EPISODE TRANSCRIPT

If Business is Good, Should You Still Consider a Move?

A Conversation With Louis Diamond

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is an industry update. If business is good, should you still consider a move? It's a conversation with my partner, Louis Diamond. I am Mindy Diamond, and this is Mindy Diamond on Independence.

Mindy Diamond:

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

Mindy Diamond:

Many advisors are coming off their best years ever, driven by increased client demands and a run-up in the financial markets. So, it seems odd that there has been a streak of record movement over the last few years. Why would anyone disrupt momentum and take on the risk and hassle of a move opting to change jerseys or break for independence when things are good?

Mindy Diamond:

The fact is, regardless of where an advisor practices, there is no perfection. And while things might be great today, tomorrow could be a different story as evidenced by the recent rollercoaster ride in the markets. No doubt, any move is disruptive. A ton of work carries plenty of risk, and isn't for the faint of heart. But for those who are in the steep part of their growth curve, the calculated decision to take a step back and reassess is that much harder, but it's a sacrifice that many are making. The real question is why? So, if business is good, why would you want to mess with success? I've asked Louis to explore the topic with me. Louis, thanks so much for joining me again.

Louis Diamond:

Yes, of course, happy to dig in.

Mindy Diamond:

Great. So, let's first take a step back and talk a bit about how the notion of considering change might come up in the first place.

Louis Diamond:

So, to me, the answer is twofold. The first part is advisors who take the time to work on the business instead of in it, and the second part of the answer is when the pain of staying just becomes too great and mild frustrations really build up to something that is unavoidable or you can't ignore. So, the first part, working on the business instead of in it, easier said than done, what this means is that there's a case to be made for why an advisor might take some time to fix what's not broken, especially those that are in extreme growth mode. Clearly nothing's really broken. They're doing extremely well. But it's a smart business practice to periodically take a step back from the day-to-day minutia of the work and begin to work on the business instead of in it.

Louis Diamond:

It is always intoxicating to be into the day-to-day to focus on what you really love and enjoy, which might be investments, or bringing in new business or meeting with clients, but it's the critical step of taking stock of your business goals, how it aligns with your current firm, and where your business is trying to go. It's this time and reflection that helps an advisor work on the business instead of in it.

Louis Diamond:

For others too, it might be as simple as asking yourself if your current firm is still the best possible place for your practice. Does your current firm allow you to serve clients unhindered, grow your business without limitation, and are you paid fairly for the work you do? For others, it may be conducting a more targeted, strategic due diligence on the industry landscape.

Louis Diamond:

Second part of what it might made sense for an advisor is to step back and consider change when growing rapidly is when the pain of staying just becomes too great. What I mean by this is mild frustrations, whether it's a tweak the compensation plan, or the inability to do something creative for a client, or paperwork got rejected, or your manager is making you do something you don't want to do. Suddenly it comes to a point where all the frustrations just build up and it reaches the boiling point. And then maybe there's a straw that breaks the camel's back, that just makes it so that you're just so fed up that you've lost satisfaction in what you do. So, I would say these might be two conditions where someone might consider change in the first place.

Mindy Diamond:

And let me ask you a question. I mean, we'll get to sort of under what scenarios someone might choose to explore options even though they're growing quickly, but how onerous is it or how disruptive to one's business does it need to be to explore options?

Louis Diamond:

Yeah. So, it really doesn't have to disrupt the day-to-day necessarily. Of course, if you want to be strategic and you want to be thorough and you really want to give the idea of change a shot, it should become more than just a passing interest. You have to carve out time to make it a priority. Doesn't have to be number one, doesn't have to stop everything in its tracks, but from what we've seen, even advisors who decide not to transition, [inaudible 00:05:37] a lot a certain amount of time, whether it's one month, two months, three months, and set a goal for kind of when they want to be done with their due diligence, with the goal of coming back with an objective answer on whether it makes sense to consider change in the first place.

Louis Diamond:

So, it really doesn't have to be disruptive. We always find that it's time well spent, because you either recommit to your firm from a position of strength, you can make peace with some of the frustrations you're feeling, or you make the big decision to move because you found something that's better. So short answer is, doesn't have to be disruptive if you're strategic and thoughtful. And if you're not, on a whim, just taking meetings and taking calls. So, if you work with a professional like Diamond Consultants or any one of our peers, and you look at the right things for the right reasons, it can actually be relatively streamlined.

Mindy Diamond:

Yeah, I would agree with that. I think one of the terms we use is to say there's two different kinds of exploration. There's armchair exploration where we or someone like us will educate you from on high, give you an objective perspective about what the options are. And the other is active exploration, where you're actually going out and taking meetings. But one other quick question, does it burn political capital to go to a firm, take a meeting and ultimately decide that you're not ready to make a move?

Louis Diamond:

Yeah, it's a great question. If you handle the situation properly, it absolutely does not burn political capital. Every firm that you might speak with knows that it's a long shot that they're going to earn your business and that you're going to move. They know how much work and effort goes into making a change, and they can't have an expectation that you're speaking with them and you're going to move forward. Where you could burn political capital is if you engage and then go silent, if you engage and go really deep and then kind of back off, or if a firm feels like you're just asking a bunch of questions for the sake of asking questions and aren't really serious about moving forward, you're kind of more of a tire kicker. So, I think as long as you're clear about your intentions, then you communicate how motivated you are, kind of what you're thinking, it's very easy to gracefully step back and still be able to come back to a firm with open arms if you handle yourself in a professional and really just you didn't like.

Mindy Diamond:

Yeah, I couldn't agree with you more. I think you're absolutely right. It's all about how you handle it. And I think that managers or recruiters from wealth management firms welcome the opportunity to develop relationships, and they know that those relationships often take years to build so that the first, or maybe even the fifth time they have lunch or take a meeting with an advisor isn't going to be the time that advisor's going to move. But just like in our business, I mean, we work at a glacial pace and we're all about relationships, not necessarily moving every advisor we talk to. So I agree. So then let's get to it. Under what scenarios does it make sense for a rapidly growing successful advisor to even give a second thought to conducting due diligence or transitioning to another firm or model? And I know we've broken this episode, we're going to talk about several. So I'll let you take the first one Louis.

Louis Diamond:

Yeah, sure. To me the first one is, they've identified that they are successful, not because of the firm they're at, but in spite of it. So what I mean by this is top advisors, especially ones that are really growing, they're at a firm, they're grateful to their firm and they're growing, but not necessarily because the firm is enabling them. They might be growing and kind of feel like they're fighting with one hand behind their back, because it's bureaucratic, because it's hard to get stuff approved, because technology may not be up to par, because they're not able to do certain types of business. So they've identified and had the realization that I'm really successful, I can be successful anywhere, and if I was at a firm that more enabled my growth and partnered with me, perhaps my 15, 20% growth rate can become 30%.

Mindy Diamond:

Okay. That's fair. So let me take number two then. An advisor might believe that clients are not ideally or best served or optimally served by the current environment, and that it is an advisor's fiduciary responsibility to explore other options. So I think it's the fiduciary part I want to really emphasize. As a fiduciary, an advisor has a responsibility obviously to always put client's best interest at heart, but if an advisor begins to suspect that the products and services, the infrastructure, everything that they have access to at their firm in some way isn't best in class or isn't robust enough, or in some way is preventing them from being as creative or as customized in the deliverable as they might be, then it's almost becomes a responsibility, not a choice to explore other options.

Mindy Diamond:

Now that is not even a little bit a sales pitch to make a move, and it's certainly not even a little bit suggesting that every advisor that opts to explore options is going to move. In fact, I'm curious to know what you would say, Louis. I think that probably 70% of the advisors we converse with don't wind up moving within a year of that first conversation. I'm going to say maybe 30% are pretty certain they want to move and ready to do so. What would you say that number is?

Louis Diamond:

Yeah, maybe it's 60%, but I think you're right on in that assessment.

Mindy Diamond:

Okay. So if we presume that 60 to 70% of advisors that are curious about what their options are, don't move in that instance, what it speaks to is just simply knowledge is power, and getting that knowledge, either by way of armchair exploration, or actually active exploration by talking to the firms, it can have one of two effects. One is that you come back and say, you know what? Things may not be perfect at my current firm, but it's not better enough elsewhere in order to justify the risk and hassle of a move. So not only do I choose to re-up my commitment to my firm, but I do so from a position of greater strength and acceptance. The other avenue is that you explore, you find one or more options that you believe in fact are better enough, and then you set about figuring out the best way to make a move so that it is this least disruptive and the most productive.

Louis Diamond:

Yep. I completely agree. And I'm reminded of two different episodes of this podcast. One was with Terry Cook in Seattle, the other one was with [inaudible 00:12:19] in New York, both extremely successful, rapidly growing, UBS Private Wealth Advisors who were top of the world at the firm. They were clearly perfectly well served and made a ton of money and were growing, but both of them, once they got educated on the multifamily office [inaudible 00:12:36] space, it was hard for them to turn away from it. And they realized that they actually weren't in the best spot to serve their clients. Even though it's a great platform for many, to them it was built more for the masses and they wanted to take that leap and disrupt momentum because for their client's best interest, they realize they have to do something different.

Mindy Diamond:

Yeah. I love that, because what you're talking about is moving much more for the opportunistic side of things as opposed to being terribly unhappy. And the other podcast guest that comes to mind is Jerry Goldberg. I love his comment. He moved from Wells Fargo FiNet to become an RIA, partnering with Focus Financial. And my favorite line that I quote a lot was that, "Had I let inertia or good enough rule the day, I would've missed out on the greatest opportunity of my life."

Louis Diamond:

Absolutely. I'll take the third one here, and that is an advisor becomes so unhappy with their current firm that they're willing to risk taking a step back because they expect that improvements will resolve their discontent and enable them to take many steps forward. So like we've talked about, moving will disrupt growth. It's a couple of months of moving the book of prospecting, slowing down of focusing all your time, energy and effort on making sure your current business is locked down and is comfortable.

Louis Diamond:

So you wouldn't do that unless you believe that this slow down and growth is going to be investment into growing a lot faster in the future. This may mean joining a more [inaudible 00:14:13] that you feel like you're more control or a more bespoke brand or platform that will help you target a certain segment of clients. It might mean going independent and realizing that having control over your own brand, being able to use social media, being able to open up new lines of revenue is going to help you grow that much faster. So you would only do this if you really believe that your growth would be not just helped, but significantly helped at a new firm, and that's where someone who's growing might risk taking a step back.

Mindy Diamond:

And do you think that, that relates to the concept we talk about a lot of shrink to grow?

Louis Diamond:

I think it could. Not every advisor has to leave behind a large block of business or a large plan in order to move. But for some, they make peace with the fact that not everything's going to come. I may not want everything to come, and then in order to sustainably grow into the future, maybe I should shrink either the number of households I'm working with or let's get rid of the institutional business and focus on the high net worth, or let's get rid of these clients that are productive but they're sucking my time away. And it's the notion of focusing more on the right things and doing it in the best possible environment. So I guess it could relate to shrink to grow, but doesn't always have to.

Mindy Diamond:

Yeah. Okay. Number four, and advisors finding less enjoyment and satisfaction in the day-to-day, even though they're growing and earning more than they ever did before. So the advisor's crushing it, but looking to regain their drive and motivation for the business. And we hear this a lot. It's just not as fun as it once was. And while we talk about an advisor being a fiduciary and looking to do things for the best interest of the clients, you might say, so how would it be okay to entertain a move if it's only about making me the advisor happier? And the answer is, maybe you wouldn't, but the reality is a happy advisor is a good advisor. And as long as that happy advisor, if he or she finds an opportunity that they believe is needle moving enough, and of course at a minimum does no harm to clients and obviously the goal being helps them to be better, and in doing so helps them to feel more motivated and excited about what they're doing, it will ultimately translate to being a better advisor to clients.

Louis Diamond:

I think that's exactly right. Yeah, I'm reminded I have an advisor that I'm working with currently who is, he's probably 60 at one of the major wirehouses and is very able to take his firm's retiring advisor program. It would net him close to two and a half times his current production and it's relatively easy and simple. He has probably eight to 10 years left to work. So moving isn't necessarily about the extreme long-term like it might be with some advisors, but for him, he wants to really enjoy the last couple years of his career.

Louis Diamond:

He wants to be reminded of what it was like to get started in the business and what it was like leading up until his firm became more bank dominant. So he's someone also who's growing but is willing to invest in the happiness of the end of his career, and maybe also work longer, not because he has to, but because he'll now have fun again and is looking to again, enjoy himself and, but we always say, live his best business life.

Mindy Diamond:

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I actually love that example because most brokerage firms have created these retire replace programs, succession programs that we talk about a lot, and those programs enable an advisor to monetize their life's work in place. And so it makes it easier and it makes a better case for staying put and never moving. So if you combine the notion that an advisor is doing incredibly well because market conditions are cooperating and because the firm support is allowing them to do well, so they're growing, and at the same time in the next five, 10 years or whatever it is, they know that they're able to monetize at the end of the day, that's a lot of reason to stay put. But still in all as per your example, and I can think of a bunch of them as well, it's not enough just to be good enough today with this more ever expanded or more robust waterfall of possibilities advisors want more, more for themselves, more for their clients, more for their team and more for their business.

Louis Diamond:

Well said. I completely agree. Let's do number five here. So this is an advisor who has a vision. They want to build an enterprise via organic or inorganic means., meaning through recruitment and acquisition of independent firms or of advisors looking to retire, and then have true ownership over their business. And this is something that at many firms is not necessarily possible in the current environment. Right now we're in a steep part of the M&A growth curve of the industry. There's more M&A activity than ever before, valuations are way up, and for good reason, a wealth management business is extremely valuable, it has predictable revenue, and it's one of the most efficient ways for a large firm to grow even larger or even a medium size, or to gain some scale and to pick up valuable [inaudible 00:19:27] capital.

Louis Diamond:

So this is one where sometimes your vision for the future is just divergent from what you can accomplish with the firm. We work with advisors all the time who are actually pretty happy. They like their firm, it's served them well, and there aren't really many complaints other than some mild ones, but they're just so focused on what's next that they're not really willing to make peace with not being able to do what they know is possible. So this is one where nothing against the firm, but you have a vision that's different from what you can accomplish internally.

Mindy Diamond:

I love that one. And I'm reminded of a female advisor you and I are working with that has been incredibly happy, incredibly successful, and absolutely loves her firm, but there is this knowing feeling that she has more to do and knows that the only way to be more creative to offer more to clients to do more is to likely build her own firm. And while that is probably a three to five year project, not something she's looking to do tomorrow, and she's relatively young, she knows that she won't want to end her career as an employee of a brokerage firm. So we see that all the time, and that's probably one of the most exciting parts of our job. Let me take number six, and I like number six.

Mindy Diamond:

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Number six is, an advisor sees signs of changes coming down the pike, their firm pulling out of protocol, strengthening employment agreements, cutting comp, whatever it may be. And they want to get out ahead of them. So a lot of firms have these advisory councils to management where advisors, some advisors are privy to changes that might be coming down the pike before the rest of the advisor force is, or it may be that advisors are reading the tea leaves or the handwriting on the wall and says, if my firm did X, what's going to be Y?

Mindy Diamond:

And so every time an advisor is an employee, they are not totally in control. And what that means is, your firm is in charge or has agency over your professional life. Not a bad thing at all. That's not an indictment, it's just the truth. So as advisors begin to read the tea leaves or the handwriting on the wall, or talk to a friend who may be privy to some information of things coming down, the pike, that in and of itself, even though an advisor is doing incredibly well, can make them want to explore options, or at least know that they've got a solid plan B.

Louis Diamond:

Yeah, absolutely. And I think a live example of that is what some advisors analyze with the announcement from Merrill in 2021 that they're no longer going to allow trainees or financial advisors to make cold calls. Seems somewhat innocuous. I mean, no one likes making cold calls, but if you peel back the layers of the onion and you analyze the decision, what some advisors took from it was, this is really going to change the culture and the DNA of the firm. It's taking what was an extremely entrepreneurial firm where I built my business through cold calling, through prospecting. And it helped shape who I am, it helped shape the culture, and it helped drive the innovation and creativity of my peers. So they may look at this and say, okay, it doesn't really matter to me now. My business is mature. I don't really cold call anyway, but they analyze what it meets and they don't want to be the last one to turn off the lights, and they're willing because they see what's coming. So you be uncomfortable and in a change, even if they are growing.

Louis Diamond:

I'll do number seven here. This one is one that comes up pretty frequently, and this is one we'll put in the category of a potential can't miss opportunity. Number seven is, an advisor's been presented with an opportunity to acquire a book of business, join a high powered team that will help them accelerate growth even further, tap into a unique referral source such as leads from an RA custodians, retail branch network, referrals from a bank, downstream reinvestment opportunities from a stock or 401k plan, and these are opportunities that are really just potentially too good to pass up. So again, disrupting momentum, but because what is possible at a new organization is not even close to being achieved where you are. So many times an advisor is presented by either a recruiter, a friend, or a peer to acquire a book of business. They want that advisor to change firms in order to come and buy out the business.

Louis Diamond:

So most advisors would love to acquire a book, and if it's the right fit, where the clients are the right fit with your business, the valuation makes sense, et cetera. It could be a really efficient opportunity to grow the business and grow it in a way that may not be possible at your current firm. Of course, you could buy a book within your firm, but maybe there's no real good opportunities locally, or maybe your firm's program and structure doesn't make sense for you. So this is a great one, because it's all about growth and it's tangible growth that you can see at another firm. It's not theoretical like some other examples might be. What do you think?

Mindy Diamond:

Yeah. I think we see this all the time and it speaks to the entrepreneurial-minded advisor that's scrappy, that's got fire in their belly, that's not just looking to cost. And when I say entrepreneurial, that doesn't mean necessarily to go out and be independent, but it's an advisor that knows that they're doing well enough and they will continue to grow and continue to do well where they are, but they've got just like the female advisor example I gave a couple of minutes ago.

Mindy Diamond:

That advisor has a fire in her belly that she could be enormously successful for the rest of her career, and she's got a long runway in her career and do just fine and retire from her firm. They love her, she loves them, lots of opportunity, lots of opportunity for upward mobility in her firm, but it doesn't satisfy a need to do something more, and that's what it's about. So we're talking about advisors that are growing, that are doing well, no one's arguing with that, but they want something more than they can get from their firm or model, and they're willing to potentially take a step back or it's because it's disruptive in a hassle, not only to move, but to do the due diligence in order to achieve it.

Louis Diamond:

All right. The eighth one on list is when a child, a family member, or even many teams have employees that, or partners where they see themselves as family. And even though I might be growing, I might be close to retirement, I'm willing to put in the work to make a move because I really want to maximize the possibilities from a next generation. So we talked about the firm's retire replace programs. This is a prime example, easy enough to take it if you're a retiring advisor, but perhaps you're uncomfortable with the future of the firm. You're uncomfortable about where the firm's going, and as a result, you've decided that you're going to disrupt momentum and go somewhere else for the benefit of your family member before your team.

Mindy Diamond:

Yeah. That's an interesting one. I'm reminded of a couple of examples of an advisor that I moved from Merrill Lynch to Morgan Stanley. It was probably beginning of last year, and this was an advisor that was absolutely loath to move. Had been with Merrill his entire career, loved Merrill, and was even protective about even a lot of the changes that Merrill was enacting that were coming down the pike. But when his son, Steven, who was right out of college joined the business, he began to look at his business and the firm and the changes coming down the pike through a totally new set of eyes. And while what was happening at Merrill Lynch would've been more than good enough for him, he wanted something different for his son and went through the hassle of making a move in order to get it.

Louis Diamond:

Yeah, I love it. I'll take the last one to round out the list, and it's to capitalize on the battle for top advisor talent. Recruiting deals are at all time highs, not just the percentages, but also the structures that have become much more advisor-friendly. And while deals show no signs of slowing down or normalizing, we unfortunately do not have a crystal ball. So if you do believe you have a move in your future, you might consider doing so while multitude of quality firms are willing to pay a premium for top talent. Related to this would be that selling your house top of market is makes good business sense.

Louis Diamond:

Firms value books that are growing. They value businesses that have shown a consistent track record of growing [inaudible 00:28:24] and market returns. So if your business is in a good spot, you're in the driver's seat even more. So you can couple a demand for top talent that we've never seen before with your business being as attractive as it's ever been to get yourself the best possible deal. So that's what I would say for number nine. What do you think?

Mindy Diamond:

Yeah. And I agree with it. It's a strong sellers market and it's a great time to be an advisor. It doesn't mean necessarily you should move, but if there's either anything imperfect in your current situation or anything you're curious about, now is a good time to ask the question.

Louis Diamond:

Yep. And the last thing I'll add to that is, we're recording this now in February of 2022, and 2021 was an amazing year in the markets that sure there's been a bit of a pullback in January, but the market's still cooperating. It's still in a really good spot. So some advisors too, think about moving strategically and you never move just for personal financial gain, but if there is a level of unhappiness, you've identified something that's better, there is certainly benefit to moving while you can lock in your book at a higher production level than it would be otherwise.

Mindy Diamond:

So the reality is that changing firms when done for the right reasons has the potential to create greater opportunity for growth. It improves the ability to serve clients, it can advance technology inefficiency, it can increase the ability to brand and market with less limitation, or perhaps create a more bespoke platform to attract higher-end clients and increase wallet share with existing relationship.

Mindy Diamond:

It makes sound business sense to stay informed on the changing dynamics of the industry and the opportunities available, even if you're content and growing, because that knowledge allows advisors to make proactive decisions from a position of strength as opposed to reactive to changes in the environment. So Louis, I want to thank you for joining me.

Louis Diamond:

Absolutely. This is the fun topic, and I would certainly encourage advisors that are crushing it to take this as an opportunity as they kick in the butt to be proactive. Your worth is much more when you are growing. We see it on the M&A side of the business all the time. Firms want businesses that grow. So take advantage of where you are now to grow more into the future and take advantage of a better economic situation.

Mindy Diamond:

I thank you for listening, and I encourage you to visit our website, diamond-consultants.com and click on the tools and resources link for valuable content. You'll also find a link to subscribe for regular updates to the series. And if you're not a recipient of our weekly email, perspectives for advisors, click on the articles linked to browse recent topics. These written pieces are an ideal way to stay informed about what's going on in the wealth management space without expending the energy that full on exploration requires.

Mindy Diamond:

Feel free to email or call me if you have specific questions. I can be reached by cell at 973-476-8578, or by email at mdiamond@diamond-consultants.com. Please note, that all requests are handled with complete discretion and confidentiality, and keep in mind that our services are available without cost to the advisor. You can see our website for more information. And again, if you enjoyed this episode, feel free to share it with a colleague who might benefit from its content. And if you're listening on the Apple Podcast app, I'd be grateful if you gave it a star rating and review. It will let other advisors know it's a show worth your time to listen to. This is Mindy Diamond on Independence.