Build, Grow, and Scale: How a Young Bank Brokerage Team is Achieving Their Goals in Independence

A conversation with Mindy Diamond and Dustin Cali and Daniel Ventura, Founding Partners of Praetego Private Wealth.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is Build, Grow, and Scale: How a Young Bank Brokerage Team is Achieving Their Goals in Independence. It's a conversation with Dustin Cali and Daniel Ventura, founding partners of Praetego 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.

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That nagging sense of we could be doing things better. It's not uncommon for any advisor to get to that point, particularly when they are employees of a much larger institution. In this case, a bank brokerage. Many young advisors start their careers at bank branches, giving them a solid training ground with a steady flow of referrals and guardrails to keep them on track. While the built-in referral mechanism can help build a client base over time, the guardrails naturally limit those who have their sights set on creating something bigger and better. That is a business designed for the future, poised for growth and scale with the freedom to serve clients' unique needs. Dustin Cali and Daniel Ventura invested just over a decade each as private client advisors at JPMorgan. As young advisors with high ambitions, they watched as industry peers built successful independent businesses and that got them thinking, why not sooner rather than later?

They saw a tremendous opportunity to partner up and create their own independent practice, one that could better accommodate the needs of their client base comprised primarily of retirees and those who needed help navigating significant life events. So together they launched independent firm, Praetego Private Wealth on the Sanctuary Wealth platform, and today, just two years later, they offer a unique perspective for bank brokers, private bankers, and other young advisors who have the vision to build something better. In this episode, Dustin and Daniel talk about their journey. They share details around their transition and portability. They talk about the limitations they found in the bank brokerage world and what they're able to do now as independent business owners. They talk about their long runway and how that impacts their planning, and they offer advice to advisors who manage less than $250mm in assets on the real potential that exists to build and grow the business of their dreams and much more. There's a lot to discuss, so let's get to it. Dustin and Daniel, I am so grateful you're making the time for us today. Thank you for being here.

Daniel Ventura:

We're excited to be here.

Dustin Cali:

Thank you for having us.

Mindy Diamond:

You bet. So let's jump in at the beginning. Tell us a little bit about yourselves and your professional journey to launching Praetego.

Daniel Ventura:

Well, I guess it would have to go back to beginning of my career where I actually started as a bank teller and worked my way through the ranks. Eventually I was a junior analyst and fell in love with investing and helping clients reach goals. And then I actually moved to Merrill Lynch after finishing a dual masters in investment management and portfolio management. And then from there I started a 10-year career at Morgan and that's how I had met Dustin and we had the same kind of trial and errors while working at the bank. And after about 10 years of working at JPMorgan in the private client space, we found a lot of things that were missing within our practice and ways we could help clients. So we worked together to try to build out our vision of something better.

Dustin Cali:

Yeah, same with me. I spent 10, almost 11 years at JPMorgan and the private client group. We started to become frustrated with limitations of what we could offer, and so that's when Dan and I collaborated and decided to go into private practice.

Mindy Diamond:

Terrific. Thank you for that. So I want to spend some time talking about your time at JPMorgan. We're going to get to your time at Merrill, your time at JPMorgan, and then obviously the launch of Praetego. But let's give our listeners some perspective. So you broke from JPMorgan in June of '22. Tell us a little bit about how much in assets you were managing at the time and just a little perspective on what the business looked like. Maybe you can take that one for us, Daniel.

Daniel Ventura:

Actually at that time, both of us had a very similar makeup within our book of business and clients we serve. So we were both around that 100 million mark. And then when we moved into private practice, we really targeted about 65 to 75% of that book of business, and we were almost entirely successful with that goal.

Mindy Diamond:

So I want to be clear, you guys were on the private bank side of JPMorgan or the traditional bank brokerage side?

Daniel Ventura:

So that would be more on the traditional bank brokerage side with J.P. Morgan Securities.

Mindy Diamond:

Okay. So help us to understand a little bit about something. We know that bank assets are often stickier than traditional private client group assets. So you said that you were targeting, you were each at a 100 million, 200 million in assets, you were targeting about 65%. How did you think about that? Did you worry about leaving behind the other 35%? Were any of that 35% you were going to leave behind tied to clients that were important to you? How do you come to that?

Daniel Ventura:

It was difficult because honestly, every client was very close and important to us, but we found that there were certain circumstances where those clients actually still made sense working at the bank. So of course we only wanted to work on clients that we naturally felt we were going to give a better place and a better home. So it was quite emotional going through that, but it just made sense for certain clients and of course if they reached out to us, by all means we would help them along, but there was a certain set that we truly felt still made sense working with the bank.

Mindy Diamond:

Yeah. So tell us a little bit about the business today. How much are you managing today and what does the team look like then and now?

Daniel Ventura:

So like I had said, we were pretty successful with bringing over the target audience and at this point it is Dustin and I and we have a client associate named Thomas, and we also have a senior tax strategist that we hired in-house. So at this point, there's about four of us currently working, but we are going through the phase of growing and scaling the business. So we will be eventually looking at taking along more support.

Mindy Diamond:

Got it. So a lot of times we talk in the industry that launching an independent business with less than say, I don't know, three or 400 million under management is difficult because it's hard to scale a business of that size. How did you think about that in terms of your size?

Dustin Cali:

We put pen to paper and understood what the economics would look like. Of course, going into private practice, the economics were much more favorable, I think two and a half or three times what we were getting over at the bank. And so the 60 or 70% Dan referenced was the target that we needed to sustain the current trajectory. We came to private practice to scale. And so I think from hearing some of your other podcasts and seeing a lot of the guys in private practice, a lot of those are late stage teams. They're old wirehouse teams. If they're young teams, they're multi legacy businesses. So they come to sustain where I think Dan and I's vision was a little different. We came to grow, we came to scale. So going into private practice gave us that infrastructure that we needed to do that. So we didn't think of it as a finishing point, like the majority of the teams in our space do. We thought about it as a starting point.

Mindy Diamond:

I actually really appreciate that clarification because you're right about that, that in your mind didn't matter how much in assets you had, you felt you had enough to launch and you were in total growth mode. So that's actually very helpful. Tell us a couple other things about your clients and the work you do for them.

Dustin Cali:

Our client set is pretty diverse. I would say we spent the majority of our time working in Florida in a retiree market, so that represents a pretty good portion of our business. But we started to study our books of business to figure out who is our client and how did they become our client so that we could market and attract more clients like the ones that we already had. And what we realized is that clients came to us when they were going through material change in their financial situation.

And so oftentimes that was retirement, leaving the workforce needing to replace a paycheck. But other times it was something that was a crisis in their life. It might've been an inheritance from the death of their parents. It could be widow losing a spouse. Sometimes divorce creates a lot of financial uncertainty. You lose the spouse's income, you've got half the assets, you're trying to relocate a residence, and there's a lot of financial changes that people need help navigating. And so that's where we just started to develop that target audience, is around clients that were facing a material change and they needed professional guidance.

Mindy Diamond:

Got it. So Dustin, maybe you can help us to understand, Daniel talked a little bit about you were part of JPMorgan's private client group. Just give us a little clarity, a little greater clarity about where that group fit into the overall JPMorgan organization.

Dustin Cali:

Sure. It really started back after kind of the subprime mortgage collapse in 08. JPMorgan subsequently dominated two markets. They dominated the retail market, which is your regular branch based business, and then they dominated the ultra-high net worth space over 25 million in assets. So right after we joined in 2011, really in our first couple of years, I think a year or two into the practice, they launched a venture called Chase Private Client. And what Chase Private Client did was aim to fill the big gap that was missing in their business model. So that was offering more sophisticated solutions that were from the private bank but to the mass affluent clients. So what they would do is they would target certain branches, certain neighborhoods, not necessarily in downtown areas, but in some of the more affluent suburbs and mark those areas as mass affluent and convert those branches to what they would call a private client branch.

So that would say, hey, this branch within a two-mile radius, the density of the population is such that there is a higher level of affluency, and so they wanted more sophisticated solutions. And so Chase Private Client was a consolidated offering of better accounts on the bank side, but also access to the JPMorgan private Bank's investment solutions through the investment arm. And so J.P. Morgan Securities was the investment division and that was really the bank brokerage business. So you could walk into a Chase bank that wasn't a private client and get a Chase investments broker, or you could walk into a branch that was a Chase Private Client branch and that's where you would have a J.P. Morgan Securities advisor.

Mindy Diamond:

Got it. So as part of that channel, did you receive referrals from the bank? And what I'm getting at is if you got referrals, how did those referrals impact the portability of your book when you went to move?

Dustin Cali:

Sure.

Daniel Ventura:

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Yeah, naturally you would imagine that with their brick and mortar offices and people coming into the branch, they would first want to sit with a banker who would get to know them and see what brought them in. And the idea was to begin cross-selling whatever opportunities and products that client might need might best fit their life. So as you'd imagine, quite often there would be an investment concerns and that's when the introduction or a friendly pop in would happen. And we found that clients really enjoyed that instead of, "Hey, advisor will call you," or what have you, you would actually meet someone and then begin to try to develop a relationship from there.

So of course there was a natural concern that these people started their relationship with the bank and they might want to keep them with the bank. And a lot of people do have more of an emotional aspect when moving. So naturally it caused some concerns. But of course we won a lot of people's trust and loyalty. So moving into independent practice, they had to make the decision to stay what they were comfortable with or to venture with us to see what we built and why it would benefit them.

Mindy Diamond:

So what was the efficacy of that? In other words, how many of the clients that you received as referrals from the bank ultimately said, "But you're my guys, I'm more reliant on you or I feel more connected to you than I do the bank?"

Daniel Ventura:

It was a large portion. A lot of people, again, the loyalty and the trust of what we do is very personal. So there were quite a few relationships that always set the tone that before, of course we would never mention it, but if there was ever a concern, clients would say, "Hey, if you ever find a new job or if you ever leave this institution, make sure you call me. I would appreciate that and I trust you." So of course there was a great deal of relationships that if something were to ever happen to us, they would want us to reach out and explain what had happened.

Mindy Diamond:

Yeah, got it. What was it like to work for a bank? We work with a lot of bank brokers and private bankers in our practice and we talk a lot with them that there are pros and cons. From our view, the real pro is just what you're talking about, that interconnectivity between bank and wealth management, the potential for referrals, the amazing JPMorgan name. The con being that we know that bank assets are stickier and less portable. So I'm wondering from your perspective how accurate that is and what kind of flexibility and control you had in terms of how you serve clients and ran your business.

Daniel Ventura:

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I would say that almost the entirety of the number and the kind of conversion rates that people were giving us that almost worked out to the T in terms of what would lead with you and how that book would look. So that kind of worked out just how we envisioned it. And of course to your point, the bank had a lot of proprietary things and processes that belonged to them. So of course it was a whole new world stepping out and building a model that was more efficient for them.

Mindy Diamond:

And the flexibility and control thing is a big thing. We hear from a lot of bankers that a bank is a great place to build a wealth management business, especially in a situation where you are going to get some referrals from the bank. But that over time as advisors seek more flexibility and control and agency over their business, they find they outgrow the model. So if you had to rank, let's say, on a scale of one to 10, 10 being the most amount of control and agency over the business and 1 being the least, how much control do you think you had while working at JPMorgan?

Dustin Cali:

I would say a two or a three out of 10. And I would say we'd have a 10 now.

Mindy Diamond:

Interesting. So I'm going to want to pivot to that when we get, I want to ask you a couple of your questions about life at JPMorgan and then we're going to really spend our time focusing on what life is like as an independent, but that to me seems to be the key, that essentially having little flexibility and control over how you serve clients and ran the business then and much more now. Can you give us an example of something you wanted to do for clients where you couldn't at JPMorgan that you could now?

Dustin Cali:

I think an easy and natural first one is private markets. We didn't have access to the private markets at JPMorgan in the private client group. And we of course we followed those because we followed the markets and saw what was going on. We saw the growth opportunities within private markets. We saw the uncorrelation of assets between public markets and private markets. And we've read how high net worth and ultra-high net worth clients have a third of their portfolio within private markets. And so recognizing more attractive opportunities and not be able to include those in client's portfolios when we're acting as a fiduciary really felt like we weren't fulfilling that obligation, that we weren't able to select what we thought was most appropriate. And so that's a big differentiator for us now.

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Is there anything else? Did you want to add another example?

Dustin Cali:

Yeah, I mean there's a lot of examples. From a mainstream money management perspective, JPMorgan really had two models. They had a centrally managed portfolio unified managed account that was managed by JPMorgan or they had one that was managed by an advisor. If you chose the one that was managed by an advisor, centrally managed portfolio that was controlled by the advisor, there were parameters around what the allocation could be and bandwidth if you will, or safeguards in between those allocations. So you could create, let's say 60, 40 portfolio that had to maintain that 60, 40 exposure with all of these sub-asset classes being controlled. So money management of course is recognized and changes in the economic landscape and making those tactical shifts to either capitalize on opportunity or to avoid risk. And we couldn't do that within the confines of that bank model.

Mindy Diamond:

Did you know at the time that not being able to have agency over asset allocation or control your own parameters around asset allocation, did you know when you were in it that was a negative or did you only realize that with hindsight?

Dustin Cali:

No, we recognized that while we were in it. I mean, Dan and I did all of our credentials together and so we were close friends while we were there. And so we would talk about interest rates rising and the needing to shorten the duration of the bonds and the portfolio, but not having that control to be able to do so or recognizing conflict over in Europe, but not being able to remove international exposure from the portfolio. So did talk about that and that was an ongoing concern. And JPMorgan's answer to that would be outside of an advisor guided portfolio, you could open up six or eight different separately managed accounts to accomplish that where you could pick nuances. But the challenge is that while they give you that discretion, it would be so labor-intensive administrate that by the time new opportunities presented themselves, you needed to close one account and open a new one. And so it's just, it's an ongoing preventative measure.

Mindy Diamond:

So I was going to ask you what your straw that broke the camel's back moment was, meaning what made you know it was time to leave JPMorgan? So you just gave two really solid examples, illustrative examples of what were part of the drivers, wanting to access private markets and wanting to have greater control over asset allocation. Were those the straw that broke the camel's back or were there other things?

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Daniel Ventura:

For me that was a major a contributor and had been an ongoing problem, but the straw that broke the camel's back would be for myself, there was a meeting that we had about maybe a year and a half to two years before we broached. And at that meeting the bank kind of explained that they were no longer going to really be allocating large amounts of funds for recruitment. And as advisors, we found that referrals from the bank were only as good as that excellent banker created.

So without talent on that front line to really be allocating where these clients should go and setting up how these referrals should work, to me it felt like a very bleak outlook and that social aspect of what drives this business was really going to be deteriorated. So for me, hearing from some management at the time that we wouldn't be bringing in those resources to find talent and we were going to be reliant on a computer model, which I'm sure a lot of firms are headed that way, but it's just not the way we wanted to take our business and our clients. So for me, that meeting was the last straw for myself.

Mindy Diamond:

Yeah. Is there anything else? Was there another one?

Daniel Ventura:

Dustin had already mentioned it, that there was this ongoing concern about not having any real input within asset management, and that's something that we've always been passionate about and myself being dual masters in portfolio management, it was something that I really enjoyed doing and that ongoing with the lack of what I saw as quality referrals was the writing on the wall. In my opinion, that was time to look for something different to the rest of my future within wealth advisory.

Mindy Diamond:

I think what you're both is the notion that what got you here may not have get you there. And that's a recognition that a lot of folks share with us on this podcast, that they honor the fact that having started their career wherever it was, whether it's Merrill Lynch, JPMorgan or whatever, was a great way to build a business, but at some point they outgrew it and that what might've been great 10 years ago wasn't necessarily going to be great for the kind of business you wanted to build in the future and the way you believed your clients should be served. That actually raises a question for me. To what extent do you think the clients were aware of the fact that they weren't being serviced as well as they could have been while you were there? Or was the recognition really just for you, you realized your clients were entitled to more but they weren't really complaining?

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Daniel Ventura:

That's an interesting question. I would think more likely it was me as the advisor noticing things that needed to be done better for them. And ultimately, as Dustin said, being a fiduciary and being fee holders, it got to a point where it created more of an emotional conflict for myself. But you do have those high level clients as you'd imagine, that could see that certain pieces were missing. And then just a certain feeling of sometimes being frustrated with some of our review conversations and then mentioning things that are out there that I truly believe would benefit them that I just couldn't speak towards. So I would think that the vast majority was me as the advisor realizing there was a better place and a better way to serve people. But there was definitely a good portion of very intelligent clients that could see that they weren't getting that holistic approach that their wealth really demands in this current environment.

Mindy Diamond:

Well said. I think what you just said was there was a disconnect or that disconnect created an emotional conflict for you. So let's talk about the leap from bank brokerage to independence, which is generally the biggest and most infrequent leap. So tell us what you're thinking, why independence?

Dustin Cali:

We started to get bored and wanted to have some fun.

Mindy Diamond:

I love it.

Dustin Cali:

Dan and I had joked about the same thing. We're reviewing the financial plan one day for clients and we noticed the disclosures at the bottom when we were at JPMorgan said, this is not a financial plan. This does not constitute investment advice. And that was on every page. And so that started to raise eyebrows and naturally large institution needs to scale and needs to protect the business. But what it really was, there is a lot of areas in the planning that we were offering that was left out. And so it was left out intentionally because they didn't want the liability of comprehensive financial planning. Dan and I, as he said, are certified financial planners, but we're also enrolled agents with the IRS. Most people know CPAs for tax guidance, but that's really a state tax credential by the state board of accountancy. An enrolled agent is a federal tax credential through the U.S. Department of the Treasury.

And we were noticing in all of our client discussions that tax constantly came up and we constantly had to give the disclosure that we don't give tax advice. But what we found is clients would go to their tax advisor and really that was more of a tax prep relationship. And so our vision was integrating tax into wealth management so that we could have a compelling offering but also meet the current needs of our clients that was being missed frankly, in the entire wealth management space.

Mindy Diamond:

So you mentioned we wanted to have some fun, and I know you were only half kidding, but probably only half kidding. Could you not have had fun if and not have done what you wanted to do had you gone to a traditional firm, Morgan Stanley, Merrill Lynch, Raymond James, whatever it may have been?

Dustin Cali:

I don't think so. I think most of those firms, they're so large that they have a model and you have to fit their model and not giving tax advice is a part of that model. So there was these other wirehouses that we interviewed and it was like, you can do this, you can't do this, you can't do that. And what we found at Sanctuary where we landed is that there's been a lot of things that have come up that Sanctuary, that it wasn't currently permissible, but not because they had said no, it was because no one had asked. And so when we said, "Hey, we want to do something," it wasn't, no, you can't do it. It was like, well, let's run that through and make sure that we do it the right way. And they look at how to get a yes. And so they really accommodate your business model instead of making you try to fit into theirs.

Mindy Diamond:

But how did it feel knowing that you were going to be passing up what could have been a pretty significant transition package?

Dustin Cali:

Yeah. Those are big checks and naturally I call it the forbidden fruit because it's something that a lot of people are tempted to go after. That's the first calls that you get and that you tell your buddies about are the big checks. But what you're really doing is you're monetizing your business, you're selling off part of your business. And so for Dan and I, it was a future value calculation. We said if we're late in our careers and we don't plan to grow, but just plan to maintain, by all means, we would transition and get that big check and to just manage our business. But we said we're in our mid 30s, but we've got a long runway and the economics just make more sense to retain as much of the revenue share as possible. So let's do what we can do to make the business work and we'll have more upside.

Mindy Diamond:

So you took a long-term view, and I think you hit the nail right on the head. Age has a lot to do with it, that on the one hand there are many advisors that are choosing what you did, to go

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independent, younger, rather than making another pit stop in your case at another traditional firm. They're saying that I would rather have more fun, do what's more soulful, create more of an enterprise sooner, and reap the rewards later on than monetizing the business in the short term. And I think more and more advisors, at some point that was anathema. Nobody would've done that. People would've thought you were crazy if you did it. Now that is actually becoming much more mainstream. But help me to understand a little bit about how you went about getting educated. So you began to feel the disconnect, that emotional conflict as you put it between what JPMorgan was allowing you to do and what you felt you wanted to do for clients as a fiduciary. How did you go about determining what options to consider and even understanding the whole panoply of independent options?

Daniel Ventura:

I don't know if this will come as a surprise to you, and I don't think we ever mentioned it, but we actually started with one of your podcasts that explained the difference between independence and bank, and that was actually our initial starting point and there was a list of firms that we all talked about on your podcast, and then we just started contacting them from there to set appointments to discover where our business is and where we want our business to go. And through these appointments with all the different wirehouses and custodians, how we found our natural fit. And I would have to say that I imagine we went through at least 25 different financial firms and sat with their recruiters in how they pitched their hybrid models versus full RIAs and traditional wirehouses. What you'll find is that some of these firms like LPL might have six different models.

So it was so much information. And obviously we kept a log of all the firms we spoke to and what the positives and negatives of each one were, and then we, like I said, funneled down a list of 25 maybes to about three. And then we had another round of interviews where we sat with these recruiters. And then we made our decision and planned about a one-year runway to make that launch.

Mindy Diamond:

Let me ask you a question, a self-serving question, if you will. First of all, I'm thrilled that our podcast was a launching point for you. Could it or would it have been more efficient if you had used a recruiter, somebody like us or another quality recruiter that understood the landscape to help you to narrow down or curate some of those many options?

Daniel Ventura:

I would say naturally for most people, yes, but I would also acknowledge that if your time permits, there's nothing better than learning yourself and figuring these things out. So I would think it matters on the time commitment you have and how much of that you can allocate to this

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process. If you are completely bogged down, then I think it would be foolish to not have a recruiter by your side. But when you have a two-year runway, and I think it made more sense in our scenario to really dig in and get our own hands dirty to figure this out. But I would say it matters just like anything else, the level of involvement you want and how much you want things synthesized and how much of the real work that you're willing to do. For us, we were willing to do all the dirty work, so we contracted each one of these firms individually and went through hours and hours of research.

Mindy Diamond:

Yeah. And I think you hit on the right point and I appreciate that honesty. The truth of the matter is that there are today a greatly expanded list of options in the independent space, options for any quality team to consider, whether they want independence or otherwise. It is exceedingly time-consuming to absorb and understand every single thing about every single one. It is much more efficient in our view to curate the list down to say the top five or 10 and then continue to curate from there. And that's something that a recruiter can help you to do. And I'm not looking to sell you on it because as you said, you were willing to take the time, willing to dig in. Took you two years, and that's wonderful. And I think it goes to different strokes for different folks. I appreciate that transparency. I want to ask you another question. Talk to me a little bit about your post-employment restrictions. What did your contract with JPMorgan say and how did that impact your ability to talk with clients and move forward once you decided to leave?

Daniel Ventura:

As you can imagine being a non-compete, and that was a very strict also no solicitation policy. So by no means were we allowed to contact clients pre or post and let them know. And that was very important that we got the proper advice to navigate that and worked through it. And that's another reason that we interviewed with so many firms because of course we wanted expert legal advice. And that was one of the differentiators within Sanctuary, is we were provided some counsel on how to work through those contracts. And of course we followed every single word and every single piece of advice they gave us, and we had a good low to zero litigious transition.

Mindy Diamond:

Yeah. And were you scared of it before you got that advice? In other words, it is a level more restrictive than many advisors have, and it's scary enough to make the leap let alone to independent. So how worried were you about it?

Dustin Cali:

Very.

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Daniel Ventura:

Yeah, I would say very. And it's funny because initially I didn't have a dramatic concern about this because I always just figured you do what's right and the right thing will happen. And then after you talk to a couple of these attorneys, then it turns to just pure fear. So it was good that we had a lot of different advice and I think we did settle on the right attorney with the right firm.

Mindy Diamond:

Yeah, good. And I appreciate that honesty because you should be scared of it. You should revere it. Doesn't mean you shouldn't do it, you did it. There are ways to do it, but you need to honor it. And it is, those kinds of restrictions make it a level more riskier or scarier than someone that doesn't have them. Let's pivot now to Praetego. So you decided to go independent and launch Praetego. So just a minute if you would, and tell us a little bit about what the name means.

Dustin Cali:

Praetego is Latin, meaning to protect.

Mindy Diamond:

And how does that connect to the firm you wanted to build and what you were able to do then and what you were able to do now?

Dustin Cali:

We were trying to come up with names. What we found is that most people put their own name in the mix or maybe in the city or town that they're located, but we wanted a name that was a little unfamiliar to the eye that made you stop and say, what's that? And inquire a little bit more about it. But more importantly, we wanted a name that reflected what we do for our clients. And so as we sat around, we came to the common theme that clients were coming to us for some form of protection. They wanted protection maybe against market volatility. They wanted protection maybe from outliving their income, a longevity risk. Maybe they wanted protection from, like they were getting hit too heavily with taxes in regards to their portfolio. Protection from inflation.

Just no matter what the element of planning was that came up, they were looking to protect themselves from it. And so as soon as we landed on it, we just knew right away that that's what fit our practice. So you'll see on our website as it says Latin to protect, there's a three-piece scroll that says, "Protect your current income, your future needs, and your family legacy." But it's the now and in the future that's all encompassing.

Mindy Diamond:

Yeah. So you talked a little before about you mentioned Sanctuary. You chose to partner your firm, to build your firm in partnership with Sanctuary Wealth. Why Sanctuary? Because it sounds to me from your answer before that you really are the ultimate DIYers, the ultimate do it yourselfers. You had the time, you wanted to dig in, and do the due diligence, do the research, and really build it yourself and bet everything yourself. So why Sanctuary?

Dustin Cali:

I would say DIYers, but to a certain extent. We definitely looked at full RIA and decided that was definitely too much DIY. I know there's a lot of acronyms being thrown around there, but we decided we wanted to spend all of our time in the business, not on the business. And so where you could land on and have to on everything, we know our experience and our expertise is best served in the business. And so Sanctuary's partnered independence help offload some of those things that we didn't want to spend time with. And so compliance, of course, they take care of all of our technology infrastructure, they take care of. I could spend three hours working on a printer that won't work. And it's easy to have someone that I just call that remotes in right away and takes care of it.

Mindy Diamond:

So how do you think about what you pay to partner with Sanctuary or to leverage Sanctuary versus what they do for you? In other words, has it been a good decision and what value do they add and how does that relate to what you pay for it?

Dustin Cali:

I think it's been a great decision. We're very happy we made the move. We've had other colleagues make moves since then that had chosen other firms, and we'd already ruled those out for several reasons. And I know you know this, but for listeners, in the traditional bank brokerage space, you'll see payouts that range from 25 to 35% of revenue share. And the wirehouses, they seem to be in the 45 to 55% range. Full RIAs, it's 100%, but you're spending a lot of your time focusing on some of those other nuances that are outside of the business, like managing the infrastructure of the business or handling your compliance. So it made sense for us where the sweet spot was with Sanctuary was like a 78, 80% payout where we felt like we were keeping the majority of our revenue and we were only offloading what we needed to that really took time away from where our time would be better served.

Mindy Diamond:

I really appreciate that transparency. So what you're saying is your net take home after paying your expenses and paying Sanctuary is 70%.

Dustin Cali:

The revenue from Sanctuary is around 80%. Our net take home is somewhere around 65.

Daniel Ventura:

68.

Dustin Cali:

Yeah, 65, 68 somewhere in there.

Mindy Diamond:

Got it. No, and that's very helpful. So what you're saying is A, for you coming from a model where your payout was lower than average anyway, it was a very significant uptick for you and still allowed you to be independent and really offload a lot of the minutiae. There may be some that will think that paying a firm like Sanctuary or a Dynasty or any other in the space is too much. But what you're saying is they really helped you to offload the stuff you didn't want to do ultimately to make you more efficient. Is that fair?

Dustin Cali:

Definitely. Yeah. From start to finish, I mean, they picked up the legal fees for the transition, they helped execute the transition. They guided us through the transition from start to finish. But even post-transition, there's just a tremendous amount of resources that are available for complex planning cases that may come up or areas that your practice may not be a foot to handle, that you can quickly cap the network and not miss out on an opportunity. And so that's in addition to the infrastructure support, that's what you're paying for.

Mindy Diamond:

Yeah. Invaluable. So let me ask you a question. A lot of people look to a service provider, choosing to partner with a service provider like a Sanctuary because when they launched, they don't know what they don't know. Can you give me an example of something you didn't know you didn't know before you launched?

Dustin Cali:

All of it. I mean, I don't know, Dan, if you can think of a specific example. I wondered how much of a possibility a transition even was because I know that we signed non-compete, non-solicitation agreements. But I mean, I feel like that's the very first starting point that you go to. Is my business portable or would my business be portable knowing that you've signed contracts that says it's not. So that very first piece of advice is one of the most important, and then naturally it unfolds from there.

Mindy Diamond:

Love it. Again, and I guess it gives you confidence even if there were things you were pretty sure you did know, it gave you confidence now to go from being an employee advisor to being a business owner.

Dustin Cali:

Definitely.

Mindy Diamond:

Okay. Let's talk about your clients. What do you think the most impactful part of your pitch to them about leaving JPMorgan with you and following you to your independent firm, what do you think was the most compelling thing that you said to them?

Daniel Ventura:

For myself, I think the idea of an open infrastructure to be able to pick and choose any investment resource that kind of helps them meet their goals, whether it's public or privately placed, that was huge for me and my clients because we always felt like the bank had this overall discretion of what we were and weren't allowed to do. So I think that piece of a truly open architecture for investment sourcing was huge for me. And secondary was to be able to offer and capitalize on wealth strategies that coincide with tax strategies. Previously, it's like we know and understand a lot of the consequences of certain portfolios on a tax basis, but there are things we weren't allowed to communicate while being at the bank. So being able to have those open, transparent conversations around either tax reduction or mitigation was wonderful, and that was a huge point of contention for some of my clients because they were so unhappy with the current tax advice they were getting. So open architecture to privately sourced investments and tax planning and strategies was huge for me bringing over my book of business.

Mindy Diamond:

What about any of them have any issue with leaving a very well respected brand like JPMorgan and joining you at an unknown, essentially an unknown?

Daniel Ventura:

Well, honestly, the clients, they did business with me. So of course we had a lot of commonalities and moral and loyalty issues, but we made sure that within our custodian being Bank of New York Mellon being the largest custodian of assets in our country, that kind of helped offer some comfort where JPMorgan might be in the five to $7 trillion space where Bank of New York Mellon is the custodian of over $47 trillion in assets. So we were keeping that big box name as like the security and the vault, but we were removing the shackles that those big boxes usually put on you to mitigate liability and increase scalability. So it was the best of those both worlds where you have a $47 trillion company as a custodian, but now you also have the expertise of highly credentialed advisors with an open architecture to source any firm's portfolio management, whether it be Goldman Sachs or JPMorgan or a Vanguard.

Mindy Diamond:

I think you hit it on the head, and that's the thing that so many people we work with grapple with. That's the calculus. How impactful is that big brand name that I work for? To what extent are my client's mine because of the brand and to what extent are they mine because of me and our capabilities? And what you're saying is what you made clear to them or transparent for them was that they weren't losing access to the best of what JPMorgan was able to bring them. You were able to replicate the best of JPMorgan and still give them confidence in a custodian like Pershing, correct?

Daniel Ventura:

Yeah, I completely agree. Ultimately, that's what they're providing as a custodian, is that ease and that security. Well, you're going to get that with both firms, of course, but again, within the bank based platform, they're really going to limit what you're allowed to offer and use to meet a client's goals. So you nailed it.

Mindy Diamond:

Just a couple more questions. We talk with a lot of our guests about beginning with the end in mind, meaning building this with an idea toward succession and maximizing enterprise value and building the firm of their dreams. So what does Praetego look like over the next five or 10 years?

Dustin Cali:

We see an integrated offering between tax and wealth, and there's an intersection there that's missed. And so we serve to fill that gap kind of on two fronts. That's from the consumer's benefit. Our benefit, or from the business benefit, what Dan and I saw over a decade and what Chase or JPMorgan does really well and all of the large institutions that are branch-based, is they attract clients through their funnel, that is through the bank. And so you come in to open a banking account, or to open a CD or to get a credit card, and you don't come in seeking out an advisor to bring over your retirement or your life savings. And so that's something that's uncovered and added on later on into the relationship. And so it's really hard for advisors to attract new clients and to scale a business. And we saw leading with tax as a funnel.

We just closed out our first tax season. We had 117 new clients engage us. And so what Dan and I thought was typically companies, especially wealth management firms pay for marketing. We said, we'll let our marketing pay us. People are coming to see us and they're paying to see

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us, and then they're giving us all of their financials. And so we're serving that need by providing tax guidance and tax advice, but we can also recognize planning opportunities in there that we can show them and demonstrate, and then we can deepen the relationship on the wealth management side. And so the ultimate goal is to grow the wealth management business, but it's using tax as a funnel to attract clients and then ultimately add more value to those clients through an integrated offering.

Mindy Diamond:

And do you think that ultimately you will sell Praetego? Do you think that you will ever retire? What does that look like? What does the end game look like?

Dustin Cali:

Well, there is a TikTok or something that I showed Dan, and it's funny. It was a one-minute video and it stuck with me. And that was 95% of people stay within the employee phase. After you leave the employee phase, you go to self-employed, and that is where you work for yourself. And most people that move to self-employed stay the rest of their time there. But the very next step is a business owner. And that's different than self-employed because when you're self-employed, you're the one who's meeting with clients or you're the one who's actually doing the work. The difference of a business owner is they build a model, and once you have that model, you can hire other people to actually do the work of that model.

So that's what we're in the process of doing, is building that model, that ultimately we look to scale through bringing in other advisors that we can say, "Hey, our accounting practice is generating X number of leads per month." And so instead of coming from a bank or coming from a wirehouse and wondering how you're going to grow your business. We have a sustainable lead or referral generator that you can naturally fit into. And so that's the vision to our business that we see scaling our firm through tax first and then plugging an advisor in.

Mindy Diamond:

Yeah, I love it. Thank you for sharing that. You're right. You made the observation that many of our guests are either late career or have already grown or already of the size they want to be and continuing from there. It's a really wonderful perspective that you shared with us of the early building stage, and we appreciate the transparency. So what I'm excited about, grateful that you shared it all with me and our listeners and excited to see what the future holds for you. So hopefully you'll come on again in the next five or 10 years and share with us how it all worked.

Dustin Cali:

We're excited. We hope to have some good news.

Mindy Diamond:

Build, Grow, and Scale: How a Young Bank Brokerage Team is Achieving Their Goals in Independence

A conversation with Mindy Diamond and Dustin Cali and Daniel Ventura, Founding Partners of Praetego Private Wealth.

Terrific. Thank you, Dustin. Thank you, Daniel.

Daniel Ventura:

No problem.

Dustin Cali:

Thank you for your time. Thanks for having us on.

Mindy Diamond:

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.