THE DIAMOND PODCAST FOR FINANCIAL ADVISORS
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EPISODE TRANSCRIPT

Playing the Long Game: Why a Former Wirehouse Advisor Built and Sold a $1.5B Independent Firm

A conversation with Jason Diamond and Jeff Brown, President of Stratos Private Wealth.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is Playing the Long Game: Why a Former Wirehouse Advisor Built and Sold a Billion and a Half Dollar Independent Firm. It's a conversation with Jeff Brown, President of Stratos Private Wealth. I'm Mindy Diamond, and this is The Diamond Podcast for Financial Advisors. This podcast is designed for advisors like you, who are interested in learning more about the evolving wealth management industry through candid dialogue with breakaway advisors, those from the C-suite, and industry thought leaders.

It's available on our website, diamond-consultants.com, as well as Apple Podcasts and other major podcast platforms, so be sure to subscribe and share it with your colleagues. At Diamond Consultants, our mission is to help advisors live their best business life. We want every elite advisor to find exactly the right place for their business and their clients to thrive, whether it's at a wirehouse, a regional, boutique, or independent firm. As the industry's leading recruiters and consultants, we've transitioned more than a quarter of a trillion dollars in assets under management in the past decade, and each year, 25% of transitioning advisors, who manage a billion dollars or more, are our clients. Curious about where, why, and how advisors like you are moving? Download the latest Advisor Transition Report to learn more, including intel on recruiting deals and our insight and analysis on the latest trends in the wealth management space.

You'll find it at diamond-consultants.com/transitionreport, or if you'd like to talk, feel free to give us a call at 908-879-1002. Some advisors spend their entire career with one firm, others will choose to make one well-timed move, and others still have experienced many different corners of the industry landscape. It's these latter who often make the most compelling guest on our show because they've truly seen it all. Jeff Brown is one such advisor. He started his path in wealth management at the likes of American Express, Morgan Stanley, and Wells Fargo Advisors.

Then, Jeff left the wirehouse world to start Brown Wealth Management with the support of Stratos Wealth Partners, which after a subsequent merger, became BWM Financial. He built a strong practice, always looking at ways to grow and serve his clients, but here's where the story gets really interesting. A coaching session with Ray Sclafani got him thinking about the future and an eventual exit strategy. Not even 50 years old at the time. He figured he had a good runway ahead, but, "What if?" lingered in his head.

That is, "What if something happened and he didn't have a clear plan for his firm, his clients, his livelihood, and his family?" So after a round of due diligence, Jeff decided to further cement his relationship with Stratos by selling them a minority position in his business in 2020. But the story doesn't end there. Just last year, he sold a majority stake to Stratos to take the firm national, and in doing so, is now the president of a much larger entity, Stratos Private Wealth. In this

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episode, Jeff shares a candid narrative with my partner, Jason Diamond, talking about each step he took along the way, with advice on both what went well and pitfalls to watch for.

He shares what it's like to have worn so many hats in such a short career time span, his expectations for the future, and much more. It's a great story with lots to learn from, so let's get to it.

Jason Diamond:

Jeff, thanks so much for joining us today. Thrilled you're here.

Jeff Brown:

Jason, thank you so much for having me.

Jason Diamond:

Absolutely. Let's dive right in. So to start off, can you tell us a little bit about yourself and your background?

Jeff Brown:

Sure. I am currently President of Stratos Private Wealth. I've been in our industry, in the financial services industry, wealth management since 1996. So more or less, I started right out of a master's degree and started in the, briefly at a independent firm, and then moved to the wirehouse side of things, and live in San Diego to where I've lived since I graduated college with my wife and four kids.

Jason Diamond:

I don't know why you'd live there. I hear the weather's terrible, but-

Jeff Brown:

Yeah, it's terrible. It is. You're right.

Jason Diamond:

I think most people are familiar with Stratos, but maybe remind us, to start, what your firm is about, the quick value prop, types of clients you serve. We'll start there.

Jeff Brown:

Yes, it's a little bit of a unique story. So Stratos Wealth Partners is an RIA, that is a national RIA that started many years ago, many years before I joined. What their initial value prop was helping advisors break away from an employee model. So that is the firm that I went and joined, and then I left the wirehouse in order to do that and started Brown Wealth Management. Over the years, we could talk more about it, Brown Wealth Management became BWM Financial, and then most recently, we decided to launch a national brand inside of Stratos, called Stratos Private Wealth.

So you can think of it this way, Stratos helped people like myself, Brown Wealth Management, Diamond Wealth Management. Everyone has their own flag in the ground, and what we've done starting last year is take all those flags and start bringing some together to create what Joe Duran effectively has called the Navy inside of a single firm.

Jason Diamond:

I love it.

Jeff Brown:

Yes. And so my firm originally was just here in San Diego, and we worked primarily with people with liquidity events. We have a very deep process. We view ourselves as financial guides, helping people with all the things that they need to do, but not looking at it like a financial plan. It's more of a planning relationship, helping people pivot, make decisions as their life changes because it does, and that process that works so well for us to help us grow, we decided to take that process, and then repeat it across other firms nationwide.

Jason Diamond:

That makes complete sense. So let's rewind a little bit. You mentioned CEO and founder of BWM Financial. Correct me if I'm wrong, but I believe ultimately you made the decision to sell equity to Stratos. Can you talk a little bit about that process and why you decided? I mean, it's obviously a pretty crowded landscape of potential buyers, and even if you didn't want to sell, support partners and platforms.

I mean, there seems like there's new ones popping up every day. Can you talk a little bit about why Stratos and what that process was like?

Jeff Brown:

Yeah. There's no shortage of buyers in our industry these days, which unless I was uneducated. It seems to have dramatically changed in the last five or six years. So I'll tell a little story. I think this might be helpful to some of your listeners as well as you consider this.

So I get coaching from Ray Sclafani at ClientWise, and he helps. We do these, what we call mastermind groups once a quarter. We all get together, and what he does is he pairs similar firms of size. So I was in a room, and we were with all the different founders, CEOs, what have you, about 10 of us, and we go through an exercise, where you're more or less looking at pieces of your business or your strategy, and then grading yourself one to five, how you're doing on it, one is you're doing terrible and five is you are crushing it, and then how important it is for you. One is it's not important, and five is it's very important.

And the last question was around, "I have a clearly defined exit strategy," and I answered one on both of those. Not important to me, and it's not urgent. I'm not going to deal with it right now. So, Ray, in this meeting, he basically sees this over my shoulder and says, "What are you doing? Don't you help people with liquidity events?" "Yes, I do."

"Well, what about yourself?" And at the time, I was 49, and I said, "I'm not interested in retiring anytime soon." He's like, "That's not what I meant." He said, "Everybody is going to have an exit. It's just is it going to be planned or not?"

And we had a little bit of conversation during that meeting, and then afterwards, and I tend to consider myself pretty coachable, so I actually spent the plane ride home and the next several weeks taking a look at what he suggested I do, which is, "What is my business really worth at that time? What if something really did happen to me, and it's an unplanned exit? Well, what does that mean for my family and the rest of the firm?" And while I'd given this some consideration in our operating agreement, like many of us do, I hadn't really thought it through because I thought myself somewhat invincible, right? So what that allowed me to do is to realize how much my business was actually worth at the time, and to really think through things.

And then I took the extra added step and I went around to some of those firms that you're talking about. Think of it like the Dynasty's of the world, the Focus, I mean, all these firms that can help do minority stakes in businesses, to solve my succession problem because I owned most of the business at that time, and my partners at that time were pretty young. And so if something were to happen to me, the operating agreement read, that they were going to buy me out over 10 years, but that's pretty undefined on that valuation and leaves my family a little bit hanging. So effectively, I went through and I interviewed a lot of these firms and saw what their value proposition was, saw what it meant to get a minority stake, saw actually the benefits of what that would mean to me in terms of growth, taking some chips off the table, succession planning, et cetera. So then, after having collected all that data over a course of about six months and sharing financials with a lot of these companies, I approached Stratos, and Lou Camacho, who runs Stratos Wealth Enterprises and Nancy Andrefsky, who's the CFO, and spoke with them about, "Hey, would you be open to taking a minority stake?"

I already was part of their firm. I liked them. We got along well. I knew they had invested in a couple of other firms at the time, and so we crafted a deal at that point. It actually closed at the very beginning of COVID, which was timely, I would say, based on what was going on back then.

So that was the beginning of a relationship, where we started with something, and then it ultimately moved into a majority stake last year, when we came up with the business plan to grow the firm nationally. They didn't want me to take an offer or take this business somewhere else after growing it, so they upped the stake to a controlling interest effective last year to help me do the thing that I really have wanted to do, which is help change the industry and build a brand that gives people a unique way to affiliate without having to sell everything, which is what a lot of those other large firms that have all the services that we want force people to do.

Jason Diamond:

Yeah. You said a whole lot. First of all, Ray is a longtime friend of the show, so that name will sound familiar to a lot of our audience. But the first thing I want to say is the importance of thinking about glide path, succession planning, retirement, whatever you want to call it, but sooner rather than later, I can't tell you how much easier and more enjoyable the process is, to try and solve for when you are not in a fire drill situation, meaning, I'm 68 years old and I want to retire tomorrow. What do I do?

I would argue that if you're 23 years old, you should start thinking about this. And I'm not saying that means you have to sell a stake in your business, but you should at least have a sense of, "What do I want this to look like, and ultimately, what's my plan?," either for the affectionately, what we call the I get hit by a bus scenario, or even just it's good business practice and good hygiene to know what's your business worth and ultimately what's your glide path. But I want to dive in a little bit. Obviously, to your point, there are many businesses, platforms in the like now more than ever that will buy minority or majority stakes in independent practices. It's a crowded field.

You have now seen a few different iterations or a few different relationships, I should say, with Stratos, where first, you were just on their platform, sounds like then into a minority stake, which ultimately became a minority acquisition. And I think one of the things people worry about when selling, even just a portion of their business, is the idea that they're losing or seeding control. So can you talk about how your relationship with Stratos has changed through the years as you have gone through that cascade?

Jeff Brown:

Yes. And I think this is one of the reasons why after looking at some really fantastic firms, about taking that initial majority or minority stake, that I ultimately went back to Stratos is the culture of that firm that makes them very unique. They were built for advisors. While they do have a capital partner to some degree, pretty low-key capital partner today, they really have approached things with flexibility, and it's maintained that way. So when I looked at some of the other firms and what they were wanting me to do in order to take a minority stake or a larger stake, it was pretty disruptive.

Stratos, when they came in with a minority stake, they were just buying cash flow, and it was more just like, "Continue to run the business that you're already running and do a good job, and we're here if you need us." So we're going to bring additional things to the table that you don't currently have, such as a legal team and the finance department, if you will, which ultimately helped me do a deal. After closing the minority stake, I literally did a tuck-in or a merger right after that with another internal Stratos partner.

Jason Diamond:

Awesome.

Jeff Brown:

So, yeah, it was fantastic. It was great timing, and I don't think it would've happened. I think it gave me sort of credibility inside the organization at that time. So when we drafted the documents, and it still works this way, where I am the manager of the firm, and for those folks out there that know how LLCs operate, we still make the decisions. Stratos now, first is a minority stake.

They obviously had protections. You can't spend over X amount of dollars without an approval, but not once over the entire time frame that they had been a partner of ours. Not once had they stopped us from doing anything, and really, the only thing they ever called into question was we were looking to grow our office, and then right at the beginning of the deal, the first deal, and COVID happened, and I said, "Hey, well, we still plan on getting the extra space," and Jeff C., Jeff Concepcion was like, "You know what? Based on my experience, you just might want to wait and just see how this thing plays out." And it was good advice.

We got the same space for a cheaper price. So that was the one and only thing that he ever called into question, or they ever called into question. And I think that's the key with getting a minority partner, and eventually, even if you're going to have someone take a controlling stake, is to really understand what types of protections that they're going to want in place and what their end game is, because if they're buying cash flow, they don't want to disrupt anything. They just want to let you continue to grow the business like you have, and just collect their coupon along the way.

Jason Diamond:

I think that's very valid and smart commentary. And maybe what I would add onto that is there's not necessarily a right answer. To your point, it sounds like when you sold the minority stake in the business, your goal and what you wanted was to maintain control over the day-to-day operations, but on the other hand, that obviously doesn't solve for what some people might need it to solve for, and to me, that's what's exciting about the acquirer or partial acquirer landscape today, is that there are capital partners that run the gamut. Some say, "We want a controlling interest, we want to choose who you hire and your investment process," and others are much more passive, and they say, "We're basically going to leave you alone, and we want to clip a coupon." So depending upon what you're looking to solve for, there is probably a buyer out there.

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Jeff Brown:

Yes, I agree. And I think, Jason, something for your audience is to, as clear as somebody can get about what they want before they start looking, I think that's the best thing. "What is the why? What do you want to have five and 10 years down the road?," and then back into the ... Because there is even a lot more options today than when I started that original hunt, call it, in 2019.

Jason Diamond:

Yeah, absolutely. And beginning with your why is a line we use around here a lot, so shameless plug. I appreciate that for getting some expert guidance. Let's shift gears here a little bit. One of the first thing that comes to mind personally when I think or talk about Stratos is the relationship with LPL, and that may be a little bit of a misguided conception on my part.

Can you talk a little bit about what that relationship is like? What does it enable you to do? Are there drawbacks to it?

Jeff Brown:

Yes. While I can't speak as much from the corporate level on this, I can speak to my own experience, and a lot of your clients might be folks that are either going to move from one wirehouse to another or from a wirehouse to potentially break away. And what's interesting is how a tad uneducated I was back then in terms of how it all worked, because I just thought, "Hey, I was always recruited by other wirehouses with big checks," but then when going independent in the financial crisis, I looked at going directly to a custodian, just because I was unsure. At that time it was Wachovia, and we all know how that all was going down. So I was looking for, I wanted to land in a safe place, and I interviewed a custodian directly, and I realized like, "Oh my gosh, there is so much to do here."

And if I want to, I have to also drop my Series 7 to be able to deal with the brokerage assets because I didn't know that at some of those firms, you don't have the option, and some investments are only going to be brokerage. There's no advisory option there. So even though we were mostly advisory, we needed to have a brokerage landing place when we decided to ultimately move in 2016, so we didn't want to have to completely change everything while we were moving. That was a decision we made, one of the reasons we chose supported independence, instead of just going and doing it on our own, and LPL was, in our opinion, the best place to land. They were completely upgrading their technology.

We knew they had a lot of options, everything mapped over very clearly from one to the other. They did provide some small amount of transition assistance, which helped us get the business going from zero, and it was a good partner with us. And it gave us a good landing spot to be able to make decisions about what's best for our clients going forward. And one of the reasons we chose Stratos is because they're multi-custodian. So if LPL turned out to not be the best partner long-term, we could eventually make a change and we still owned the data, which was something that was unique to us on the independent side.

So ultimately, many several years later, we did drop our Series 7, and we'd completely removed ourselves from FINRA and continued to use LPL as a platform, as a custodian, but then also, had the flexibility to begin using other custodians like Fidelity, where it made sense for the clients.

Jason Diamond:

Yeah, smart. I'm sure you miss FINRA tremendously.

Jeff Brown:

Oh, yes.

Jason Diamond:

Don't answer that. So I wanted to just hone in a little bit because I think what you're alluding to is, especially in the independent space, your partners. And I don't mean your business partners, I mean the firms or the resources you choose to associate or affiliate with, they really matter. Like if you're moving to a wirehouse, your partner is Morgan Stanley, and you're using Morgan Stanley's technology, their asset custody, their investment program, their home office, et cetera, and just using Morgan as an example. When you're independent, though, each decision you make, I think gets amplified, because the relationships matter for a couple reasons.

On the one hand, they need to do what they say they do. So in the case of the asset custodian, they need to keep the assets safe. But then, there's oftentimes also other kind of ancillary benefits or reasons to choose a partner. In this case, it sounds like it's support, a little bit of dollars, some know-how. I mean, similar comment you made to the minority investor, the minority investor on paper, their goal was to provide you with some liquidity, but it sounds like they did much more than that for you.

They actually enabled you to go out and do M&A, and they provided you with support and resources. So I just want to highlight that, and in the independent space in particular, I think it's critical each of those decisions you make, because that's ultimately what makes up the sum total of your firm. Would you agree with that?

Jeff Brown:

I would. And something I learned after the fact is I joined this firm at LPL because of a relationship that I was introduced to Charles Shapiro through a mutual friend. I had already looked at going independent directly with a custodian multi-years prior, so I knew that wasn't the route, but I didn't do the same type of homework that I did when I was looking for the minority stake. I just said, "Hey, this seems like a good fit." I like the people at Stratos.

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The worst thing that would've happened, if I was to leave them was I signed a contract that more or less said, "Hey, I give them six months notice effectively," something like that. So it wasn't a huge risk on our decision. And I think going back in time, what would I do differently? Maybe a shameless plug for, again, for a firm like yours, is having a better understanding of what exactly all the options would be. I am very fortunate that I ended up where I ended up, but I would put that on part as just the relationship of getting to know those folks and the luck of having being introduced to them.

There's a lot of other places that exist today that I've had colleagues work at, that weren't so good, or weren't as good for what I was looking for. So I think looking at it, spending some serious time on it, but I will say the standard thing that you hear a lot from folks that go independent is that the one thing, "What would you have done differently?," it's always, "I wish I would've done it sooner," is typically the response you get.

Jason Diamond:

Absolutely, it is. We've asked just about every breakaway advisor on our show that question, and that is almost always the answer. You're exactly right. But let's play devil's advocate here. I love when our guests have started their careers at a wirehouse or a big firm, which in fairness, it feels like is the case a lot, because I think it's probably a little bit of a gap, and we can probably spend more time talking about this later, but the wirehouse training programs certainly seem like they're still the best in the industry.

So it's not uncommon for people to go the route that you went, started my career at a big firm before ultimately realizing some of the limitations. And we can talk about what those limitations are and the things you can do better now, but I'd like to talk about the opposite side of that coin for a minute. Is there anything that you miss about the wires? Is there anything that you think that traditional, big W2 firms do really well that an independent firm can't necessarily do?

Jeff Brown:

Yeah, I do. I think that there are some things, and when you can compare the two, I do a little bit of coaching for ClientWise, and there'll be folks in my group that are independent and that work in a wirehouse. And while independent sounds great, because that's what I chose to do, it's really, it's definitely not for everybody. And I think that the wirehouse is what they have, is they make it very turnkey. It is fantastic to be able to have all of the options that you have as an independent, but it's also a lot of work to have all of the options that you have.

The shiny object syndrome is real when new tech comes out and new things happen, and which planning software do we get, and do we go to Salesforce? I mean, those are all massive changes that you can make at an instant that can completely disrupt your organization. So knowing out of the gate what to pick and to be good at it, that is not for every single person. In addition to dealing with all of the stuff, like HR and payroll, and how do you set up your business, and what type of lease do you get, all those decisions become cumulative things ... Well, I wouldn't say a waste of time, just cumulative time consumption that you didn't spend before that takes you away from servicing your clients.

They make it very easy for you and they pay pretty reasonably well. And I would say that is the one thing that I've noticed a lot, is that when talking with folks at the wirehouses and the thought to go independent, it's this, "I can make more money," or, "It's the taxes I can save because I can write off more." And it's funny because at the end of the day, that's not necessarily free. You are doing things, so I would argue that it's not about the payout. I would take that decision off the table in terms of, "I can make more money," because you're going to probably have to hire more people too, or you're going to do more for that amount of money.

I think the wirehouse offers ... I mean, I look at Wells Fargo where I left, and Wells Fargo, they have access to banking. They have access to ultra-high-net-worth services through the private bank. They have access to incredible lending for their clients. They have different ways to affiliate with them, anywhere from just being an employee to now recently, like an RIA division.

So there's a lot of good things to say about the wirehouses. I'm not, by any means, anti-wirehouse. I think it's just for the true entrepreneur, or most importantly, for the person that wants to build true enterprise value. And I think that last piece is the big difference, what you get on the independent side. I think that's what you do.

So you really have to have that mindset of, "Yes, I want to be the business owner, instead of just the senior advisor in the business."

Jason Diamond:

Yeah, totally agree. And the other one I would add to your list of wirehouse benefits is brand. There's some advisors, and we could probably politely poke holes in this or disagree, the extent to which brand actually matters to clients, but there are certainly advisors out there who perceive that brand matters a great deal. And there's no question the wires are the best brands on Wall Street and some of the best brands in the world, and that's obviously, they've had some tarnish through the years due to various scandals, which we won't rehash, but still, I think safe, big brands versus a firm like Stratos, probably a little bit more of an unknown. The other thing I wanted to mention is when we think about independence, I completely agree, a better payout should not be reason one, two, three, four or five for why you're considering independence.

I mean, when I think through ... And I have this conversation a lot, especially with captive W2 advisors who are considering independence. To me, the two biggest drivers or the two biggest reasons you might favor or opt for independence are, number one, the creation of long-term enterprise value that you can monetize, and number two, more control and/or quality of life, like you just will like your work more and be a happier advisor in the independent space. I agree with you completely, that payout, maybe you'll pick up five, 10% of additional payout, but the delta is probably not great enough in 99% of cases to justify the extra effort and the extra work. Is that fair to say? You think that was a decent summary of your thought there?

Jeff Brown:

That's exactly correct, and the only thing I would add to the list that is one of the reasons that we actually did leave, which is the ability to transition ownership to someone outside of the main advisor or advisors, because it could be totally different now, but when I was there, it's a, you're splitting a rep code, and if something happens in that partnership, like it actually did to me early in my career, with a junior partner that decided that he wanted to go work somewhere else and take his cut, he owned X percent of those clients, and I could do nothing about it. So that was the only way to give ownership in a book. Now, with an operating agreement, you could spell it all out legally, if somebody does something like that, if they take the client. There's a lot of different ways to create value and equity and compensation for the non-founder of the firm, and I think that, in my opinion, that's the other reason to really consider it.

Jason Diamond:

Absolutely.

Jeff Brown:

Unless that exists at the wirehouses today.

Jason Diamond:

No, there's no question. I mean, the flexibility of monetization and/or succession and/or liquidity is infinitely greater in the independent space. I mean, we've even seen advisors in the independent space go so far as to essentially give the business away to a next gen. I mean, the reality is the world is your oyster. If you can dream it up and it's legal, you can do it in the independent space.

So I would say we consider ... And this is a little bit of a gear shift away from wirehouse world, but I want to talk more about your experience with independence. We would consider a firm like Stratos as supported independence, and that seems to jive with how you're describing it as well, but there are now, probably even more, definitely even more so than when you looked. There are a lot of different versions of supported independence. I think you've touched a little bit upon why you chose Stratos, and some of it may have been just luck and happenstance, but what are your thoughts on the model as a whole?

Talk about, "How does somebody reconcile? Do I opt for a supported version of independence like Stratos, or do I just go call up Fidelity and do this myself?"

Jeff Brown:

That is an exercise that I spent a lot of time on. So, remember upfront, I said there was a low risk of joining Stratos. They were fantastic people, and that was the number one thing that just Jeff Concepcion, Charles, all the folks that I met at the beginning, they were really good human beings, and to me, that means a lot. So the fact that, "Okay, I'm joining this great group. They have what we need, and if it doesn't work out, I just have to give them six months of notice," that seemed very reasonable.

So what I did, after we moved, it was very successful, and told all the folks out there that moved, it is always another standard answer, you're going to get 95% of your clients pretty easily. So we have the same success within a short amount of time, and then I spent, really, each year, at the end of the year when I ran my P&L, I looked at the amount of money that we gave to Stratos and the services that they provided for that money. So in other words, I could evaluate, "Hey, this was what I was paying," and as I learned more and learned what I didn't know before, if I was to go do this on my own, for example, hire my own chief compliance officer, get my own technology support, which is actually a big thing, and cybersecurity, what would that cost? Monitoring everything, billing everything. The HR component, I could put that in together in either bodies or outsourced solutions, and come up with how much it would cost me to do it.

And in my calculations, at the revenue that I was at and what Stratos charges, I figure I was giving them about 20% profit margin on that stuff, in my calculations I could save about 20%. That is not a lot of money, to have them worry about all of it, and to have them stay on the cutting edge, because then, they've done that. As they've grown, I mean, the cybersecurity alone, just I could see the upgrades over the years, they are worrying about that. They are worrying about the new compliance issues that are coming down and telling us what to do, instead of me having to worry about it.

And I've seen this as an area, as I've been in the industry longer, that going and doing it on your own, I have folks that have done it on their own, they're smaller in size, but they seem to sometimes cut corners on some of those things to save some money. And those are big things. I mean, SEC comes in and takes a look at you, and you get on their watch list or what have you, or there's a breach of your client data. Some of those things you cannot come back from. So to me, I think supported independence makes a lot of sense, and with more and more options out there, people can take a look at, "Hey, what am I getting for the money that I'm spending out there?"

And a lot of firms, like even Stratos, since I joined, they do things today that they didn't even come close to doing before. They will screen my applicants for a job. They'll put the job posting out there. They have an internal investment management team that we can get. So there's a lot of good options, I think.

I think at a certain size, it makes sense to really consider doing it all on your own if you're big enough, because 20%, on a very large number, could be a decent size number, but we grew with them. So we started at a level where it made a lot of sense, and now as we've morphed in, we've used more and more of their services to where it still makes sense financially for us.

Jason Diamond:

Yeah, I love everything you just said. I really do. I mean, that's exactly how I tell the story. It's purely a matter of appetite for doing it yourself, right? Some people are just maximally entrepreneurial and they want control over everything, but to me, it almost reminds me, I think it's a Buffett quote of like, "There's no such thing as a bad stock, only a bad price."

It's very similar here, right? The platform itself, it's like when somebody asks the question of, "Is the platform expensive, or is that firm expensive?," expensive is not really a fair assessment in a nutshell. It's, "Are they expensive, or are they fair value relative, commensurate with what they're providing for you?" And it sounds like, in your case, the answer was certainly yes. I would agree that as firms grow or as you get larger, and even when we talk to some of the biggest firms in the industry, five or 10 billion in assets, that does seem to be the space where the scale just affords you more margin to be able to do it yourself, right?

You could probably hire people to fill a lot of those seats, but no question. I think the feedback we get from most of our clients who have walked this path is during the initial transition, and certainly for the first few years, the support partner is overwhelmingly worth the cost, because to your point, in addition to just transitioning client assets and helping you get off the ground, mitigating some of those risks is a big deal, right? You've been in a world, presumably, if you're a breakaway advisor your whole life, where Mother Merrill or Morgan Stanley is telling you exactly what you can and cannot do. And those guardrails, while they may be annoying, they also are there to protect you, and they go away, in some cases, in the independent space, and the right support partner can help a lot with that. Go ahead, please.

Jeff Brown:

Yeah, no, I agree. And I think it makes it easier. I just see so many folks that I've talked to over the years that want to make a move, and they've talked about it for so long. And the reason they're not doing it is because of all of the stuff that needs to be done. And you can whittle away a lot of that stuff by choosing a good support partner, and then make the move sooner.

So I would argue that, hey, pick a partner, make the move, learn more about everything, and then if you pick the wrong partner or you want to go it on your own, most of these firms, you can make a change.

Jason Diamond:

Agreed.

Jeff Brown:

You're not in the same situation that you were before, and you've learned. And I think that would be something I would really encourage people to do that says, "I want to go independent, but I'm not sure how to do it." We'll interview the main support partners, go that route, make a decision, and then just learn, and then learn about every other partner out there, learn about every little piece of the business that you didn't know about before, and then you can continue to say, "Hey, am I still doing the right thing for my firm and my clients?"

Jason Diamond:

I think that's spot on, because by then, also, I mean just logistically, it's a heck of a lot easier to go from a 1099 advisor on a platform who owns their equity and who's multi-custody to launching your own RIA than it is to go from Wells Fargo to launching your own RIA. So I totally agree.

Jeff Brown:

Oh, yes.

Jason Diamond:

I might've stolen this next question a little bit from a press release around the time you sold the business to Stratos, you sold the equity in the business to Stratos, but I love the way it was articulated, and I think your quote was, "Your vision is to offer a more holistic, complete, and high-touch offering inside of the broader firm," and that would include things like tax advice, systematic lead generation, and a variety of other services. And we're seeing this more and more, and my term is, I call them ancillary services. In other words, everybody does planning and investments. What else can you do for me? Right?

Those things are table stakes. So tell me a little bit more about your vision and how you solve for. It's an incredibly crowded landscape. How do you stand out?

Jeff Brown:

Yeah, so this actually goes back to a few years back. So one of the things that I had been working with Stratos on is getting on the Fidelity custodial referral program, and that is a, it's a long process. We spent a few years doing it. I was leading the charge as one of the larger organizations inside of Stratos with a process and a niche market, et cetera. So as we got closer and closer to getting the program, or making it, "Oh wow, we're checking the boxes. This is likely going to happen," that's when we sat down and crafted what this looked like.

And I had already talked to a number of other firms that compete in this space, and many of them have those services. However, in order to get access to their platforms, at least the ones that I talked to, the advisors or the firms had to sell everything to be part of that larger organization. They needed to really completely transform what they look and feel like to look and feel like that organization, one of the large ... You can look on the list of top RIA firms. You'll see them there, which is not a bad thing.

I thought of something different. Look, I believe, like what you said, Jason, is that it's all table stakes. When I started this business, I "Went out there" and cold called on financial planning, and no one did that in the '90s. It was all stocks. So we were differentiated, and that was new, and we were able to stay with that for a long time.

And then robo-advisors came out, and there was this big discussion around, "Oh, our fees are going to have to go down." That's obviously not what happened. What actually happened was the services increased, and I think that's going to continue to happen. We did a very large survey with our clients using absolute engagement and asked them a lot of different questions, and what they wanted. What did they want?

Well, they want tax. They want better estate planning options. They want more differentiated investments. So that's what the clients want. They want a one-stop shop, or they want it to be more integrated.

The problem is, is if you're out there, even us at a billion five, to be able to put those pieces into place is pretty expensive, like a CPA, and especially if we're going to do taxes, and then that becomes expensive. So do you sell to a larger firm to get those services, or do you crush your P&L? What if there's another option? And our option is really saying, "Okay, how about we do this? How about we go outside ..."

First, we started inside of Stratos to our partner firms already, and said, "Who wants to raise their hand? Here's what it's going to look like. You're going to sell a stake in your business to Stratos, but you're not going to sell everything. You're going to still be able to maintain your own P&L and own a piece of that business, and continue to own a piece of that business, and you'll be able to maintain the culture of the firm that you love and your clients love," because what most clients want at these firms, they want that boutique feel, but they still want the services. But if we can effectively get scale that way, through a rebranding and a common process for new clients going forward, and allow people to control their own local office and presence, it's unique.

And so that's what the program, is to try to have the scale of these larger organizations, but without having all of like the employee feel to it, if you will. And so that's what we've been doing. So first off, we started by building everything, which everything takes longer than you expect, so we've rebranded. We got everything set up from changing from BWM to Stratos Private Wealth. We made sure all of our processes and everything were clearly articulated.

We could train on it, we put it all into technology so other firms can train on it, and then we started talking to our internal firms. We've had two joined so far. We have two on the docket to potentially join thereafter. And then beginning in Q3 or Q4 of this year, we're going to really start going to the broader public to say, "Hey, whether a wirehouse or another RIA or another advisor at a hybrid, this is something of interest to you, where you can have that potential liquidity upside, solve for your succession planning, get these services, get lead generation." And what we want to do is to be able to offer, what I offered my friend, Robert Meyer, who we merged with back in 2020 as part of Stratos, is you're wearing all these hats.

You're trying to solve all these problems. All these advisors are trying to solve these. That's the one part about going independent. If you left a wirehouse to do that, you're dealing with marketing, you're dealing with career paths, you're dealing with all of these things, but so is everybody else. So how about we take the things that we have all agreed upon that we can solve together, or that I might've already solved, we nix those down, you get rid of three or four of your hats, now you become a really good advisor, again, and now you're crafting, you're bringing in clients, you're servicing your clients more. You have AUM coming to you through referral channels.

You can offer the tax, you can offer the estate, all of these things, but you still own a piece of your firm, and you still have a seat at the table, and you help make decisions on strategy, but you have someone like myself and an executive team to go execute that strategy for you. That's the vision.

Jason Diamond:

Super interesting, and I think it's incredibly smart and timely. I mean, it makes a lot of sense in the face of what we're seeing in the independent space and what advisors need to deliver on. You brought up the concept of hats and wearing many different hats, and to me, you're the poster child for wearing a lot of different hats. I mean, you've been a coach, you've been a wirehouse advisor, you've been a business that sold a minority stake, a majority stake. I believe you have now transitioned a little bit away from being an advisor to more of a CEO and coach.

A, is that correct, and B, even for the most entrepreneurial advisors, I think that's probably a little bit of a difficult prospect for people to think about. I mean, you've spent your career as an advisor gathering assets and talking to clients, and to step away from that, I could imagine people struggling with that. What has that been like for you?

Jeff Brown:

Yeah, it was a very unique situation. Over the years, as I grew, I had this team where it was more about me at the beginning, as a lot of us do have that. And then as we grew, I couldn't manage all the clients. So I was having other advisors begin to help with the relationships, but I still had my fingers in them. And once again, getting back to ClientWise again, in my group, a gentleman named Rick Kent, who runs Merit Financial now, many years ago, we were in a breakout session in that group and talking through growing the firm, and it's like I talked wearing all these hats, and Rick's like, "Look, you got to get rid of all your clients."

Playing the Long Game: Why a Former Wirehouse Advisor Built and Sold a $1.5B Independent Firm

A conversation with Jason Diamond and Jeff Brown, President of Stratos Private Wealth.

And I said, "What? All of them?" He said, "All of them." He said, "It was the best thing I ever did," because Rick was growing like a weed, and, "Hey, this is what you need to do. It's the best thing for the clients.

And you know what? They're not going to complain. At least most of them won't." And sure enough, I promised him that, "Okay, I'm going to do it over the next year." And then, once I started, the clients did cry.

Unfortunately, for me, I guess they found, "Oh ..." Pat, as an example, another advisor and partner on the team, "Oh, yeah. Pat talks so much slower. He's not as confusing." It's like, "Wait a second."

So as it turns out, the client's got an upgrade, and we've had some clients transition, I mean, between three or four advisors over the years. And I think while it sounds scary, there's obviously a process to doing it, if you aren't truly built as an ensemble firm and you're serving the clients as a firm, instead of in these advisors solo, setups where a bunch of advisors just come together and call it a firm, the experience is the same. And in every case, when we're bringing in a new advisor, they have a specialty above and beyond what the other advisor didn't have. You talk about today, like planning stable stakes, right? But we use things like Holistiplan for tax planning, which a lot of advisors and people are going to know on this podcast, or Income Lab for distribution planning.

These are new technology tools. Sometimes the advisors that have been doing it for a long time, they don't want to learn the new thing, but you know who can, is the associated advisor, the next advisor that can come up. So we've built a process to be able to have clients get experience from more than one advisor at the firm, and built that into our culture here, and it's worked out very well. And honestly, being a CEO is a full-time job, and you realize how much you really have to do if you do it right, but also, how much you can get done. How many things, when you or an advisor, are just sitting on your desk or in a pile of ideas that were there last year because you just didn't have the time to do it? Now, you can make those things happen.

Jason Diamond:

So that was going to be my follow-up, is you just spoke about this from the perspective of your clients and your team, which I think is probably the right place to start. But selfishly, what has this enabled you to do, now that you've handed off the responsibilities of being advisor? And I'm sure that was, to some extent, bittersweet for you, because that's probably why you fell in love with the business to begin with, but what are the types of things you can do now that you just didn't have the time, appetite, or bandwidth to do prior?

Jeff Brown:

Yeah. I mean, so let's just take a look at what I'm doing right this moment. So right this moment, I'm building a strategic plan for the firm starting in 2025, and it's June. So it's not December of

2024, which is how it might've worked. So building the plan for next year for SPW, very detail-oriented.

So having a really clear idea about that, building out workforce planning. "How many people do we need to hire in various positions to do this?" We're building out a marketing strategy for a new webinar that we're going to be doing and launching a paid strategy. I'm hiring a marketing team to do SEO optimization and some other things on the website. I've been interviewing CPAs to build out the tax practice that we have today.

These are very large initiatives that take a lot of time, that there's no way that I would've been able to do maybe more than one of them if I was still an advisor to the clients.

Jason Diamond:

And joining your favorite industry podcast as well.

Jeff Brown:

Exactly.

Jason Diamond:

We're running up on time here, but let's just wrap, as I always like to wrap with any final wisdom or advice from any of those hats that you've worn in your career that you think would be helpful? Maybe let's pretend you're talking to your younger self. What would you share?

Jeff Brown:

This is the advice I've been giving to folks. I've been fortunate to get on a couple of podcasts, and I had people reach out to me, and this has been a question that folks have asked like, "What advice would you give to me?" I happen to have ... I went to San Diego State. I speak to their finance department.

It is so interesting to me how much opportunity that we have in this business. It is still a business that, I believe, is just going to grow in terms of the amount of people that it can serve in the United States. So the amount of supply of clients is great, and there's so few people entering the business to accomplish that. So we have a unique dynamic on a supply demand, where we control our destiny. So the advice I would give to people is to think big, to really think like, "What do you want to do?"

I mean, and maybe it was my good friend, Carl Richards says ... He likes having a ... He believes in the Lifestyle ... He's a very big believer in the Lifestyle Practice. Very low headache, get to live the life you want, and if that's the goal, that's the goal.

But if the goal is to really affect as many lives as possible, whether that's the, not just the clients, but the people that work at your firm, and to be able to enhance their lives and more and more of them as time goes on, really think how big you can get, and how you can get there and continue to have that mindset, and just get fired up to come to work every day, because I think there'll be a change in our industry at some point where the opportunity may not be as great as it is today, but for those of us that are in it today, wow, it's pretty amazing what we have to look forward to.

Jason Diamond:

I couldn't have said it better myself. Well, thank you so much, Jeff. This was fantastic. I'm so excited to see what the next chapter holds for Stratos Private. We'll have to have you back in a couple of years, and you can give us the update of your doubling and tripling of growth, but we really appreciate your time, and thanks again for joining us.

Jeff Brown:

Jason, thanks so much for having me. It's been fun.

Mindy Diamond:

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