EPISODE TRANSCRIPT

The Founding Sanctuary Team: How these Wells Fargo Breakaways Built a $2.4B Business

A conversation with Chris Cooke and Brian Cooke – Cooke Financial Group.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is, The Founding Sanctuary Team: How these Wells Fargo Breakaways Built a $2.4B Business. It's a conversation with Chris and Brian Cooke, partners at Cooke Financial Group. I'm Mindy Diamond, and this is Mindy Diamond on Independence. 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 podcasts platforms. So be sure to subscribe and share it with your colleagues.

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Seven years ago, Chris and Brian Cooke made headlines for breaking away from Wells Fargo Advisors to join the under the radar Indianapolis broker dealer Noyes and Company. Certainly it was big news for a $1.6 billion team to leave the wirehouse world, particularly back in 2016.

It was John Cooke who started the business in 1969 as part of Prudential Securities with Chris and Brian joining in 1992. Taking their father's lead, they maintained the family feel, developing strong relationships with their clients through authenticity and empathy. And in doing so, they grew to over $1.6 billion in assets under management. Yet things were changing at Prudential. In 2003, the brokerage unit sold to Wachovia, which was later sold to Wells Fargo. So like many of their peers in the wealth management industry, the Cooke's were tired of the changing of the corporate guards, and running the business and serving clients the way they wanted to became increasingly difficult.

Yet as a billion dollar team, they had other big firms knocking on their doors. But Chris and Brian knew they wanted to be entrepreneurs. Have greater control and were interested in equity and something bigger than themselves.

So in 2016, the $1.6 billion team left Wells for Noyes. And in 2018 with the help of Jim Dickson, ex Merrill Lynch leader, Noyes was relaunched as Sanctuary Wealth with the Cooke Financial Group as founding members. And that's when the story gets really interesting. Louis Diamond talks with Chris and Brian in one of our final episodes of the 2023 season. They talk about the transition to Noyes and the birth of Sanctuary Wealth. The choice to opt for what would become supported independence, instead of building a firm themselves.

They talk about why they didn't consider a transition deal from another firm, how peering into the future and the anticipated changes in wealth management they saw shaped their decision to leave the wirehouse world. And the power of a family business now welcoming the third generation of Cooke's. Plus, Chris and Brian talk about how they grew the business to the $2.4 billion enterprise that it is today. It's a very special episode for many reasons. One that represents the evolution of individuals and the businesses they built in a really changing wealth management landscape. And even our own business, and this series is evolving as a result of these changes representing the growth of the industry and our steadfast goal to keep listeners informed and empowered. So stay tuned for some exciting updates along with our new calling card. But for now, there's a lot to discuss. So let's get on with the show.

Louis Diamond:

Brian and Chris, thank you very much for spending time with us today.

Chris Cooke:

We're so happy to be here. Thank you for the invitation.

Brian Cooke:

Yeah. Thanks, Louis. Appreciate being on the show.

Louis Diamond:

Very good. Well, let's take the first question for each of you to answer. Can you both walk us through your backgrounds prior to entering the wealth management world and what led you into the space in the first place?

Chris Cooke:

Well, what led us to the space is probably the same. Our dad was in the industry and we grew up with it at dinner table talk, so it was always part of our lives. I started out as a Ernst & Young CPA and then went back to law school, came out of law school as a tax attorney, and somewhere along the way dad persuaded me that there was a lot of opportunity for my background in this industry and I joined him coming out of law school.

Brian Cooke:

And this is Brian here. I ended up going to Indiana University at the Kelley School of Business, and then I graduated in 1989. I took a job in the consumer foods industry with E.J. Brach. So I started selling candy around the State of Indiana. And then I took a competitor job with M&M Mars and sold candy for a few years after that and had a promotion where I was headed up to Detroit. And at that moment in time, my dad asked me, "Hey, all your friends and family live in Indianapolis. Why don't you try my business if you don't like it, go back and sell candy." And that's what got me into the industry and I fell in love with it.

Louis Diamond:

I think this industry might be a little bit more lucrative than selling candy.

Chris Cooke:

Yeah, probably. And I think there's actually a tie there that's really useful is, I'm the technical guy and Brian is more of the marketing and sales guy, but together we compliment each other very well and it's proven very useful over the years.

Louis Diamond:

I would say. So we have some similar backgrounds. I was also EY and then got persuaded by the family business to join the ranks as well. So I'm excited to dig in because I think we have a lot of other commonalities across our businesses.

Chris Cooke:

Myself, I actually started at Ernst & Whinney.

Louis Diamond:

Yeah. That's actually how Mindy Diamond started as well, Ernst & Whinney as an accountant.

Chris Cooke:

Okay. So always throw out the Whinney name because people don't recognize it. But if you're an EY guy, you might've remembered that legacy.

Louis Diamond:

There we go. So let's talk about the history of the Cooke Financial Group. Your father founded the business, your father John founded over 50 years ago, which is a pretty amazing accomplishment. Can you talk a little bit about the legacy and the history?

Chris Cooke:

Yeah. Dad was an Air Force pilot coming out of college. He went through college on an ROTC scholarship. And somewhere in the Air Force he started selling life insurance to his Air Force buddies and decided that when he got out of the Air Force after the Vietnam War, he wanted to own his own business. But his issue was he had no capital to start a business. So he concluded that he either had to be in maybe life insurance sales or brokerage. And he elected brokerage because he just thought he would enjoy it more. And started the Cooke Financial Group. And he and my mom would spend their days going around to office buildings and writing down the names of all the businesses and the key players in those buildings. And then dad would wander the halls and talk to them and try and open pension plans and money market accounts and things. And that's how he got his start in the late '60s, early '70s.

Brian and I were both born right before that, so we were little boys as mom and dad were growing the business. Then I'd say maybe when we were in high school, dad probably got one of his first big breaks and a venture capital firm that he had worked with was taking a small company public, and I think dad was the primary person behind the public offering and placed those shares with many of his clients and friends and launched his career and the company did very well. So all in all, it was a big success. And I can remember our lives changing a little bit about early part of high school where suddenly things got just a little nicer, a little easier, and dad seemed a little more relaxed about his life and his job.

Brian Cooke:

A total family effort. I get a kick out of the fact that on weekends my parents would go to a 17-story-high rise and walk all the floors and figure out what businesses were located in that building. And then that was the call list for the next week or two for our father John. So a great story. Hard knocks and a lot of hard work early on and taught Chris and I some great work ethic early.

Louis Diamond:

Yeah. I would say, I think we have it easy today. We have lists and the internet. We don't have to go around canvassing buildings.

Chris Cooke:

Google makes it a lot easier.

Louis Diamond:

It definitely does. Did you guys remember when you both joined the business? What did the practice look like roughly then and what platform or firm was the practice affiliated with?

Chris Cooke:

My dad was associated with four terrific women around him. One was the junior advisor and three were the staff. And then I joined and that was a wonderful opportunity and we had to figure out where I fit in. And then I started creating some of my own clients to build upon that, and Brian joined shortly thereafter, and we added another staff person. So we were always a team and the team was a good balance of advisors and staff. But the team was always focused on customer service. I can't remember a time when we didn't have a mission to answer every phone call on the third ring or less.

Brian Cooke:

Yeah. Matter of fact, my dad had a plaque in his office that was very prominent. It was the only thing on the wall that said, rule number one, the customer is always right. And rule number two is, see rule number one.

Louis Diamond:

I love that.

Brian Cooke:

And it was more of a financial planning operation. Early on, our father realized he didn't enjoy trading stocks, so he aligned himself with some great money management firms really on the East Coast and let them run the portfolios, and he decided to start charging an advisory fee. So real early on, I think he became the pioneer of what we know is managed money today.

Louis Diamond:

And let's fast-forward. So today as we're recording this episode, can you talk a little bit about what the practice looks like in terms of size, how the practice spends its time, and any other metrics you want to share just to give our listeners a little bit more of a perspective?

Chris Cooke:

Sure. Our hallmark, I suppose, has been that we obtain a new client, but we keep them a really long time. So we have many second, third, and even fourth generation families that we serve. And we just keep the assets on the books and we grow the assets with good investments. And over time we've grown the business to over $2 billion of client assets about 2.4, and those assets are largely managed on the high net worth and ultra-high net worth families in separately managed accounts. A hallmark back to our dad's early days. And of course today in an era where you're trying to do tax planning and some direct investing and things, the separately managed accounts are a really good platform for that. And the costs of that have come down remarkably. So it's a broad holistic financial planning practice using a lot of separately managed accounts as the implementation device. But now also a larger number every year of ETFs and alternative investments. And largely when we went independent, it was for more access to alternatives.

Brian Cooke:

I'll add to that, Louis. We're a team of 16. We have seven fully licensed financial advisors that we would call the rest of our team, our support staff. We're fortunate, two of Chris's children have joined us, so my niece and my nephew, both John Cooke and Claire Cooke have joined us. So now we have our first third generations that have joined the practice. So we're building in that millennial layer of advisors now and it's working out really well. We're very fortunate.

Louis Diamond:

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That is an amazing story. There's very few businesses in this industry that make it to the third generation. Usually there's two, if you're lucky, then maybe it sells or there's an exit of some sort. So having three and having that continuity is an amazing gift. I'm sure your father is very pleased about what you guys have accomplished together.

Brian Cooke:

I think he's super excited about it. I'm sure he walks around with his chest out a little bit more today. He's very proud of his boys and now his grandkids that are involved. It even goes beyond that, my son, David's a senior at IU and he was our intern this past summer, seemed to be very engaged and enjoyed the business. And my daughter, Anna is a graphic designer. She graduated from Auburn and she helped create our bowl logo. So she's actually involved in a different way on the creative side and helped us with some of our social media. So it's been quite the family effort. So far it's still an experiment with the third generation, but we're really pleased with where it's headed.

Louis Diamond:

That's very cool. Can you talk a little bit about the breakdown of the business? I know on your website and just understanding the business a little bit, there's some institutional business and then you mentioned most of it is on the high net worth and ultra-high net worth side. Can you talk a little bit about that and how the institutional side compliments the private client business?

Chris Cooke:

Yeah. We don't see the two sides of the business as being that different. You might add a zero here and there, but a $10 million family is run much like a $100 million institution the way we see the world. And our breakdown is probably 20 to 25% institutional business and 75 to 80% high net worth and ultra-high net worth families. A lot of the themes cross over because many of our families have generational money and their timelines are 30, 50, 100 years. In some cases, just like our institutions. So we see that as complimentary businesses. We are doing more and more on the institutional side with alternatives, and we're starting to be able to bring that down because of some of the liquid alternatives that are offered in the marketplace today. We're bringing that down even to our 5 million and $2 million households where that used to be a difficult task. But I'd say more and more the practice is similarly implemented across clients from institutional all the way down to the three to 5 million.

Brian Cooke:

I'd add that Chris and I both enjoy working with both types of clients. They are different in the respect that oftentimes you're dealing with a group of board members or trustees or a finance committee on the institutional side, and they tend to make really solid business decisions, take our recommendations and then grade us on those. The private client or high net worth families might be a little bit more emotional because it's their hard-earned money, but in general, a lot of the investment themes carry throughout both.

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Louis Diamond:

I know there's a number of businesses in this industry who look at the institutional side as a loss leader or a way to feed the high net worth side. So in other words, working with the either plan participants or the board members in order to convert them into fee paying private clients. Is that the way you think about it as well or are those two businesses pretty different aside from providing similar services?

Chris Cooke:

Yeah. I don't think we think about it that way at all.

Brian Cooke:

We've probably done a poor job developing board members into individual clients. It's not a concentration. Once we have the institutional account, we focus only on that. If someone joins us later because they like what we've done for their institution, that's a bonus obviously, but it's not something we focus on.

Chris Cooke:

But I think it may tie back, you used the words loss leader for certain groups as if they underprice one side of the business in order to maybe fairly or overpriced the other side of the business. I don't think we do that. In fact, back in our days at Wells Fargo when we were still affiliated with the wirehouse, probably a very consistent theme from the management group was that we underpriced everything. And our attitude was that we were going to be very fair to our clients and if we serve them well and the price was fair, we would have more clients. And that has really worked out over the years.

So we see no need to have a part of our business with higher margins. We keep all of it as very fair and I would call it modest margins. Maybe that's a very Midwestern way of approaching things. But we're just in the Midwest, we're pretty humble and modest people, and if you don't try and live too high of a lifestyle, you can make a very nice living with very fair pricing. And we just do that across the board. So I hope that answers the question of why we don't really see institutional as that different from high net worth retail.

Louis Diamond:

Absolutely. I respect that answer very much. And it leads into the next question. How did the two of you and John before grow the business so much? I mean, most advisors would kill to have a $2.4 billion practice in growing with a lot of room to run. So what was the pivot point to growing the business so much over the years?

Chris Cooke:

I'm going to lead with customer service and empathy. I think once we have a family who asks us to serve and invest their assets, we're very customer service oriented. Again, whether it's answering phone calls immediately, getting back to everybody the same day, and of course having really good solid investment themes. I think we're intelligent and thoughtful in how we approach the business and very forthright in how we explain the risks and rewards to clients. And as long as we communicate well and that customer service level is high, we just don't lose clients.

So when the assets stay on the books for generations, they grow. And we've had probably better than market growth. We keep what we have, we grow it at a very fair rate, and then we add a few dollars on top of that with new clients. And we've consistently grown the business that way and when you compound that over 50 odd years, it gets quite large. But I believe when you and I joined dad in the '90s, we were 350, 400 million maybe?

Brian Cooke:

Maybe.

Chris Cooke:

And now we're 2.4 billion 25, 30 years later.

Brian Cooke:

And we've been really fortunate. Recently we've had some significant growth and I'm not really sure what to attribute it to. We've been growing quite nicely. I don't know if it's because of our independence or if it's that we're adding third generation family members. I do think clients love the fact of our consistency and then when they become a client, they become part of the family. We really treat them like family. There's more hugs as our intros versus handshakes in here. People become part of the family and I think they really like that approach.

Chris Cooke:

My wife warns me that those hugs are not allowed anymore. But I think that's really a hallmark of our business.

Louis Diamond:

Yeah. I mean to paraphrase, it sounds like doing the right thing consistently, treating people well, retaining multiple generations that you just compound that success every year and that's been a major driver of growth. So you don't need to bring in $300 million in assets every year if you just do the right thing and you retain the clients that you've worked hard to build over the years.

Chris Cooke:

That's exactly right.

Brian Cooke:

Well said.

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Chris Cooke:

And then I think that other word we might mention is just empathy. It's one thing to say you care about people. But I would say when I watch my mother and my father with friends, with family, with clients, with whomever, they're the most kind, caring, empathetic people in the world. And if we were in a moment of our probably teenage lives or wherever, if we were a little bit uncaring, you were pretty quickly chastised and given maybe a quick crack and said, "Hey, shape up. You need to be kind and caring to your fellow man." And I think once that becomes part of your soul and you deliver that every day, people, they really know that you care, and it's different.

Brian Cooke:

Chris and I had two really good mentors in our mom and dad honestly. We're very fortunate in that respect, that's for sure.

Louis Diamond:

Well, I hope they end up listening to this. It's very nice to hear. Let's talk a little bit about the transition from G1 and John to the two of you now leading the firm. It sounds like John left some pretty big shoes to fill and really was an amazing role model and helped build the foundation for what today is Cooke Financial Group. How did you reconcile that change of control?

Chris Cooke:

I think a couple of things are true. Number one, I came in with some different skills. So dad was very and easy to say, "Chris, this is your area of expertise. Why don't you step in and help these clients?" So it became very natural. I didn't have to be him. I had to be me. And then Brian, you came in and you were maybe a little concerned about your technical skills, but you had dad and I there to help you. And I think there was a good team effort. And then I would even say some clients along the way would say, "Gosh, I always wanted to work with your dad, but I was worried that he was getting a little older and he might retire. I'm so glad that you kids are there and now I want to be part of this."

And I'm experiencing that today I think with my children in the business. There's a group of clients that say, "I'm happy to work with Chris or Brian, but you boys are in your upper 50s. You might be gone in 10 years, and who am I going to deal with?" And I think they're thrilled to see Tammy Williams and Claire Cooke and John Cooke being in the fold. This strong, smart, kind, next generation. And if we can keep that going, I think it's a huge advantage. But don't ever try to fill the shoes of an all-star. Be yourself and bring something that you can do well to the table.

Brian Cooke:

I would agree with all that. I was more of a relationship guy. I had somewhat of a minor in psychology and of course a business background. I was a little nervous about filling some big shoes when I first started in the industry. Went through the Prudential Securities training program and had to do cold calling and cut my teeth for a year and a half, and it was a little intimidating. And then when I officially joined the practice, the Cooke Financial Group, and then John started giving me small accounts to help manage.

The transition was great and Chris describes this really well. We'd have a meeting where it'd be John, Brian and the client and I would sit there and take good notes and maybe add a little color. And then the next quarter we'd have another meeting and I might run the intro and the recommendations part of the meeting and John would run the meat of the presentation. And then the third meeting, John might just come in and say hello and cut out, make up an excuse to sneak out of the meeting, and I would run the whole meeting. And then the fourth meeting, the client didn't even ask where John was. So we had a year or two of meetings like that. So transitioning it from John to Chris was a nice natural progression, and I think clients really appreciated it. And I think that's our goal as we would transition some of our business to Chris mentioned Tammy Williams and of course Claire and John Cooke. So clients really appreciated that.

Chris Cooke:

And maybe more young people over the years to come. We can get into that differently, but I think this next 10 year period is an amazingly opportunistic and changing period for our industry and having a strong bench of young people is going to be a huge differentiator.

Louis Diamond:

Can you elaborate on that a little bit? Why do you think that is?

Chris Cooke:

Sure. I was fortunate enough recently at a Forbes SHOOK conference to give one of my best ideas, and my best idea was that when this 55 trillion goes from baby boomers down to millennials, those millennials are going to grade advisors differently. And the reason I think this 55 trillion is going to move soon is there's so many advisors that are older than us. I mean Brian and I are in our upper 50s. We're average in this industry. So half the industry is older than us and those guys and girls are going to retire and those accounts are going to be on the move. And when those millennials see that money, they're going to Google who's out there in the world and are they presenting themselves well? Do they have a presence that says they're smart, that they're kind, that they're available and I think-

Brian Cooke:

Involved in the community.

Chris Cooke:

Involved in the community. And I think we're working really hard to make sure that our young people have that presence and that as accounts are in motion in this huge transfer of wealth, I think they're going to find the Cooke Financial Group and they're going to find our talented young advisors. And I think that the firms that do this well for the next 10 years are going to triple or quadruple, maybe quintuple in size. And firms that don't do this well are going to shrink. Firms that don't do succession planning well are going to struggle for the next 10 years. And I think there's not enough firms preparing for this. They say they are, but then when you really dig in and ask what they're doing, they're not doing very much. So this 10 year period will be a massive shift in who holds the wealth and a massive shift in which advisory firms win those new clients.

And I think we're trying our best to be on the leading edge of that with really smart, talented, younger advisors ready to go. And I think if 100 new accounts were going to come your way and you had no capacity, it's too late. You can't build two or three new advisors quickly. But if you have two or three advisors, the young, strong, talented people that you're ready to go and 100 new accounts come your way, you can take all 100. So I think firms that are prepared are going to win big and firms that are unprepared are going to realize that the industry just passed them by. Maybe that's exaggerated, but I think it's true.

Brian Cooke:

I'll tie into that too, Louis. We think having a social marketing presence is very important. A matter of fact, we've hired a specific role director of marketing for the Cooke Financial Group. We hired a young man named Taylor Hall, and Taylor's job is to put content out there on LinkedIn, on Instagram, on Twitter for the Cooke Financial Group. We think the millennials will find us more via those methods versus just asking their neighbor who they use as their financial advisor or necessarily just trusting their parents' financial advisor. So we've worked hard of coming up with a better marketing presence and we're doing more and more every day.

Chris Cooke:

That's another reason for independence because the freedom and flexibility to do this, We were pretty hamstrung when we were in the wirehouse and you had a lot of great ideas and they went nowhere. And now when we have a great idea, we're pretty free to explore it, test it, and when it works, we share it with our peers and our Sanctuary Wealth network. So the independence has really been interesting and helpful, and not that the big wirehouses won't all figure this out. They're smart. They will figure it out too. But I think the independent channel certainly has a lead in this very important marketing race for the next 10 years.

Louis Diamond:

Yeah. I love really all of what you said. The first thing that I'll comment on is, I think it was Chris you said, it doesn't make sense to try to fill someone's shoes. You have to basically paraphrasing, run your own race and do it your own way and add to the company in your own unique ability. I love that. I completely agree. And then I would also add to what you're saying about the transfer of wealth and millennial or

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younger advisors. I think the other part is, folks probably prefer to work with people that look like them and that are in a similar age demographic. So aside from checking people out, seeing how involved they are in the community, checking out their credentials, et cetera, they also probably have a preference for working with people that are their peers. So I'm with you all the way about building the bench, investing now, so you can be prepared to take on a much larger share of the market later. So thank you for sharing that.

Chris Cooke:

I think on that topic I probably missed one thing which is women. Not only is there millennials generally, but I think women in charge of the family finances is a second theme within that millennial group and they want women advisors. In fact, I just read an article in one of the industry magazines this morning about women advisors and I'm 100% in agreement. And I think right now we have half of our team is women advisors, and I think it's really important that we keep going with that.

Louis Diamond:

No doubt. I'm with you. So let's talk about you two leading the Cooke Financial Group together. I have a special place for that because I also have the privilege of working with my younger brother. So what's it like working together as brothers and how are you sharing managerial responsibilities and working together effectively?

Chris Cooke:

Well, he just does everything I say and that makes it really easy.

Brian Cooke:

I don't know how I do it really, Louis. I don't know how I do it every day.

Chris Cooke:

No. Again, we're different. So my background's a CPA, so I run some of the books and records stuff and Brian does a lot more with maybe the marketing and the look and feel. He designed our offices, which everyone loves, and I'm glad I don't have to do anything with that. If you look at our logos and our branding and all, that's Brian, not me. And we even have discussions about certain clients. Should this client be more closely affiliated with Brian's personality or Chris's personality? And we've traded clients back and forth in the past to make a better outcome for the client and for the Cooke Financial Group.

Brian Cooke:

For sure. I remember reading, I think maybe it was listening to one of your podcasts, Louis, and you talked about the independent alpha. And some of that is being able to hire a marketing representative on your team. Some of that might even be Chris and I bought our own building and created our own look and feel of our office space and we have an open house every year. Clients absolutely love it. We had 150 clients come this year, and I think some of that is that independence alpha that really helps set us apart compared to some of our competition.

Chris Cooke:

But I guess his question about how do we run the business together, I think 90% of the time we're pretty aligned in what we want to accomplish and the 10% that we're not aligned, we find a way to gracefully resolve it. It's never become too big of a deal. But I'd say for example, for Louis to hear maybe, when I decided I was going independent, I'm not so sure you were in agreement.

Brian Cooke:

Yeah. I was probably a little more hesitant. I was comfortable. We were doing a great job at Wells Fargo Advisors at the time. We were one of the top teams and invited to all the chairman's councils, and I was a little afraid to leave the safety net of the big bank, quite frankly. And Chris was pretty convincing that we wanted to be entrepreneurs. So I let him lead that and wish we would've done it sooner.

Chris Cooke:

Me too.

Louis Diamond:

I think that's another very wise comment just about it seems like, again, you're not trying to force anything. You both know what you're good at, similar to how you contributed to the business when you joined with John, and you figure it out as you go. You both know how you can contribute in your own unique ways and that's why you make an effective team. If you both have the exact same personalities, exact same skillset, there's probably some gaps. But because you come at things in a similar yet different way, you're able to most effectively run the practice together. So I really appreciate that.

Brian Cooke:

Well, I'll add one other little thing there, Louis. Chris and I are obviously, we're two years apart. We're best buddies and we trust each other. It's so nice to not have red tape with your partners. If you have a problem with something, you just put it on the table and you work it out as family. And I love that because there's no hidden agendas there.

Louis Diamond:

So let's pivot to talking about your time at Wells Fargo Advisors and its predecessor firm Prudential. Can you just share what was it like growing the practice there and then also maybe paint the picture for why you considered leaving, ultimately leading to your transition in 2016?

Chris Cooke:

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There were a lot of great things about being in a nice big wirehouse. We had a great practice. We were well-respected and well-known. They had a program called Profit Formula at the time at Wells Fargo where you could run your own P&L so we had some flexibility there. They did listen to us in that, I think my dad's recommendation that we allowed no load funds and that became a program called Pru-Choice, which was one of the original mutual fund fee-based programs. And we had Vanguard funds, which was unbelievable at the time. So they listened to us and took our ideas and that was all good.

But then there were these elements that just wouldn't work for us. For example, we had a team of 13, 14 people and a number of advisors, and if we had a client in a faraway state, let's call it Washington, somewhere on the West Coast, we had one client there. Wells Fargo would make us have every single person with a license be licensed in that state. And we had to pay those fees. And it basically put us out of business that that client became non-profitable. And we're saying, "Hey, we're not really a team where everybody has to have the same credential. We're more like a branch. But they wouldn't work with us on things like that because I always say it's the lowest common denominator rule. They made policy for Mr. 11,000, not Mr. number five or six in the firm. And we looked different and felt different than Mr. 11,000 when there's 14, 15, 16,000 employees in a place. I guess you have to set policy pretty low. But that was difficult for us.

The second thing was probably some of the marketing. We have always been branded as the Cooke Financial Group, and when we wanted to do certain things, it got really difficult to do so. And then finally, I would say there were some elements of compliance and everyone probably gripes about compliance, but I just give a simple example. Big firms have to have pretty hard and fast rules. And if the rule was you couldn't make a mark on a pre-printed report, then that was the rule. If I circled a number on a financial plan, that was the client's outside firm income for $3 million. And I said to the client, "Is this number still correct?" Then someone said, "I couldn't mail that report out because I'd written on the report."

And I said, "Look, I'm an attorney. I understand risk controls. This is helpful to circle this number and say, Mr. Client, is this number correct?" And when the firm was so rigid that they couldn't understand that anymore, I thought this place has become too large to be operable and we need to have a little more flexibility. And you know what, I think that comment is still true today. The firms have to figure out how to operate and they're so big and they just can't trust every person in every branch. So it's onerous, and if you get a little more flexibility and a little more thoughtful, then I think you can do some really great things.

Brian Cooke:

The other thing I'll add was we wanted to do some local deals with a local developer that was putting up apartment complexes or a local tech entrepreneur that was raising capital. And you can't do that in the big wirehouse firms. The deals aren't big enough for the firms to vet them, and I get that. But we wanted to participate. Chris and I were personally participating in some of the deals, but we liked the deals so much we wanted to share that with our clients. So independence allows us to vet that in a different way. And if we like the deal, we can share it with clients. Now we can do it on the other side.

Louis Diamond:

And let's talk about mindset a little bit. You indicated earlier that Chris, you were more gung-ho about independence, probably saw the opportunity clearer or maybe sooner than Brian did. And we all know that a transition is a major business and life decision. So I'm curious just to hear about your mindset and thinking. So had you anticipated such a big move and what were you thinking about the impact on the business? Maybe you can both just share your perspective on this. And probably at the time a crazy idea of breaking off from a major firm like Wells and going independent.

Chris Cooke:

We've addressed a lot of them in this discussion. It was the chance to do more alternatives, the chance to have just freedom and flexibility, the chance to own our own building and the chance to own our own practice. If you just think about the equity in this business, if I sell myself and I go from Wells Fargo to Merrill Lynch, now Merrill Lynch owns me. I still don't own the business. And if we want to be the Cooke Financial Group and own the business, we had to go independent. And I really believed in that idea of equity and a long-term financial asset for my clients, my children, my family, and a better ability to serve my clients. And those were all the main reasons.

Probably the harder part was really when we determined that this is a direction we wanted to go was the investigation of, well, just how did we want to go about this? Once you say I'm going to do it, that's step one. Step two is how am I going to do it? That was really hard, I think.

Brian Cooke:

Oh, very much. And it's emotional. There's some excitement built into that. You have to convince your team that this is a good thing for the practice for them, for our clients. There's some fear and there's some anxiety along the way, during that transition-

Chris Cooke:

A lot of hard work.

Brian Cooke:

A ton of hard work. You give up your life for three to six months just to make the transition. And we were very fortunate. We brought over 95 to 100... It was 95% of the assets and those 5% that we didn't bring, we actually didn't really want to come with. We used it as a little bit of a pruning tool. So it turned out much better than anticipated, but you also have to learn all the new technology on the other side. And there was some trepidation on my part, but in hindsight, again, I wish we would've done it five years earlier.

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Chris Cooke:

I think even things like hiring and firing, we have much more flexibility now. You can staff up the way you want to staff up and no one says you've got one too many staff people. None of that BS that slows you down.

Louis Diamond:

Yeah. We did a podcast recently called The Emotional Rollercoaster of Advisor Transitions, and I think you hit the nail on the head. There's excitement and promise and seeing the other side, seeing what's possible, but you also have fear, anxiety, distress, tiredness. So it's combining all of it and layering it on top of finding something, an opportunity or a firm that's going to be more than marginally better enough. And if you can reconcile that and you really just keep checking your motivations, then typically advisors see the forest through the trees and see what's possible on the other side.

So let's talk about the actual transition. So in 2016, you moved from Wells Fargo Advisors to Noyes and Company. For a business of your size and with your impeccable reputations and all of your industry rankings. I have to admit, when I saw news of this break, I was a little bit surprised. I personally had never heard of Noyes. Obviously you had the option to go to FiNet. So can you just talk a little bit about why you decided to go independent with them versus anyone else in the marketplace at the time?

Chris Cooke:

Absolutely. And in fact, there's a really good reason for it. I'm going to back up one step and say when we were in this investigation phase, we looked at HighTower, Focus, Dynasty. We looked at even a UBS and Merrill just to confirm we didn't want to go to a different wirehouse. And everybody had a great opportunity and a great business model, but there was always one, maybe two things that I would find in particular and say, I don't like this element of the model. And in particular, we wanted to be the owners of the Cooke Financial Group. We didn't want the Cooke Financial Group to be commingled with other groups, if you will.

So you go to a HighTower model, they got some great independent opportunities, but you really become part of HighTower. Cooke is still subject to what the other partner firms do. You could go to a Dynasty model and they were awesome at helping you get launched, but I wasn't certain that they provided the level of support later that I was hopeful we would have because we wanted to own the business, but we didn't necessarily want to become a compliance expert or a marketing expert or whatever. We wanted some help on those things.

And then we always believed in this idea of a little co-op. We concluded that the Cooke Financial Group, as successful as we had been, was still tiny in the scope of our industry. And maybe we could combine with 10, 15 more Cooke Financial Groups and have a little co-op and we could share accounting and compliance and have a little scale to do better bargaining with the custodians and things. And that vision took root. And then we said, how do we execute this vision?

Well, Noyes is a little broker dealer here in Indianapolis that I would consider was nice, but kind of a B. They weren't the A player. And I think your question of why would the Cooke's do this is exactly right. A lot of people asked it. But Noyes cleared through First Clearing, which is Wells Fargo's Clearing Company. Noyes had an 80 year old owner that was fading and Brian and I had no interest in joining Noyes. We took over Noyes and we used the platform of a broker dealer and an RIA. It was easier to buy into or merge into a platform that existed than to build that platform ourselves. And because that platform of Noyes cleared through First Clearing, Wells Fargo had to be really careful with us because we were a Wells Fargo employee and we left to become a Wells Fargo customer.

Louis Diamond:

That's a great reason to do it. And it's such an interesting perspective instead of taking the time to build the firm literally from scratch, even if you contracted with a Dynasty or a Focus, you're still building a lot of the infrastructure. But instead getting something that was existing they had all the agreements, they had employees and you had an opportunity to take the business to the next level. And you absolutely did that. In 2018, Noyes and Company merged with then brand new nascent firm Sanctuary Wealth Partners, was called at the time, led by Jim Dickson, who was an Indianapolis guy.

Chris Cooke:

I'm going to back you up right there, Louis. You're missing a key point. There was no merger. Sanctuary Wealth didn't exist. Noyes with Chris and Brian Cooke as key leaders within Noyes, and Chris and Brian Cooke with this vision of how we were going to change Noyes. We hired Jim Dickson. We hired Mike Longley. We started Sanctuary Wealth. So Sanctuary wasn't in existence and started by Jim. We hired Jim and gave Jim our 5, 6, 7 goals and empowered him to go after those goals and we also provided the capital to make those goals possible.

So I understand how the industry could perceive it that way. And of course when Jim went out there in the world, we needed a cheerleader and we needed someone to say, "Look at this opportunity, come join us." And Jim did that magnificently, and if he said he was the founder, we were like, run with it, man, who cares. But if you back up a step, Brian and I are the founders of Sanctuary. Brian and I had the vision of how to put this co-op together, which is now about 90 teams. What are we, about four years into it? We're 90 teams. So we're doing real well, and we're growing quickly is because I think Louis, your firm has introduced a number of people to Sanctuary.

But if you go back in time, the Cooke Financial Group is team number one. We were independent of Noyes. Noyes didn't own the Cooke Financial Group, but we affiliated to use the broker dealer and the RIA. We decided to grow it into what's now Sanctuary. We had to have more capable management and a different vision, and that's where Jim Dickson came in. Now, if you look at the old Noyes that we originally joined or merged with, 100% percent of the management team has gone. And Sanctuary Wealth is 100% a new management team because we were building something new. But off the back of that old broker dealer and RIA, hopefully that explains it.

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Louis Diamond:

Yeah. Thank you for setting the record straight. I have to ask, was it part of your business plan and vision that Sanctuary would grow to where it is today? Did all the recruiting that you guys helped with and Jim spearheaded, followed by Vince Fertitta and Mike Longley and team, are you surprised at how successful it's been? And did you really see this opportunity in the marketplace and say, "If we can execute on this, we're going to be outsize winners?"

Brian Cooke:

Chris and I had a goal of I say five or six co-ops or other corner office teams that we could join together within this independent channel that we created to create some buying power with custody and managers, et cetera. So I thought it was going to be five or six teams quite frankly. We hired Jim and said, "Jim, go out and find these great corner office teams." And the next thing, three years later, it grew so fast. It was like, Chris and I were honestly very surprised-

Chris Cooke:

We were shocked.

Brian Cooke:

... how many people wanted independence. And they wanted independence light, basically. They wanted the infrastructure already built, which was the Sanctuary platform, a service provider. So have an 80 plus partner firms today in 28 states, and we're close to 30 billion of assets under management. I think was much bigger goal than Chris and I thought it would ever be. So it grew fast. And now we have a whole new operator in place in Adam Malamed, and we're really pleased with his vision. So we'll see where this next reiteration takes us.

Chris Cooke:

I think the mistake that we made was our own fear, our own trepidation about going independent led us to conclude that there was only five or 10 more teams like us. And then when you start to talk about it and people are curious. People start saying, "Why did you do this? Well, I want to do that." Somewhere in there we realized that no, it's not five or 10 teams that want this. It's a couple of thousand teams that want this. They're just not sure how to go about it. And I realized somewhere in there we had talked about it a great deal that our vision was so small, probably because of our own fear, and we needed a Jim Dickson to come along and really say," Hey, boys, expand the vision a little here." And then that got scary because when you expand the vision, you got to have a little more capital and there was a few days in there that were pretty scary.

Brian Cooke:

It was a little bootstrap by Cooke Financial Group.

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Chris Cooke:

Finally we said, "Hey, look, I'm done, man. I can't put more into this. Let's find some institutional capital." That's probably the day, Louis, when you say, "Oh my God, we're bringing in an institutional capital group to help us grow this thing. What's the business plan look like? And the business plan isn't five or 10. The business plan is we're getting to 100 or we're going to 200. And that's the day you really opened your eyes and went, "Wow, who saw this coming?" And it's real and it's possible. And oh yeah, by the way, it's pretty successful. And is it surprising? Yeah. Is it fun? Absolutely. Are there still challenges every day? You know it.

But the ride has been probably one of the highlights of my career. I've learned so much. I've had so much fun. And that doesn't mean, all the sleepless nights were fun. Some of those weren't so fun. But it's been amazing. And not that we wouldn't have been amazingly comfortable and happy if we'd have stayed with a wirehouse forever but we'd have never had this ride.

Brian Cooke:

No way. It's been a lot of fun.

Louis Diamond:

I remember when Jim approached me initially with the Sanctuary value proposition or business plan or maybe even pitch. I don't even know if it's a plan. And I remember thinking, this actually solves for something that's missing. Advisors who are at a wirehouse, many want to be independent, but what stops them is they have unvested deferred compensation balances. They aren't interested in really going through the hard work of starting an RIA and they want peers to be around. So I think you're exactly right that there were and are a couple of thousand maybe more advisors that want what you're part of. But what they needed was an enablement platform to get there.

So I think it was solving for those pain points that ultimately made the difference. There's tons of versions of supported independence, it's only growing. But being empathetic to what advisors want and need, probably from your own experiences and Jim's experience being in the trenches all those years at Merrill, I think you built it with the right components that differentiated and became a catalyst in and of itself to where independence is today. So I think the whole industry owes you guys and everyone at Sanctuary gratitude because you've shown folks that it's possible and you've taken away a lot of the obstacles that people put in front of themselves for going independent.

Chris Cooke:

Well, that praise is really kind Louis, and we'll take it. And we were enjoying it. But let's face it, we did this because we thought it was the best thing for us. It was a little selfish, but we created a model that wasn't Hightower, wasn't Dynasty, wasn't Focus, wasn't whatever, and it was the one we wanted. We didn't know it would be so helpful and change the industry. We just knew we needed this.

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Brian Cooke:

I can remember at a early breakfast meeting, I think when Chris and I were interviewing Jim and we started talking about this vision and we decided that we're looking for only corner office teams that were doing, what was it?

Chris Cooke:

A million, minimum.

Brian Cooke:

A million dollars of revenue.

Chris Cooke:

70% fee based. We had a whole list.

Brian Cooke:

70% fee based, and they had to have a higher accreditation. We either wanted CFPs or CIMAs, and they had to have a clean industry track record. And we wanted no jerks as partners. It was with a no jerk rule. We said it differently.

Chris Cooke:

We said it differently than that. There's actually a book you can Google.

Brian Cooke:

And that was our vision to find these five or six partner firms. And the next thing, it's now 80 and it's annual conferences called Oasis, and it's been fun learning from other teams across the country.

Chris Cooke:

I also think the tagline “Partnered Independence”, it's more important than all of us want to be independent. We want to own the Cooke Financial Group. But we want to have some partners. We want partners who help us with custody arrangements, with managers, with compliance, with marketing, with accounting, with just ideas. There's great corner office teams. They have great ideas, share them. So partnered independence has become the model as opposed to we're all shareholders of a firm, which is different than being partners. If we're all shareholders we're not independent teams. We're all part of one big team. But if we're all independent teams, then we are partnering together. Partnered independence. It's a big deal.

Louis Diamond:

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Let's hit two more questions before we let you guys go. What do you wish you had known before making this transition? And maybe let's wrap it into the last question as well. Just any advice for those thinking about change.

Chris Cooke:

Well, probably this advice is only for us in hindsight. It doesn't really apply to others. But when we merged into Noyes, we didn't really understand the depth of FINRA and SEC compliance and reporting and things. And I think we spent way too many hours and days digging out from under old problems that existed long before we were there. And I wish I'd known that in advance. But it worked. It served its purpose, and we got through that. Other teams that are joining today, I think the biggest thing that they need to have is a very confident feeling that their relationships with their clients are top-notch. If you have that feeling, you belong in the independent space. If you're not so confident that your relationships with clients are really tight and really sharp, then maybe you don't want to make the move. So it's a certain mindset of an advisory practice that says, our clients would go anywhere with us. They trust us, and we should own this, and we should own the outcomes. Then they should be independent.

Brian Cooke:

I guess if I could looked into the future, five years into the future I would've said, "Chris, what are we waiting for? Let's go."

Chris Cooke:

Well, now you say that. We were talking about it in advance.

Brian Cooke:

We couldn't see into the future.

Louis Diamond:

There we go. Chris and Brian, thank you very much for both coming on and sharing your wisdom. Amazing to hear how you've built this into now the three generation business. Pass the baton from John in G1 to you two, to now your sons and daughters eventually, and just hearing about the growth of the business, how you guys helped found Sanctuary, built it into where it was today unexpectedly, and really excited to see where this goes next. Not just for the Cooke Financial Group, but also all the amazing things going on at Sanctuary. So I really appreciate you joining today. I know our listeners are really going to benefit from your perspectives and humility and empathy that has driven the practice from day one.

Chris Cooke:

Louis, we can't thank you enough. We're happy to share it, and if on our gravestone the epithet says, "Help change the industry for the better," we'll both be pretty damn proud.

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Brian Cooke:

Yeah. Louis, thanks for the time today. And really thank you for what you do for our industry as well.

Louis Diamond:

Absolutely.

Brian Cooke:

You shine a nice light on our business and independence, so really appreciate it, all you do.

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. This is Mindy Diamond on Independence.