on the flip side, we've had 26 new households referred to us that we didn't have at Merrill. And that part has been really something. The referability goes way up.

Louis Diamond:

How come?

Kelly Milligan:

Well, I mean, part of it is that clients hear how passionate you are. You've recommitted to the business. You have a new tool set. You're excited, you're enthusiastic, you're engaged. So there's that aspect. And because you are re-profiling them, it's an opportunity to say, "Oh, so give me your family tree here. What are your parents doing? What are your siblings doing? Do they need a second set of trained eyes to look after their financial affairs?"

Louis Diamond:



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

Very interesting. I got two more questions for you. So, the first one, can you just give me one positive and one negative on that's been a surprise about being independent? We'll say one unexpected positive and then one negative that you did not anticipate beforehand.

Kelly Milligan:

Well, I would say one positive is to learn how many policies were really just Merrill policies made up by Merrill, actually not SEC rules or FINRA rules. So, I'll give you an example of that. At Merrill, if we had a client who took an overseas assignment, say had to go to the UK for their company, you have to give that client up. You have to give that client to what's called the accommodation unit. People who have never met this client before, don't know anything about them. They're removed from your book, and you are completely detached from that client. You basically have to fire that client.

Kelly Milligan:

And Merrill took the view, and I think it was really reinforced by Bank of America that, hey, that's a different legal regulatory risk structure. And you as an FA are not equipped to deal with that client in that regulatory risk environment. You don't know what the rules of dealing with clients in the UK are. And therefore, we're going to put it with people who just do that. And you're like, "Well, wait a minute. This is a great client of mine. I've known them for 20 years. I know everything about their..." "We don't care. Accommodation unit."

Kelly Milligan:

And when we get to Sanctuary, they're like, "Wait a minute. It's a US citizen living in a normal country. So, they're not living in North Korea or they're not living in Iran. Yeah, okay. And yeah, it's perfectly fine to work with them." We're like, "What? We thought that was like a FINRA rule or something." "No, that's not a FINRA rule. That's a Merrill rule. That's a Merrill risk decision." So, we were actually referred a couple of clients by Merrill FAs who would rather see them go to us than the accommodation unit. So that was a surprise and refreshing. And just to have a greater awareness of what the actual rules are and where it's a firm policy decision, as opposed to a law or a regulation. That was a positive.

Kelly Milligan:

The negatives are probably little niggly stuff. We found out, when we came to our custodian, Pershing, that for some reason, they don't allow self-service journal entries between trust accounts. So, at Bank of America, people could just go onto the Bank of America app, and journal money from account A to account B. They want to do that now, if they're trust accounts, they have to call us to do that. We're like, "What? How could you not have that basic capability?" They're aware. They realize that is a deficiency and they're working on it, but it's not there yet.



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

Kelly Milligan:

So, the things that you're used to, and that you assume at Merrill, if you discovered that's missing, it's just a little pain point. But I will tell you that Sanctuary, because of their relationship with our custodian, Pershing, loud voice when it comes to making system improvements. So, if they say, "Look, Pershing, our teams need this functionality, this capability," Pershing actually listens, and more often than not, implements a solution rapidly. Whereas at Merrill, it was always, "Hey, here's an issue." "Okay. Well, we think we can budget some, like a billion dollars to deal with that in 2025." Like, "What? It's just adding nickname to accounts." "Yeah. That's a billion dollars." So, it's a very different, much more nimble environment. And I would say the negatives are small nitpicky things as opposed to large operational things.

Louis Diamond:

That makes sense. And again, nothing's ever going to be perfect. And the end of the day, Bank of America is still an incredibly well-run organization. And you had comfort. You were there for 20 plus years. You figured out the rules of the road. You had the people to call, and your team had a certain way of doing things. But on par, it sounds like the gains and what you're able to do for clients far outweigh the negatives.

Kelly Milligan:

We think so.

Louis Diamond:

Last question for you, given that you were such a visible person within Merrill, I'm sure many advisors seek you out for counsel and guidance. Just wanting to understand why you moved, how you did it, et cetera. So, what's the prevailing piece of advice that you give Merrill advisors when they call you, or that you give to any advisor that's considering transition who might be listening to this podcast?

Kelly Milligan:

Well, I would say the main piece of advice I would give is be honest with yourself about what is your motivation to monetize part of your business? Are you looking for a check? And I'm not discounting that. I'm not judging that motivation. That's a legitimate motivation. If that's the case, then the due diligence path that you take may be very different than the one that we took. We weren't looking for a check. We weren't looking for immediate monetization. I think ultimately the monetization will be better of our business as an independent business in the long run. But in the short run, we didn't need a check. So just try to define for yourself upfront why are you doing this? Is it because you are upset with the platform that you're on and you want to make a change? Is it that you think your clients could have a better



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

experience? Is it a combination thereof? Or do you just want to get paid? And that will drive the firms that you should investigate.

Louis Diamond:

That's great advice. That's part of what we help advisors with too through our assessment process is trying to vet out the non-negotiables and thinking about what's the most strategic way to attack due diligence. So, I think we view that in a similar way. Overall, I think we could probably do another hour or so, but you're busy. You got a business to run. So, thank you again for taking time. I've loved hearing about the insider perspective you had as a chair of the ACTM at Merrill, and just hearing about your journey to being a business owner. So, thank you for sharing your wisdom and guidance. And I loved everything we talked about. So, thanks again, Kelly.

Kelly Milligan:

I appreciate you having me on, Louis. You have a great day.

Mindy Diamond:

I think Kelly said it best when he referred to his client's wellbeing as their north star. As such, top advisors seek to ensure that their firm's policies are aligned on those same principles. For Kelly, in a landscape replete with options, there were plenty of ways to find a path that would allow them to maintain focus on their north star. And that's just what they did.

Mindy Diamond:

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

Mindy Diamond:

You can feel free to email or call me if you have specific questions. I can be reached at 973-476-8578, which is my cell, or my email MDiamond@diamond-consultants.com. Please note that all requests are handled with complete discretion and confidentiality. And keep in mind that our services are available without cost to the advisor. You can see our website for more information. And again, if you enjoyed this episode, please feel free to share it with a colleague who might benefit from its content. If you're



EPISODE TRANSCRIPT

Ex-Merrill ACTM Chair to Independent Business Owner, a Former Insider's Point of View

A conversation with Louis Diamond and Kelly Milligan, Managing Partner of Quorum Private Wealth.

listening on the Apple Podcast app, I'd be grateful if you gave it a star rating and a review. It will let other advisors know it's a show worth their time to listen to. This is Mindy Diamond on Independence.