MINDY DIAMOND ON INDEPENDENCE
A PODCAST FOR FINANCIAL ADVISORS CONSIDERING CHANGE

EPISODE TRANSCRIPT

From Insurance Sales to $8B RIA: A Northwestern Mutual Breakaway Story

With Andy Schwartz, Principal of Bleakley Financial Group

Mindy Diamond:

Welcome to the latest episode of our podcast series for Financial Advisors. Today's episode is from insurance sales to $8 billion RIA, a Northwestern mutual breakaway story. It's a conversation with Andy Schwartz, principal of Bleakley Financial Group. I'm Mindy Diamond and this is Mindy Diamond on Independence.

Mindy Diamond:

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Mindy Diamond:

Admittedly, I love stories about people who build a business and ultimately themselves from scratch, so to speak. That is starting from nothing and creating something bigger than they ever imagined. And this story is the perfect example of that. As Andy Schwartz, a principal at Bleakley Financial Group tells it, it's not about where you go to college or where you grow up, because Andy grew up in a lower middle-class family in New Jersey, who didn't have much, but worked hard for all that they did have. He served as a maitre d at a restaurant to pay his rent and tuition to Glassboro State College. Then in his senior year, started selling life insurance and was pretty successful at it. And that's when he knew he was onto something. Andy went on to become the top advisor at Northwestern Mutual with three and a half billion in AUM and the leader of one of the largest groups at the firm.

Mindy Diamond:

After nearly three decades, he and the team left Northwestern in 2014 to go fully independent as Bleakley Financial Group. Today, Bleakley has about $8 billion in assets under management and Andy, a $10 million plus revenue producer has been recognized by Forbes, Barons and the Financial Times as one of the industry's top advisors.

Mindy Diamond:

In this episode, he shares his incredible story with Louis Diamond. It's a narrative that exemplifies how hard work and determination can lead to good fortune. He digs deep into the limitations of working for an insurance focused broker dealer and how those limitations motivate the team to leave the firm. Then he talks about the explosive growth of Bleakley since forming a hybrid RIA with LPL, Schwab, Fidelity,

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Pershing, plus the role of alignment, capacity and scale when recruiting advisors. It's a unique spin on business growth that has relevant takeaways for every advisor. So let's get to it.

Louis Diamond:

Andy, thank you so much for joining us today.

Andy Schwartz:

Thanks for having me. I really appreciate it.

Louis Diamond:

Excellent. So let's get to it. Can you just briefly tell us about yourself? How did you get started in this business and from our prior conversations, it sounded like you were really a self-made guy. So curious to hear how you ended up right where you are today.

Andy Schwartz:

Sure. And I think whenever I tell our story or my story, I hope it gives people confidence that they can accomplish anything they want to in this business. I grew up in Willingboro New Jersey, pretty lower middle-class. Went to John F. Kennedy High School, went to Glassboro State College. And I went to Glassboro State College for two very specific reasons, we didn't have any money and I had low SAT scores. So it's not about where you go to college and it's not necessarily about where you grow up.

Andy Schwartz:

And it's a blessing for me. And I think about this every day, because we are so blessed with everything that this business has given us, that I grew up with not very much and now I have so much. And sometimes I think and feel sorry for people that grew up with a lot because they just have no idea how fortunate they are. And we certainly do because my twin brother, Scott, my partner, we've been partners since we were five years old, as far as working. So that's a little bit of background.

Andy Schwartz:

And then my coming into the business, probably most of the people listening today was by complete accident. I was working in my junior year in college in a restaurant. I had a bit of a falling out with the guy that owned it and I was making pretty good money. He was paying me like 500 bucks a week. I was a maitre d and that's sort of how I paid for school and I paid my rent. And he didn't need me for three months. It gets slow into the holidays. So at the same time, ironically, my first wife was living in a house, renting a room from an insurance general agent with Fidelity in your life. And Fidelity in your life, sold life insurance to college seniors, if you can imagine.

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Andy Schwartz:

So I went home and I basically lived there as well. And tease her, well, why don't you just sell life insurance your senior year? You know every senior on campus. So I remember sitting on the beach in Ocean City, New Jersey, studying for my insurance exam right before my senior year of college. And what happened was I started to sell policies and I found myself making like $4,000 or $5,000 a month selling life insurance policies, basically on notes to college seniors.

Andy Schwartz:

So I knew there was something going on and then fast forwarded in the spring. My brother Scott, who's my twin, has a job interview at Fairfield, New Jersey, which really was the Genesis of the Bleakley Financial Group. And he calls me from a payphone in the turnpike, yelling how rich we're going to be. I really come up to Northern Jersey, not because I had any interest in joining the firm, but since I was such an experienced financial professional, selling life insurance for six months in college, I just kind of went up to see what was going on.

Andy Schwartz:

And we were really impressed, not so much with what they were doing at the time, but what their vision was. And the way things are, I guess, the expression, we ended up going to Northern Jersey and that was the beginning of this thing. And it's just been a great run. So I've actually been associated with the same firm for 36 years now, my first job out of college.

Louis Diamond:

That's amazing. So Bleakley was a firm that was already in existence when you joined it?

Andy Schwartz:

Yes, it was Princeton Burton Bleakley and Dwyer. So none of the original principals are still here. Gary Bleakley left the firm a number of years ago, but we kept the name because it was the first name of the firm and it was kind of a recognition. And then when we went independent, we just decided let's make it simple. So Bleakley Financial Group was just nice and simple.

Louis Diamond:

Very good.

Andy Schwartz:

That was, yeah.

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Louis Diamond:

Back before it was popular, you figure it out that there was a market for helping clients with not just insurance, but also with investments in planning. Can you talk about the evolution from selling life insurance to moving more into the holistic wealth and financial planning market as well?

Andy Schwartz:

Sure. And really important decision that we made. I got my CFP my second year in the business and there weren't a lot of people getting CFPs. And at the time I did it, more just to differentiate myself in the marketplace because we were still primarily just insurance agents at the time. But a couple of years in, I realized that there was a very good opportunity to make a very good living, selling life insurance. And I figured I could probably make a million dollars a year someday. But I had a couple of different thoughts that there were three things that motivated me. And for me to convince my partners to kind of go along with, I guess, the grand plan. And that was one that I always kind of felt like he who or she who controls the money controls the client.

Andy Schwartz:

Oftentimes I would ask a client to buy insurance and you would get the answer. And this is the answer that always makes an insurance agent cringe, is well, let me run it by my financial advisor. And the first thought was I want to be the financial advisor, I don't want someone else to be involved. The second was that the hard part about our business is client building. And that's whether you're an insurance agent or you're a stock broker or a financial advisor, it's the client building, it's going out and finding the clients.

Andy Schwartz:

So if we do the hard work, it just makes sense to me, like in any business, why wouldn't we leverage those relationships? So not only do I make money selling insurance, but I did health insurance, I sold disability insurance. I wanted to do the pension plans. I wanted to do the investment work so that every client didn't just represent a commission and maybe a small renewal every couple of years, but they represented this revenue flow.

Andy Schwartz:

And then I could really spend more time, provide more service, have a much deeper relationship with them. And I also saw a way that we could really have an expansive revenue flow in the future. And then the last part was, I just could not imagine selling something, whether it be insurance or anything else to make a living, for my whole life. I didn't want to be out there when I'm 60, which I'm a year away from, hustling products in order to make a living.

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Andy Schwartz:

And I think back now, and I am so grateful to the 25 year old me for making that decision because I cringe thinking that if I were still just basically selling things and relying on whatever that outcome was year to year this late in my career, that would be very sad. And instead I have the opposite, we have these massive revenue flows that we know coming into the year. We know exactly what the revenue is going to be, and then we can plan our lives and we can plan our businesses and we can plan the money that we would have spend in growing our businesses based on that.

Louis Diamond:

Yeah. And on the insurance side, at least initially been for a while, you were affiliated with Northwestern Mutual, which enables an advisor to both be on the insurance side, but also offer planning and investments. And I believe at your peak with Northwestern, the group was around three billion in investment assets. And you were the largest investment focus group within Northwestern Mutual. Can you talk a little bit about the relationship with Northwestern and what was also the inflection point in your relationship with Northwestern, where you went from zero in assets under management and just selling insurance to becoming a real powerhouse within the organization?

Andy Schwartz:

Sure. No, great question. I mean, first I was very fortunate because again, everything in life, I believe for the most part is by accident. I don't know if a lot of people went to college to study insurance or even to study being an investment manager and advisor. I know today you could, but 36 years ago, you couldn't. So I was very fortunate that Northwestern Mutual just happened to be the institution that my brother Scott interviewed with when we were still seniors in college. Great organization, and the greatest thing about Northwestern was the people involved in the company. And mostly, I mean, what we used to call agents at that time, but the advisors were just such a great quality of people, client service oriented, planning oriented. So we got a great education, a great background.

Andy Schwartz:

About six or seven years in, as we started to try to build out the business, the way I explained before, which was sort of this business where we could service all of our client's needs and really build a robust financial engine. We realized it was all about capacity. And so we started to invest in the business really early. I remember the first big employee that I convinced my partners, and I always had an advantage. I have four awesome partners today and I've always had three or four partners throughout my career.

Andy Schwartz:

And so what we always did was we always shared resources. And I remember the very first key hire that we did, again, almost probably 30 years ago, was we needed to be smarter. We needed to have capacity. And so we hired Joe Gessler, who was our planning expert, very, very smart. So we could actually go out into the marketplace with real financial plans so that we could attract money and we could attract larger insurance sales. And he was expensive and something that I've been talking to advisors about for years and years and years, because I've done 100 talks and we've done seminar work.

Andy Schwartz:

And Scott and I did Schwartz Camps for the Northwestern fields for more than a decade. But I always mentioned to any group I speak to that it's never about expenses. It's always about revenue. And if you can't spend money, if you can't grow capacity, you can't grow your business. And I was fortunate that because I had these three partners that we could sort of all chip in. So a $200,000 a year employee didn't cost me 200, it cost me say 50. And we sort of worked on that premise for the entire duration.

Andy Schwartz:

And what really Bleakley now has become this $8 billion organization, which will become a $20 billion organization with the same premise. So instead of being four partners kind of chipping in to go out and buy resources and to create scale. Now we have 40 advisors that we can basically all sort of use our scale and resources to now we've got millions and millions and millions of dollars worth of payroll.

Andy Schwartz:

We've got an amazing leadership team, amazing resources. So that's always sort of been our thought. And so that was really the issue. And then the best thing that ever happened to me was I hired Paul Magistro about 21 years ago. Paul had a little bit more of a investment background than I did. So I was really selling mutual funds for about five years. And then Paul came in and he really had much more experience. And he was... That's really where the business just took off. And I would say two or three years after that, I started to lead Northwestern Mutual. As an individual, the firm started to lead the company and again, the business continued to grow from there.

Louis Diamond:

And when you're at Northwestern, were you technically independent? How did you think about that?

Andy Schwartz:

Northwestern Mutual is run by what I'll called managing partners or at that time it was a general agent. And so everybody sort of had a different latitude. So my general agent for most of my career was a guy named Bob Stone, who was a wonderful man. And he always did his very, very best to sort of let us do what we wanted to do. He respected our autonomy and that was always very helpful. And then Bob had retired about 15 years ago, certainly long before we had left.

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Andy Schwartz:

What I find is the challenge and not just Northwestern, because again, Northwestern is an awesome organization. The challenge, I think for an advisor in any institution, whether it's an insurance sort of based or a hybrid institution like Northwestern or even an investment institution, it's an alignment issue and it doesn't make the organization or the institutions bad. It just means that we're not all necessarily aligned. So what's best for the growth of the Bleakley Financial Group. What's best for my personal growth might not necessarily be what's best for the organization you represent. And then that's sort of where there's friction.

Louis Diamond:

That makes complete sense. We talk about the concept of congruence and incongruence between firms and what an advisor believes. And we see it manifest itself and compensation plan changes if it's a wirehouse and trying to incentivize certain behaviors.

Andy Schwartz:

Exactly.

Louis Diamond:

And certainly in the insurance world, the incentives and probably how the firm invests, were also misaligned with your vision for Bleakley.

Andy Schwartz:

Exactly. It's exactly right.

Louis Diamond:

So a good segue here, you and your partners and your brother were obviously Kings of Northwestern Mutual. You were absolutely crushing it as the largest group on the investment side with the firm, making tons and tons of money, you were I'm sure that shaving your dream of making more than a million dollars a year. So life was pretty good. What was it that was frustrating you so much that you decided it was right to upset the apple cart and leave Northwestern?

Andy Schwartz:

I like to think of it, not so much as what the frustrations were, but more what were the opportunities that we were missing. And it's really two things. It was really sort of, again, alignment and flexibility. And I'll give you one example. So shortly after we left Northwestern Mutual, we hired a chief investment officer, Peter Boockvar. And anyone in the financial world I think knows Peter Boockvar, he's on CNBC probably four times a month. He writes everywhere. It's funny. I was on the phone yesterday with a client. He's an investment manager in the city and pretty big firm, $3, $4 billion hedge fund. And he was just saying, because he reads a lot of Peter's stuff and we started the conversation by, I just want to tell you how smart, I think Peter Boockvar is.

Andy Schwartz:

And the credibility that that creates is amazing with people that know. But the beauty of it is that we had the flexibility to bring Peter on and Peter could be the Chief Investment Officer at any major institution in the country. He really could be. And I get lots of clients from large institutions that want him to come in and talk to their, either their risk managers or their portfolio managers or just their macro economists.

Andy Schwartz:

And we build or bring Peter on because we have so, again, this large asset pool. Let him run a separately managed account sleeve for us. Obviously there's fees charged for that separately managed accounts sleeve because he's a manager like any other manager, we're able to pay him through those fees, not necessarily it really cost the firm anything have this guy in my office every day and available to all of our advisors, but more importantly, available to all of our advisors clients.

Andy Schwartz:

So I spend in the winter time, I'm in Florida one week and I'm in Jersey one week. So when I'm in Jersey, I'm in Peter's office three or four times a day, I get up in the morning, the first thing I read is Peter's morning commentary. He writes throughout the day, if there's anything on the market. And that goes to all of our advisors. And then if I ever get a client who is scary smart, and smarter than me, which plenty of them are, it's so nice, I just get Peter on the phone and I just let him answer these questions. And it's such a confidence builder for me. And then the first really great victory that I got out of that was about a year in that Peter was with us. We picked up $120 million institutional file, non-qualified. And I had some large 401k pensions, but I kind of look at that as being different.

Andy Schwartz:

This was actually just asset management for an institution. And I had Peter Boockvar and Steve Khun in my chief investment - he's really, our investment process guy, the guy that runs our think tanks. And I'm in this conference room with a lot of people, is really big conference, biggest conference table I've ever seen. I'm at the end of this thing. And I've got Steve on one side and Peter on the other. And a couple of the people on their committee were actually investment professionals. Some guy had spent a career at Fidelity, running fixed income or something very impressive. And there was some other people with

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really strong background and they all knew who he was. And so having him there and being available to them directly, we win the business, it was very competitive.

Andy Schwartz:

So when I go onto the marketplace with the capacity to be able to build, I just have tremendous confidence. And so my average files now were probably two or three times larger than they were just six years ago as they bring them on. There's 15 examples of the things we've been able to do. So it isn't that where I was bad because it was awesome, great organization, great people, and their advisors are crushing it. I mean, Northwestern Mutual is probably one of the largest, I don't know whether the word would be third-party or hybrid independent, but they're just amassing huge amounts of assets. We just had a different vision.

Louis Diamond:

Yeah. That makes complete sense. So if you can elaborate a little bit on what were some of the reasons or motivations then that led you to leave Northwestern? Because we talk about there needing to be pushes and pulls. So you talked about some of the opportunities and being able to bring on someone like Pete and bring the business more up market and compete for larger type opportunities. But how come you weren't able to do that within Northwestern?

Andy Schwartz:

Well, I think you're in an institution and again, any institution, they have to sort of run that institution. And I don't want to say the lowest common denominator because they think that's kind of negative, but they have to run that institution at more of where the average person is. And if nothing else, it's just because of just capacity. You can't have a whole bunch of people doing a whole bunch of different things. One, because you want to protect your institution against people making mistakes and also you just can't oversee it all. So I think what ends up happening is once you become an outlier, it becomes a difficult place to be. We just became an outlier. So we were asking to be able to do things that people in my marketplace could do, but it wasn't something that they had the resources or had the interest in doing. And so that was just part of the problem.

Andy Schwartz:

And I think that a lot of people kind of run up that sort of ceiling. And I also liked just being out of conflict. And again, I think that they do a great job and they represent their clients well, but I always felt that there were some conflicts like at any institution. And I just wanted to out of conflict. I just want to represent my clients. I don't want to represent institutions. I don't want to have any bias. I just want to represent my clients. If they need insurance, great. If they don't insurance, great. Whatever the assets are, we want to think that we bring them the best assets at the best price. And there shouldn't be any opinion from any other outside party influencing any of those decisions.

Andy Schwartz:

But again, we were able to build a great business there. And if we stayed there, we'd have a great business today. I just think that it's given us an opportunity to build a bigger business and from a recruiting standpoint, it's given us tremendous flexibility because we have advisors that aren't interested in the insurance business at all. So there are no requirements on the insurance side. Some of them just want to be advisory only. They don't even want to be broker dealer affiliated. That's perfectly fine. We have several custodians. Some of our people are in a hybrid model with us, some of them are advisory only. Again, we're agnostic, whatever is the best approach, the best setup platform for an advisor that wants to join the firm, whatever will make him or her more successful, we want to have that to be available to them and we don't care.

Louis Diamond:

Makes complete sense. And something we hear often from advisors that are practicing at a predominantly insurance focused broker dealer, like a Northwestern or a MassMutual or an Axa-like firm, is that the investments the firm is making into the platform and the technology are more geared toward the insurance side rather than investments. Did you experience that when you're at Northwestern?

Andy Schwartz:

Yeah. And what I would say is this, it doesn't even necessarily have to be that it's more focused on insurance and investments. So think about it. We have a dual mandate. We have a dual responsibility. So even if it's just as important to them, you're still siphoning off tremendous amount of resources, talent, manpower, woman power to other things that we just weren't that interested in. So if nothing else, it just makes it more difficult and you can't get away from the idea that they are running an institution and you can't get away from the idea that premium drives these institutions and that doesn't make them bad, it's just a fact.

Andy Schwartz:

And so you can't expect them to ignore that. Whether it's the way they compensate people or the way they recognize achievement or where pressure comes from because they have to serve the policy holder who owns those companies the best they can. And obviously the insurance engine is a very, very important engine in that process. And again, just not aligned. Yeah. We just weren't aligned. It doesn't make them wrong, it just wasn't a good alignment for us.

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Louis Diamond:

Because of that misalignment, you and your partners opted to leave Northwestern and affiliate with LPL Financial as your broker dealer and to become a hybrid RIA platform that was multi custodial. When you went through your diligence process before joining LPL, what else did you look at? And when you were evaluating firms, what was your decision making criteria?

Andy Schwartz:

We probably talked to, I don't know, maybe 10 different institutions and fortunately for us because of our size, everybody was interested and we had some really great conversations, learned a lot in our process. We had talked to Persian, we talked to Schwab, we talked to Fidelity. One of the reasons that we went hybrid and we needed to be hybrid was because we had at that time about 25 advisors. And remember the way we sort of grew up, if you start in the insurance channel, then typically just because of the time we entered the business, you had people that were in this, call it brokerage business, where they maybe at 529 trails, or they had 401ks that were more annuity based or insurance-based 401ks that were paying commission, or maybe they even were just getting trails on a non advisory platform. So we needed to have a platform that would allow those advisors to continue to collect that revenue.

Andy Schwartz:

The firm at the time was probably at least 90% advisory, we had definitely made the decision early, that we had very little interest or no interest in being in the commission business. But there are some assets that you just had no choice. And so we wanted to have the flexibility, to be able to capture those revenues, not make anyone have to make a choice that they walk away from $100,000 of reoccurring revenue.

Andy Schwartz:

So LPL did have a pretty attractive hybrid model. They seem to have everything that we needed, but we don't really... Again, they're our broker dealer, but we don't... LPL to us, they're a vendor for us. I probably have more assets on the Schwab platform today than I do at LPL. And I'm sure that will continue because that platform for the separately managed account business that we do works out better, cheaper for our clients.

Andy Schwartz:

And again, we probably have five or six advisors that have no broker dealer affiliation. And there's lots of reasons why you might or might not want to have broker dealer affiliation, but for those advisors that works out better not to. And we love being able to go onto the marketplace and offer, well, one time we had five custodians, including LPL. Now we're down to four because of a merger. But it's nice to be able to offer flexibility. Maybe a client already has assets at some institution that they're comfortable with, the technology. They'd like to actually keep that Schwab account or that Fidelity account or that Pershing account that they'd like to have a different advisor. We can just take those accounts over.

Andy Schwartz:

We also like to be able to go to the institutions, particularly when it comes to borrowing, whether it's margins or lines of credit and to say, hey, Schwab's at this level rate, what can you guys do? And we find that to be helpful as well. The more optionality we can create for clients, the better job that we can do for clients. And I think clients want to see not just independence, but they want to see optionality. They want to know that they're really getting to see the market. They're getting to see what's available, that someone doesn't just work for an institution.

Louis Diamond:

And that was a really good description or reasons for why multi custodial is better for some. But even back when you transitioned, the business was smaller. And I say that some what jokingly, because it's still a massive enterprise then, about three billion in assets. But you then had the scale to just form your own RIA and build it on your own. What was the motivation to partnering with LPL and joining a multi custodial platform versus doing everything completely on your own?

Andy Schwartz:

Yeah. And there was really a third piece of that. Part of our LPL decision was we joined an OSJ in the middle. So PAG, is our, what we call our OSJ. And I think it's really important that I bring this up because a lot of the conversations I have in the recruiting process, I'll talk to advisors that are at 200 million or 500 million, or maybe they've hit a billion. And they seem to think that they want to create their own RIA. And I mean their own, create their own ADV, hire the lawyers, do their own compliance.

Andy Schwartz:

And to me, that is just such a mistake. And so what had happened was we realized that what we wanted to do was spend our time and energy focusing on growing our business, getting our business to where we wanted it to be, because we knew that where we were coming from there were so many things that we weren't doing that we could do.

Andy Schwartz:

And so we were really focused for the first three years of really building out this robust offering to our clients. And then we started to focus about two years ago when the recruiting side, we hired Vince to come in and run recruiting. And so we've been actively recruiting over the last couple of years. So I would say that the combination of the OSJ and LPL having the hybrid model, allowing us flexibility to have a custodian and they could provide all the services that we needed, the technology was good. It really did turn out to be a great option for us. And it's worked out beautifully.

Louis Diamond:

That's very interesting set of comments because that is the big decision a lot of advisors grapple with whether they're leaving an already independent broker dealer or an insurance backed firm, or they're at a wirehouse. It's kind of... What is it that's most important to you? And for some they want complete and unfettered autonomy, they want the highest possible payout. And they're okay with taking on extra work of having their own RIA because to them, that's the best use of their time.

Louis Diamond:

But many others, I think, fall into your category, which is sure, we have the scale and the ability to do it on our own, but that's not really what we want to do. It's more important for us to focus on growing the business, focus on the right things. And even if it costs us some money and maybe we lose a little bit of flexibility, it's an investment worth making because our time is our most valuable commodity.

Andy Schwartz:

And Louis, I would argue that they don't know what they don't know. So I would argue that it's not so much about that they want autonomy because I find that we have complete autonomy. I don't ask permission. I mean, obviously everybody has to be compliant, but we're all governed by the same compliance, whether we're an independent RIA or whether we're a hybrid. So what I would really remind or advise people to really think hard about is be very, very careful because this business has gotten very complicated and scale has become really, really important. And I think people make decisions oftentimes about making these changes. Sometimes it's about ego and sometimes it's about money. And I would say that both of those are probably bad reasons to make that decision. And when I say money, not to run a bigger business someday, a better business and obviously make more money because that's what it's all about. I mean, getting a check.

Andy Schwartz:

But the ego part's really important because I'll talk to someone that's got a $500 million business and they have no idea what it is like to actually be fully responsible to run their own independent RIA. And so what ends up happening is, and not only did they have no idea, but I would argue it's probably not their skillset because most successful advisors that I know, other than having vision and being smart and motivated and hardworking, they tend to have great people skills, great client skills, but not necessarily management skills or analytical skills, because if they were, they're probably not great managers, because I don't think that what makes someone a great advisor would necessarily correlates to being a great manager of an organization. And the business has changed. And I think what happens is depending on where they're coming from, if you're a $500 million advisor and you're at a insurance-based institution I guess or anywhere, you're a pretty big adviser.

Andy Schwartz:

But even for myself, I mean, I run about a billion and a half dollars. I wouldn't think about being my own independent RIA on my own. I wouldn't even think about it. And now we're at a point where $8 billion, we've got some decisions to make as a firm will ultimately have to become our own independent RIA because it gets too complicated to explain to people. And as we grow, and that's something that is sort of in the near future for us. And we've already had that conversation obviously with our OSJ. But I would just tell people to think really carefully, because what you really want to do, if you're going to make a change, you should make a change because wherever you go, whether it's joining a firm like mine or going to another institution, that your capacity that you currently have is greatly increased.

Andy Schwartz:

Because if your capacity is not greatly increased, then other than maybe somebody's paying you a little bit more, or maybe somebody writing you a big check, and I would argue all the money is fungible, it's all the same thing. All you're really doing if you take a big check is you're just basically selling your future. And I would argue that it's very sad to me when an advisor takes a really large check and I get it, it can be enticing. But if you take a really big check, then typically there's another side of that. And the other side of that is you're taking a lower payout.

Andy Schwartz:

Well, if you join a firm like mine, our expectation is we'll double our business every six years or so. So if you can double a business and if you take a check and if that check obligates you to be there for seven years or nine years, I just think that the math and that doesn't make a whole lot of sense. There's a reason why they're writing those checks, because one, they went to attract the advisor, two, they're making money on that business.

Andy Schwartz:

And so what I always say to people is try to make long-term financial decisions based on short-term financial circumstances, because it's a really big mistake. And my thought is, join a firm if you do feel like you need to make a change that can enhance your capacity so that you can double your business. If you're not thinking that you're going to double your business twice as fast as you could where you are now, then I don't understand why anybody goes anywhere.

Andy Schwartz:

But if that's what you're thinking, then where can I go that will give me the capacity that I can double my business in half the time it would have taken me. And that if I can have a really strong payout, aren't they better off than taking that check up front at a much lower payout, and then in five or six or seven years, whenever that period would have been up anyway, now my business is two or three times larger than it was. And not only that, but I'm part of such a large organization that now my business isn't only worth whatever somebody is willing to write me a check for it, but it's worth not only twice that because of my size, but the multiple on that is going to be a double.

Andy Schwartz:

Because a $20 billion organization could sell it 20 times earnings, so EBITDA, where a billion dollar organization, which is very impressive. If you're a billion dollar advisor, congratulations, you've done an amazing job, but your EBITDA is probably half or less the EBITDA of a firm of the size that we plan to be or other firms that are there now.

Andy Schwartz:

So I just think that people need to be thinking a little bit more long-term about these decisions. The most valuable asset that we have is our practices. And not just because it makes us money, but it is something at least for the moment that a lot of people are interested in and people are buying at very high multiples. So everybody should think about how do they maximize that opportunity, both on an income basis over the next, five, six, eight, 10 years, and then on an ultimate exit.

Louis Diamond:

Well, that's the response to there. And I think the way you described the thinking around taking a deal or a check, it makes a lot of sense. Ultimately, you had a crystal ball and you knew you would double your business every six years. And you're able to then to reap the rewards of a higher payout than everyone would do that. I think the counter point I would make to that thinking is you are still somewhat betting on yourself. If you're a wirehouse advisor or a team taking a check from a firm, no matter who it is, even if it does reduce your payout, you are de-risking the transition. And if ultimately your business doesn't double, then at least you have some nice money in the bank and you've been able to take care of your family.

Louis Diamond:

But I think it's those who are going independent these days that are willing to make an investment in themselves. They're willing to take the entrepreneurial risk. They're willing to defer the big payday until they monetize the business in the future. And their thought is, I'd rather keep more of my income and have more control rather than being saddled with W2 income and giving all my growth really to my firm for a discount. To me, that would be kind of the distinction, but I think your comments are exactly right.

And clearly it paid off for you. Let's move a little bit just to the growth of Bleakley. So about 3 billion, when you left Northwestern. Today, as we're recording this it's an $8 billion organization. What do you credit with that growth?

Andy Schwartz:

I would say we have three words that we described the firm, it's alignment, it's capacity and its scale. And so what's happened is because we sort of all work together, the firm operates in, I don't know if I should be proud of this or not, but the firm actually operates as a goal to break even. This year, we're actually running a little bit behind. So it's quite possible that to be an an equity owner, Bleakley means that you have the honor of maybe even writing a check at the end of the year to make sure that we cover all the projects we want to bring on. But the idea is that we want to reinvest all the money that the firm makes into greater and greater capacity. And we had the luxury to do that because all the partners in the firm are advisors.

Andy Schwartz:

So I'm not a manager. I'm not Mr. Schwartz's, the partner, I'm Andy, the advisor. And so I do the same thing that all my advisors do every day. I know what their problems are, because if there's a problem in this place, I have the same problem they do. And because all the partners have a large practice in a large penal they run, we're not dependent at all on the revenue of the firm.

Andy Schwartz:

And so the goal for the partners and the goal for all the advisors is aligned. We all want to be better. We want greater capacity. I like to joke that I don't know two or three years from now, who or what we'll be hiring as far as additional services. I mean, we've got our, our CIO, I've got a life coach on staff that actually talks to clients, not... Everybody's involved in coaching today.

Andy Schwartz:

I have a coach, everybody has a coach. Firms have coaches and she can talk to advisors, that's fine. A lot of advisors... What she does for us is she helps the teams because what I find is we have great advisors, but great advisors tend to have very dysfunctional teams. And that is definitely not productive. And so one of her responsibilities is to take a dysfunctional team and turn them into a happy, cohesive, well-run unit. And that's been a major change over the last three years organizationally.

Andy Schwartz:

But what we also do is you offer those services to clients. We don't charge them. If clients going through transitions, having difficulties with bad retirement, God forbid a death, a divorce, she is available. And

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when you talk about the long-term goal of the firm, it's to create endearing relationships that are so sticky, that these clients would never think about leaving the firm.

Andy Schwartz:

And it's not about rate of return. It's not about our fees being 10 or 20 basis points higher or lower. And so the only way you can do that is to continue to provide services. So bringing on legal review services, bringing on accounting services. I like to joke with the team that, listen, we'll walk their dog. We'll be their travel agent. We'll do whatever anybody wants done and whatever is being offered in the marketplace. The firm will make an investment to hire those people to do those services. And we can, and we can do it very cheaply because when you have 40 advisors at 8 billion and you can kind of do the math and get an idea of what the revenue could look like. When I have 80 advisors at 15 billion or 100 advisors at 20 billion, there'll be lots and lots of services that we'll be able to provide for clients that other firms will not be able to provide simply because they don't have the scale.

Andy Schwartz:

And that's why I think that it's a mistake when an advisor thinks, oh yeah, I'm going to be my own because I need complete autonomy, whatever that even means I'm not even sure, because I don't want autonomy, I want to help, that's what I want. I need help. So that's sort of the thought, and that's what we do. We I have a wishlist, my brother, Scott is always shaking his head at me and telling me I'm crazy, but I have my wishlist and every year we seem to be able to check off a couple of those boxes. And we're just going to continue to do that.

Louis Diamond:

A big part of your growth plans as you've alluded to is recruiting advisors to leverage career platform. So what are a few brief reasons why an advisor would choose to join Bleakley or any platform for that reason versus just affiliating directly with a broker dealer and likely getting a little bit more money up front to join that firm?

Andy Schwartz:

I think it's a couple of things. One is, what we find is we bring these advisors on, we're able to lower their costs to do business while they're actually able to raise their fees or become more profitable. And we have found that on every, and I'll say an acquisition or every onboarding that they come in and the internal costs to run their business goes down, but their profitability goes up, so it's cost their clients less and they make more. So that's been great. But it's it's capacity. So when they come on, if they haven't been able to build out the capacity on, say the investment offering side for a relatively small amount of money, we do all the work for them. We have what we call our think tanks. So there's a dozen investment professionals here that put together the portfolios, do the investment reviews, do the takeover proposals.

Andy Schwartz:

They do all the work because what I want my advisors doing is going on and identifying prospects, onboarding new clients, servicing their existing business. I like to say that my job is to read the news. My job is not to build everything one, I'm not that smart and two, I don't have the time to do it because you got to pick one or the other. And the problem with the business everywhere and something that we've been trying to address for decades and something I really worked hard on at Northwestern institutionally to try to help them was that you can't have 10,000 1-person armies running around. And everybody has to build this capacity themselves. The problem is, is hard for people to come together that everybody's sort of on the same page. And so when they come here, all that capacity is created for them. So that for a fraction of what it would cost to have the services available, a very, very successful advisor isn't necessarily going to have a life coach on their staff.

Andy Schwartz:

They're not going to have a nationally known CIO. Yeah. There'll be a CIO at the institutional level. And I could call my old institution CIO and say, "Hey, could we get on the phone with my clients?" And they would say, "Well, how about the second Thursday in May at nine o'clock?" And I walk into Peter's office and I say, "Hey, Peter, I got someone calling-in in 15 minutes I forgot to ask. Would you mind coming down to my office, please?" Unless there's something really unusual going on in 15 minutes, Peter is in my office and I have him on speaker.

Andy Schwartz:

And so it's really about that capacity. And then again, there's two ways to look at this idea of more money upfront or more money down the road. But I've always bet on myself. And I just think that to be able to get a big payout into, and if you can have capacity to really grow your business, that to me should be the fundamental reasons why somebody would make a change, not to get a little bit more money up front, that just never made any sense to me.

Louis Diamond:

Absolutely. That's great comments. And you're investing in the capacity is really the decision you're making.

Andy Schwartz:

It's all about capacity. Look, I like to say to people that I would go out into the marketplace, first of all, I want to be as good or better than anyone in my market. I never want to feel like I'm second tier or that

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I'm a B player in a market because I just don't have the capacity. So I would go into the market with overwhelming force. And overwhelming force is capacity that if a client says, I would like to do this, can you do this? The answer is yes. And if I can't do it and somebody else can do it, we're going to buy it, we're going to hire it, we're going to make that happen because we have the scale to do it. And so whatever decision an advisor makes, if they make a lateral decision, like I can talk to the advisors that we talk to.

Andy Schwartz:

And yeah, I can tell them that they're going to make 100 grand more by joining us because they don't have these program fees and there's certain things that it's just cheaper to do business with us. And so they'll make more money. But I tell them, don't do it for that reason. Don't make a change. Don't disrupt your life to make an extra 100 grand a year. It doesn't make any sense to me. Do it because with the capacity that you will add to your practice, you'll be able to double your business in half the time. If you don't believe that, don't do it. If you believe that, than do it. But that's the reason you do it. Not to make an extra 100 grand a year, to me, it's not worth that after tax to disrupt your entire world.

Louis Diamond:

Well said. So the question I've been thinking this entire time is you yourself are still the full-time advisor and you're running, you said a billion and a half in assets just in your personal practice, but also you're the visionary and you're the head of Bleakley. So how do you find time? How do you allocate your time between those two competing roles? We've had John Kuttin on the podcast before, who made the decision to take off the advisor hat completely just become a CEO. And many advisors, whether they're employees now or they're running their own RIA, sometimes struggle with the decision to either focus everything on the advisor side, focus it on being a CEO. It's somewhat rare actually to find someone who's a Jack of all trades like you.

Andy Schwartz:

Well, I would say a couple of things. First, I have four terrific partners. This isn't really just about me. My brother likes to make fun of me all the time. So he calls me the face of the firm, and then he likes to send funny pictures with that. But so I would say that one, I do have four partners that are very, very involved, obviously in helping run this firm. But we have a great leadership team. We have a big leadership team. We trust them, we give them a lot of responsibility so that we try to meet every Monday afternoon for at least an hour. And then every other Monday, we have a two hour partner's meeting where we go over all the issues and everybody reports on their own departments.

Andy Schwartz:

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I think that the beauty of our firm and what the real difference is, it is the alignment. Because when you think about the fact that this is a little bit unusual, what ends up happening is a very successful advisor, becomes the CEO of his or her business, they're able to leverage what they built, and they're probably much, much smarter organizationally than I am.

Andy Schwartz:

And then what they become then is they become someone running this organization, and then they start focusing on different things. They focus on EBITDA of the organization, they focus on growth and maybe even a transaction. As an advisor, which is really the way I earn my money. So as an advisor, I'm completely aligned with every advisor in the firm. And so we have perfect alignment. And I just think that for us, it works. I'm not saying it's the smartest way to do it. There are times where I do feel like I wish I had a few extra hours in a day. Being 59 years old and having grown children so that it's no big deal. I don't have to be at a soccer game at 3:00 in the afternoon or at a parent conference, a teacher parent conference at two o'clock.

Andy Schwartz:

Certainly 20 years ago this would have been impossible for me, but I do have time. So, the weeks are busy, but I do take some time off. I typically don't work on a Friday, always engaged in the process, certainly not taking client calls on Friday. But I think that the advantage for me is that it keeps me engaged in the process, it's most important for the firm and that is serving our clients. And if I'm not in the trenches with clients, I think that it would be very easy to sort of lose touch with that. And I talk to executives all the time and people that run firms and they talk to you and they have this idea about what people want or what's important.

Andy Schwartz:

And I just sometimes find that they're so removed from what we're actually doing day to day. And I really, I don't want to go there. I'm going to stay engaged. I have brought on three, I guess, advisors onto my team. And my goal is to try to get my book down to 100 files. I mean, I'm woefully short of my goal up to now, but I'm working on it. And that's something I work on my coach every month, we talk about where's the book? Where are the numbers? Because I'm still growing the book. So I've got to continue to downsize my head count because it just becomes impossible. Yeah, but my goal would be to continue this call it hybrid position for as long as I can do that.

Louis Diamond:

Love it. The old player coach.

Andy Schwartz:

Exactly.

Louis Diamond:

I do the same. So what's next for Bleakley? And how have you begun to think about your own succession plan? You mentioned you're 59. Clearly have a lot of passion and energy for the business, but Andy's not going to be the CEO and advisor forever. So what's your plan there?

Andy Schwartz:

The goal for us is to bring on at least a billion dollars a year in new advisor assets to make sure that all the existing advisors are growing their books. I would say at least a 10% kind of growth rate so that everybody's onboarding, bringing on clients, we track net new assets. The goal is definitely not for an advisor to grow with their book as much as they lose their book, because we all know that money comes in and money goes out. But that they have to grow their books net because otherwise, if you're not growing, you're shrinking and it's important for them. We made a commitment to all these people to join us, be with us because it's going to be good for you. If they don't grow their books and that wouldn't have been true. So that's a big focus for us.

Andy Schwartz:

What we want to do is get to a certain size first that we're big enough that we can offer and provide maximum capacity. We can compete at any level. But also I want to create optionality for all of us. And I think what that means is that I don't know how long the business will be as attractive from a purchasing standpoint. Will institutions and other people be willing to buy these businesses for the multiples that we're seeing today for another year or will it be 10 years, will it be 20 years? Hard to know. I mean, interest rates certainly has something to do with all of the transactions that occur in every industry.

Andy Schwartz:

What I want is I want to give everybody in the firm, all of my partners, because really all 40 of us are basically partners where we operate. I want all the partners to have the optionality to say, you know what, I'd like to sell half my book at this really high multiple, or I'd like to sell all my books at this really high multiple. My feeling for me personally is, I will be engaged with the firm and with clients probably for a long, long time. But it will be probably at a different level as far as how many clients I work with. And I'm guessing that there would be some kind of a transaction sometime in the future, would be my best guess.

Louis Diamond:

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Perfect. Thank you for your transparency around that. Last question and then we'll send you on your way. It's just something we ask every guest is, do you have any advice for advisors contemplating a transition at all, especially a transition into the independent wealth management world?

Andy Schwartz:

Yeah. Will, first I would say that don't be afraid. Change is hard. And so I think the first very rational fear that anyone that's contemplating making that kind of change, and if they weren't thinking this, I would say they're crazy at least not to be thinking about it. But I think what most people think is, will my clients come with me? And the answer is if you're a good advisor, the answer is yes. We've seen 96%, 97% of the clients come over and we had an advisor on board with us last, if you could imagine, like the third week or fourth week in February was his sort of onboarding date. So he on-boards right before the pandemic. And his book is probably 30% greater than it was when he left. So that's the first thing, don't be afraid. If you're a good advisor, then your clients will 100% come with you.

Andy Schwartz:

The second thing. And we spoke about this a bit before, be very thoughtful about the decision. Think longterm, don't think short-term. And again, I always like to say, don't make long-term decisions based on short-term financial difficulty, because what you're building is very valuable and you don't want to just give that away.

Andy Schwartz:

And again, everybody's circumstances are different. I'm obviously entrepreneurial. I've always bet on myself and other people might have a different outlook. And it'll depend on how old you are and lots of different factors. But I would say, and wherever you go, whether it's to get a bigger payout or because you want more flexibility. And a lot of times, sometimes you believe because there was an issue, if there was a problem, they couldn't take it anymore. And just make sure that wherever you go, that they will make you better, make sure that your capacity will grow.

Andy Schwartz:

Don't just go because you can make an extra 100 grand. Go because you know that you will be able to be a better advisor immediately, that you can plug into some environment that will make you better than you were. And those are the things I would think about. And don't let ego get in the way, because whenever I'm talking to some young advisor and they're talking about autonomy. And again, that comes up all the time because they don't say to you, I want it to be Andy Schwartz and Associates because I'm egotistical and I want everyone to know that I'm the boss. They say, I just need maximum autonomy.

Andy Schwartz:

And I'm talking to some 35 or 40 year old. And what I want to say is you don't even know what you don't know, because I didn't know what I didn't know. And I was 55 years old or 53 years old. And I had no idea what I didn't know when we made our transition. So just be really mindful. Don't make it about ego and make sure that when you're done, when you turn that switch, because your clients will come with you, just make sure that you have capacity, be a better advisor after you made that move than you were before you made that move.

Louis Diamond:

Sage advice Andy. Thank you so much for joining us today and sharing a little bit about your journey and how you think about creating capacity for advisors and just your thoughts on the industry.

Andy Schwartz:

No, my pleasure. Thanks for letting me be part of your podcast. Yeah. We're big fans.

Louis Diamond:

Fantastic.

Mindy Diamond:

Andy shared a lot of great advice. But one bit that really resonates is this, being thoughtful in your decisions and focusing on the long-term are key to guiding success. And ultimately if you're a good advisor with solid relationships with your clients, you have nothing to be afraid of. 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.

Mindy Diamond:

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 blog link to browse recent articles. These written pieces are an ideal way to stay informed about what's going on in the wealth management space without expending the energy that full-on exploration may require. Feel free to email or call me if you have specific questions. I can be reached by cell at (973) 476-8578 or by email at mdiamond@diamond-consultants.com.

Mindy Diamond:

Please note that all requests are handled with complete discretion and confidentiality. And again, if you enjoyed this episode, feel free to share it with a colleague who might benefit from its content. And if you're listening on the Apple podcast app, I'd be grateful if you gave it a star rating and a review. That will let other advisors know if it's a show worth their time to listen to. This is Mindy Diamond on Independence.