



EPISODE TRANSCRIPT

From Product-Driven to Client-Driven: An Independent Advisor's 3x Revenue Growth Story

A conversation with Matt Blocki, CEO of Equilibrium Wealth.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is From Product Driven to Client Driven: An Independent Advisor's 3x Revenue Growth Story. It's a conversation with Matt Blocki, CEO of Equilibrium Wealth. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

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It's amazing how many of the industry's top advisors got their start building a book of business from scratch with one of the major insurance-based brokerages. Similar to the wirehouse training programs, there may be no better place to learn the ropes of the profession, including critical sales and technical skills. But in many cases, those who have their sights set on the longer term, that is building a business with a lasting legacy and enterprise value, often find themselves limited in the environment, especially those who morph their business beyond life insurance to a focus on investments and comprehensive wealth management.

That was the case for Matt Blocki, who got us start at Northwestern Mutual more than a dozen years ago and built the practice to \$120 million of assets under management. After getting educated on the industry landscape, he realized that he could build the business beyond where it was and have greater freedom to market and introduce new services to his clients. That is to step away from being product driven and focus instead on being client driven. In Matt's mind, the only way to do that was to go fully independent without a service provider, but instead build an RIA firm himself. And so he did and in the midst of a pandemic to boot.

In June of 2020, he launched RIA Equilibrium Wealth with Fidelity as custodian, a move that resulted in tripling his revenue to \$3 million and more than doubling his assets under management. Matt shares his story and the key things he could do outside the Northwestern world that helped to foster his growth. Plus, he offers sage advice to other prospective breakaways. There's lots to discuss, so let's get to it. Matt, thank you so, so much for doing this with me today. Let's start at the beginning. Tell us a little bit about yourself, essentially your path from an internship in financial planning to business owner in 2020.

Matt Blocki:

Yeah, absolutely. Well, Mindy, thank you so much for having me. Huge fan. I listened to every episode for a five-year period and that led me to where I am today. Thank you for putting out amazing content.

Note: This is a transcription of a spoken word dialogue and as such there may be errors and/or omissions.

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Mindy Diamond:

I love it. Thank you.

Matt Blocki:

Really quick background, I went to a small school in Pittsburgh, Pennsylvania, grew up in Pittsburgh. During my four years there where I was a major in finance and accounting, I did an internship at a rather large insurance broker-dealer company and had a good experience, was like in the top 1% from a results perspective, but really just had a bad experience calling on friends and family and people from my network didn't really respect the career and said, "Go get a real job," basically. I ended up working at a big four accounting firm. I lasted all of 10 months, at which point I started interviewing at the big wirehouses.

They told me, "Hey, you need a minimum of \$250,000 in an account for us to accept that." I was like, well, in my network, I have one person I know that has over \$250,000, so obviously that wasn't going to work. I ended up back at that big insurance company where they said, "Matt, you can get investment license here and you can talk to and serve anyone." I ended up back there after the perspective of not wanting to be an accountant and was there for 10 years before I started my own RIA.

Mindy Diamond:

I love it. I've shared my story before, but I too started out with a degree in accounting, went to work for what was big eight public accounting in those days. Hated it. Found I was ill-suited for it. Began recruiting in the accounting field, and then here I am today, recruiting in wealth management. I think accounting was a good background, but it's wonderful it led you to what makes you feel soulful. You spun out of Northwestern Mutual, which was the insurance company you're referring to in June of 2020 after a 10-year career there. And that was really the height of the pandemic. What was that like?

Matt Blocki:

It was crazy, but it was good and it was necessary. Looking back, it actually worked to our tremendous advantage. The reason I say that is because we work with a lot of physicians, a lot of retirees, a lot of executives, a lot of business owners. And as far as the retirees go, they want to meet in person and they want everything paper signed, and they did before COVID. That forced everyone to adopt, and now we're a paperless firm. We were able to complete a transition in what Fidelity told us was a record time. Although it seemed crazy, like why would you ever do that, it really worked to our advantage.

Mindy Diamond:

Interesting. I want to just give our listeners some perspective on your business, and then we're going to talk about why you left your former broker-dealer and why independence and a lot about the business, the RIA you've built. But let's start with the business itself. How much in assets? I think I read that in June of 2020 when you broke from the broker-dealer, you were managing about \$120 million and now



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it's almost \$300 million. Tell me a little bit about, A, are those numbers accurate, and B, that growth is pretty awesome.

Matt Blocki:

When we were at the private broker-deal, I think it was like \$140. We left with \$120, because we used that... We'll get into this, I think, I see in a question in a second, but 80/20 analysis, we took 20% of our clients that represented at the time 90% of our revenue. We spun out with about \$120. Yeah, that's very accurate. Now we're right around \$300 million. Obviously the market is very volatile.

Mindy Diamond:

Right. I want to get to, as we move through this, what you think is the kind of things that are responsible for that growth. But I guess just one question to preview the answer is, do you think you would've grown that way had you stayed where you were?

Matt Blocki:

No, I do not.

Mindy Diamond:

Interesting. Do you want to tell us why? I'd love to hear.

Matt Blocki:

Yeah. I think the biggest reason when we look at what happened, we actually slowed down because we were in the culture at the private broker-dealer of get 100 new clients a year, and I had slowed that down years before where it was like 15 or 16. But when we left, after six months, clients really responded well. We obviously educated a lot of people on what an RIA is, what being fee only is, what a fiduciary is. Not only did clients give us referrals that had never given us referrals in the past, I don't ask for referrals, it's just like they came out of the woodwork.

All the other people in general, I'd say 95% of our clients that had us as one person on their team, ended up consolidating everything to us. I don't think that would've happened, because I think they were comfortable with the team, but they weren't comfortable with the company we were with at the time.

Mindy Diamond:

Again, we'll talk more about this in a little while, but just generally speaking, our understanding from having counseled a lot of advisors that came from the insurance owned BD world felt that the insurance companies, the core of their business is the insurance company and wealth management was an add-on and they just weren't investing in wealth management because it wasn't the priority. They didn't have the innovative technology and the scaled platforms and investments to platform. Did you find that that was the case?



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Matt Blocki:

There's no question. I mean, I always joked there was this grid rate and I was like, I would've lowered my grid rate if you just let me do my own thing. They're like, we're taking this money because we're adding value, but I felt like it was just getting in the way because it was very proprietary in nature. Obviously there was funds with revenue cost sharing that sometimes there was no trading fees versus trading. It was just in my mind it was a big mess, and I don't think clients really cared about that. But if I make it a big deal in my head, it's going to end up being a big deal. That's what I found.

Mindy Diamond:

Again, more to come on that. Let's get back to the business itself. Tell us a little bit about your clients.

Matt Blocki:

Yes. We have 315 households right now that make up the \$300 million. About half of our clients are physicians and then the other three segments are executives, typically at Fortune 500 companies, retirees, and then business owners.

Mindy Diamond:

Got it. Tell us a little bit about the team members, whether or not there are any other advisors on the team, the support, et cetera.

Matt Blocki:

Yeah, no, absolutely. We have a COO who does all of the EOS implementation. Big fans of the book Traction and the Entrepreneurial Operating System. We have a 10 year, three year, one year, and then quarterly rocks. That's almost a full-time job just to calibrate that every quarter. She does that along with the HR, finances and a million other hats. And then we have three client facing lead advisors. These are all young guys in their late twenties, all phenomenal planners, all three of them actually came from the private broker-dealer. Weren't the best sales people, but are phenomenal financial planners.

The clients have responded very well to the handoff process with those three. And then we have two amazing internal support members where they do all of the e-money plans, all of the investment paperwork, all of the trading, all of the internal investment and financial planning operations. And then we have one person really focused on marketing and administration duties. And then one creative person. We actually have a full-time videographer that is responsible for our podcast, our videos, and a lot of the marketing efforts that we do.

Mindy Diamond:

I love that. Let me ask you a question. How much or what percentage of that team support worked with you previously? I'm smiling when you talk about a creative person. I know for sure that person couldn't



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have been on the team when you were in the broker-dealer world because you're not even a little bit allowed to communicate and let alone communicate creatively.

Matt Blocki:

Well, we're going to talk about this in a second, but the one article I finally got approved, it took a six month process to get through compliance. From the time it was approved, all of the content was out of date. Anyways, but now we're having to do it same day, which is really cool. The majority, all but three were with me before.

Mindy Diamond:

Yeah, that's exciting. Okay, good. All right, so I want to talk a little bit about the elephant in the room, at least in my mind, and that's your age. Look, this is an industry where age just doesn't matter. There are incredibly successful 20 and 30 year olds and equally incredibly successful 85 year olds still doing it. There's no barrier on either side. But I would imagine, especially if you're counseling sophisticated executives and physicians and the like, how your age, your young age, when you started in the business impacted you.

In fact, I had listened to a podcast episode you did with Michael Kitces, I think it was in 2018. He asked you how a 20 something year old advisor built a niche working with physicians and retirees. My question is, I'd love to hear a little bit about how it felt to be that young counseling people I imagine many, many years your elder and what advice you'd have for other young advisors either breaking in or wanting to really grow a business.

Matt Blocki:

I'd say the advice is... I was just meeting with an attorney, a new client last night, and he's like, "Matt, the worst attorneys are those that spend all the marketing dollars because all they do is market. They don't actually know how to practice law." I think there's some corollaries there in the financial planning industry. The advice I would give is if you're part of a big company and sales is a huge aspect and you're in this competitive culture, what I did is really I wasn't the best salesperson so I just had to educate myself on giving advice.

For physicians, that was everything I really didn't get paid for, student loans, just setting up backdoor Roths that I couldn't even charge for really because the accounts were so small. But those relationships over the last 12 years have blossomed and now I work with a lot of those clients' parents. You just have to focus on advice first, always doing what's best for the clients. And once you provide enough value and you develop an amazing relationship, the social proof goes, and then word of mouth. At the private broker-deal we were taught, get five referrals every meeting. I never did that, and I felt like a failure every day.



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But I can tell you, one person emailing me that's heard from Dr. So-and-so, work with Matt and his team, they're great, that's more powerful in my opinion than getting 100 forced names out of someone's cell phone or LinkedIn profile.

Mindy Diamond:

I couldn't agree with you more. We work with a lot of younger next gen advisors, and our council is age really doesn't matter. What people respond to is someone who shares their values, who's going to work hard for them, who is going to show up authentically and do the right thing and do it better than anybody else could. It sounds like that's exactly what you did.

Matt Blocki:

No question.

Mindy Diamond:

I want to talk a little bit about why you left the insurance broker-dealer world and how you landed in the independent space. Let's talk generally. What are the things that drove you to consider other options outside of where you had begun your financial planning career?

Matt Blocki:

Yeah, absolutely. Just really quick to back up, there's actually a podcast recorded for new financial advisors. I really spent hours looking at the last 10 years of my career and what did I do wrong, what did I do right. Actually, I'll send that to you in a link if you want to put in the show notes, but it's like a 45-minute thing I just recorded of myself. If you're a new financial advisor, 3% of advisors make it. If you want to be part of the 3%, here's a guaranteed roadmap in my opinion.

Mindy Diamond:

I love it. Thank you. Share it with us and we will share it with our listeners for sure.

Matt Blocki:

Absolutely. To answer your question, I'm going to list off these things, and then we can dig into as much or as little detail as you want. Why we left? First, Kitces is round two that I did. I think it's episode 308. We talked through that whole mindset and journey, but I think it really boils down to there's a lot of conflicts in my mind with a grid rate, my private broker-dealer. That's the first reason. The second reason is I was focusing on advice over products. They wanted me to focus on products over advice. The third reason was culture.

The fourth reason was the ability to move at the speed I wanted to move at. The fifth was creativity, just being totally blocked with creativity and ideas. Six was other business ventures I wanted to start. And then the seventh was I loved really doing hard stuff and I loved the journey of that. I was pretty much in



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a box and I pretty much had it mastered, but we were only able to do what they told us we were allowed to do. I didn't really see a growth personally or for my team members at that time.

Mindy Diamond:

I love it. It's funny, most people when they come on this show or advisors that we counsel in general talk about the drivers, the things that motivated them to consider options elsewhere. In our view, in our parlance, we talk about pushes and pulls. What you described, and I just jotted them down quickly, conflicts, I call it an incongruence you described between your vision, which is advice over product, and their vision, which was product over advice, limitations in terms of how quickly you could move, an incompatible culture, if you will, lack of an ability to be creative, and the desire or an inability to launch outside business activities.

And then I'd say you talk about the pull toward loving doing something hard and wanting to really grow something bigger than what you were able to do there. I think that's a really clear articulation of what many people feel. And by the by, that list, while it may have been what you felt relative to working at an insurance owned broker-dealer, those are a lot of the same conflicts, pushes and pulls, that almost every advisor that comes on this show talks about,

Matt Blocki:

I would say I can take personal credit for half of those, even though everyone feels, but the other half was listening to your podcast over five years leading up. It was just hearing that perspective of all the advisors that had jumped ship or had made the transition and then not even knowing what I didn't know, and then realizing, wow, that is so true and I never realized that. I think the perspective of other people sharing their journeys is just so key in self-reflection and self-awareness.

Mindy Diamond:

Well, thank you for saying that because that was my whole goal for starting this was there really was no place before I launched this podcast for advisors to see and hear from those that had come before them. And you're right. When you're in the soup, it's really hard to have perspective on even how you're feeling, and you don't realize a lot of times until you either hear somebody else say it or experience for yourself. Oh my god, I feel that too. But if I recall, Matt, you left in a bit of a hurry, and not because you were terminated, but I think because of an email snafu. What can you tell us about that?

Matt Blocki:

Yeah. At the time, I had done the Kitces podcast, number one, and there was a big miscommunication with my team. Everything has to go through compliance. We sent it through compliance, but there's a miscommunication. The podcast got published before they could review it. They were upset about that because I pointed out some conflicts of interest that Michael would interview me about. We went back and forth. And after that, it was just never the same.



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You could tell that there was just extra eyes on me, and you're not allowed to say this or give student loan advice, but these other advisors across the hall that I taught to do that are doing the same thing. It got to being a really frustrating environment. I think it was inevitable. It kind of was a self-fulfilling prophecy. They were worried about me leaving and they said it so much that it just became a self-fulfilling prophecy.

Mindy Diamond:

What did you learn from that? While the details of the snafu are unique to your circumstance, I think there are a lot of advisors that listened to this that either were called into a manager's office and given a warning, if you will, and either under heightened supervision or not, just feel questioned, are you thinking about leaving or whatever it may be. And whether or not it's a self-fulfilling prophecy, it's still the notion that it didn't feel the same. What did you learn from that?

Matt Blocki:

I think a couple things. You've interviewed Ron Carson. I'm a big fan. I've coached with him for years. He calls it the S-curve moments. I think it's an S-curve moment. It's black or white in my opinion. You either give in, you stop giving all the advice and you just focus on products and go back in line as one of their foot soldiers, or you fight back and realize that you know what, even though they're making me feel this was my... I didn't do anything wrong here. I'm being genuine. I'm giving good advice. I'm providing the best in class service to my clients.

What's the disagreement over? And then you just have to overpower them. I mean, it was a very scary thing to do to leave a Fortune 100 company and the speed it did, but it was definitely a confidence building, high risk, I had to bet on the team, and everyone came through.

Mindy Diamond:

Yeah, amazing. I like what you just said. In a situation like that, you've got to either give in, or in my words, take back agency over your professional life. But not everybody has the ability, the risk appetite, or the courage to do that. Kudos to you. Had you been thinking about leaving that world before that happened or that was just the straw that broke the camel's back and out you went?

Matt Blocki:

Not to get super, I don't know, psychological, but the human brain really interests me. It was a push and pull in my head. The culture there, if you're a high achiever, you got all kinds of recognition. Well, I grew up in a, love my parents to death, in a very strict, very religious background. I'd never experienced recognition. I always heard fall back in line, fall back in line. When I went there and I was the number one advisor of the first year, second year and second place in my third year, I think, there was so much recognition that felt really good.



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In my opinion, it was very surface level. It created more problems than good. It made me feel good, but it just created a lot of issues, because then you have all these advisors that want your free advice and everything like that. When you realize that the more important part of your journey is the journey itself and recognition, I mean, it can be a good thing if it's purpose-driven, but it can be a really bad thing if it just recognition for recognition.

Mindy Diamond:

It becomes addictive, but not necessarily soulful.

Matt Blocki:

Absolutely. Just having that realization I think was extremely important to realize why I was leaving and what was keeping me there.

Mindy Diamond:

I love it. All right, my next question is my favorite. You and I communicated offline in preparation for this conversation. You said to me you had lots of head trash. That is the best term of art I've ever heard. Head trash that made you stay longer at Northwestern Mutual than you should have. What was your head trash?

Matt Blocki:

Listen, I hired a life coach, and she had worked with tons of reps there. It was like every good producer works with this person. It was interesting because every session was about leaving. I think the top ones I wrote down here, and this again is very psychological, but it was taking over responsibility for others. At the time, I had spun out. There was a satellite office, and I was very close with the manage director at the time. He had taken a lot of risks, made big bets on me, very thankful for everything he did for me, because he would talk to me every day in my first five years. A lot of this business is you quit every day when you have all this rejection.

When he took that big risk to open up the new office, I felt like if I left, I would be responsible if that office failed. The other thing was I did a lot of joint work. I was a very detailed advisor. There was three other advisors who I was their go-to investment person. They would go close an insurance sale and they would bring me in for the financial planning and we'd get the investments. We shared that revenue together. I just felt like this overbearing over responsibility of, hey, my friends aren't going to be okay if I leave. None of that was true. Obviously when we left, we paid 4X instead of 2X, which is what they recommended and bought them out, bought everyone out.

The office that I was afraid of leaving is now absolutely thriving. I think they're doing better without me, because it's a product culture company and I was an advice person. Everyone was at the time, very humbly, they were looking up to me and I think I was dragging down the product sales. Everything happens for a reason, but that was definitely number one. It's just general over responsibility of others.

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The second thing was just the... This is another deep one, but I had seen some of the biggest advisors leave the company. It was almost like a 20% of the top advisors left the company over a three or four year period.

I started asking why. I started asking those questions. And because I wasn't self-aware enough to know what kind of culture this was, I was afraid. I had the trash of basically my entire friend group at the time or let's say 80% of my friend group at the time because I was working so much being part of that company, I was afraid of just losing my identity and losing my friends. But definitely looking back, it just proves it was the right move.

Mindy Diamond:

I think you also told me that a lot of it centered around clients. You are a young advisor. You had spent 10 years building up this client base in a business you were proud of and concerns around clients following you and if you would be sued.

Matt Blocki:

Yeah, there's no question. There was an advisor before me that had gotten sued, and they had threatened his team members, had cops show up to their door. It was just all very scare tactic based. The thing didn't go anywhere and he was fine. He did everything wrong, by the way. I was like, I'm going to do everything right and listening to all your podcasts. Don't take information. Do it by the book and just trust in the fact that you have relationships.

It was definitely head trash. I've seen reps leave before me and they just send the hound dogs. Everyone forgets about their own books and just focuses on trying to retain these clients, and it never really worked. I was like, well, those advisors that they retained all their clients, I'm sure I will too. It was a lot of head trash, but that is one I got over a lot quicker than the other ones I described.

Mindy Diamond:

Head trash, again, is the best term because I'm at this 27 years of having the privilege of counseling advisors and advisors of all shapes and sizes from all different corners of the industry, there isn't one that hasn't had or doesn't have head trash. What percentage of the head trash, the crap you worried about before you moved, was valid?

Matt Blocki:

It was like if negative is an option, that's the option I'm going to take. On a scale of negative 100 to 100, it was like negative 100. All of it was not only head trash, but was in the opposite direction.

Mindy Diamond:

Let me ask you a question. You say you were worried about losing your identity, losing your friends and them badmouthing you, and you're saying that did work out to be true. How do you reconcile that? How



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did you get comfortable with all the head trash, the crap that was holding you back, what ultimately gave you the courage to power through?

Matt Blocki:

Now that we're on the other side, I have this reflection. I think if you're friends with someone and it's predicated on a business relationship, that's not a friendship, that's a business relationship. I think just being able to delineate that. People switch jobs all the time. It was the right thing to do. Had I stayed there, I think I just would've stunted my growth and self-awareness by a lot.

Mindy Diamond:

Got it. But I think the one that seems hardest to reconcile and that every advisor I've ever counseled with, large and small, worries about is client portability. And while yes, even advisors that have had 20 or 30 year relationships still worry about portability, that's a valid concern. How'd you reconcile that one?

Matt Blocki:

It just became so painful that I didn't care about the finances. I knew I had the skillset to get new clients. I was like, literally if I get no clients to follow me, I'm still going to do this, and I'm just going to work from the ground up again. That was literally my mindset. Now, out of the clients we wanted to take, 99% of them came with us, which was amazing. It speaks to just the relationship we had with them, because they were getting calls every hour probably by the other reps.

I've heard this quote. It's like, it's really hard to change your mind after you're 25 or something like that unless you have some kind of big event, like a traumatic event or something like that. That's really what it took for me.

Mindy Diamond:

I think what you're saying is true. I think even not in the professional arena, but generally speaking, I think sometimes you get to a point in life where you just say, I cannot do this anymore and damn the torpedoes. No matter what happens, even if I move and zero clients follow me and I'm starting from nothing, I'd still be okay with the decision because this is no longer working for me.

Matt Blocki:

No question. The decision at that point had been made. Unfortunately, I wish I could have made that decision years ago in more of a proactive state. But generally, I really did like the environment. I liked the joint work, the collaboration. That was really hard for me to reconcile in my head. But now it's all reconciled very clearly and I was like, wow, this was the best move ever.

Mindy Diamond:



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A couple things about that. One, I've done probably more than 100 interviews now on this podcast with breakaway advisors, so advisors like you that left the broker-dealer world to go some version of independent. 100% of those 100 or more people have said that the only regret of having gone independent was not having done it sooner. You are definitely not alone in that. I think that what we're talking about, which is the common thread in almost every interview I've done also, is the notion of congruence, is the notion of living an authentic life, and the notion of authenticity and congruence between your vision for the business and the firm you work's for vision.

The visions can be disparate as long as you're allowed to service clients the way you want to. But when that vision is so disparate and the mandates about, in your case, product over advice becomes so distasteful, you just get to a point where you don't have a choice. For many, I don't know that it's quite that black and white. It's almost a good thing that it was that clear and definitive for you because it makes the decision to leave easier. I think for most people, it's more shades of gray.

Matt Blocki:

The flip in my mind that I make is honestly I have nothing bad to say. Now that I have the perspective looking back about that prior company, I mean, they're a Fortune 100 company. They have great insurance products, and they have, in general, a good field force us that does good for clients. But I truly just don't think I was a good fit for them. I'm an advice centric planner and products are part of a financial plan, but they can't be forced and you can't have a business model dependent on that, which can put the clients interest at risk. That's just something that we couldn't handle. The writing was on the wall for sure.

Mindy Diamond:

Another common ground people share is that when they choose to leave a traditional firm or a brokerage firm, they're leaving because there's usually a list of frustrations or limitations, but none of them necessarily regret the time that they spent there. I believe things happen when they're meant to and unfold as they did. Northwestern Mutual provided you a wonderful training ground and a wonderful platform upon which to build the business. You just outgrew it over time.

Matt Blocki:

Absolutely. They taught me activity, which I think a lot of... I've talked to a lot of RIA owners and they don't have the activity mindset that the private broker-dealer had. That's a really important factor. At the end of the day, activity and key performance indicators really drive a lot of business moving forward.

Mindy Diamond:

All right, I want to pivot now to talking about your current situation, the fee only RIA, I might add, that you launched in June of 2020. You are the CEO of Equilibrium Wealth. Fee only RIA is an unusual move right out of the gate. It's rare that we see an advisor, especially one coming from a commission-based



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culture, eschew commission's completely and go right to fee only. What was behind that? Had you even considered the notion of going hybrid, meaning RIA for fee-based assets and using a friendly broker-dealer for commission-based business?

Matt Blocki:

We had, and I've done a lot of research and actually your podcast was tremendously helpful because I listened to a couple big, might have been Ron Cars or a couple other. They were in the process of dropping the broker-dealer. It was an amazing decision looking back in hindsight because there's a lot of distractions, there's a lot of different ways you can go. I believe at prior firm, we'd accept every client that wanted to work with us. But in reality now, I mean, we refer other advisors to more clients come in the door than actually accept them as clients.

I think it's really important to find who you work well with and who you don't work well with, because all of our systems and scale and team and our niche is set up to work with certain clientele. Also with how we do that and how we bill and how we're able to scale our services are predicated on that as well. I think when you have a setup where it's just let's earn business any way we can, it's not a scalable model.

But the other thing in my head, so that's like the business answer, but I felt like I would have a double standard in a sense if I was going to say, "I'm leaving for these reasons," and now at the new firm we're doing the same stuff. Here was our pain points. We wanted to fix every one of those if possible right off the get-go. Looking back, it was a scary decision, but it was the right decision.

Mindy Diamond:

Say more about that, the pain points that you wanted to fix in this new model. What were those pain points relative to a grid system or commission-based model that made you know or feel that getting rid of your broker-dealer license was the way to go?

Matt Blocki:

Yeah, two things. The grid rate was a huge factor. If you just pick out like any kind of business rate, a million dollars of top line revenue, I think in RIAs, most RIAs have a profit margin of about 30%, right? If you're operating with that 30% and you didn't sell enough insurance the prior year and your grid rate drops by 20%, now you're missing \$200,000. Your profit margin just dropped instead of \$300,000 to \$100,000. It's really hard to attract good team members and make sure that the cash flow of your business is still in there to exist if there's those potential huge fluctuations that are all dependent on you selling commissionable products.

That was probably the biggest reason. Because our clients, we love the clients we work with, they were very properly insured, and so we really didn't have anything more to sell them. That was just a we have to leave moment. And then secondly, from an RIA perspective, before there was all kinds of to get an



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advisory account, you need X amount, but the break even point was really like you needed over \$50,000 because then they take program fees and all that.

All that stuff dropped off. Our technology, and we use Orion, custodian primarily through Fidelity, we just had Charles Schwab, we had Interactive Brokers, but none of these places have minimums. We're able to open up multiple accounts as small or as big as they are and not have to worry about the clients getting dinged with all these extra fees.

Mindy Diamond:

Why the RIA space? Was it RIA or bust, or did you consider other options when you knew you were going to leave?

Matt Blocki:

I remember talking to Wendy on your team in detail, and she told me this is a bold move if you'd go. Most firms your size, I mean, you could do an RIA over a hundred million dollars, but most firms your size would plugin. I think I had so much, I don't know what you call it, PTSD from feeling the control drama of stay in your lane, you can't say this, you can't provide student loan advice, you can't do an Excel spreadsheet to do an annuity expense analysis to get clients. I mean, it's all kinds of nonsense. I didn't want to ever take the chance of not being able to do what's in the best interest of the clients. I knew I'd only have that autonomy if it was truly an RIA that we own.

Mindy Diamond:

You just mentioned the word plugin, and Wendy was right. Wendy being Wendy Leung, who is one of our top recruiters at Diamond Consultants. Wendy counseled you to say that a hundred million is really the minimum generally where it begins to make sense to start your own RIA. At \$120 million, it was on the low side, and most advisors with \$120 million under management would've opted to what we call plugin or tuck-in to an existing independent firm. Taking an established RIA and joining that RIA as an employee most likely, maybe a minority partner, and going from there.

It was courageous for you to say, "I know I'm on the small side, I know most in my position would've opted to plug into something larger, but I don't want to do that."

Matt Blocki:

Yeah, it was definitely taking my experience and assume I'm siding about anyone that I was plugging into, I'd have even a chance of that same experience I wanted to avoid. But then secondly, just looking at what do I find the most enjoyment out of it, I really do love figuring stuff out from scratch. It's one of my biggest passions. Having everything set up for me, it actually sounded really boring. I loved going through and researching what technology, how everything fit together and what firms are doing it wrong, what firms are doing it right. It was a really enjoyable journey. In my perspective, it was extremely hard.



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At that point, I was wearing, still am, business owner hat, a CEO hat, an advisor hat. You're wearing a lot of hats. It was something I was willing to do. But if you plug in and you primarily want your job to be an advisor, that's probably the right move. But if you start your own RIA, the entrepreneurial spirit is really able to be lifted. If you eventually spin out to be your own, so let's say you plug in and then eventually become your own RIA, there's going to be a lot of things at that time I think you have to figure out that were already being done for you, such as back office management or a tech stack or whatever that is. Being forced to figure that out has really set us up for a lot of long-term success in my opinion.

Mindy Diamond:

Well, courageous, but ultimately it worked out. Kudos to you. Tell us a little bit about Equilibrium's value proposition.

Matt Blocki:

I'll just give you a little bit of client language here, but when we sit down with the kind of niche that we work with, so physicians or executives, they're business owners. The one thing in common they have is they're very low on time, and they have a lot of decision fatigue because their jobs are very stressful. Usually at that point in their life, because we're usually talking to people that are well established that have over a million dollars of assets or more, and usually I ask them, what's your client experience and what does your advisor cover during meetings?

Our value proposition is we're never going to meet to meet. You're the CEO or the CFO. You are actually offloading and delegating your stuff to us. We're not going to meet to meet, we're going to report to you and save you your time, not waste your time. I feel like a lot of advisors, especially in the private broker-dealer, the meetings literally were just wasting client's time trying to sell them more products. I would say in a nutshell, we talk about the three C's, so being a CFO is the number one, being a catalyst.

We have a lot of very detailed intergenerational, lot of advice, conversations, and a lot of times you just need a client to move a little bit and that inertia allows the plan to keep going forever. I think where a lot of people stop is they never get the boulder moving. That's our second value proposition. The third thing is just concierge. We have a young team, a really motivated team that we try to turn things around in 24 to 48 hours at all times.

Mindy Diamond:

Let's talk a little bit about to what you attribute the growth. We talked about it a tiny little bit at the beginning, but essentially 3X growth in little more than two years time. I guess what I'm really asking is what are the things you're able to do now for clients as an RIA that you couldn't before?

Matt Blocki:

I think from a client's perspective, they know what an RIA is and they know what the private broker-dealer was and conflicts of interest. Those were very clear. You can just Google that. I think clients felt a



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lot more comfortable. But just from our perspective, I believe we are providing the same advice that we were prior to now and in general the same implementation, but we're able to operate probably 10X the speed, I would say, in a lot of aspects. Our legal team works for us, not against us with all this compliance review. I would say the other thing is... Three things. One is just the speed, two is the client's comfortability, and then three is all the creativity has worked out great.

I don't know because we don't have it tracked directly to this, but I would guess that this is why. Last year we did \$100 million of new assets. Obviously the market was dropping, which was a good year to do that. But we have started to create a large amount of video content, educational material. The reason we did this is, hey, let's scale our conversations. How many times are we talking about a backdoor Roth or a mega backdoor Roth or Roth conversions or what asset location is? Let's create videos so we can send those to clients. And then during our client reviews, we can talk about their family's aspirations, goals, everything like that.

We don't have to get bogged down these super technical conversations for everybody to send all this information in advance. That was the first reason we did that. The second reason that is was just a byproduct of doing it was the advisors, the young guys on my team and girls, clients started to really trust them. Because seeing them in front of a camera and hearing their voice I think studies have shown a certain amount of hours and then boom. A lot of the client handoffs that sometimes take five years, we were able to do in six to 12 months. I credit the video to that. And then the third thing for that is we started posting that stuff on social media.

The amount of inbound referrals we have got and the quality of those due to the type of content we're putting out has gone up tremendously. We don't ask for referrals, but the amount of inbound I don't even say lead, just people say, "Hey, we want to work with you guys," has gone up dramatically. I think that's because of a couple statistics. One is I've heard people scroll through their phones on these different social platforms up to four hours a day or the same amount as a Statue of Liberty.

You're scrolling so much, that's how much you're on your phone. Other statistics is your phone is always four feet away from you. Just staying top of mind has been huge to existing clients to tell us about other clients and also just putting out good content for new prospects.

Mindy Diamond:

Yeah, amazing. That also is a common ground we hear from a lot of breakaways that one of the things that brings them the greatest joy and ultimately growth and productivity is the ability to communicate freely and scale that communication via social media. I want to ask you something that I know, it's a topic or a concept we talk about when we counsel perspective breakaways, but you really lived it. We talk about needing to be comfortable with shrink to grow.

The notion that it is unlikely if you move that even in the best of transitions with the best of relationships with clients, that you will move 100% of your book, whether it be because you don't want



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to move 100% of the book, or because ultimately some clients fall off and don't want to follow you. You need to be comfortable with the notion of shrinking in order to hopefully grow. Because if you didn't believe you were going to grow in the future, then it would have been a stupid move.

In your case, you told me that when you were at your former firm, you were servicing about 600 households, but you only wanted to take 120 with you. How many did you ultimately move with and was that a smart move? What was the thinking behind that?

Matt Blocki:

Classic 80/20 analysis, it's something I'm obsessed with. Every year we talk about, what's the 20% of what we did for our clients that made up 80% of their happiness or 80% of their results? What's the 20% of efforts that we did that drove 80% of the results? Same thing, this is a rule of thumb, 20% of people in the world make up 80% of the income. Any company you could do this analysis and just for some reason, it holds true. Buying into that and having seen the perspective of other reps at that broker-dealer having thousands of clients and not really ever being able to grow or scale their practice and just being a stressful mess really motivated me.

But I had head trash around this. This took years to decide, and Carson Coaching was a huge proponent and helped me get past this. But I think sometimes you have to flip things in your head like, hey, these clients are dependent on me. Is this selfish? Am I just worried? The reality is this, those clients, those 480 clients that we did not take, they were not getting good service from me because I did not have the time, because at that point I was the only person meeting clients. It was not a scalable thing. I was doing wrong by those clients because there's some other young rep that those clients would be their top client.

They would be so much better served with that younger rep who could put all their time and attention and excitement into them. The second concept that they helped me with was just realize like, hey, what's your service model? I realize, well, every time I'm in front of someone, I want to provide as much value as possible. It was impossible for me to not do that. If you just think about this logically, if you go get a new car, you're getting a car and it's \$50,000, I'm getting the same brand new car for \$25,000, that would be unethical. I think a lot of financial advisors, if you look at their books, this is what's happening.

They have a client paying them \$1,000 a year fees. They're spending the same time on that client as the client that's paying \$50,000 a year in fees. It's literally you have the top clients subsidizing basically free planning and free advice for these other clients. For all those reasons, I do think it's the right move for clients first to do that, not only for the clients that you retain, but for the clients that you hand off to another advisor. The second thing is I do think there's a lot of ethical considerations that should go into this, and I think every advisor should really be doing this.

Mindy Diamond:



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It freed you to bring in the right clients, right? You've grown from the 120 you took with you to 315 relationships and the additional 200 or so you added came from clients that were better fits for you and your firm.

Matt Blocki:

No question.

Mindy Diamond:

One last question for you, Matt. What's next for Equilibrium? You're young. You've got a long runway. Where do you go from here?

Matt Blocki:

Yeah, it's interesting because a lot of RIAs have sold minority or majority stakes into private equity. And in talking with some of those firm owners, there is pressure to that. There's great reasons for that for scaling, but there's also we left to avoid conflicts of interest. We want to continue that path and make sure that we're a privately held firm that continues on and on and on. Our five-year goal is to reach a billion dollars of assets, which with a 6% market growth and \$100 million of new assets per year, we'll reach in five years. And then from there, just continue to scale an amazing team and do the best possible work for our clients.

Mindy Diamond:

I love it. Matt, this has been an absolute delight. I love your passion and enthusiasm and integrity, all of which are palpable. I expect that you will continue to do amazing things, and I hope we get to talk again soon on this podcast for you to share that

Matt Blocki:

I greatly appreciate you having me.

Mindy Diamond:

Pleasure. Matt shared a relatable journey for any advisor looking to take the next big step in their business life. In his case, the product driven environment was incongruent with his own sensibilities, that is to be client driven. He saw no other way to accomplish that than to build his own independent firm.

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 link to browse recent topics. These written pieces are an ideal way of staying informed about what's going on in the wealth management space without expending the energy that full on



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Please note that all requests are handled with complete discretion and confidentiality, and keep in mind that our services are available without cost to the advisor. You can see our website for more information. And again, if you enjoyed this episode, please feel free to share it with a colleague who might benefit from its content. If you're listening on the Apple Podcast app, I'd be grateful if you gave it a star rating and a review. It will let other advisors know it's a worth their time to listen to. This is Mindy Diamond on Independence.