A 37-Year Merrill Lifer Shares Why Even Long-Tenured Advisors Can Benefit by Forgoing CTP and Breaking Away

A conversation with Andy Ferguson, founder and CEO of Proquility Private Wealth Partners.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is A 37-Year Merrill Lifer Shares Why Even Long-Tenured Advisors Can Benefit by Forgoing CTP and Breaking Away. It's a conversation with Andy Ferguson, founder and CEO of Proquility Private Wealth Partners. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

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

Most advisors we speak with think independence is just for those with a long runway ahead of them. Yet that couldn't be further from the truth. The reality is that many long tenured advisors in the brokerage world come to a crossroads in their career, sign onto their firm's retire in place program, or consider other options. And while taking a recruitment deal from another firm is certainly one path, many are recognizing that there's a bigger picture to consider.

That is their firm may not be serving them and their clients best now, and will not likely do so in the future. Their perspective is that independence gives them the opportunity to build their legacy the way they see fit unencumbered by a big firm agenda. Andy Ferguson is one such advisor who after nearly four decades at Merrill, decided he didn't like the direction the firm was headed in. And Andy had a bird's eye view of the changes that Merrill went through over the years having served as chairperson of the Merrill Lynch Advisory Council to Management, or ACTM, advising senior management on issues affecting clients worldwide.

So signing onto the firm's retire in place program, and locking the business in for the longer term wasn't how he envisioned his legacy. In August of 2020 during the pandemic shutdown, Andy and his team launched Proquility Private Wealth Partners in Las Vegas, Nevada with support from Dynasty Financial Partners, and Fidelity Custody and Clearing as their custodian. Today he shares with me the changes at Merrill that motivated him to consider his options, why even tenured advisors can benefit by moving to the independent space, what benefits Andy, the Proquility team, and their clients are realizing in independence, the realities of the transition process and much more. So let's get to it. Andy, thank you so much for joining me today. I am really grateful for your time.

Andy Ferguson:

Nice to be here, Mindy.

Mindy Diamond:

A 37-Year Merrill Lifer Shares Why Even Long-Tenured Advisors Can Benefit by Forgoing CTP and Breaking Away

A conversation with Andy Ferguson, founder and CEO of Proquility Private Wealth Partners.

Okay, let's jump into it. So tell us about yourself and your path to launching Proquility Private Wealth in August of 2020.

Andy Ferguson:

Mindy, I started with Merrill Lynch in 1983 out of the Tucson, Arizona office as a guy right out of college. Didn't know what I was getting into at the time, but I was blessed to be a part of Merrill Lynch's training program and went through the paces with that. And relocated to Las Vegas about seven years later to be the resident manager in the Las Vegas office, which at the time was just a small office downtown Las Vegas. Fast forward to 2020, I had put 37 years in at the firm. A lot of things had changed, obviously, with the acquisition by Bank of America in 2009, and we'll talk about that more. But basically that's what landed me into the era of independence starting in 2020 with my new firm, Proquility Private Wealth Partners.

Mindy Diamond:

I love it. And so again, a lot to unpack there. We'll come back to it. But let's give our listeners some perspective. Tell us a little bit about your business. So how much in assets are you managing and what kind of clients do you serve?

Andy Ferguson:

I have a small team, Mindy, of six people. I'm the only producer. We have a junior wealth management advisor that's learning the ropes, but at the moment we are working with $300 million in managed assets with 62 families. Each family, for the most part, is multi-generational. And so we extend ourselves beyond just the matriarch and patriarch to all the members of the family, regardless of size.

Mindy Diamond:

Got it. Okay. Thank you for sharing that. So let's get to the lifer status at Merrill, the 37 years you spent there. So I'm in this business about 27 years. And when I started the business, and for a long time to follow, there was sort of the unwritten rule that once an advisor, particularly at Merrill, got to say 20 or 25 years, they were unrecruitable. And not because of anything special they were doing, but that meant that they were particularly content there and weren't going to leave. They were lifers. And so it was an unheard of for someone particularly with more than three decades of tenure to leave. And in a lot of cases it was because the tipping point where financially and logistically it just didn't make sense to move. And yet you did.

So let's talk a little bit about that, this late in your career move. So first of all, for many advisors, no matter how frustrated they may be or limited they may feel, the fact that they are late in their career, and in your case, could have retired through CTP, Merrill's retire in place program, or just could have lived with it for however many more years until retirement. That might have been the path of least resistance. And yet you chose to leave. So talk to us a little bit about the thinking behind that.

A 37-Year Merrill Lifer Shares Why Even Long-Tenured Advisors Can Benefit by Forgoing CTP and Breaking Away

A conversation with Andy Ferguson, founder and CEO of Proquility Private Wealth Partners.

Andy Ferguson:

Sure. I had 25 years in at Merrill, 2008, 2009 when the great global financial crisis interrupted all of our lives, and Bank of America ultimately acquired the firm effective 2009. Before then, Mindy, I was very content, very happy with my place at Merrill. I had enjoyed all the relationships there, from senior management all the way down to all of my peers. I was able to serve on the Advisory Council to Management for a few years, which was a great experience and met a lot of terrific people. I was very content to ride out in my career with one firm, and that firm being Merrill Lynch. But as we all know, that changed in 2009. So that was the catalyst really for beginning to think about a possibility of maybe not finishing my career at the firm.

Mindy Diamond:

Okay. So a couple of things there, then it would be another 11 years before you would actually leave, if the catalyst was the financial crisis of '09, and Bank of America coming in, things changing. So what made you opt not to leave in '09 or the years following, and what went on for the next 11 years?

Andy Ferguson:

Well, I was part of a fairly large team when the acquisition took place. And my other three partners all senior to me decided to opt into different directions, and all of them did that fairly quickly after 2009. A couple launched an independent RIA with Hightower, one left for UBS. I stayed put probably more out of, I don't know, in hindsight you could look back and say I probably should have moved sooner, but probably more out of hope that maybe that the acquisition wasn't going to be as disruptive to us former Merrill Lynchers, and that we could kind of continue to do our thing and well serve our clients. And ultimately though, I'm a very deliberate decision maker, obviously. So it took me 11 years, actually before then, because I started thinking about independence well before I launched. But it took me a good six to eight years before a combination of events caused me to really sit up and take notice and understand that if I was going to do something, I'd have to do it sooner than later despite my long tenure.

Mindy Diamond:

Yeah. So what are things? What were those events that caused you to sit up and pay attention?

Andy Ferguson:

Well, interestingly, I had great relationships with a lot of the senior management at Merrill Lynch going forward. And as one by one, those folks left, it kind of took a little bit of luster out of the firm. It obviously meant that there weren't anyone there to run interference on behalf of US senior FAs, which is maybe a nice way to put it. But I really believe that was what was going on in the early years after the acquisition.

And from that point it became clear, and I was privy with my ACTM background too, a lot of meetings and a lot of input from senior management about how things were evolving under the Bank of America's leadership. And we had to all grow up and realize that the bank was a very, very large organization. We were a very small portion of that organization, just a small cog in the wheel. And ultimately the bank's culture and operating efficiency was going to have some impact on how we operated at Merrill Lynch. That was an obvious one. The question was just how much?

And so gradually I could see the difference. And I've often with my friends used the parable about the frog and the water that's turned up the heat and beginning to boil. And eventually either jump out or you boil. And I got to a point where I was getting a little warm, a little hot, and that's what ultimately pushed me into the thought about independence.

Mindy Diamond:

I hear this so, so often. And I think that notion of 2009 financial crisis, Bank of America steps in, and many advisors loved Merrill. They were, especially lifers, loved it, and were hopeful that they wanted to believe Bank of America rhetoric that nothing would change. They wanted to believe that everything that they loved about Merrill would be true. And that in fact things might get better because they'd have the opportunity now to get access to Bank of America products and services and be stronger on the lending side. But give us a couple of specific examples, if you would, about how you said the Bank of America culture and productivity, which they put as precedent, they put as priority, how did specifically that begin to affect you?

Andy Ferguson:

Well, let me preface my comments by saying that if I were running Bank of America, I would probably have created or instituted all the changes that have come to pass for the Merrill Lynch subsidiary, if you will. I certainly don't point the finger at the parent company. But I will say that as employees and advisors within that framework, we had to understand that there was going to be a change to how growth was valued and perceived, and also how valued a senior advisor and their book was, even though it was highly productive, highly profitable, where the compensation was shifting towards if you weren't growing, well, you were going to be penalized. And I could see that coming and I could see it coming gradually until it really began to ramp up. So that's one specific example for you.

The other would be that the management decentralization that you had at Merrill Lynch, which I thought was one of its great advantages. And you had some very talented people running offices, running regions, districts, whatever you wanted to call them. That changed dramatically in that even ordering something as simple as printer toner and ink had to come out of Charlotte, North Carolina. A decision like that could not be made at the local level. At least that's what I was told by the managers who I served under. That told me a lot about how things were going to go in the future.

A 37-Year Merrill Lifer Shares Why Even Long-Tenured Advisors Can Benefit by Forgoing CTP and Breaking Away

A conversation with Andy Ferguson, founder and CEO of Proquility Private Wealth Partners.

And the question of course for all of us is how much longer are we going to do this, and what's the financial pain to exit if you choose to do it the way I did at least? And then of course, the other side of it is, do I just ride this out and go into the sunset like CTP offers at Merrill, for those of us who are there. And I have a lot of friends on both sides of the fence. I've had a lot of friends that have left and I've had a lot of friends who have stayed. And I will tell you that I don't say that there is one way for everybody. There is not. I think it depends entirely on the kind of business you run, on who you are as a person, whether you want to be involved in operational details. There's a lot of things that you have to consider before you become a fully independent operator as an RIA. So those were the couple of things that got my attention, Mindy, and caused me to start really doing some deliberate research.

Mindy Diamond:

Yeah. So you mentioned the notion of being independent. That is by far the biggest leap that an advisor can make. So the move that your colleagues, your ex-partners made, to go to a UBS or to move to any other traditional firm is a much easier move, a much more seamless move, and certainly allows the advisor to make up for any unvested deferred comp and whatever chips they leave on the table after a long career. So two questions there. And the first is, so why independence? Why that biggest leap? Why not opt for something that could have made the short term gain a little greater?

Andy Ferguson:

For me, and of course this is a very personal decision, I felt like if I was going to move and put my clients and my team members through this ordeal, that I would want to land at the end of the day walking into my office with only one constituency to serve, and that was the clients. I didn't want to owe my allegiance to anyone who funded me. I didn't want to owe or have to answer to anyone that provided me the ability to go independent or work within another platform. So it was arguably not the easiest path, and I would say that it's not for everybody.

I'm happy I did it that way, but that suited me well and my personality. It also of course meant, as you allude to, financially, I had to front a lot of the transition costs. And I did. And I have recovered those now. I went through all kinds of permutations and analysis as us advisors will do. And in my thinking, the only way this worked out for me, ultimately on the financial side, and there are other sides to it, but the financial side was if I was ultimately able to sell my practice down the road and enjoy maybe a much better multiple than was being offered by CTP, as well as dictate the terms and conditions of the sale, and to whom. And it was a whole wide world out there of buyers, of course.

The financial part to me was sort of easy, and I was blessed by being in a position to be able to accomplish that, but I know that others are not necessarily in that position. So that just worked for me, Mindy. And that was for me, the best way to go. I didn't really want to have to answer to anyone, and maybe that's a stubborn streak I have, or naively I thought that I was going to be truly independent but not have to rely on anyone else out there. But I just wanted to be entrepreneurial, and maybe not have the concerns about risk aversion that being employed by somebody might have.

A 37-Year Merrill Lifer Shares Why Even Long-Tenured Advisors Can Benefit by Forgoing CTP and Breaking Away

A conversation with Andy Ferguson, founder and CEO of Proquility Private Wealth Partners.

Mindy Diamond:

Right. So it makes perfect sense. I mean, the thing that we hear the most from senior advisors, so those that are long tenured that are sort of more on the back nine of their careers than the front nine, comment about independence, everything it stands for, sounds exciting. The notion of being able to sell my business on the open market for a greater multiple than what it would trade for if I moved to another firm, and better take home economy, and all of the freedom and control that they would gain is great, but it requires at least a five to seven year break even or runway, if you will, to have it make financial sense. So how did you reconcile that, needing to be more long-term focused?

Andy Ferguson:

Sure. At the time when I did launch ultimately in August of 20, I was just shy of being 59 years old. And I knew that I would necessarily have to be there at least five to seven years beyond that. So the first order of business is to look ahead and say how much longer do you want to do this? And maybe being independent might add some longevity to your career. I know it certainly took a lot of stress off of me, so I could certainly work longer if I chose to. But I think that that runway is entirely a necessary thing, and you can't make this decision without really thinking hard and being self-aware enough to realize where you want to be and kind of work backwards from there.

Mindy Diamond:

Yeah, I think that the notion is that there are many people that would look at what you did and think you were crazy. And many people that look at it and say it's enviable. And I actually chose to invite you on here because I think that you are emblematic, a great example and role model, for someone like you who's been long tenured, who is unhappy or frustrated to one degree or another, and is at a point where they don't necessarily believe that they would be satisfied with leaving their legacy at whatever firm they are at. They want to build or do something different. And I think what you did was incredibly brave. And what you're going to share with us as you talk about Proquility's value proposition will have paid off for you handsomely. So I think what you did was a wonderful thing, but you're 1,000% right. It's not for everyone.

Andy Ferguson:

Agree completely. And anyone who asked me directly about that, I would be the first one to admit that, in hindsight, on paper, you look at the facts in the case, and it maybe doesn't make a lot of sense to a lot of folks. And I understand that because there was a lot of work, a lot of stress involved, like all moves, but just done at a later age and a later stage in your career. The real question I get a lot is, in hindsight, would you have done it sooner? And I think so. I think I would have, knowing what I know now. But I wasn't convinced, and I guess in a way I was hoping that maybe naively, probably, that things would stay the same within the Bank of America structure. But they of course did not.

Mindy Diamond:

Naive or not, you weren't alone. You were hopeful and optimistic. The path of least resistance is to stay put. You had a sense of loyalty. It had worked well for you for a long time, and I think most people wouldn't have blamed you for what you did. But did you look at any traditional models? Was there any part of you that said, I'm looking at my ex-partner that went to UBS, or I'm watching people get paid big deals from Morgan Stanley or Wells Fargo, or something of the sort. Was there any part of you that said independence would be cool, but I think I might, given where I am in terms of how long I've been at this, that maybe going independent isn't what I want to do?

Andy Ferguson:

Well, I alluded to the team that I was a part of before the Bank of America acquisition. And back then when the acquisition took place, we actively looked at every possible alternative, independence, going with another wirehouse, going with a regional. My partners and I, we looked at that very carefully. And ultimately, perhaps the reason for our very amicable dissolution in 2009 was because we probably weren't all seeing the future the same way. And some of us were a little older and some of us wanted to be independent right away, and others perhaps wanted a financial cushion. There was a lot of consideration back then.

Now fast forward to when I left, I think you could argue that the terms had changed dramatically, particularly because of technology. And that has played a big role probably in my ability to be an independent operator rather than it might have been 10 years ago. So I did look at all of those options. I did not look at those however, Mindy, when I was getting serious about leaving on my own, starting at around 2017, 2018.

Mindy Diamond:

What about CTP? Had you had the notion of just saying, you know what, I'm going to do this for as long as it feels good and when it stops, I'm just going to retire through CTP, it's a way of monetizing the business in place?

Andy Ferguson:

Yeah. And I know CTP has evolved a little bit since I left. So to be fair, the CTP that I was evaluating or comparing the financials too are a little different than they are today. However, to answer your question, for me, the CTP is more about who ultimately acquires your book of business, who's going to be responsible for your clients, than it is the financial side. But I know that that's maybe in the minority.

For me after having done this for 37 years at the time when I left, a lot of my client relationships were 20, 30 years or more in duration. These were like family members. These weren't necessarily just clients. And I enjoyed working with all these people. I knew based on that relationship that I don't know that I could look them in the eye and say to them, "This is in your best interest to have me exit this way and be taken over by perhaps someone in my office," at the time, or someone in the area. I'm not sure how flexible the firm has gotten about acquisitions outside of your office structure. But at least when I was around, it was basically you were relegated to having to CTP out to advisors in your particular office or area. And I just didn't find that to be a good outcome for my clients. And so that had a lot to do with the decision.

Mindy Diamond:

Got it. Okay. So essentially though you were sort of toying with the idea of making a change, leaving Merrill for a long time. How long did it take you to make the decision and was it disruptive to essentially work two jobs for so long?

Andy Ferguson:

Yeah. And I was, of course, I was looking for reasons or excuses to stay, Mindy. So while I'm concurrently looking around at what else is out there, I was always looking for that green shoot of some kind that indicated that maybe things were going to shift and allow me to stay put. But concurrently working as a advisor, which is a full-time job, as all of us know, and then also out there kicking the tires, having meetings, having discussions, running spreadsheets, financials, that can be exhausting. So to do those two things concurrently took some time. I was blessed with having some friends that had already done it and they helped me pave the way at least, or slow me down to a point where I could narrow it to a handful of folks to talk to. So I wasn't all over the map, but I had a lot to consider.

And so it did for me, as a very deliberate guy, it took me a good couple of years before I landed on how am I going to pull this off? When am I going to do it? And ultimately who's going to help me get this done? And then of course, actually, I had already pulled the trigger internally to get it started, we had COVID kick in, so we'll talk about that. But basically that that's a curve ball that hopefully no one else considering this kind of move will have to deal with. But it was something that came out of left field and I had to deal with that. And we can talk about that too.

Mindy Diamond:

Yeah, of course. All right, so let's talk a little bit about you make the decision to go independent. You opt to leverage Dynasty Financial Partners. So talk to us a little bit about why Dynasty and the work that they've helped you to do.

Andy Ferguson:

Sure. And I had engaged the services of an advisor or consultant, if you will, who had a broad range of experience with all sorts of outcomes for guys like me. And he narrowed it down for me and said, "Look, there's Dynasty, there's a handful of others." And he gave me the pros and cons, which in hindsight were right on the money. The truth is Dynasty, although the more expensive platform provider, or say launch transition provider, they really covered all the bases for me. I was impressed by the personnel. I think they know what they're doing and they assigned me to a wonderful person to help us transition out of the firm.

And there was literally about 250 or 300 different things that we had to accomplish during the transition period, which started in earnest in January, February of 2020. We ultimately launched in August. So it gives you an idea of how much time had to be invested, while we're still being a team at Merrill Lynch and still being FAs and taking care of clients. How much time and effort had to go into making sure we dotted all the I's and crossed all the T's. But we landed on Dynasty, and there's only a handful that really do that and do it well. But we landed on them for those reasons.

Mindy Diamond:

Got it. I read, Andy, that you spent hundreds of thousands of dollars of your own money on a new office, operational expenses like marketing and printing and legal and insurance. Is that accurate?

Andy Ferguson:

It is accurate. I don't know if I've gone back, Mindy, and added it all up. I know it's certainly accounted for on our 2020 taxes, but it was a lot of dough. And I recognized and feel fortunate that I was able to do that in a way where I never had to go out and get financing or have it cost me anything to do it. I had the funds on hand, I was prepared. I knew it was going to take before we earned a penny of revenue from the new operation. And that's entirely true. And I think anyone going in with their eyes open, particularly if they choose the way I chose to go, need to be aware of that.

Mindy Diamond:

Yeah. All right. So let's talk a little bit about Proquility's value proposition. So I guess, first and foremost, how did you come up with the name?

Andy Ferguson:

We engaged through Dynasty, with some help from Dynasty, we engaged a marketing firm out of New York, and we went through all these permutations. And what I found interesting about the process is that there's so many different names trademarked already, that you really have to come up with something unique. Now you could use your own name. And some of my friends have used their own name. I chose not to because I didn't necessarily want this business to be just about me. I was trying to think ahead a little bit.

So Proquility is a unique word, and we've trademarked it worldwide. But it basically represents professional tranquility. And that's how we kind of landed on it. I'm not saying it's perfect, but it is unique, and I think everyone would recognize it is different than what you're normally hearing out there. And so that's how we landed on it. It wasn't rocket science, but we narrowed it down through the help of a marketing firm.

Mindy Diamond:

I love it. And do you feel like you've achieved professional tranquility since you launched?

A 37-Year Merrill Lifer Shares Why Even Long-Tenured Advisors Can Benefit by Forgoing CTP and Breaking Away

A conversation with Andy Ferguson, founder and CEO of Proquility Private Wealth Partners.

Andy Ferguson:

Yeah, I have I feel like. And I don't know if my team would answer the same way, but I feel like, again alluding to that original comment, when I walk in the door now of our office, I only think about the clients. I don't think about, I haven't added any new accounts this month. Have I met all the criteria for getting paid what I feel like I should get paid? And it's a really simple way to go through life.

And because of that, you go through, initially at least, you go through this period of time where you're still looking over your shoulder at what could happen. And that's because you're still invested in how the former employer ran their business. And I had 37 years of that. So believe me, it was a lot to overcome. But gradually you come to the realization that, hey, all you've got to do is show up, take care of your clients, take care of your team members, and it's as simple as that. And that gives you pause when you think about it because to me that is tranquility.

Mindy Diamond:

Yeah, I love it. Oh, I really like it a lot. So let me ask you a question. You launched in August of 2020, just five months after we entered this global pandemic. I think we were still in lockdown at the time. So what was that like?

Andy Ferguson:

Well, it meant of course, that everything shifted from office to work from home, which you could argue might have been making it easier for someone who's trying to segue out. But it did have some implications for me personally with my team because when I was at Merrill at the time, I had a team of three. And one of the people who has since rejoined us at Proquility chose not to go for a variety of personal reasons, somewhat COVID related, but there was other personal reasons. So anyway, it came down to just two of us, myself and a wonderful team member named Patty Yeager.

And Patty and I had to do all the heavy lifting to get us from point A to point B on all those 250 or so tasks that needed to be done. So we did it from home. We did it while also taking care of our business at the firm. And it was a challenge. And we communicated of course offline as best we could. Couldn't really communicate too much in person under the circumstances. So the real question in my mind was is this going to slow us down or is this going to mean that clients are not going to be amenable to a change because we're in the middle of almost an unprecedented thing. And we originally wanted a launch around Memorial Day in 2020, but obviously that got delayed.

Mindy Diamond:

Yeah. So let's talk about what your pitch to clients sounded like then, and now. I'm wondering since it is a unique name, but certainly not a household name, were there any clients or prospects that don't want to work with you because it's just not familiar?

Andy Ferguson:

A 37-Year Merrill Lifer Shares Why Even Long-Tenured Advisors Can Benefit by Forgoing CTP and Breaking Away

A conversation with Andy Ferguson, founder and CEO of Proquility Private Wealth Partners.

Yes. And so we were very sensitive to that. And I tried to put myself in the client's shoes, particularly the clients that we serve who we do have a long-term relationship with. So the issue wouldn't be hopefully not with the trust of us personally, it would be with the financial security of their assets because we don't custody anything. So to me it was a comparison between the custodian we chose to use, which is Fidelity and Bank of America. And of course the first distinction we had to make with clients is there is no change to the safety of your securities. In fact, arguably Fidelity is in a better financial position than Bank of America, but I don't want to split hairs. They're basically a wash.

So then it becomes a question of how does this change our relationship and what we do and how we work together? And that really we had to emphasize that it wouldn't change a thing. You could still see us, you'd still hear from us, you could have a different email address, a different phone number, and a different location. But really it's the same thing with the same players. And nothing about your experience, Mr. and Mrs. Client, would change dramatically. What we're going to have to ask you to do, unfortunately, is repaper your accounts because we do have to move from Merrill to Fidelity. And we were well prepared to do that. But there's some work on the client's part.

There were some ancillary things, like maybe they had a credit card with Bank of America, maybe they had a bank account with Bank of America. We made a conscious decision, Mindy, at the time to be totally banking agnostic. So we went from 180 degrees from being very banking sensitive, let's sell mortgages, let's sell credit cards, let's sell checking accounts to, hey, I don't care who you bank with. In fact, we'll work with anybody. Just give us permission and we'll collaborate with any banker you choose to use. Whoever's convenient to you. You don't have to use Bank of America. You can use anybody you want. And oh, by the way, if you want to continue to use Bank of America, no problem, we can handle that. So this was the general pitch to folks that life wouldn't change too much and that their securities and their assets were safe, that everything they had known about us before was going to be the same, except where we worked and hung our shingle.

Mindy Diamond:

Got it. And so what sort of success were you met with?

Andy Ferguson:

Well thankfully, we met with very good and quick success, meaning that within 90 days we had I think 98% of what we had left. And I want to make a distinction because this might be important to the listeners. There was an opportunity when you do this to decide ultimately when you look at your book, do you want to keep everybody that you got? And I know everyone out there can relate to this, but ultimately there were a handful of relationships that we chose not to invite to join us. And so there is a distinction between what we left behind and what we asked to come with us. We did leave a couple relationships behind that I know are very good relationships for the bank, but for a variety of reasons, we chose not to ask them to come with, and consequently those we did ask, virtually everyone came.

A 37-Year Merrill Lifer Shares Why Even Long-Tenured Advisors Can Benefit by Forgoing CTP and Breaking Away

A conversation with Andy Ferguson, founder and CEO of Proquility Private Wealth Partners.

Mindy Diamond:

Okay. And you did something that is unique actually, which is opt to become a fee only firm. Were you doing any brokerage business when you were at Merrill?

Andy Ferguson:

Very minimal, but some. Very minimal. And of course what I didn't realize or understand, and I think a lot of wirehouse employees maybe don't get this, but when you are being monitored under your Series 7 by FINRA, there's a lot of compliance restrictions and things that a big firm has to be pay attention to. And that's why I think you find in the wirehouse that the compliance is as tight as it is because they're really having to cater to the lowest common denominator amongst thousands and thousands of advisors.

When we opted to be fee only, we really weren't relinquishing a lot of revenue. That's the first thing. And that may not be the case with others, but it was for us. So that wasn't an issue. But what I really found a breath of fresh air is we were not being governed anymore by FINRA or a Series 7. In fact, we were happy to let those lapse. And it's tough after you go through passing that Series 7 to let that go. But realistically, the only people we answer to now are the SEC and the state of Nevada, where we're based, in a variety of degrees. And to me that simplified life a lot. Now the SEC's not easy. But to me relinquishing that and not having to deal with brokerage simplified the business. And it, in our business, did not really impact us much at all financially.

Mindy Diamond:

Yeah. The reason I say it's a unique move is because many people that move into the RIA space will eventually go fee only for all the same reasons you did, but it's a big leap out of the gate. Usually people are looking to bring everything they can over, and then they transition over time. So good for you for knowing what you wanted and making it happen right away. Let me ask you a question, and this is probably one of the most important questions. Talk to me a little bit about the kinds of things you are doing for clients now that you couldn't do while you were at Merrill.

Andy Ferguson:

I can. And this is a real mental shift. Because after spending many, many years with a firm, you begin to think that's the only way you can do business. What I gradually learned and now know entirely after three years is that you're now basically selecting who you want to use for financial planning, for insurance, for banking, for anything, for mortgages, for anything that you feel is important to your client base. So it opens up a whole world of opportunity. Now you could argue that it maybe almost makes it too complicated cause you have all these people out there selling those wares. We've experienced some incremental revenue that's different from what we could at Merrill. We couldn't get paid on certain things. However, I would say the biggest positive is really not having to negotiate all of these artificial hurdles to get paid that exist today when you work for a big firm.

A 37-Year Merrill Lifer Shares Why Even Long-Tenured Advisors Can Benefit by Forgoing CTP and Breaking Away

A conversation with Andy Ferguson, founder and CEO of Proquility Private Wealth Partners.

But I think the main answer to the question, Mindy, is recognize that you are now out there shopping for the best and the brightest, as opposed to settling for whatever the internal house brand is and whatever they offer. Financial planning is a great example. We happen to use eMoney. I know there's a couple of other great programs out there. We use eMoney relative to the wealth outlook that the Merrill internal proprietary planning offered, it's really like night and day. It's very easy to customize, it's very easy to use in a variety of different ways. It's very robust. And so you have to learn and understand that as you go and appreciate that, and that's a big positive.

Mindy Diamond:

So what other kind of things are you able to shop for? I mean, I think financial planning is a good one. How about if you were going to do a loan for a client? What is the process by which you would do that as an independent?

Andy Ferguson:

Well, we maintain some relationships at Bank of America. Maybe what a lot of my former peers don't know is that Bank of America sells their wares to outside providers, independents like me. So consequently, I can use Bank of America for mortgages. I can use Bank of America for commercial loans. They want the incremental revenue too. So there's an area of the firm, of all firms, that do that. And so when it comes to being able to shop for things like that, we don't have to use the bank, the Bank of America, we can use Wells Fargo, we can use anybody that does a great job at doing the lending side. We've used Goldman Sachs for credit lines, for example, securities based credit lines. But there's a lot of players out there for that.

And I already mentioned the financial planning. And the CRM, the contact management system that we eventually landed on called Wealthbox is just a world's improvement over the complicated and basically proprietary Salesforce contact management system that we had to work out of at Merrill Lynch. So there was a lot of things that made it a lot easier.

And for the clients, I'm sure if you were to ask them directly, they would tell you, A, things didn't change much, B, they were really interested in how many more things we could now do or afford to them. And basically we're out there shopping for them on their behalf. And that also applies, by the way, to research too, which I think Merrill Bank of America research is fantastic, still is. And I still use it. But I also use about a dozen other firms out there now that I can, without any compliance issue, include in our work for asset management, include in our review packets for clients. And so we really have the opportunity to draw upon a lot of different resources rather than just one big resource.

Mindy Diamond:

And how about, from an operational perspective, who is the one, who is responsible, or how do you go about getting the quotes from, let's say if it's a loan, and you've got to get a quote from Bank of America, from Wells Fargo, and any number of other banks?

A 37-Year Merrill Lifer Shares Why Even Long-Tenured Advisors Can Benefit by Forgoing CTP and Breaking Away

A conversation with Andy Ferguson, founder and CEO of Proquility Private Wealth Partners.

Andy Ferguson:

Initially, we got a lot of help from Dynasty. And narrowing it down to the vendors they had already vetted and that other RIAs were using. So let's just say, for example, we were talking about securities based credit lines. Well, Dynasty would say, well, here's three players that have never done wrong with our existing RIA space. And you should talk to them and get a feel for each of them.

On the mortgage side, and this may come as a surprise to my former peers, but the truth is Bank of America is the 800 pound gorilla in the mortgage lending business, and they do a great job on that. They have a lot of flexibility. And so we have done more mortgages probably with them now than we did when we were working for Bank of America. But there are others out there that are players and that we'll listen to. And then in some cases, some unique situations that need to be taken care of, we've used JP Morgan Chase and a few others to do that. So we originally get our ideas from our platform provider when we launched Dynasty, and then we narrowed it down ourselves based on our needs and our clients' needs.

Mindy Diamond:

Yeah. So how has being able to do these additional things, shop the street for the best and brightest as you put it, how is that translated into growth of the business, both from a revenue and asset perspective?

Andy Ferguson:

I don't know that it's had a big effect on growth. I know that if we have a prospective client referred to us or introduced to us by our clients, I feel like our pitch to them is stronger only because I'm not having to rely on just a proprietary offering. I've got an awful lot to show them and can be flexible enough to deal with just about any situation. So that's important.

Our growth rate, Mindy, is probably about the same as it was at Merrill. We're not big growers, we're not a conveyor belt. I'd be the first to admit to you that we've got a great business, a great little small business, and I want to add quality, not quantity. And every family we add, which is only a couple, three a year, needs to really fit our criteria.

Of course, not having to worry about hurdles to get paid. So it's really truly just a business decision. And I'm long in the tooth, so I feel like one of the things I've earned is to only deal with people that I like and only work with folks that I feel like I can help. And if they're willing to invest the time that we put in from a planning perspective, which is how we lead with any prospective client, then I'll certainly go there with them and we'll see if it's a good fit. So our growth really, I would say, has stayed about the same. I would probably argue, because I've seen this with other folks that have left that have really put the pedal to the metal, I think their growth rates are better outside the bank than with it, but every situation's different.

A 37-Year Merrill Lifer Shares Why Even Long-Tenured Advisors Can Benefit by Forgoing CTP and Breaking Away

A conversation with Andy Ferguson, founder and CEO of Proquility Private Wealth Partners.

Mindy Diamond:

Yeah, I think you've raised an interesting point that at the big firms, not just Merrill, growth is what is prized. So it's not just how much you're managing, but it's almost more how much are you growing a year? There are a lot of advisors like you that are very content with running what they might call a lifestyle practice or a practice that's not really focused on growth, but rather on doing the right things for the right clients. And growth, if it happens, great. If it doesn't, that's okay too. And so I guess I'm wondering, as you're talking, did you begin to feel that, that your rate of growth or the way you thought about growing the business became somewhat out of step with what the big firms wanted?

Andy Ferguson:

I did only because I had to consciously worry about hurdles that normally and today I don't even give a thought to. In other words, I have to open up a certain number of new households. I have to make sure that we do a certain number of banking related activities in order to qualify for... I even have forgotten what the criteria is now, but I know that those were some of the things that we were always thinking about, talking about in our team meetings. And boy, what an inefficient way to operate. And now it's, hey, we've got an opportunity to work with this particular family. Here are the pros and cons, let's see what we can do for them. And we see where it lands. And ultimately it has nothing to do with size, or who they bank with, or who they lend with or borrow from. So it's a breath of fresh air.

Mindy Diamond:

Yeah, I get that. I think that that makes real sense. And how important is technology to you, Andy?

Andy Ferguson:

Well, I alluded to this earlier, but without technology, I don't think you could have the independent RIA space as efficient and competitive as you might have had 10 or 15 years ago. I have some friends that have been doing this for a long time, and I kind of allude to them being, gosh, it's like the stone age 30 years ago, being an independent. And then technology around the turn of the century, 2000, Y2K, to me, that's where there was a real jumping off point. I know internally at the bank, we had discussions about why are places like Schwab and Fidelity growing faster than Bank of America or Merrill Lynch? And I think the simple answer was technology leveled the playing field considerably. And it certainly allowed for the ability to open a zillion different accounts. You could work online. There was a lot of factors involved there.

So for us, I think, and for anyone, technology is clearly important. Our technology is nothing terribly sophisticated relative to what's going on in the world today. It basically touches all the bases. We do use a technology consultant that bills us monthly and they have become our defacto help desk. And I know a lot of folks at Merrill will appreciate this. Whenever we had a problem with the systems, we got on the horn with somebody 24/7, and they solved the problem for us. Now we have a vendor who we selected from a host of vendors, but we have a vendor that we're comfortable with that does a great job at that.

They are responsive, they're there. And if we have an issue with any technology, and of course there's always issues, they're there to help us solve it and walk us through it. So it's really very helpful and I think it's so critical to keep up to date with the technology.

We're also, because of COVID, we haven't talked about that too much, but we had to separate and operate two separate systems. We had to have the ability to work from home and we had to have the ability to work from a physical office. And that was solved basically by having our workstation be a laptop. And we were working entirely in the cloud for security reasons. So all we do is dock laptops at home and then at the office, and we have monitors to make it a little easier on the eyes. So our technology solution isn't very sophisticated, but it gets the job done.

Mindy Diamond:

Got it. So you mentioned, Andy, that one of the things that was a real draw for you in independence was building something that you could sell on the open market, that would have real value, building real equity value. So what does the endgame look like? What do you think is next for Proquility? What happens from here?

Andy Ferguson:

Well, for those who don't know me, I have three adult sons. And the question I get a lot is, are any of them ever going to go into your business? And they're all in their early 30s, they're all very successful at what they've chosen to do. And of course, I would never try to shoehorn one of my kids into the business just because I needed a successor. So I think it's important for your listeners to understand that for me, a family successor was not on the table. So with that in mind, I basically had to look either within my team or outside of my team to figure out what's the end game here? Where are we going to go with succession, but also with who ultimately takes good care of my clients and my team members that don't retire with me. So as an independent, that opens up an awful lot of choice. So that's the good news.

The bad news is that a lot of folks in the industry know there's a lot of private equity money that are pushing valuations on RIAs higher and higher. And in return, if you are selling to a private equity funded operation, and most of them these days are, you have to understand that you are now answering to that firm. And ultimately they can be hands-off or they can be hands-on. And I think we have to understand that, as potential sellers of our practices, to be careful about who you ultimately sell to.

So again, I'll go back to my original premise where I invested a bunch of money to go independent. Thankfully the price and the multiple that I receive on the sale of Proquility won't change my life, but I want to be sure I get a fair value for my 40 years that I've invested in this business. I want to be sure certainly that my clients are well taken care of in a manner that they're used to. And that of course goes back to that whole looking them in the eye and being able to tell them, honestly, this is a good deal for you too.

And then ultimately, my team members, those who have gone on this journey with me and on the ride, and we've added some since we launched, I want to be sure that those who choose to stick around have a career path, have an opportunity, that they are viewed as very valuable to a future buyer. So these are the kind of things that I think about with succession. That for me is not that far away, Mindy. So it's something that I'm actively thinking about and trying to educate myself about.

Mindy Diamond:

Right. And do you think that the likely buyer will be an individual advisor that's not yet independent or is an individual advisor who is independent? Is it going to be a larger RIA firm? Will it be one of the rollup firms? What do you think it'll look like?

Andy Ferguson:

I don't know. And I'm keeping an open mind to that. But I will say that I'm starting, or I will start with talking to all my friends who are already in the business, who are in the RIA business, and asking them... These are folks, of course, that I know and trust. I know how they take care of their clients already. Most of them are bigger than I am. My first order of business is to say, "Hey, what's going on in your life and with your succession plan? And if you have family members in the business, would they be interested in acquiring a firm like ours?" I'd like to start there rather than going the typical banking route, at least not right away. Because I believe that that's going to potentially position my clients and my team members in the best possible way if we can find some synergy there. And I know enough folks where that's going to take some time just to go through that list, and that's where I would start.

But to your question, I believe it would be an existing RIA that would acquire us. It would be a bigger firm than ours, at least bigger in terms of assets and maybe people. And one that clearly was interested in growth beyond what we're able to accomplish, and could take care of our folks in the manner they've been taking care of these last many decades. And I know there's no guarantees in life, but I'm going to try my best to make sure that happens. And if that means I've got a transition longer after the sale is completed, stay on board, in other words, to make sure it happens properly, I'll do that.

Mindy Diamond:

Let me ask you one closing question, Andy. So if you could say one thing to your ex-colleagues in the wirehouse world, what would it be? And I think I'm talking specifically to other long tenured advisors considering change.

Andy Ferguson:

Yeah. I would say that you, first of all, need to be very self-aware of what you're strong at and not so strong at and what you really like and don't like about the business. And understand your career priorities. And I've already talked about this, but timeline. So if your timeline is relatively short, you don't want to go out and launch a completely independent RIA and then have to stick around for at least five or seven years, in my opinion, to make sure everything goes smoothly. Well, why bother? Change is very difficult. It can be a breath of fresh air. And I know I've talked a lot about the positives and the possibility of adding to your work longevity is a consideration if that's a desire or if that's a goal for you. I have a lot of friends that they have other things they want to do in their life, and after 40 plus years of being an advisor, they can do this in their sleep and they don't necessarily need to stick around and die at their desk.

But some also that I know love the business and they love the clients. And they want to do this as long as they can, as long as they're mentally and physically capable. So everyone is different. And I would say to my colleagues, and I have said this to many that I've talked to, just be self-aware and understand the big picture first, and kind of back into what the best choice is for you. And avail yourself of all the materials that are out there. You can read a lot about independents. You can read a lot about going to other firms. You can talk to folks like yourself, Mindy, about what the options are. There's a lot of folks that you can deal with that will help guide you in the right path. And that doesn't mean you're committed, doesn't mean you're being disloyal, it just means that you're kicking the tires a little bit. And I think you owe it to yourself and your clients, and maybe your younger family members if they are part of your team, to really seriously look at this if that's part of your game plan.

Mindy Diamond:

Andy, thank you for your time, for your generosity, for your thoughtfulness. We are wishing you nothing but the best. It sounds like, if you haven't already achieved professional tranquility, it certainly sounds like you are well on your way, and that's exciting.

Andy Ferguson:

Thanks for having me, Mindy. It's always a pleasure. We've known each other for a long time, and it's great to be on your show. And look forward to hearing all the other podcasts that you do with other advisors too.

Mindy Diamond:

Thank you. Andy could have taken the path of least resistance, that is to sign on to Merrill's retire in place program, CTP, and monetize his life's work at the end of the day. But for him, the decision was an easy one. Andy wanted to ensure that when the day came, he had answered to just one constituency, his clients. And the only way to do that by launching his own independent practice.

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 linked to browse recent topics. These written pieces are an ideal way of staying informed about what's going on in the wealth management space without expending the energy that full on exploration requires. You can feel free to email or call me if you have specific questions. I can be reached at (973) 476-8578, which is my cell, or my email, mdiamond@diamond-consultants.com.

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