Building a $6B+ Firm by Listening to Clients: The Formula for Mastering Excellence and Creating a Superstar Enterprise

A conversation with Mindy Diamond and Rob Nelson, CEO and Founder, NorthRock Partners.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is Building a $6B+ Firm by Listening to Clients: The Formula for Mastering Excellence and Creating a Superstar Enterprise. It's an update on a conversation with Rob Nelson, the CEO and founder of NorthRock Partners. I'm Mindy Diamond, and this is the Diamond Podcast for financial advisors.

This podcast is designed for advisors like you, who are interested in learning more about the evolving wealth management industry through candid dialogue with breakaway advisors, those from the C-suite, and industry thought leaders. It's available on our website, diamond-consultants.com, as well as Apple Podcasts and other major podcast platforms. So be sure to subscribe and share it with your colleagues.

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Advisors are always curious about how others achieve extraordinary success, because they hope to replicate their formula. And while there is no magic bullet, we do find that there is actually one thing thriving firms all seem to have in common; an intense focus on their client's needs. Five years ago, as of this recording, Rob Nelson joined us on this series to talk about his unique business model that organically evolved, as he puts it, to serve a high net worth client base of professional athletes, entrepreneurs, corporate executives, and philanthropists.

He built the foundation of his practice at Ameriprise and its predecessors in 1993, and later transitioned from the broker-dealer to become a fully independent RIA in 2013. It was an expansive list of services grown out of client needs and requests that Rob and his team embraced, creating a firm that quickly grew to include specially-tailored offerings, even a separate firm focused solely on philanthropic efforts.

NorthRock's early success attracted an investment from immigrant partners, and more recently, insurance holding company, Sammons Financial Group. Today, with over 150 employees in seven locations, Rob shares that he has his sights set on doubling the business over the next two years.

In this episode, we revisit Rob's early journey to building NorthRock. He shares their formula for success, and how they serve the unique needs of their extraordinary clients. And he talks about their partnerships, M&A, and their plans for future growth. There's a lot to discuss, and a lot to learn from, so let's get to it.

Rob, I am delighted to have you on the show again. In fact, my records indicate it's been almost five years. You were first on in October of 2019, so thank you so much for joining me again.

Rob Nelson:

Happy to be here. It's an honor, and thank you for everything you do for our industry, Mindy.

Mindy Diamond:

What a nice thing to say, thank you. So for those that didn't listen to or don't recall the first time you were on the show, let's spend a bit of time just sort of setting the table. So maybe you could walk us through your background, and essentially what really led you to launch your RIA firm, NorthRock Partners, in Minneapolis.

Rob Nelson:

Sounds great. The quick version of my background is, I've been in the industry for 31 years. This is all I've ever known. I came out of college, graduated on a Friday, started here in our industry on a Monday. And how I came into the industry was, I was referred while I was in college into a company called IDS Financial Services. IDS became American Express Financial Advisors, which became Ameriprise.

The beauty of that point in time when I came into the model of IDS was, you're an independent contractor, right away you're self-employed. Probably would not have signed up for it if I would've known what I was getting myself into. But the benefit of that was, it's all I've ever known, is leading and running an organization.

Which is material to the way I came into this industry, is IDS at that point in time, even though you had your own business, they could direct the modeling. And the model for them, strategically, they had decided in 1992 when I was going through the referral process or the interview process, was they had made a decision that for new advisors coming into the industry, the only way you could work with a client was financial advice and a comprehensive financial planning fee-based relationship.

And it was true financial planning. It was, you're going through cash flow, and investments, and insurance, and tax, and charitable planning, estate planning, and so on. And that's really how I came into the industry. Adding one client at a time, working off of leads and the network and beyond, and built a business one client at a time. What led us to this point in time, as I started working with clients and was able to start building a business, I started getting referred to corporate employees, corporate leaders. And as I worked with these clients, just responded and reacted to building a business around what their needs were.

Our corporate executives were all time poor, so you're trying to help them from an execution standpoint. Tax planning, which led into ultimately us doing tax preparation for the last 20 years. Strong insurance guidance, executive compensation, strong role in estate and legacy planning and beyond. And we continued to build that business around them.

And through following through and doing good work on behalf of our clients, it led to advocacy. And by the time I was in my third year, the business was somewhat on autopilot, where we were growing in a very organic way through clients referring us to others. And that, one step at a time, has ultimately led us to the company we are today. In addition to that, beyond corporate executives, we started getting referred into entrepreneurs. About 15 years ago, we started getting referred to people in professional sports, leaders and athletes in professional sports.

But to your last question, Mindy, we did spin out from Ameriprise in 2013. Had a really wonderful relationship with Ameriprise, good people. It was a great place to grow up as an individual financial planner and financial advisor. But as the client's needs continued to grow and expand, we just needed a more flexible model, especially with clients that were incredibly affluent, or professional athletes that are asking us to pay bills, or play a role in their foundation board, or to get involved in direct and private investments, or play a role in their estate and legacy planning.

We just needed a higher level of autonomy. And of course, we wanted total access to the market from a product perspective as well as technology. And that's what led us to be independent, and ultimately put us in the spot where we are today, which is NorthRock Partners.

Mindy Diamond:

Thank you for sharing all that. And I'm so excited to dig into the details, because your growth has been extraordinary. But I wanted to ask you a couple of follow-up questions to what you just shared.

First of all, you left Ameriprise in 2013. And you talk about, in search of a more flexible model, one that gave you more autonomy and one that made it easier or better for you to serve the more affluent clients. So talk to us, give me some specific examples if you would, of where and how you might've done something at Ameriprise where it wasn't flexible enough, and that being independent provided you more flexibility and more autonomy. Maybe you could just make it a little more tangible for our listeners.

Rob Nelson:

I'm sure most of these examples will resonate, especially for those that are advisors working with more affluent clientele. But for us, we wanted to be able to do full scale bill payment. We wanted to be able to pay bills out of any bank, and have the ability to be incredibly hands-on with cashflow. Right now, almost all of our clients directly deposit their income sources with us, we provide them the right stream of income.

And we're involved on credit management, we're administrators on credit cards. We have the ability to set up credit cards on behalf of clients, and so managing credit lines. And wanted to have that kind of flexibility in addition to, most broker dealers don't do tax. We've been doing tax for over 20 years. We wanted to be able to provide hands-on tax preparation for clients.

Probably one of the biggest things was being able to manage all clients' investment assets, no matter where they're held. Probably 95% of our clients, we manage all investment assets at any source.

We custody everywhere. We can log into the 401k and trade in the 401k. But if the client has money in Merrill Lynch and they want us to have oversight of that, we can do that. We wanted to have no limitations on the investment capabilities, and how we could be hands-on. And as you know, not just the Ameriprise, but a Merrill Lynch, or JP Morgan or whoever, obviously very good company. I have a lot of really great friends at those organizations, they're good organizations.

You just have a limitation. You tend to manage the assets held at your firm. That's where your primary attention is. And for us, the clients wanted us to manage their entire balance sheet. We had clients wanting us to play a role in their foundation board. You typically can't do that. We wanted to be very hands-on with executive compensation, where we could trade in executive compensation, give specific advice.

In our industry, a big gap, direct and private investments. Client comes to you and wants advice. They have a friend that has a startup company, and they want to get involved and potentially invest into it. We wanted to be able to do due diligence on that. We wanted to be able to provide the client specific advice if that made sense and where they're at. And as you know, through most larger firms, you're not supposed to be providing advice on assets held away. And for us, that was just fundamental of the types of examples that we wanted to do.

Right now we have in-house legal, we run the estate plan A to Z. There's almost no firms, including in the RIA space, that do that. And those are the kinds of capabilities that we wanted to continue to expand around a growing client need.

Mindy Diamond:

That all makes real sense to me. I guess what I'm wondering is, it sounds like you started essentially at Ameriprise, or its predecessor firm, literally day one right out of school. And there's no way that, or I'm assuming you would agree, you didn't necessarily have the sophistication at that point to work with ultra-affluent clients. So at what point in your Ameriprise experience did you begin to realize that you wanted to build, or wanted something more for your clients?

Rob Nelson:

It was early on. It was maybe my third, fourth, fifth year.

Mindy Diamond:

Really?

Rob Nelson:

Yeah, that first time that you have, where the client asks you to, they're away, they're out of the country, and they want you to handle the mortgage close. Go to your compliance department and of course they say no, or you're trying to figure out a way to manage a client's deferred compensation plan and be hands-on, or you're trying to log into the client's deferred compensation plan.

You go to your compliance department, they're suggesting that you shouldn't, they don't want you to do that. And we just kept on running into those limitations. And so the pain points for the affluent started right away. Really of the first big offerings for us was tax. And as you might expect, this is the nineties. And when I went to our company about wanting the idea of starting to provide tax preparation, the first answer that they told us was that that's illegal, you can't do tax in our industry.

Of course, I started doing some research and found out that that was not the case, and that we could provide tax, and actually the insurance coverages and the protection coverages for covering clients in those cases is very minimal. The error rate is very low, and I was bringing in high-end talent to do the work. And those were examples that we wanted to be able to jump into.

We thought that's what the clients were looking for. Actually, we knew that's what the clients were looking for, and started building it one at a time. Bill payment and cash flow management was something early on that clients were asking for.

So these have been long-term requests, long-term desires, where we're trying to fulfill from a client perspective. But it's been, for a long part of a long time, part of my business.

Mindy Diamond:

Yeah. So you started to realize in the third, fourth, fifth year of being in Ameriprise that you were somewhat limited, or not fully able to respond to your client's needs. But how many years before you actually did something about it? Meaning, left the firm to build NorthRock?

Rob Nelson:

Yeah, I was with the company for 20 years. It was a long road. And to the company's credit, we had a hundred exceptions. They did allow us to provide tax preparation once we did the research. We did have some flexibility to manage certain assets held away, and we were starting to get some levels of flexibility. But it was becoming incredibly cumbersome for them, it was becoming incredibly cumbersome for us, but there was very few of the advisors that had the needs that we were looking for.

So they were trying to meet us halfway, but the client's demands were continuing to grow. Obviously, that's a case in our entire industry. And by the time we were 15 years into it, we realized that we needed to start researching what options were. And that was about, that was probably 12 to 15 years in, where we started really researching what was accessible and available.

And I looked at different firms, I looked at different multifamily offices, but what kept on coming back for us was coming to the RIA side, to the Registered Investment Advisor side. The more I researched it, it seemed like we could deliver almost anything in everything that our clients were looking for. For me it was for sure like, what's the catch? There's got to be a catch.

I'm in an industry where, if it sounds too good to be true, there's a catch. But the more we researched, you just knew that the RIA platform was the right solution, and it was. As we made the change over to become an RIA, it's one of those few decisions where the grass was greener on the other side.

That's the good news and the bad news. Everything that we wanted to be able to do, we were able to. But you're totally responsible, that's the catch. You're completely responsible for, if you don't like the way the statements look, it's your fault. You don't like the way the website looks, it's your fault. I mean, so you do have accountability, but that was what we were looking for. And it's been everything we wanted.

Mindy Diamond:

So in those 15 or so years, between beginning to realize that things may not have been ideal and doing something about it, and it sounds like for sure that Ameriprise did everything they could, but you were more of an outlier. We hear that a lot. I mean, I've had the privilege of interviewing so many breakaway advisors on this show, and talking with many others.

And that is the common theme that they have; exception management works until it doesn't. That they're outliers, and you can only jury-rig the system for so long. What was it, straw that broke the camel's back, that finally made you say, that's it we need to go?

Or was it death by a thousand paper cuts? Was it one client in particular that said, we're leaving you? How did that go down?

Rob Nelson:

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For us, it probably came down to, I worked with my partners at the company to try to find the solutions too. But at that point in time, product access was really the straw that broke the back. Just, our clients were demanding, they wanted total access to the market, and they wanted best pricing.

So if you're a client and you're investing $20 million, or 10 million or more, you're expecting that you have access to the best pricing. At that point in time, we didn't. We couldn't, from a fund-share class to some of the trading costs that were accessible, we just didn't have total access and we didn't have best pricing. And that was a necessity for us.

We did well also want to hold our brand out. I had already had the brand NorthRock Partners, I owned and had that brand in place at Ameriprise, but we weren't able to hold it out the way that we wanted to.

And I wanted to hold it out separate from the company, because I was looking to build an affluent brand, and we were running into a challenge there. And then technology access, where we see this in a day in the life for us today, but I knew that our technology demands were going to continue to grow internally and from our clients, and we wanted to be able to have best-in-class technology, and have flexibility for technology to meet our needs. And those were the three pain points that we were looking to solve, and we were able to solve right away.

Mindy Diamond:

So one of the themes from the last episode we did together was how expansive your list of services are. Meaning the service offering to your clients at NorthRock. So, can you talk with us about some of the more innovative or out-of-the-box ones you've launched?

Rob Nelson:

I could go a couple of the different paths. One that I would say is probably one of our biggest initiatives right now is in our sports and entertainment side of our business. We work with a lot of athletes across leagues, the NBA, NHL, NFL. We're starting getting into soccer. We have inroads with Formula 1 and beyond. But we have a hockey platform, it's called NRX Hockey.

And if we're working, we have over 65 clients in the NHL that we're supporting in various different ways. But if we're working with an NHL player on our hockey platform, it's everything that I've already described what we do. So we're a deep financial services provider for an NHL player, where we're helping them with cashflow, and bill payment, and their investments and league benefits, and doing their taxes, and their charitable giving and estate planning and so on.

But in addition to that, we acquired an NHL agency a couple of years ago to roll in and bring into that business. And it was a deep service NHL agency, great team, awesome experience.

And so, in addition to what I just talked about, if we're working with a 21-year-old NHL player, we're providing all those services that I just mentioned. But we also help them with their contracts, their endorsements, diet and nutrition, health and wellness, strength and conditioning, data and analytics, community engagement, peer-to-peer mentoring, and much, much more than that.

So, the service level is very robust. So if you're 21 years old, and you're making some of the biggest decisions in your life, and our goal is to put the right resources around that young professional to help them, empower them to make good decisions. And of course, we're helping them try to play a role in helping them to reach their potential.

And from my perspective, even though we're talking about that for hockey, why can't I provide those types of services in the future to my corporate executives? To my entrepreneurs? Where we play a role with them, in helping them to master their craft. We play a role for them to have excellence in other parts of their life, is an example of one of our more innovative platforms that's growing very well.

The other platform that I'd probably point to is our charitable platform. It's called Foundation X. Foundation X is a platform that we established a couple of years ago to help us with, it was born really off of a number of the pain points we were having in helping our clients build, and grow, and establish and manage their foundations. Really recognizing how disparate the services were, or providers that were accessible.

But for Foundation X, we built this platform to, we hold it directly out into the community; it's a nonprofit part of our business. And it helps us, for people that have foundations or want to build a foundation, this organization, our Foundation X, will help them from A to Z build the foundation, from the business plan, to vision, to governance, to bookkeeping, to doing the taxes, to compliance filings. And that then in addition to that, Foundation X is our charitable plan that we use for NorthRock.

It helps us with our client charitable advice, and our employees, and helping them to be more effective givers. And we use that for our company giving initiatives. Those are a couple of platforms that I can think of. Well, actually, I'll throw out a third. That is, what's on the list for us as we look to the next couple of years.

I mentioned to you early on that, probably for many of our clients right now, our top deliverable is time. 10 or 15 years ago a client would come to us, pay a fee, and look for a rate of return. Now a client comes to us, pays a fee, and they're looking for time.

And as we think about ways to improve the quality of our clients' lives through delivering time, or just helping them to improve the quality of their life, we're looking to expand and build a platform called NorthRock Life, where we look at using external and internal services. And we're testing some of these right now, where we provide clients advice on technology support, mobile training.

We've had a couple clients where we've helped to hire and put in place a personal assistant. Why couldn't we do health and wellness, where we get into playing a role into helping to refer to concierge medicine or culinary? Diet and nutrition, dining experiences, or creating experiences in general. Creating a once-in-a-lifetime trip to the Masters, or a travel experience, or getting them access to a concert or a sporting event, executive coaching.

So those are a couple of the initiatives that we think about, of expanding what we do for services and advice around our clients that I think are a little bit more cutting-edge.

Mindy Diamond:

Yeah, extraordinary. And what strikes me is, so many of our listeners are advisors that practice within traditional brokerage firms, whether that be Ameriprise, or Morgan Stanley, or UBS, or Merrill Lynch, or anything of the sort. And especially the advisors that service high net worth clients, they all believe that they have access to everything that they need. That they are well-servicing their clients.

And what I hear you saying is not that's the wrong way to do it, but more that you had a vision for wanting to be able to give them something more. And the every sort of new thing you've launched at NorthRock was really born of your client's needs. In other words, it wasn't necessarily you set out to build a firm that was going to buy an NFL agency. But more, you had clients who had a need, and you went out and bought an NHL agency. Am I thinking about that the right way?

Rob Nelson:

You are. The next 20 years will look like the last 20 years of how we build. It's going to be simply listening to our clients, and what their needs are, and what their pain points are, and then look to solve for that. And that is the future. We're doing that right now with expanding our support and property casualty insurance, auto, home and beyond.

Sounds a little boring when you hold that out. But if you're a financial advisor and you've sat down with a new client for the first time, and you ask them and reviewed the state of their current coverages for auto and home and so on, you realize that most clients don't look at this on a regular basis. There tends to be gaps in coverage.

A lot of it's just because it's cumbersome, they don't have a personal relationship. The execution side isn't great in that industry. And so for us, we want to be able to provide that as a deliverable. We want to make that easy. We want to make sure that our clients are well-protected, and we're bringing more and more of that type of service in-house as well.

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I want to put all of this in-context. Because this whole extraordinary list of services, and I don't even think you've done justice to them all, sounds great. But what's most compelling is how all of what you've built really translates into the kind of growth you've experienced.

Anchoring in growth since 2019, because that's when you last joined me on the show. So you've added over four and a half billion in assets in the last four-and-a-half years. When you were on the show in 2019, NorthRock had about a billion and a half, today it has about 6 billion.

And you've gone, you shared the numbers with me from 45 employees to 151, from two locations to seven. Talk to us a little bit about the things you've done that have been most responsible for that growth.

Rob Nelson:

I was listening to that podcast, Mindy, from five years ago in preparation for today. And in a day in the life for me, so many things don't happen on a week or a monthly basis as you expect. But as I was listening to that podcast, it was like, wow, almost everything came true. I was impressed that we had a path, we had a plan, and we did execute on it.

Where, even what I was thinking about was going to happen a year later, as I was talking to that podcast, that became, we were really close to that. So we've been going through exceptional growth, and it's come from a number of different ways.

We had a large acquisition for our Chicago office in 2019, that was a one plus one equals seven. Brought on a really great team of advisors, great organization, a complete community and culture fit, like-minded team, and it just helped to accelerate everything we did.

What I was able to do, and this also is part of our future, you bring on a large team, they had over a billion in assets. And now I'm able to expand my investment team, my insurance team, my tax team. I added another attorney. We were able to add a charitable component to our business, and the business got better. Each of those teams got better. And it allowed us to more effectively execute on our business model, and it created a high level of advocacy from our clients.

Our goal is to, every individual client that we work with, we just want to continue to play a strong role. We want to be that trusted advisor, and we want to continue to build upon them with these relationships over time. And so it doesn't just stop with us adding new clients, it's making sure we're delivering on for our existing clients what we said.

So inorganic in adding that Chicago office, but organic growth was a big part of it. We've had strong organic growth, industry-leading organic growth, for many years. Our sports and entertainment business has been a growth engine for us. For us, that was not intentional. It ended up being just where we continued to just get referred into people from sports. The athletes started being advocates for us, and our sports and entertainment became special.

And then we've done a couple of acquisitions since then, especially over these last couple of years in Appleton, Wisconsin, Raleigh, North Carolina, San Francisco, where it's been adding on in a very similar way to our Chicago. So it's been a combination of organic and inorganic growth that's allowed us to accomplish that.

Mindy Diamond:

It sounds like inorganic growth has had a tremendous impact on the business. How did you go about identifying the acquisition targets?

Rob Nelson:

Identifying the targets themselves, that was more opportunistic. But who are the right people has been very specific. And what I mean by that is, my partner in Chicago, Todd, just a really great advisor, I'd known him and his father for many years. That just ended up through a conversation about talking and dreaming about what this business could look like, and comparing notes.

But what the commonality, and all of these firms and all of the advisors we're talking to is, we're looking for advisors that are like-minded. They want to master the craft. They're comfortable working in a team approach. They want to expand their value proposition. They want to be at the center of their client's lives. They want to be that trusted advisor over time, and deserve and earn the right.

And that's not for everybody. In our industry, there's a lot of different models that are out there. But for deep, comprehensive advice, providing holistic advice around a client, finding those teams that you want to be around every day and they enjoy working with, and they're part of our community and our culture, those are the type of people we're trying to identify.

So it's finding those that are looking for it. Actually, this last six months probably have had maybe an advisor every other week reach out to us about the opportunity to partner, and that's felt great. And then you just go through that process of, is this team the right team? Because I know that, as we bring new partners together, we're going to get better. That is also where this is different for us.

Every single team we add, it's going to make them better, but it needs to make the entire firm better as we go through the next growth moment.

Mindy Diamond:

So let's use the example. I believe the most pivotal acquisition you were referring to was the $760 million ex-Ameriprise practice, Minkoff Wealth Partners in San Fran. The principles of that firm could easily have, they were certainly big enough and had scale enough to go out and build their own firm. So why did they choose to join NorthRock versus building their own or going somewhere else?

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Rob Nelson:

Great question. And it is, it's Steve Minkoff and his team in San Francisco. What a great group of advisors and an organization. And the decision framework was very similar, as my partner Todd did in Chicago in 2019. Where it starts is with them, as they're thinking about what they want this to look like, it's beginning there.

What do you want your business to look like? Where do you want this to end up? Where do you want it to look like five years from now? And for them, they wanted to have a business that was deep. They wanted to do more. They wanted to provide tax, they wanted to do bill payment. They wanted to be able to manage the client's entire investment balance sheet. They wanted to do in-house estate planning. They wanted to be hands-on with charitable.

And when you know that you're aligned on what you're looking to build, the decision ends up being pretty simple.

You can build it on your own, because there's not a lot of organizations like us. You can build it on your own. Todd was very capable, where he could have built it on his own. Steve Minkoff and his team, they could have built it on their own. But if you look at the plan, it's going to take you some time. It's an expensive model, there's a lot of complexity in adding a tax practice or doing full scale investment management, or adding new technologies to the platform.

And so for Todd, he knew he could do it over a five, six, seven, eight year period of time. Steve had the same math. They can do it over that period of time, or you can do it overnight. You can have it where we can join forces, and over the next three to six months, you can be delivering upon this for all of your clients.

And in 2013, when we spun out and became an RIA, I interviewed a number of organizations to see if there was an opportunity for us to join forces. And we just couldn't find enough of a like-minded partner at that point in time. If there would've been a NorthRock partner for us in 2011, 2012, 2013, we probably would've joined forces. And for Steve and his team, it was that. So they decided that they wanted to be able to expand their service base right away, they knew that they had do to additional growth and clients that they otherwise couldn't talk to. And that by joining forces, they're already starting to receive the results.

They've brought on some really great, amazing clients because of it. And probably the most important is, they're expanding what they do for all of their existing clients dramatically. And it's having an impact on those relationships as well.

Mindy Diamond:

What I hear you saying is that the truth of the matter is that any one of these advisors would've been capable of building their own, and could have done it successfully. But the key questions are, what do you want to build? How deep do you want to go? And in how much time are you willing to take to do it? And it was the answers to those questions that sort of pointed them toward joining an established firm, as opposed to building their own.

Rob Nelson:

Correct. I'm talking to a really great firm right now, and they're going through that exercise of, what do they want to be? And they're actually getting clear on what they want to be. They want to have a deep value proposition. The problem that they're having when they look at their alternatives is, the math doesn't sound great. Because it is expensive to have all of these services, especially in-house.

And so if you're an organization and you're used to a 45% margin, and then you know that for the next five, six, seven years, you're going to go down to a 10 to 15% margin to invest to get yourself up and running, it doesn't sound as compelling as you would maybe want. Where, versus for us, there's an opportunity to join forces and do it right away.

Mindy Diamond:

Yeah. So, I saw an article from 2023 saying you were highlighting a goal of really doubling the firm again in the next two years. So to what extent will inorganic growth drive that, or is it more organic growth? Or what kind of things are in the pipeline?

Rob Nelson:

The inorganic growth is going to be a big part of it. Our goal over the next 12 to 24 months is to thoughtfully grow and double the organization based on the advisor partnerships that we see, that we can continue to add. But yes, organic growth needs to continue to be a big part of it.

So as we look, for us, strategically we think about locations that we want to have, that's where we'll start. It doesn't always end up being that way, based on the advisors that are coming our way. We can look at any marketplace to expand right now, and do it well.

Raleigh, as an example, was not on my radar at the beginning of last year. And we have a great advisor, and a great team in Raleigh that I look for us to continue to build around. And it's a great marketplace for us to add new clients, but we also have concentrations of clients in LA, Scottsdale, Seattle, New York, Boston, a number of areas across Florida.

And so we'll think strategically to have offices in those locations, as well as adding new advisors to our existing locations, are a couple of areas that are on-mind, and the reasons and how we're going to continue to grow and double our business here over the next year or two.

Mindy Diamond:

Yeah. So on the topic of advisor recruitment, talking about it, you also added Cameron Rosenow, who was a former client of ours and a young advisory team from RBC. He was

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managing about 300 million or so in Wisconsin. What did he have to gain from this, and how was a transaction for him structured? If you'd be willing to talk about that.

Rob Nelson:

Yeah, so we have two teams, you've got Cameron in Raleigh, and you've got a team in Appleton that have joined us. The commonplace is really good advisors. They're on a growth trajectory. Actually, all of these advisors were already growing. Cameron, who was with an existing RIA, and the other group that was with a broker dealer, they were growing in their current environments. Just, their delivery of what they were providing for their clients was a little more narrow.

So the driving force has been consistent in our conversation. These advisors wanted to expand their value proposition around their clients, and they knew that if they could do more for those, they'd be able to grow even at a faster rate, was why they decided to come together with us.

How we structured the transactions is, there's two things that we think about; is setting up a compensation structure that's tied to the bodies of work that each advisor does, and also for advisors that join us, we tend to think of it as an acquisition and a merger. Meaning, we're acquiring their business and merging everything that they have. And we also merge the equity.

So most of our advisors that join us, it's a combination of we're acquiring new equity related to the entire organization, to our holding company. And then from that point in time, we're all in this together. It's, they want to work in a team environment. So I got a great culture and community fit from these teams. They're really talented advisors, they've got great marketplaces. We're commonly aligned on what we look for the business, and that's what led us to both these teams joining us.

Mindy Diamond:

So let's talk about the concept of equity. I know it's a big component of your advisor-facing value proposition and culture. The calculus, not even the problem that an advisor considering joining an existing RIA, versus building their own, versus staying put, is having a hundred percent of my equity worth more than a much smaller percentage of yours.

So how do those advisors that have joined, and how would you advise people to think about the value of that equity? Which in a lot of cases is largely a lottery ticket because it's an unknown?

Rob Nelson:

Yeah, it is. That last point you just mentioned. Why this is a hard question is what we all know, and what I've found with advisors, is they all have a varying number of goals of why they're building, or why they want to build or have equity in their firm.

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So we're trying to meet them where they're at of, what's their driving force? Let's just assume that, for these advisors that we're talking to, that we have similar goals of how we want to grow the business. So the value proposition for both of us needs to align, of why we're in this together and why we would work from a team perspective.

But from our perspective, when we think about equity, which is important, it really is that there is not just the equity in their individual practice, we're all joining equity together. And the equity is in the collective firm, not just the individual practice. So when one succeeds, we all do.

And if I bring on talented advisors to join forces, we all can actually access those paths to growth together. And that's worked for us this last five years. I mean, our equity is appreciated well over 30% a year. We're doing well. Now, no promises of what the future looks like, but we have momentum. Our growth is accelerating as we go into this 2024 and beyond.

And so for us that's important on the equity side, having advisors that are looking to grow and have equity together that they know. And what I've experienced, since starting to work with other team members and other partners since 2007, is one of the best business decisions I ever did was adding a partner. And adding team members. Because they have made me better. Having more people around the table has made us better, and it's actually accelerated my growth.

And so if you're an advisor that think that you've got it all and that you can grow on your own and you're going to be okay, no problem. But if you feel that you can grow more effectively in a team, or you want to be part of a team, then again, as we mentioned, that there's multiple paths of growth for all of us. That's where we're looking for alignment.

And in most cases, when I look at the advisors that have joined us, and what their growth trajectory was when they joined us and where it's at now, Cameron, Raleigh, they should grow by over 50% this year. That's going to be his best year ever. He knew that he had that ability, he just needed the structure and the team around him. And he's proving that out, and I see that continuing to be the case as we build the firm.

Mindy Diamond:

On the subject of equity, it's not for everyone. I think back in my career, 20 some odd years ago, wirehouse deals. When an advisor was moving from Merrill to Smith Barney, equity was a part of that transaction. Part of the deal, which was much lower than it is today, but part of the deal was paid in cash and part in equity.

And when Smith equity blew up, or the stock value blew up, it became a bad trade. So a whole lot of advisors in the industry became really skeptical about equity. And who's to say that I can trust you, that you're telling me your firm is valued at X, but how can I really trust that?

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And the truth of the matter is, that's where good due diligence comes in. It's about getting really comfortable. It's the notion of reverse due diligence, where both sides do diligence on each other, and not every transaction is meant to be consummated. Meaning that there are many advisors that just may not get there. They will not see the value of your equity or anybody else's as worth more than theirs, and they wouldn't do the deal.

Rob Nelson:

I've heard that many times. I think where we end up benefiting from the way our model is, we have a high level of transparency. Our firm is an advisor-led firm. We have shareholder transparency with all of the shareholders within the organization. It's not like in the Smith Barney model, or it could be a JP Morgan model. It's, you are subject to the leadership, and the shareholder base, and the board and beyond.

Around the table is the advisors leading the firm. And why I look at this being an advisor-led firm is because that means it's a client-led firm. I want the organization to grow through the eyes of our clients. I want us to be a business that's built on what our client's needs are. That's what the advisors are driving for. So, the advisors that are joining us, they don't have to worry about what's the catch behind the scenes. They're actually going to have a role in helping to shape our future at the same time.

Mindy Diamond:

Yeah. I want to ask you something about the work you do with professional athletes. How did you break into that segment in the first place, and become an attractive vertical for other advisors who want to focus on that area?

Rob Nelson:

It wasn't intentional. It was probably a little over 15 years ago, I was referred by a client into a GM of a professional sports team. And I knew a couple of agents that I was having conversations with, and I would talk with them about what we did for our corporate executives. And I had a couple of early-on referrals.

But what ended up happening is, as I started working with these people in sports, these leaders and these executives and these athletes, especially the athletes, they strongly leaned into coaching. So we were already having success as a business. You give them deep advice, supporting them, provide mentorship and coaching, and the next thing you know, the phone is ringing.

You give some tough love advice to an athlete that you care about and you're looking over, and maybe it's a little too tough of love, but they're in the locker room the next day telling one of their teammates the advice that they had received from us, and then the phone rings.

And so it ended up being a very organic, one athlete at a time over time. But now it's a very intentional part of our business. We have a leader, our president of our business, Aaron Ryan, I have a leader of our hockey business, and they're out there in the market.

And this year and into next year, we're going to be very intentional bringing the brand to life as we continue to grow this. But for those that are looking to get into the business, this is a hard business. We have over a hundred clients in sports, and it's getting complicated. We all read and hear about the growth in the sports market and the sports business, but also that means their needs are growing. So this model does not fit in very well with a broker dealer. You need a lot of flexibility.

Our interaction with athletes can be as frequent as at least once a week. So you have a higher level of support. They need a strong level of coaching and mentoring. I mean, we're managing a credit card. You're paying bills. In some cases, we're getting involved in managing their business interests, their private investments. And some of these people, we have a number of them that are international clients where you're helping them with international projects.

So the business is getting complicated, they're becoming an enterprise themselves and we're building a structure around them to keep up with it. But this is definitely not a business for everybody. You'd want to be very thoughtful, if you came into this business. But for us, we see this as part of our future.

Mindy Diamond:

Yeah. You made the comment that the sports and entertainment or sports and athlete division doesn't really fit into the broker dealer model. Yet I know for example, just by way of example, that Morgan Stanley has a big sports and entertainment division. So, how do you think they address, this lack of flexibility you talk about, how does that work in that world?

Rob Nelson:

I have a couple friends of Morgan Stanley, but none that are connected to the sports side of that business. I've got to imagine that's incredibly challenging, that they're not going to be able to support banking interests outside of Morgan Stanley. That means all banking interests need to be moved over to Morgan Stanley. That they're going to have to outsource legal and estate planning. I have not heard of any of the broker dealers bringing that in-house at this point in time.

Last time I talked with people from Morgan Stanley, most of the investments need to be managed internally through supported investments off of the platform. So, I know that they are looking to expand the flexibility of the advice, but the service side on how they manage that, there's definitely limitations.

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You've got a big organization that's going to be able to provide in-house support, but helping to manage a business for an athlete, or international interests, I think there's going to be some limitations there. But like I said, I'm not familiar with the platform, but I know that every one of these organizations that we've come across has had a handful of limitations that are significant.

Mindy Diamond:

Yeah. I want to pivot for a second, just to talk about a transaction that NorthRock entered into in October of 23. Where you announced a partnership and majority equity sale to the insurance company, Sammons Financial Group. So can you talk a little bit about why Sammons, and who Sammons is?

Rob Nelson:

Absolutely. The partnership with Sammons was also, it wasn't on the radar of looking at this type of an organization for us. Though, we were looking for the right capital partner long-term. As you and I have talked about, this last five years has been extraordinary. We've been on a really great growth trajectory. And a capital partner has been essential for us.

And as we look to the next five to seven years, as we knew that we were going to go through a special moment, we were introduced to Sammons. Sammons is a large financial services provider, but they don't have a wealth management arm or a business. It's a large private company, it's set up in the structure of an ESOP or an ESOP trust. The core of the business is located in West Des Moines, 6,000 employees, 120 billion in assets. I think they're 44th or 45th on the Forbes private company list, and they own 40% of Guggenheim.

So as we started to have a conversation with Sammons as an organization, and at the same time I was also talking with a number of private equity providers about their model, what was very appealing for us was the long-term approach that Sammons could take. Their ESOP was established, I believe, in the forties or the fifties, and they've never sold a business interest. They're a long-term investor.

And in our first couple of meetings with Sammons, when we talked with them about building a hundred-year company, when we looked at NorthRock, of building a legacy that would go on for generations of our clients, they actually leaned in. When I talked with private equity providers, most of them were on a three-year, five-year, seven-year timeframe. And if you're on a five-year timeframe with a private equity provider, that means you're starting to get ready in three years. And we just wanted to build a deeper, bigger model.

And what attracted us with Sammons was not only having a very stable partner and a longterm partner, but it also allowed us to have the right vision for the organization, and build that deep value proposition that I've mentioned several times during this conversation. And to have a 10, and 20, and 30 year timeframe on the things and services we're building. We probably have four or 500 clients that are our client's kids, parents, and siblings.

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As my clients are designing their legacy plan, I want us to be able to provide advice for the next generation, their kids. I want us to be that, building a model where we're supporting and executing on that legacy plan 30, and 40, and 50 years from now. And for us, we found the partner that was able to do that. And probably maybe one of the most exciting things, it was just a clear path to excellence.

We're going to be able to accomplish more in these next three years than I thought we could do in the next 10 years. And that's exciting. I mean I'm 53, soon to be 54 years old, and this next 10 years is a really big deal. I see myself doing this forever, but the next 10 years of building our business, I want us to see this come to life. I want us, as a company, to reach our potential over this next five and 10 years. And that was a driver for us of why the partnership.

Mindy Diamond:

So other than capital, what kind of things does Sammons bring to the table that you couldn't have accomplished on your own?

Rob Nelson:

Being an ESOP, they embrace employee ownership. We've talked for many years about bringing broad-base employee ownership to the company. It was tough to design or find the right timing. So the ability for them to come in with an ESOP model that we could actually implement with all of our employees as we go into next year was very attractive.

We're probably going to do two to six acquisitions over the next 12 months. So having that deep capital base is something that's been attractive to us, where we're going to be able to expand our leadership team at a faster pace. We're right now in the middle of building a private markets platform that's going to allow us to pool client investment assets, and deploy effectively through leadership across real estate, private equity venture, and private credit ownership and professional sports.

And having a like-minded partner that's willing to go side by side with us, and also help provide guidance, how to build that, those are a couple of examples of things that are exciting for us, that represent our future, that we probably couldn't have done as fast on our own.

Mindy Diamond:

Well, there's a couple of things. So one is, if your firm is growing so much so quickly, could it have been more advantageous to have waited to sell further down the line?

Rob Nelson:

It could have been more advantageous for us to wait. But as I was comparing notes with my partners about what we wanted this organization to become, it was the clearest path to excellence. That ultimately won out for us.

Who are we? What do we want to be able to do on behalf of our clients, and what's the organization that we want to build around them? And can I do this on our own? Can we do this? Yes, but is it going to take a lot longer on our own? And to be able to have a path to excellence in a shorter period of time is attractive. And that, ultimately, was the path that we decided to take, instead of waiting or building it out.

But as I just described, the number of things that they brought to the table is really what won us over.

Mindy Diamond:

As you were saying, that's exactly what I was thinking, you're eating your home cooking. Your value proposition to the firms that you have acquired, whether it be San Francisco or anywhere else, was just that. Is, what is it you want to build, and how much time are you willing to wait to do it?

And that was essentially the same thing. You could have continued being fully independent, but decided that you wanted that path to excellence quicker, and partnering with Sammons allowed you to do that.

Did Sammons approach you, Rob, or did you approach them? How did that work?

Rob Nelson:

They approached us. They had done a search, my understanding is a couple of years back, and it made a strategic decision that they wanted to get into the wealth management industry. And as they had done a search and gone through a McKinsey study, they had done a search of our industry, of who were the right partners that they could help to build a platform off of? And we ended up being in their top 10 list of organizations that they wanted to have a conversation.

And so there's a little bit of luck of timing, we were already out in the marketplace looking for the right capital and private equity partner. And for them, they had made the decisions to strategically get into it, but they had approached us, and the timing aligned.

Mindy Diamond:

So the timing was right, the universe brought you together, and you found your way to each other.

I'm curious, so many business owners grapple with the notion of giving up control. That seems to be the number one issue. That yes, of course, a capital provider like a private equity firm, or a strategic acquirer, or a larger RIA firm, can certainly bring some benefits. But I don't necessarily want to cede control, and I don't want to give up the upside of my earning potential. What would you say to someone who is in that situation, and calculating the same thing?

Rob Nelson:

Well, let's talk about control first. This is just my 2 cents on control. And the catch with that is, if you are a growing firm, or if you aspire to be a quickly-growing firm, I can't think of many paths that you aren't going to lose a high level of control. Meaning, let's just say that you decide to do it on your own. And you're growing a firm.

And all of a sudden around the table you've got a COO, a CFO, a chief investment officer you've brought on, you have three or four of your employees that have risen to the role of partners. And now you have five, six, seven, eight people around you. Do you think you have total autonomy to make all the decisions? You tend to not.

So as organizations grow, control is going to be an issue no matter what path you go down. But as those that are trying to get their head around it, I think it comes back to what you and I have talked about through this conversation. Is starting with, what do I want this business to look like five and 10 years from now? What are my aspirations of what we want this to look like?

And then from there, when you know what you want the business to look like, you get your head around what's important. So, is it building value? Is it doing more for our clients? Is it maintaining control and equity? Is it improving the quality of a day in the life for myself, for my team? Is it my succession plan?

And that normally is going to guide you down the right path. And then the control is going to be on your advantages and disadvantages list, of the trade-offs that go along with it. For me and for us, and we talked a lot about control and autonomy with Sammons, and I've always talked about that with my other partners.

And with Sammons, for us, we were able to get really clear on roles and responsibilities, and we have a high level of autonomy as we build this organization. Because I was thinking about my 65-year-old self, and my 75-year-old self, of what a day in the life would look like. And in this case, we had really good partners that were willing to provide us that level of flexibility and autonomy, and the control that we were looking for. And at the same time, have really great partners around the table. And I would have anybody else do that same exercise.

Mindy Diamond:

Yeah. So you talk about, I'm thinking about my 65-year-old self. I know, look, you're young and have a long runway. But given this partnership with Sammons, did the topic of succession and exit plan enter your mind?

Rob Nelson:

I did. Our succession planning for me and for us has never been in a better position than it is right now. I just had, one of my long-term partners just retired at the beginning of this year. And it allowed us to test our succession provisions that we have, even after this with our Sammons transaction. And it couldn't have gone better.

We retained a hundred percent of the clients in a really good, great way with team members surrounding them. And the clients are in a good spot, the team members are in a good spot. It allowed us to elevate and create some additional career paths for the team members that were involved. And the person that's retiring is in a good spot. So, I know that if I ever get hit by a bus or something ever happens to me, it's very similar. We know who steps into my role, we know the people that are gathered around the clients that I work with. We know that my leadership team is in place. We know what the value of the firm is. I know exactly what's going to happen for my family.

And so, almost every version of a succession plan that has an impact for the clients, for the advisors, the employees, the shareholders, it's outlined in a way that we all would want it to look like and feel like from whatever angle. And so succession planning was part of this, and it also just helped to improve our succession plan.

Mindy Diamond:

So now that you've been running a thriving RIA, and I think thriving is an understatement for over a decade, what would be the top lessons you've learned, that our listeners could benefit from?

Rob Nelson:

A couple of the top lessons that I did, and I would do it over again, is, we've always hired ahead. And so many of my hundreds and hundreds of advisors that are friends of mine, and we compare notes all the time. And probably in our industry, a lot of the people that are professionals in our industry tend to be a little more conservative by nature. But for me, I always wanted to be able to have the team that represented what I looked like one, two, and three years from now. And I would continue to be thoughtful about that.

Hiring ahead has been beneficial for us. Driving to a model role has been something that I would continue to encourage. Ultimately, a model day, it helps you to understand who do you want to have yourself surrounded by? So for me, I was always thinking about what I want a day in the life to look like for me, and what I want a day in the life look like for our organization. And then that helped me to design the team that I wanted around me, based on my strengths and weaknesses.

Mindy Diamond:

Build with the end in mind.

Rob Nelson:

Totally. And now I'm at that point in time where I'm surrounded by a team; my partner Todd, and Sean, and Emily, and our CFO Rob Bardot, and others that have complementary strengths.

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They're covering a lot of the gaps that I have, and things that I'm not great at. And it's made us better.

And so I've got the right team based on that, by having a clear end in mind. And I know that leaders that have struggled, that that's been an issue, is actually having people around the table that are smarter than them. And when I look at some of the leaders that are having a challenge even within my business, they're having a tough time being okay with having other people around the table that are smarter than them on varying interests. And I think that's what makes you better.

Mindy Diamond:

I couldn't agree with you more. Rob, I can't thank you enough for your time, for your insights, for your generosity of spirit, sharing best practices with us. Clearly, you've built something special. And I hope that you will come back again five years forward, and share if you've actually doubled the firm in that period of time, and the other exciting things you're doing.

Rob Nelson:

Thanks, Mindy. I appreciate everything you do for our industry. I think what you're doing, these podcasts are invaluable. I wish I would've had access to this type of information when I was younger in my career, or 10 or 20 years ago. But thank you for everything you do, and honored and happy to be here.

Mindy Diamond:

Thank you.

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