EPISODE TRANSCRIPT

The Most Valuable Advice for Advisors and Business Owners | 2022 Edition

An annual digest of the year's most ground-breaking commentary.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is The Most Valuable Advice for Advisors and Business Owners: 2022 Edition—It's our annual digest of the year's most ground-breaking commentary.

I'm Mindy Diamond and this is Mindy Diamond on Independence.

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

For Apple podcast users, I would 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 are simply looking to learn more about the industry landscape, please feel free to share this episode or the series widely.

When this podcast first aired in November of 2017, our goal was to create a series designed to educate advisors on the independent landscape. We truly had no expectations that 5 years later we'd still be here, let alone that the show would grow to include an amazing roster of guests—from breakaway advisors to members from the C-suite to industry thought leaders. And a continually growing cadre of faithful listeners along with acknowledgement from the wealth management community at large—with many calling it their "go-to" for keeping up with the opportunities within a changing industry landscape. And I am humbled.

In keeping up with an evolving advisor mindset, we expanded the content from exploring independence as a model to the overall concept of freedom and flexibility—that is, the autonomy that advisors have become increasingly drawn to and which is achievable in ways like never before. So in what's become one of our most popular episodes each year, we take a step back to relive some of the highlights of the 2022 season that reflect the notion of independence and share some of the most valuable advice from those who are experiencing their version of freedom, flexibility and autonomy first-hand.

There's a lot to share, so let's get to it.

Mindy Diamond:

In the final episode of our 2022 season, my co-host and partner Louis Diamond and I discussed the driving themes of the year and how they were already coloring our expectations for the months to follow. Be sure to visit this episode's page for a link to listen to that episode.

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In that, we talked how the concept of "more" was at the forefront of change in the industry. That is, clients wanting more from their advisors; advisors wanting more from their firms; and the firms, too, wanting more from their advisors.

Yet it's the synergy that exists between ever-expanding client needs and advisors' desire to serve them that truly creates change.

It was our first guest of the 2022 season, industry legend Ron Carson from The Carson Group who led us into the new year with sage advice on the importance of serving client needs.

Ron Carson:

But what I have learned is that if you really start with what's in the clients... I know we all say it, but if you really think, and I just came out of a two hour meeting with my board. It's like a lot of questions, a lot of opportunities for next year for us, is this in the client's best interest?

And if you really always ask that question first and you start with that, you can build anything you want because people are starving for an advocate, they're starving to trust people. When I say trust, I don't mean trust that, hey, they're going to steal your money, but they're starving for trust in that, are you doing the things behind the scenes proactively? Like our physicians, we hope that they're going to school and they're learning and they're calling us in proactively to do the physicals and to be out ahead of our health.

And that's really what the market wants today more than ever, is a true advocate and someone who are thinking about the things they're not thinking about, getting out ahead of the things they're not thinking about and being nimble enough to take action when true opportunity presents itself, whether it's a planning, market related, tax, legal, having a team that can actually take that and take action on behalf of the client.

Mindy Diamond:

It was that very concept of best serving clients that Merrill breakaway and Founding Partner and Chief Executive Officer of Amplius Wealth Advisors, Matt Liebman, discussed with me. That is, leaving the big brand to gain "more" for clients.

Mindy Diamond:

What was the turning point in your thinking that got you to say, "We're ready to give up being an employee and be independent?"

Matt Liebman:

I think it came back to that who's the boss moment again, where it was sort of like, every firm we met with, we kept hearing about how they're better, they're different. They can do things a little bit better than Merrill, a little different than Merrill, but it really came down to us. There was no real differentiation. Everything seemed frankly, quite similar. Ultimately, to us, it was like, wait a second, if we're going to move, if we're going to actually go through this, which we still hadn't decided to do yet.

It was not like a known thing that we were definitely going to move. If we're going to do this, let's look into owning it. Let's look into really designing this because we don't want to have to move again. We don't want to ... This sounds like, for lack of another term, a royal pain. If we're going to be disruptive, let's really see if we want to own this and go all the way. It almost became less about, can we take incremental steps to casually improve our situation and more about, can we really drastically change something here to make life better for ourselves and our clients?

Mindy Diamond:

What were you hoping would be better for clients? What were you telling them would be better? I mean, we can all wrap our head around, do no harm, that you wouldn't move unless it could be the same, but what were you hoping or expecting could be better for clients?

Matt Liebman:

Choice, for one. We thought, the more choice that enters into equation, the more likely that you'll get better outcome. What I mean by that is, let's take a couple examples. On the investment side, we, at times, have liked buying structured products for clients. That term got a bad name in 2008, so various firms have changed them to market linked investments, but the idea that you could buy an investment for somebody, that some sort of manufacturers and may have better risk and reward characteristics than just owning the broad market. However, when we were at Merrill, and no offense to the team there that I'm sure works very hard to put those together, we did very little of that business because we really only had the choice of what they were offering.

Fast forward to our current environment, and we saw this beforehand in our doing our due diligence before we made the leap, but because of technology, because of disruption in the industry, now when we want to buy a product for a client like that, first of all, we don't work for the firm manufacturing it so that sort of inherent conflict is removed. Secondly, we design the terms, customize them for the client based on our knowledge of the client, and then we put it out to bid for about 10 or 15 different companies to give us the best pricing available. That just led to so many more, just that's one narrow example on the investment side.

Just to give you one more on the lending side, a lot of our clients take out securities based loans, not margin for getting leverage on their investments, but more whether it's a real estate deal or someone that wants money to start a business, to help a child with a home, whatever it is. Merrill does a great job in that area. However, every time we want to do one of those loans, there was only one bank we could work with. That was Merrill and Bank of America. Here, we have four or five different banks that we can have somewhat of a bidding process on behalf of our clients. The more we saw these things, it was more with more choice, can we create more competition and give our clients a better output and probably at a lower cost?

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Mindy Diamond:

It's this focus on client care that motivated change for John Klass and his partner David Millington, who left UBS to form independent firm Puzzle Wealth. And as John put it, their driving force was the recognition that the clients are who they work for—not the firm, management team or shareholders.

John Klaas:

The theme that runs through our team is we genuinely care about our clients. We know who we work for. We know whose money it is and whether we're doing $8.2 million and having a billion dollars to manage, that doesn't make us special. It's not our money, it's our client's money. And all of us understand what our job is and who we work for. And that's perfect for being independent because we don't work for a management team or shareholders. We work solely for our clients and being independent allows us to do that.

John Klaas:

We are our clients advocates. We don't work for the firm. We work for our clients. And I had a very important client who happens to be a friend, ask me for some help on some lending. And we went through a process. Our philosophy has always been getting multiple bids and try to service the client. Well, the UBS environment was not friendly to that. They wanted me to use UBS bank. So, after literally six months of due diligence, they turned down the opportunity for this person's loan. And I said, "Well, thankfully, I've done some other research and I can get them financing other places."

And I was told by UBS compliance that if I tell the client that I'll be terminated. And I said, "My responsibility is to my clients, I'm going to tell them that." And I let my client know where they could get their financing done and they made their phone call and got it done. I didn't involve myself in the transaction. "This is a bank that looks like they may suit your needs." I couldn't do that without being under threat at UBS. When we came to Puzzle, I worked on that for the first six months, almost every day, creating, trying to find creative lending solutions that weren't inside of LPL and weren't inside of the environment that we had, but I'm free to do it. Nobody said, John don't work hard for your client. They said, "What are you trying to do? And how can we get it done?" So the response is, how can we help you get this done? Not the first response is, no, we don't do that here. It's a major difference.

Mindy Diamond:

For Ed Jones breakaway, Jim DeCota of Choreo (formerly Enso Wealth), the ability to serve clients became hindered by limitations within his firm. That is, he felt they essentially outgrew the model.

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Jim DeCota:

I don't know if Edward Jones really did anything wrong, per se. I don't think they did. I just think I outgrew the business model and their business model is a very successful one, managing a trillion dollars of clients assets.

What I found where I was, was I started to outgrow solutions for clients. One of the other things that I got tired of, to be frank, is as good as that culture is with getting people together they know psychologically that they need to spend time showing other people where everybody else is.

And I call that the sales dot. You're a dot on this chart. And how are you doing compared to your advisor? And it creates internal competition and I just feel like I outgrew that.

I didn't want to be a dot anymore. I didn't want to have to hit a sales target, not that there was any sales target you have to hit, but there's still that underlying tone of, "Hey, how are you doing compared to your partner and what happened?"

And nothing really ever gets taken into account, whether or not that person has a family emergency or this, that, or the other. A lot of that has kind of mellowed out with manage your money now and reoccurring revenue.

But the other thing too was where I was going and who I was attracting as a client base. I didn't want to talk to people from a commission standpoint. I truly wanted to sit across the table from them and be a fiduciary.

And the big, last thing I would say that was a catalyst for me was investment offerings. And not so much that what their offerings are are not the best, but the realization that their investment offerings are also a business for them, that I couldn't sit back and say, "Hey. This particular thing is in the best interest of my client."

Jim DeCota:

I truly wanted to separate 12b-1 fees and pay-to-play fees. I didn't want to be receiving any compensation from any investment manager that I recommended. And I wanted to be able to explore more investment managers, maybe investment managers that wouldn't pay Edward Jones any money to be on their platform. And you can see it now big time. But I just thought that the industry was pivoting away from that. And I wanted to function, like I said, as a fiduciary to my client and really align my goals with their goals. When their account goes up, I make more money. When their account goes down, I make less money. And there's no purer form of working with a client than that.

Mindy Diamond:

The choice to leave the firm they built their business at is typically one that is rooted in both pushes such as limitations, as well as pulls, or the notion of being drawn to something better. Like Merrill breakaway Jerry Davidse shared with Louis, they too felt as though they had outgrown the big firm model and that deep down they were drawn to being business owners and having control over the client experience.

Louis Diamond:

You and I had spoken for a number of years before you opted to conduct due diligence. I remember you were always curious about what was going on, wanted to just keep your finger on the pulse and never really thought you'd be one who retired from Merrill, but you're also in the camp of not looking to do anything unless the firm did something to impact your clients. Can we talk a little bit about the evolution of your thinking from taking my call every so often, being passively interested with what was going on, to being ready to put the effort in to actually explore options?

Jerry Davidse:

We were initially very happy at Merrill Lynch, but then two things happened. Our team was evolving and growing, and at the same time, Merrill was becoming more and more restrictive each year. And we felt that we had evolved to the point that we had just outgrown what we could do at Merrill. I feel that our clients are really special people that are like family to us, and I always wanted to give them an exceptional experience, and Merrill Lynch was just making that impossible. However, after I realized all the ways that we could serve our clients better by building our own firm, I knew I had to do it as soon as possible.

Louis Diamond:

Can we just back up though and talk a little bit about what were some of the ways that you thought you were outgrowing Merrill and you mentioned the firm was getting more restrictive? How so?

Jerry Davidse:

Yeah, our biggest frustrations were always in our ability to communicate and interact with clients. We have really deep relationships with them and we always wanted to communicate with them in the ways that were most comfortable to them. We wanted the ability to produce our own video and social media so that we can get our message to all our clients instantly rather than trying to reach them all by phone. Many of our clients are really busy and would rather watch one of our videos or listen to a podcast after hours than take a call in the middle of their workday. And this was just impossible at Merrill Lynch. We weren't allowed to produce our own video content in any way. And in fact, it was even difficult to send emails to more than 10 clients. Everything had to be approved by their massive compliance department, and the end result was often something watered down that we felt was just not as good as the real message that we wanted to get to our clients.

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This combination of pushes and pulls motivating change was a sentiment shared by Larry Boggs, who, after more than 4 decades at Wells Fargo and building a business managing $1.3B in assets, decided to launch independent firm Boggs & Company Wealth Management.

Larry Boggs:

I can honestly say none of the transition was dollars and cents. It was, let's call it, a new adventure, a new journey, the ability to run the business and spend my capital the way I wanted to spend it and how I thought it should be spent, not looking at limitations that the company would give you on how many accounts you should have or what accounts you had to give away or how many assistants that you hire or how much promotion you do or how much donations you do in your community. It was my dollars and cents, and that really, really appealed to me.

Louis Diamond:

Understood. That makes sense. Larry, do you think your decision to leave Wells was driven more by frustrations or more by the pull to become a business owner?

Larry Boggs:

It's absolutely a combination of both. I wanted more control of my own destiny, running my own practice, making my own decisions, but there was great frustration with Wells and the direction that Wells was going. I describe it that we got to a point at Wells where every decision seemed to be driven by a lawyer making some kind of legal scenario. And I'm not talking about compliance, just across the board. Between that and again having the ability to do my own thing. The other thing is I was thinking ahead with three daughters to try to build a company and entity that would continue to perpetuate all the work that I've done for almost 50 years.

Mindy Diamond:

It's this theme of achieving greater agency over one's business life – the notion of independence – that often serves as an inflection point when considering change. Private banker Sarah Burney, who along with Kevin McGuire left J.P. Morgan Private Bank for Cresset, shared that the lack of control and choice became an important factor in thinking about their future.

Sarah Burney:

Working at J.P. Morgan at the onset of my career, we were small, it was a very boutique feeling and we covered a select number of clients. Over the course of that 14 years, there were certainly a lot of growth in the business, which a lot of good comes out of that, but also some challenges arose as J.P. Morgan's private bank business grew. Seemingly, you had less control and less choice over how to work with families and clients. That started my curiosity about what it would be like to be a little bit more entrepreneurial, work at a smaller shop, and really have the opportunity to serve clients and meet clients where they are and their wealth creation journey. We wanted to go out and make sure whomever we decided to partner with, that we were

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bringing value to them and that they were bringing value to us and giving us a platform that we'd be able to really serve our clients in the way that we wanted to.

Mindy Diamond:

In a seller's market such as what we are currently experiencing, many firms are willing to pay top dollar for advisor talent. Yet still, advisors are often willing to forego the big check and instead bet it on themselves and their long-term goals.

Katherine Forrester Schneewind, founder and CEO of High Note Wealth, shared why she left Northwestern Mutual to build an independent firm instead of choosing a lucrative recruiting deal from an independent broker dealer.

Katherine Forrester Schneewind:

I am so fortunate that giving up the check or the big money, it didn't bother me. I know this is going to sound crazy and maybe even a little trite, but it's not. I'm not money motivated, I never have been. I am fact-based motivated and I want to run an extremely long-term profitable win-win business for my clients and ourselves, but I saw through that. I felt that it would be better to pass that up, but I got over that pretty quickly. So I think that's one of the biggest takeaways I would share is just it's if you have a little bit of a longer-term vision. And again, that's not right for everyone, but that's a good thing.

Louis Diamond:

And then how about the economics of running your RIA now compared to what it was like financially at Northwestern Mutual?

Katherine Forrester Schneewind:

Here is the biggest summary I could give your audience, if anyone's kind of looking. And you said the word when we started this call and this podcast, and it was the word sales. And that's not a bad thing, it's not. But Northwestern Mutual is very focused on sales and that is not a bad thing. That motivates people to get their clients to make good decisions because they hire great people.

But at the end of the day, I wanted so much more than that. I wanted fact-based evidence on running a financial services business. I wanted to talk about profitability. I wanted to talk about margins. I wanted to talk about expense control. I wanted to talk about variance reporting. Anytime I wanted to hire someone, I didn't have any fact-based evidence to hire someone in my previous life. Now, I have a consulting team that flies in and says, "Here is exactly what people are paid geographically for each model based on education experience and so on and so forth," and I was craving that.

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Merrill breakaways Chad Goodchild and Jacob Schlict, of Kickstand Wealth Advisors, were at the same crossroads: Opt for a recruiting deal or go independent. Jake shared his thoughts on why they chose the latter.

Mindy Diamond:

One thing we know is that it's a very strong seller's market right now, and that means advisors are in the driver's seat and the deals, the transition money being offered to top advisors has never been better. How did you guys reconcile turning down a big upfront recruiting bonus, especially because it was your first move and never had a chance to really monetize the business and to walk away from unvested deferred comp?

Jake Schlicht:

For us, and this came through very early when we were working with Louis, he had us fill out a questionnaire and rank things, what was most important to us and money was very low. I don't say that to be all holy or anything like that, but for us, we're a young team. Chad's 46, I'm 40, Devon's 25, Corey's 32 on the team. We have a long runway and for us, we didn't want to muddle a decision that was going to affect us, our families, our clients, our entire team, our future, everything on a dollar value. For us, the money wasn't that important, honestly. As most of your listeners can relate, depending on how big of a producer you are, we walked away from $1.5 million of deferred comp, and then obviously the upfront check that we would've gotten.

But for us, we didn't want to take a half a step to independence. We didn't want to go from one wirehouse to another. That's why I say we were pretty certain we wanted to be independent. It probably goes without saying that the margins are considerably better in the RIA world than they are in the wirehouse. I don't say that for our own pocket, but I say that because then you can really invest in the business, hire more staff, hire better staff, you can provide more services. We've talked about tax planning or tax prep services for our clients that will be part of our offering. There's just a lot you could do for that flexibility. So for us, the money, the upfront that we could have gotten wasn't that critical for us at all just knowing what we could create in the future.

Mindy Diamond:

What you're talking about is really thinking or valuing the long term more than the short term. Your willingness to bet on yourself came from the notion of wanting to build something special. The belief that you could, taking a risk, the willingness to take a risk and saying the better take home economics and the ability to really build something better is worth more to us than any upfront money we could get, even if it means walking away from $1.5 million in unvested deferred and the opportunity cost of a big deal.

Jake Schlicht:

Without a doubt.

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Mindy Diamond:

Our 2022 season marked a seminal moment in which wirehouse advisors joined us to offer an alternative point of view. That is, gaining greater freedom and control isn't limited to those who launch independent businesses. And I emphasize that this was indeed an extraordinary moment because, traditionally, wirehouse advisors are limited in their ability to share commentary with freedom and impunity. Yet it shows how even the big firms are giving greater latitude to offer advisors freedom. In this landmark episode, Vince Finney of Bibler Finney Panfil Private Wealth Management Group shares why he and partners Ryan Bibler and Joe Panfil left UBS for Wells Fargo Advisors in 2019.

Mindy Diamond:

I'm wondering, there are advisors, old-timers in the industry that long believed that staying with a firm cradle to grave, from training program through retire in place was the best way to build a business. Yet today we are watching more movement, particularly amongst top advisors than we've ever seen before. So I'm curious, what are your thoughts or what would you say to somebody that was considering a move? Your thoughts on the notion of spending the whole of one's career at one firm versus the notion, do you think that making a move has gotten you ahead?

Vince Finney:

As I think you hit on there, it is noble to stay at one firm for your entire career, but it's very rare and particularly these days, as you see almost every day a large advisory team moving from one place to another or to independence. There's a lot of movement in the industry right now. As we think about this as a business, as I hope all financial advisors do, you'd be doing yourself and your clients a huge disservice if you never took the opportunity to explore with a group like yours, Mindy, in terms of what's out there. Like we alluded to earlier, there was some pretty cool concepts. Startup companies where you could get equity in that didn't exist. I mean, there was some really neat things that we were shown through your guidance that I think people that are sitting, have been at one firm for 25, 30 years and have never looked around would be shocked to see.

Those are quite frankly, the people that are complaining all the time and saying that everything's the same. Merrill's the same as UBS as Wells. They're all the same because they've never really truly explored. They just might read what they see on AdvisorHub or X, Y, Z publication and not really kick the tires. And I could see how you could fall into that trap. And so what I think, and Joe and Ryan think is moving has been healthy for our business, it's been great for our growth. It really recharges you. Like Joe had mentioned earlier, we walk in now and it's our own branch, it's brand new, it feels good. Clients and prospects walk in there like, "Wow, this is a really nice office."

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You can't put a price tag on that or you can't say, well, I would've been better off had I stayed one place my whole career. I may or may not have been, but I think it's hard to know what would've happened if you don't go out and explore.

Mindy Diamond:

Understanding how the industry evolved, with new models like supported independence becoming a popular choice for breakaway advisors, means taking a step back in time. And we're lucky to have many industry leaders who were open to sharing an insider's perspective. Kimberly Sanders, Senior Vice President of Advisor Solutions for LPL Strategic Wealth Services, provided an in-depth explanation of the evolution of advisor mindset and the growth of the supported independent space – gleaned not only from her role at LPL but also the knowledge and experience from her previous work with Schwab Advisor Services.

Louis Diamond:

So Schwab really founded RIA Custody in the '80s, but we didn't really see the RIA model proliferate until, we would say, after the financial crisis of 2008, 2009. And it wasn't really until companies like HighTower, and Dynasty, and Focused Financial demystified the RIA world, and began to offer wirehouse advisors the confidence and infrastructure to break away. The breakaway movement really gained steam. So I'd be curious to hear what was it like being on the front lines of this breakaway movement? And of course, Schwab was, and still is, a leading custodian for prospective advisors looking to break away.

Kimberly Sanders:

Yeah, I am still in awe of those advisors that made that early leap to independence. I had a front row seat as the advisors were launching these businesses. As I mentioned, I was part of the analysis and the design phase of the business. I witnessed the roller coaster of emotions that came from breaking away, talked many of these advisors off the ledge, especially when UBS and Morgan Stanley broke from protocol, and those teams had to make that split-second decision on whether to leave in a hurry or to keep their date and change their strategy. I love looking back to those launches, and I'm so proud to see how far those businesses have come. And I do believe that it was the help of the custodians, and the consultants, and the platform providers that gave them the confidence that they could do this.

Kimberly Sanders:

I think they all wanted to do this, and they were watching it, and they were waiting. And I think every one of the companies that have come and they are this boutique industry that we have, that they're here to support those advisors. It's because of those companies that so many advisors are able to do this.

Louis Diamond:

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How does someone working directly with a Schwab or a Fidelity or a Pershing in the groups that you used to be a part of, where do they leave off and where do these supported platforms pick up?

Kimberly Sanders:

It's interesting. What I have seen over time is there's been a shift in the advisors. So in the early days, the advisors were fiercely independent. They were born to do this. They had a guy for everything. Their friend owned a building, their cousin could run tech, their sister-in-law could manage the marketing while the kids were in school. All they needed from me, at that time, was help validating the back of the envelope economics that they had run. They essentially just wanted to see if that 60% assumption they were using, if it was real. And as soon as we had built the proforma and they could see it, they were off. And then, fast forward a little bit, you realize that that next set of advisors, they're the best practice hunters. They joined the mix.

Kimberly Sanders:

These teams were still willing to put in the sweat equity, but they wanted to know what other firms were doing. What worked, which vendors should they use for legal and compliance, technology, benefits, business insurance, brokerage, furniture, real estate, the list goes on and on. And this was the piece where you realized these folks really need the consulting, and that's when I launched the startup consulting team at Schwab that I just talked about. It was to service these advisors and point them in the right direction. They still had to do all the heavy lifting and the expense was theirs, but we were there to help them along the path.

Kimberly Sanders:

Now, fast forward again, and you started to see this, say, a third wave of advisors. I call them the efficiency seekers. These were the advisors that knew what they wanted and they also knew what they didn't want. They didn't have any desire to get into the weeds of startup or ongoing business operations. They didn't want to spend time on HR or building marketing plans. They wanted to spend time focusing on their clients, growing their business, and building a culture that they believed in. A lot of them were thinking back to the old days at Merrill, and how they loved that culture. But the new days, it was totally different. And they wanted to get back to building something that they had confidence in and that they would be very proud of.

Kimberly Sanders:

So they wanted help running the day-to-day operations, and they wanted to monetize up front and on the back end. And this is where the traditional custodians were struggling. There's no way to solve for those needs and really step in and execute for this segment of advisors without adding the complexity of an overlay partner. So that's when you started to see the custodians start partnering with those other supported independent models. They were partnering with friendly BDs. And unfortunately, I think it adds complexity to that advisor's life, but it is what they needed at the time.

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Kimberly Sanders:

So we built the model for independent-minded business owners and advisors that want to steer the ship, hold the reins, call the shots, however you want to say it. They want that control, but they also find the value in outsourcing the business support functions to a strong, trusted partner. They're looking for a partner that is invested in helping their business to thrive, both operationally and strategically. They want to grow their business. They want to drive their own agenda. They want to create that legacy, but they don't want to sacrifice the support because they did value the support at the wirehouse. So they're looking for a way to take that piece of it with them while also launching these new businesses.

Mindy Diamond:

Jim Dickson, the founder and CEO of Sanctuary Wealth, a supported independent model, offered a similar perspective on building a model based on what advisors want—and that is, to be the best they can be for their clients. Jim, a Merrill breakaway himself, left the wirehouse world behind as a shift in culture was beginning to whittle away at the once entrepreneurial spirit that existed. Jim turned down other offers to pursue what he describes as the “best thing he’s ever done.”

Jim Dickson:

Yeah, I think at Sanctuary we know that our advisors, they want to be the best for their clients. And so, in order to do that, they needed to break free from the constraints that were holding them back. A lot of them tell us, "Hey, life is too short. We feel stuck. We feel like we're wasting our time. And most importantly, we feel like we're running someone else's play." I think we understand that, and we do a really good job of listening and understanding what their dream firm looks like, what are they trying to build, what do they want to do, how do they do it. And then we put a plan that allows them to get there and not only to transition their assets, but to build out the firm and have the freedom and flexibility to do that.

Jim Dickson:

And so, when you sit down with world-class teams like we're lucky enough to do on a frequent basis and you tell them, "Look, on average, the teams that come to Sanctuary bring about 94% of their assets. They're growing incredibly fast organically. They're having fun. They're building a brand. Why don't you talk to them?" It sort of takes care of itself. But the real thing I think we're doing is we're allowing people to run their own plays and not running someone else’s, and I think that's incredibly attractive to the best teams right now.

Mindy Diamond:

Jim Gold founder and CEO of the now $25B Steward Partners, was on a similar mission—that is, filling a gap in the market for advisors who wanted greater freedom, but also the support they were accustomed to from the wirehouses. And it seems to be a formula that's resonating with breakaway advisors.

Louis Diamond:

What was that kind of gap for you as you look to cross the new and booming breakaway marketplace and saw other firms that were out trying to compete in a similar way?

Jim Gold:

Yeah, I think there was three things in particular Louis we focused on... I think culture was a huge gap and especially coming out of the wirehouse model, people would generally say that, "Hey, I think my best days are behind me now," and that's not a great way to live or go to work every day. The second was true equity ownership and partnership, and really you care about the company you represent when you're a shareholder. It's a very different dynamic than you're an employee and you're employee number 5179Y.

Jim Gold:

I think the third part we saw, which I still think exists today, is we talk about independence with infrastructure. There are many advisors that have, I think, a keen interest in independence, but say, "You know, I don't want to run an office and I don't want to be the landlord and I don't want to do payroll. I don't care why the printer's not working. I want someone else to those things for me." We've always started out with this concept of running a local concierge-level services, boots on the ground, operations managers, risk officers, branch managers, coaches. I think that gap still exists today, and I think all three of those gaps still exist today at the wirehouses, and certainly, I think, in some forms of independence, those gaps are there today as well.

Mindy Diamond:

It's interesting to note that the gaps in the industry are not only being fulfilled by independent models. But also by W-2, boutique firms like Rockefeller that are knocking it out of the park with advisors who are seeking a brand name in a multi-family office model designed for high net worth and ultra-high net worth clients. Michael Outlaw, National Field Director of the Rockefeller Global Family Office, talked about the unique value of the firm and how it satisfies the needs of top advisors and their clients.

Mindy Diamond:

So what do you think Greg Fleming was looking to solve for? I mean, from what I've read the way Rockefeller holds itself out is as a modern multifamily office and Greg went out and took this Rockefeller family office, which began in 1882, partnered with private equity firm, Viking Global, to build this modern multifamily office. But what was he looking to solve for? What specifically did he think was missing in the traditional ecosystem?

Michael Outlaw:

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Well, I don't want to speak for Greg, but what we often talk about and it's driven by Greg is creating something unique that operates at a much higher level and serves clients in a very unique way. We view the wealth of families not only as a blessing to their family, but also an opportunity for that family to create significance and permanence within multiple generations. My viewpoint is that Greg thought there was a place in the world today as firms had gotten larger and larger to create a customized firm with the top professionals in the industry.

Michael Outlaw:

And by bringing those folks together in a unique environment like Rockefeller, creating a scenario where we could deliver a solution for clients that was unique and elite for those clients. That upon doing that and delivering that, the belief is that the best advisors in the industry will see that value, will see the opportunity to exceed client expectations and will want to be a part of it. And here three years in, we're seeing that unfold and the vision goes back to creating something that's special, that's unique, that stands out versus peers. And for all of us, that opportunity has been something to not only embrace, but to work passionately on.

Mindy Diamond:

Succession has been a hot topic in the industry for some time with reports stating that less than 30% of senior advisors have a plan in place. While that may be true in most of the industry, within the wirehouses, when a senior advisor has a next gen to succeed them, they also have the option to consider the path of least resistance: their firm's retire-in-place program. Yet next gens aren't standing idly by. In many of the interviews in this series, we found that it's the next gens who are leading the dialog on what's the best path for the advisors, their businesses, and their clients.

For example, Dan Katz was the next gen of a team at UBS that included his father, Ken Katz, and friend Michael Israel. They transitioned to Oppenheimer, where they built the business to $300mm in assets under management. Yet, over time, as their business evolved, so did their thinking—leading them to launch RIA Revolve Wealth Partners with Dan at the helm. He talked about their transition to independence and succession planning process.

Louis Diamond:

Perfect. Let's come back to your father, Ken. So you joined him in the early 2000s, you mentioned, made the move together from UBS to Oppenheimer. Can you talk about your succession planning process? So at what point did your father start phasing out and any just, I guess, words of wisdom for the audience on how to have an effective transition to the next generation?

Dan Katz:

Yeah, that's a great question. I think we've done a really great job in transitioning my dad's practice and having the clients understand what the next generation was going to bring to the table. But it's a question I hear all the time, and luckily I'm in a position where some folks have asked me, "Hey, how'd you do it? What worked?" And there's obviously so many stories about second generation and then, even worse, third generation businesses that just fail. And really, I think it comes down to an equal balance of pushing and pulling. My dad recognized early on that he had to push the business towards the next gen as much as the younger folks were pulling it from him. And so, we found that symbiotic relationship really in our transition from UBS to Oppenheimer, and then we continued to just plug away at transitioning how we look at the business, how we think about the business, who our clients are talking to and communicating with. And then when my dad eventually retired, it really didn't feel like there was no Band-Aid pulled off. It felt a very natural transition, and clients never even asked a question.

Mindy Diamond:

Mike Durso, shared a similar journey. In 2020, Mike, his father Larry and their team left Morgan Stanley with some $400mm in assets under management to launch Shorehaven Wealth Partners. While Mike shared Larry's strong belief in doing everything they could for their clients – people Larry treated like family – Mike also felt that there could be a better way to serve them while creating a lasting legacy. He shares how just two years in, that perspective led his father to hand over the reins, and talks about his quick transition from next gen to CEO.

Louis Diamond:

I know a lot of folks listening are in family businesses, or are the next man, or next woman up, and the process of succession and taking over the reins of a really well entrenched business is challenging. So I'd love to just hear about how it all began and what your process was with your dad, Larry.

Mike Durso:

Yeah, it was interesting. I think going into the business, there was no conversations around me being the CEO, but I think that after we were working for a little over a year, it was probably a year and a half into the business, we were actually at a Dynasty event, and they were talking about a lot of what the CEOs were doing in the network and the different responsibilities they were taking on for their firms. And while we were there, my father, Larry, as I mentioned, always forward-thinking, pulled Mike and I aside and said, Mike, I think you should be the CEO of this business. I think that you're doing a lot of what CEOs do on a day-to-day basis. It's not what I do. It's not what I'm necessarily good at, and it's not what I want to do. So you should be the CEO.

And we talked a lot about, okay, well how are we going to do this over time? What are the roles going to look like when I transition over to CEO, Larry's going to transition to Chairman. What is the focus of each of those roles and how is it going to benefit our clients, our prospects, and really everyone at the business? And so we wanted to be thoughtful about how we did it, and I think it's been great.

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Honestly, I feel like although a lot of my roles and responsibilities have remained the same for him, I think that we've really both dove into it head first and have really taken to the new roles really well. I feel like there's an empowerment for me to be the CEO of the business and really speak about the brand and build the brand. And for Larry, I think it's been awesome because he always worked as a chairman, as that chairman type function. As I mentioned earlier, he's a great relationship guy. Anyone who meets my father remembers it and enjoys meeting with him. He's just a good guy to be around. And I think he enjoyed that part of the business way more than the day-to-day strategy and some of the nuance things with being a CEO and working on the day-to-day structure of the business, hiring, future plans around advisors. So it's been a really natural transition for both of us, and I think we've been really happy with how it's gone.

Mindy Diamond:

Dan Katz offered more on the power of the next gen's voice—and the fresh perspective they bring to the table.

Louis Diamond:

How can fresh blood or fresh perspective take the business to the next level as you move it to the next generation? So we definitely have a lot to catch up on. I'm curious, though, so Ken was in the business for a long time, had been in the traditional space forever, what was his reaction to the team wanting to go independent? And that'll be a good segue into some of your motivators for leaving in the first place, but I'm curious because we have a lot of G1 advisors that listen or team members, and oftentimes that's a difficult conversation to teach an old dog new tricks, if you will.

Dan Katz:

No question. There was plenty of tough conversations, it was not simple. I think the hardest thing for any advisor that's getting up there in experience, I chose those words wisely, I think they have to recognize that the business is evolving and changing, and it always will. We've been fortunate enough there. What's also interesting is that there's different skillsets, and then when you bring in the next generation or you bring in just a younger generation, they don't have quite the battle scars. So they're allowing the clients to make great decisions. They're asking those tough questions that those senior advisors, or eventually retiring advisors, had asked a while ago, didn't get the answer they wanted, and never went back again.

Louis Diamond:

Like what?

Dan Katz:

The next generation can push a little bit more, can ask the question from a different voice, and clearly let the client make the decision, not let the advisors pre-existing thoughts really affect what the client should or shouldn't be doing. And so, that was really fun for us, to kind of go

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back and challenge ourselves to do more for each client, get more involved with their lives. And it was a really fun process for Michael and I working with my dad, and it also reengaged my dad. That was really fun to see as a son and as a next generation advisor.

Mindy Diamond:

Matt Liebman's father Sam could have signed on to Merrill's retire-in-place program, CTP, but instead left with the team. Why?

Mindy Diamond:

He could have signed off on Merrill's CTP, the client transition program, which is Merrill's retirement place program, which for him, would've been the path of least resistance. And he had an awful lot of money to walk away from, because going independent is not about getting a big check upfront. How did he reconcile that?

Matt Liebman:

Slowly. I would say that answer applies to all of us in that, to your point, when you have significant deferred comp on the table, that you're leaving on the table when you leave, the opportunity costs that you're bypassing, seven-figure checks that other firms are willing to write for you to leave, and in fact, you actually have to put up some of your own money to start the business, you can't make an argument that in the short-term, it's a wonderful financial decision. It's a risky financial decision. But the more we thought through it collectively, what we realized was, in a lot of cases, the money that you get in transition dollars to go to be an employee at another firm, whatever firm that is, the more we started breaking down the numbers, looking at what the business P&L would look like, the more we realized that a lot of those transition dollars were in fact transition insurance.

That if your transition goes poorly, it would be nice to have that check. However, if your transition goes well, and at the other side of the transition, you're sitting there, owning and operating your own highly profitable business, financially, we will wind up doing just fine. The real risk was that the transition wouldn't go well, and thankfully, we are through that, but that was really the calculus we had to do financially. Then there was another factor that I think really applied to my dad above all else, which is, at his stage of the game, he doesn't need the money. He really enjoys his work.

The question was, would he, and would all of us enjoy work a lot more on this side of the table, more qualitatively, away from the financials? On that, we got to that point quicker than we had to work through the money side, but both worked out pretty well.

Mindy Diamond:

In addition to choosing not to sign on to CTP, the team would be leaving behind a good deal of assets in the move. It's a concept we often refer to as "shrink to grow," an intentional strategy that many breakaway advisors employ. I asked Matt the value they saw in leaving some chips on the table.

Mindy Diamond:

I want to hear a little bit about your dad's thinking. The second thing is in really getting comfortable with the notion of shrink to grow. You had a billion and two in assets and only $750 million that you were going to target for this new venture. So, the notion of going from a billion and two, to say $700 million, had to be scary as well. Would love to hear a little bit about how you reconciled those two things, how you came to a place that said, despite those two issues, it's still better for us to make this leap.

Matt Liebman:

It's a really good question and one we wrestled with, as you know, for a long time. I do remember that call. You were on a train, and I appreciate you talking with my dad, I'm sure you guys had a fun conversation as well. But as far as that goes, I think the shrink to grow thing was something that always appealed to us. The idea that if we do more for our clients that are doing the most with us, and we provide top-level service to them, that will lead to more introductions of clients like them and will help us grow our business and make our business roughly the same size in grand assets.

Because right now, we're at about 1.1, I guess we were, if you count banking assets there, around the same over there, but now, almost all of it is fee-based advisory business. What really resonated with us, and frankly, I will say it was a training session I had a few years ago at Merrill with one of the top advisors there who really focuses on shrink to grow. So, this idea was effectively in the independent space, can we do more for our core clients so that we get more clients like them? If we do that, they're going to be happy, we're going to be happier, and frankly, our business is going to be bigger. That was the bet we were willing to make after, as you know, a fair amount of due diligence.

Mindy Diamond:

Kevin Myeroff, who built hybrid RIA firm NCA Financial Planners to some $1.7B in assets under management and sold to the $10B RIA acquirer Sequoia Financial Group in 2021, shared the senior advisor perspective and incredibly sage advice on the succession planning process:

Louis Diamond:

Just a bit of parting advice for those thinking about starting on their own succession planning or embarking on a sale process.

Kevin Myeroff:

Yes. Start thinking about it five years before you even think you want to do it. You really want to start thinking about that. Thinking about your leadership team, what skills does your leadership team need to have if you're going to either do a consolidator or an internal sale? Because you have to make sure they get those before you get to the decision point of leaving. And so you got to start building those leaders. You got to start delegating the things that you do and you have to start taking more of a hidden role and a mentor role in order to have a good integration, at least from my standpoint. And then you have to surround yourselves with good professionals. You want to find a consulting firm like Diamond Consultants.

You want to find a good attorney that's done these type of things before and seek out some friends and some other industries that know you well enough to help you make the right decision for yourself. If it wasn't for my friends, I may have made a decision that wouldn't have been the best.

Mindy Diamond:

Shifting gears a bit to one of the most shared comments of the year: the "dishwasher rule" from Matthew Jarvis, who runs the successful independent firm Jarvis Financial; he is an accomplished author, the co-owner of The Perfect RIA and the co-host of the podcast of the same name.

Louis Diamond:

How about the Dishwasher Rule? This one, I have no idea where we're going with this, but I'm excited to hear.

Matthew Jarvis:

Oh, the Dishwasher Rule is if you do the dishes at your house and your spouse doesn't know that you did the dishes, do you still get marital credits for that, right? That's the origins of the Dishwasher Rule and we can laugh or we can grimace at that. But with clients, the idea is if you're doing something for clients and they don't know that you did it, it's not helping your relationship.

So if I go in and look at their accounts, and I say, "You know what? A Roth conversion doesn't make sense for the client this year," and I don't tell them that I looked at it, now I get no credit for it. Now when the next advisor talks to them and says, "Why hasn't your advisor been talking to you about Roth conversions?" They say, "I don't know. I guess he's a bad advisor." So the Dishwasher Rule is if I do something for a client, they need to know that I did it. Not like an ad nauseam, I'm not like, "Hey, I thought about you today. Just wanted you to know." But if I could go in and look at your counter rebalance, whether I rebalance or not, you need to know that happened.

Louis Diamond:

I think that's good too, because as a client, you also want to know that your advisor is on top of it. If they're not communicating that they looked at your Roth conversions, then as a client, how do they know that you're actually doing it? So I think it's more than just getting credit and protecting the relationship, it's also just, I mean, good client service.

Mindy Diamond:

As we wind down this journey through a year of candid conversation, there were a few standout comments that we thought it was important to share again.

First, Steward's Jim Gold with advice for those considering change.

Louis Diamond:

Any advice for those thinking about change and whether they're considering moving to the independent channel or even just staying within a W-2 world?

Jim Gold:

Yeah, the biggest thing you can do is do your homework. You're always going to have choices. If you're a successful advisor, you can do anything you want to, so don't fall in love with any firm, including ours. Talk to everyone you should talk to. I would certainly say talk to advisors who are at that firm because, again, I always tell people, "I know you look at me as management, so if I'm lucky, you believe every other word I'm saying." Talk to the advisors that are there because that's not the sales pitch. It's, "Hey, what is it really like?" In particular, talk to advisors that are there that join from the same organization you're planning on leaving. Do your due diligence, look under every stone, look under every rock. Make sure that there are no surprises, and that really is our goal in a due diligence process.

Jim Gold:

There are way more choices today for advisors who are breaking away than ever, and I think that's great. Listen, I truly want all of our independent brethren to succeed because there's so much opportunity out there. If you think about $30 trillion in assets in the U.S., and maybe slightly less now with the recent market activity, but there's $7 or $8 trillion of that is held at the wirehouse firms. There's plenty to go around, there's plenty of good options in the independent space. Do your homework and just find the right firm for you and your team, and there's plenty of good choices out there.

Mindy Diamond:

And one of the most listened to shows of the season featured Kelly Milligan, Managing Partner of Quorum Private Wealth. This former Merrill advisor also held the distinction of serving Merrill's vaunted Advisory Council to Management (also known as the ACTM). So he shared some "inside baseball" on Merrill's direction and how that motivated him to break away and build his independent firm with Sanctuary Wealth.

Louis Diamond:

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

Mindy Diamond:

It was an incredible year, with many more guests and actionable advice than we have time to feature. Be sure to visit this episode's web page for links to each of those featured, as well as a link to the entire series.

We are grateful for each guest who shared their time and expertise and look forward to many more extraordinary conversations and real headliners going forward. And even more so, grateful for our listeners, whose commitment to learn drives us to be our best with each and every episode.

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.

Feel free to email or call me if you have specific questions. I can be reached at 973-476-8578 which is my cell, or by email mdiamond@diamond-consultants.com.

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, feel free to share it with a colleague who might benefit from its content. If you're listening on the Apple podcasts app, I'd be grateful if you gave it a star rating and a review. It will let other advisors know if it's a show worth their time to listen to.

EPISODE TRANSCRIPT

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This is Mindy Diamond on Independence.