Creating Continuity. How a Former UBS Advisor Put Together a Team in Independence

A conversation with Rich Mullen, founding partner and CEO of Pallas Capital Advisors

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is creating continuity. How a former UBS advisor put together a team in independence. It's a conversation with Rich Mullen, founding partner and CEO of Pallas Capital Advisors. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

Mindy Diamond:

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Mindy Diamond:

Some of the best stories we share on this show are from advisors who essentially grew up in the business. Those who started out in the brokerage firm training programs, taking advantage of all that the firm offered and making the most of it and then some. Take, for example, our guest in this episode, Richard Mullen. Rich started out cold calling at Lehman Brothers and then moved on to a training program at Prudential Securities. It was the early nineties and a very different world than now, devoid of the technology we've come to rely upon today. More holistic, as he describes it. Rich took advantage of an opportunity with Morgan Stanley when they came to town and worked to get his MBA to solidify his focus on the high-net-worth client space. And that focus pattern of training and education has paid off for him in big ways. Rich grew his business at Morgan Stanley private wealth, and later moved to UBS.

Mindy Diamond:

It was at UBS that he created what he refers to as a virtual multifamily office. And it's a concept that he says was born out of necessity, and it allowed him to pull together key team members and resources who were not a part of the UBS ecosystem, but who could offer a menu of services not available within UBS, creating a level of continuity he couldn't otherwise achieve within the confines of the firm. But eventually like many entrepreneurial minded advisors, Rich started running into situations where he and his team were still limited in what they could really do for clients and lacking greater freedom and control over the client service experience, messaging and marketing. So it was time to explore his options.

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In this interview with Louis diamond, Rich shares, how he and his virtual team decided it was time to look into independence. He is his first leap to join an RIA for additional scaffolding and support and his later decision to launch his own RIA, Pallas Capital Advisors, a $1.75 billion RIA platform. And in less than two years since leaving UBS, the firm has already recruited in three different teams, including a $500 million UBS group. Rich talks about how he and his team still embrace the virtual aspect of their multi-family office model. More about their recent acquisitions and why the firm is attractive to other advisors seeking greater freedom and control. It's an interesting dive into how an advisor did what he needed to do to best serve his clients. So let's get to it.

Louis Diamond:

Rich, thank you so much for joining us today.

Rich Mullen:

Louis, thank you for inviting me to participate in one of your podcasts. Your firm and your podcasts are highly regarded and we're honored to be included.

Louis Diamond:

Very good. Let's get started then. Tell us about your background and how you got into the business initially.

Rich Mullen:

Sure. Thank you, Louis. I grew up in Connecticut and put myself through school and earned an econ degree from University of Arizona. After school, I moved to D.C., worked on Capitol Hill as a legislative aid for Mo Udall, then moved to Iowa and ran part of U.S. presidential candidate, [Bruce Bavitz 00:04:41] bid for the presidency in 1988, after which I worked at a few trust and estate law firms and ultimately came to Boston for law school interviews and followed one of my friends to Lehman Brothers one day, when I didn't have an interview and ended up working in the investment business. Never went to law school.

Louis Diamond:

I'm sure there's a lot of commonalities between working with clients diplomatically and your career in politics.

Rich Mullen:

I would have to agree. It was a really fascinating experience. I mean, living in Iowa during that particular time, 1988 was the presidential campaign. Incidentally, our current president was running for president back then. So that seems to have come full circle. But yeah, lot of politics, a lot of time on the road, writing speeches and interacting with people I think translates well to our business.

Louis Diamond:

Perfect. So prior to UBS, you were a private wealth advisor at Morgans Stanley. Why did you initially move to UBS and walk us through your career trajectory? You mentioned Lehman Brothers as kind of your entry point into the business.

Rich Mullen:

Yes, exactly. First, I worked at Lehman Brothers for about two weeks cold calling for an individual, but ultimately was out on the street looking at several of the training programs and wound up at Prudential Securities. Was at Prudential Securities for about six years. But if you remember back then, Louis, that was 1993, there was no internet, very little technology utilized in the investment business back then. And it was one of basically a very stock jockey type environment, if you will. It was not what we have today for holistic wealth management. None of that set right with me and my prior background, working in the trust and estate law firms and so on had kind of led me to come to the conclusion that the more holistic approach was the way to go.

Rich Mullen:

At that particular time there was some talk of Morgan Stanley and Co moving into town. They had just recently merged with Dean Witter and I made a move to Morgan Stanley private wealth management. It seemed as though they had the sophistication and the culture I was looking for. I did say that was shortly after the Dean Witter merger, which ultimately became the reason I left there and more on that later. When I was brought into the PWM Morgan Stanley and Co training program, part of that agreement was that I went through a 12 month MBA training program down in New York City. It was the best thing I ever did and solidified my focus and ability to service the high-net-worth client.

Louis Diamond:

Very good. And what led you to the ultra-high-net-worth segment in particular? You mentioned some background in trust and estates, but what about working with more affluent clients appeal to you?

Rich Mullen:

Well, I just think that quite frankly, my background and my sophistication, it really seemed to me that that was where there were more complexities that interested me in the business. It was an opportunity to bring some experience, be it from the trust and estate background that I had, which was certainly minimal. I was really working in an administrative capacity or support capacity for attorneys there, but just that touch point really kind of drove my desire to push into the high-net-worth world. And then once I was at Morgan Stanley surrounded by just a really high caliber intellect and horsepower on the planning side, and it was just a more holistic approach towards wealth management. So that really kind of anchored me in that realm of the market.

Louis Diamond:

Perfect. So you mentioned Dean Witter merger happens. I mean, I would assume that was part of the reason you had moved on to UBS. Can you walk us through that pivot?

Rich Mullen:

Yeah. So, when I got there in '99, the merger with Dean Witter took place '97, the integration hadn't happened or wouldn't happen actually for several years thereafter. And at the time, was a phenomenal place to work. It was very collegial, deep resources as I talked about, it was a global boutique investment bank. Some of the most intelligent, high caliber people I've ever worked with were there. As the integration took hold, it was a little messy, it was clunky. They kind of stopped investing in technology on the PWM side recognizing that there was going to be ultimately a merger of Morgan Stanley and Co into the Dean Witter side rather than vice versa that many people had hoped for. And people started to leave and the place changed dramatically.

Rich Mullen:

Being in business for almost 30 years, I've seen the end of the world three or four times, I think. And while at Morgan, it just seemed as though the place had changed so dramatically, but also there were two cathartic events. I was there just before the tech wreck and left shortly after the banking crisis. I think those two moments in time also, certainly the latter contributed to the dramatic change in Morgan Stanley. It ultimately at that point left us thinking about options. Let me just back up a second. While I was at Pru, one of the other things that really helped solidify my notion to work in the ultra and high-net-worth space was one of my current partners, Charles Evangelakos. Charles Evangelakos was a trust and estate strategist at Prudential Securities at the time. He and I started to work together back then and do so obviously to this day.

Rich Mullen:

So Charlie became a virtual member of my team, certainly less virtual at Pru, but when I went to Morgan, I dragged him over to Morgan in a virtual capacity. He had left Pru and went to work for Sagemark Financial, and it was Charlie and I that formed the genesis of kind of how we're constituted today at Pallas.

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Understood. So, let's go to your business at UBS. Let's go to the point right before you decided to transition into the independent space, what did the business look like, the team structure assets, et cetera?

Rich Mullen:

So, at UBS we had started, we coined the phrase virtual family office at UBS, and that's how we were structured ourselves. We were virtual in nature, partly out of necessity. Many of the services we wanted to provide didn't really exist at UBS, or we were not allowed to provide them. And partly out of an intentional design. Charlie was still at Sagemark Financial at that time. And he continued to serve as a virtual member of my team. The big change that happened though, prior to going to UBS was my third partner here at Pallas, Greg Boyle was at Credit Suisse and I talked to him into joining me in private wealth management at UBS. We both left together and continued to work virtually with Charlie.

Rich Mullen:

While we were at UBS, we were a five person team. We managed around 80 relationships, rounding down a little bit, in the high-net-worth, ultra-high-net-worth space. Demographically, we had many household names in the entertainment industry out in Hollywood, mainly producers, financial executives, entrepreneurs, a few professional athletes and C-suite professionals. We continued to operate and service those folks from what we coined our virtual multi-family office at UBS. So we managed at that particular time around half a billion dollars and we stayed there about eight and a half years up until 2019.

Louis Diamond:

Perfect. And you used the term virtual family office a couple of times. How would you define that in the context of what you're able to do back at UBS?

Rich Mullen:

Right. So, as I said, the name virtual was coined or born partly out of necessity. So when we talk about virtual, you have to remember Charlie was still at Sagemark Financial. So fortunately Sagemark had an agreement with UBS to provide a state strategy and insurance advice. So the ability to continue to work with him was very easy. The rest of the virtualness was incorporating other families or clients' attorneys, and CPAs outside of the firm. So what we did was we constructed a multifamily office that really provided a quarterback element or a coordinating element for all of those different spheres of influences in people's lives, where they were getting their advice, be it from their CPA, their lawyers, or what have you. So Charlie, Greg and I operated in that multifamily office capacity, but we called it virtual in nature because not everybody was an employee at UBS.

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Louis Diamond:

Understood. That makes sense. So you and your team were very successful within UBS, worked with a select number of higher-net-worth clients. So I would guess that you had many options aside from staying. What motivated you and your partners to consider looking around in the first place?

Rich Mullen:

I guess the concept that the culture changed a lot, you hear a lot on the street right now. Out of the banking crisis, all these firms kind of morphed into risk mitigators from business enablers, rather. They managed to the lowest common denominator. They would say things, "If we let you do that, which makes perfect sense, we'd have to let everybody do it." And conflicts became too much for us. Firms have clients, the investors, they have advice and they have shareholders. It's nearly impossible to have all three of these parties lined up perfectly on the same side of the coin. So, the focus really was on the firm's risk, profit, et cetera. So it really became a little bit of an untenable situation. We recognized many of the conflicts that were there and I think everyone would agree that there's no one and firm that can be the best at everything. And so you're not really in a position to deploy the best resources for your clients.

Rich Mullen:

What you're really doing is deploying an offering, albeit a well thought out one in many instances, but an offering of managers, advisors, and resources that the firm has put together for you. And they may not in all instances be the best resources on the street. So, recognizing that these capabilities were not always either in the client's best interest or the best available to us, it became apparent to us that we really wanted to look out to other options and independence was always in the back of our mind. So being a customer of the street or kind of looking out at that independence and objectivity that the independent world offered really seemed to kind of come to the forefront for us.

Louis Diamond:

Got it. And did your clients at any point while you're at UBS, bring up any of this dissatisfaction or any sort of issues with what you're able to do for them at the firm? Or were more of your issues things that you shielded your clients from, and there were more challenges that the business faced versus what the client was feeling?

Rich Mullen:

I think it was a little bit of both. I mean, we did run into situations where it became apparent to the client. Certainly where I think the most obvious elements of that are in lending. You really were beholden to in this case, UBS, UBS being the bank. So, you could negotiate for the best rate, but the rate was the rate at the end of the day. Versus where we are now, where we can really go out on the street and shop for the best rates in any sort of a lending or credit situation for our clients. So it was those frustrations that I think were felt by the client, but then some of the unknown things, to your point, where we may have had to shield elements of it to our client, for instance, recognizing that there were beating the alternative space, better options and private equity or on the liquid market space, better managers that weren't part of the pay to play scheme that exists at these firms that we weren't able to offer. So without necessarily highlighting those, those things really became a frictional element of our relationship with the firm.

Louis Diamond:

When you decided to conduct due diligence, what was on your list? How did you arrive at independence and your version of independence? Because I believe initially you had decided to join an RIA as an independent contractor. So I'm curious what the process was like and how you landed where you did.

Rich Mullen:

Right. So we knew we wanted to go independent at this point, but out of curiosity, we did look at the first republics and some of the other emerging firms that are coming into this area, be it from California or whatever, we discounted those out of hand rather readily. Then we started to act a little more seriously on the independent vision and embarked on a two year due diligence effort, where we looked at high towers, the dynasties, the focus, the stewards, and some of the platforms that were out there to join and be part of a bigger entity or something that might facilitate some of the headaches associated or take away the headaches associated with being fully independent. We also looked at some of the independent broker dealers like Ray Js and others, but at the end of the day, Louis, we couldn't really find a firm that checked all the boxes, so we decided to build one.

Rich Mullen:

While you're at UBS, there's some obvious nuances and difficulties and legalities that you have to pay attention to. The way the law writes is you're able to set yourself up to compete, but you can't actually compete. And so seeking legal counsel and talking with our advisors, things like signing leases in the name of an LLC that you formulate to how's your RIA, or leasing equipment, renting equipment, these types of things became slightly problematic. Fidelity, who we had been in conversations with and at that point selected as our custodian, introduced us to firms that were out there that helped you facilitate these transitions. And there was a firm by the name of Goss Advisors out of new Orleans. We flew down, met with Alex Goss and his team, great firm, a fantastic group of people. They really did a lot to help us.

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During conversations that we had with them, they acknowledged that we were probably big enough to do this on our own. And we did have some similarities, but many differences between our businesses. We were ultra-high-net-worth. I would describe them as kind of massive fluent and such, but nonetheless, we did embark in our relationship for our first year with Goss and we had planned to stay longer, but we rapidly outgrew them. So it became apparent that we needed to move on and that was part of our contract with them. So after a year we filed our own ADV.

Louis Diamond:

Got it. And what was the process of... So at this point, you're independent already. You own the business. You have the custodian. Just out of curiosity, what was the process for that going up and setting up your own RIA?

Rich Mullen:

Well, at that point, the thing that Goss does really for you is simply kind of the compliance and back office. So we had slowly onboarded both of those capabilities here, the compliance being the last one. So when we were ready to go out and file our own ADV, it was simply a higher fire form, a one page document that our clients had to sign, which was replacing Pallas Capital with Goss Advisors as the ultimate advisor on the wealth management form.

Louis Diamond:

Got it. Which is useful to know, because a lot of advisors think about wanting that turnkey support when they go to launch the business, but it happens where the business either becomes too large or your vision for how you want to serve clients becomes a little bit incongruent with the platform. So it's helpful to know that there are options. That's one of the benefits of launching as an independent versus going and being captive under a different firm.

Rich Mullen:

Yeah. Louis, there's some subtleties and things, of course, that you learn along the way. One of which is that when you choose your reporting software, your reporting platform, as you kind of build your tech stack and stuff, there's data that's involved in that. And this is mainly performance data for the clients. The underlying advisor, ADV, being Goss at this time technically owned the data that we had that we needed when we left. So there's little nuances to that that need to be kind of worked out, but certainly not impossible. And if you kind of strike the right relationship on the front end, those things can be worked through.

Louis Diamond:

Understood. Prior to launching as Pallas Capital. What was your vision for the business and what was the vision that you felt couldn't be achieved while at UBS?

Rich Mullen:

Sure. We talked a lot about the virtual family office. We wanted to make it less virtual. One of the things that we pride ourselves in is being one of the best in the country on the planning. And we could talk a little bit more about that later, but our vision was to bring all these capabilities in house, both the asset management and the planning and make the virtual multifamily office just a little less virtual. So we wanted to create that platform. And quite frankly, it kind of hearkens back a little bit to my memories of my early days at Morgan Stanley. It was really a special place. There was as great resources and it was very collegial. I think at the time I was there, there was probably 250, 300 advisors globally, and you really could prosecute any level of business you wanted with those resources.

Rich Mullen:

So, we set out in our vision to recreate those capabilities, both on the, again, on the planning and the investment side. The other thing is, is that we wanted to be the quarterbacks for our clients in bringing that independent, fiduciary advice, based advice and counsel to our clients and help them organize and simplify their financial lives. Take the details and wrap our arms around those components and complexities of their lives and give them back one of the most important returns they can achieve and that's the return of time. So that was the vision. And we wanted to also build that platform to scale for other advisors to join us and leverage those resources. So, it hasn't changed at all for us since we started, we just seem to be getting better at it.

Louis Diamond:

Perfect. And when Pallas is pitching for new business, let's say to a ultra-high-net-worth individual, what does the pitch sound like now and how might that pitch sound different than back in 2017 or 2018 while you're still an employee of UBS?

Rich Mullen:

Keep in mind as I answer this, this notion of virtual and less virtual. So Louis, it seems like to us though, it's a very simple concept and it should be, but it's not often readily deployed this way. We see financial advice dispensed and silos. So clients may have a CPA. They may have a trust and estate attorney. They may have an insurance guy. They may have an investment guy or what have you. And if a client goes, as an example to go buy a second home or something like that, they may talk to their CPA and they may talk to their attorney, but there's a chance that the financial advisor isn't playing any sort of a role in that. We kind of see the world a little differently. We think in the high-net-worth space in particular that there needs to be full coordination and communication across these silos, if you will.

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Rich Mullen:

So Pallas sits on top of that and acts as a quarterback for those and insists that all of those elements of your life, those relationships have a relationship, not only with each other, but with us on top. And so when we pitch for new business, we bring a lot of coordination and a lot of discipline to the communication across those centers of influence. And I can give you an example. We recently brought on a little over a hundred million dollar family recently, and they had 36 trusts across three generations. They had two trust and estate planning attorneys, I had an accountant, a bill payer, many different centers of influence in their lives. And heretofore had not really had that coordinated. So we set about the business of kind of mapping out their life as it pertained to all the trusts. And we go through an exercise really called follow the bouncing dollar.

Rich Mullen:

So when one wife or a spouse, whatever passes away, this is how your trust and estate is set up and how it will behave. And really kind of illustrating to them and getting them to understand how that is. Then, sitting down of course, with their trust and estate attorney, their CPA and coordinating improvements and ways that we can perhaps maybe retitle assets to save taxes or increase efficiency in their lives. And that's just an example of a recent exercise where we've deployed this kind of quarterback notion or style of business. And that's really at the heart of our pitch to our prospects.

Louis Diamond:

And would this have been something that you couldn't have offered at UBS?

Rich Mullen:

Right. Second part of your question the virtual nature of our offering right there, again, as I, part of it, as I said, it was born out of necessity. So, if I'm an advisor at UBS, they have a cadre of shared resources on the trust and estate planning, for instance. And the way I see these things going time and time again is you fly the client down to New York if it's a big enough situation, you sit with several of the members of the UBS team. One, of course, would be the trust and estate plan planning element or resource. And you go through a financial plan and at the end of the plan, there's some takeaways and some homework and an agreement to reconvene to follow up. You reconvene in about a month. And that individual that was part of the trust and estate planning team is no longer with the firm he's at First Republic or wherever.

Rich Mullen:

There's no continuity in this type of coverage, which brings me back to the point I made about our virtual family office was born out of necessity. We eliminated that early on. That really wasn't something we were willing to tolerate. So we put together in a virtual and fashion those resources. So Charlie was a big part of that. When we went to launch Pallas Capital, interestingly enough, for 20 some odd years that Charlie and I had worked together at the time, I didn't realize there was an individual over there by the name of James Landry, who was working with him behind the scenes. James ran the national trust and estate planning division over at Lincoln Financial, that's [H Mark Financial 00:26:06]. So there were 4000 advisors that were using him as that shared resource?

Rich Mullen:

Well, we were fortunate enough to convince him to join the firm to fulfill our vision. So now we sit here with a very robust platform, both on certainly the planning and the investment side. And when we talk to other advisors about joining us or talk to clients, there's always continuity in those resources. And you get to know kind of those people personally, and they become part of the solution at the front end and throughout the course of the client's relationship with the firm.

Louis Diamond:

Understood. And on the topic of the transition to independence, I'm curious because you did work with larger and more complex relationships, were there aspects of your relationship, whether it was the alternative investments or the trust business or lending that you found to either be non portable or was much harder to move? And just I guess if there's any words of wisdom around how advisors should think about those parts of their business, if now or in the future they're considering making a change.

Rich Mullen:

Yeah. So, one of the other things that never really set easy with me or my partners was this notion that we were at a firm and we were somewhat captivated in that historically, although they've tried very hard to shed this moniker of being distributors of products, we were never product-oriented and we never felt comfortable recommending proprietary products. So UBS-labeled products, it just ran afoul of our, kind of objectivity that we've always espoused. So that was a big help when we went leave that our clients weren't constrained by virtue of being loaded up with UBS type products or things that perhaps were not transferable. On the credit lines that are so popular today at these wirehouses, mostly known as SBLs or securities back loans, again, you were beholden to the rate offering of the firm, but what we found is in the independent world, you can be much more competitive.

Rich Mullen:

As an example, we use U.S. Bank, Goldman Sachs, many other different firms out there that we can shop rates for our clients and pit one firm against another. So that was very helpful for us. So at the end of the day, I would say as a bit of advice, look at the composition of the investments that you're holding and ones that you're recommending for your clients. And if it has a pattern of being predominantly UBS-labeled, Morgan Stanley-labeled, or proprietary in nature, those tend to be a little bit more difficult to move and in many instances need to be liquidated if they are going to be moved.

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Louis Diamond:

Yeah, that's helpful. Thank you. So I know marketing is a big part of your value proposition. What are you able to do now as the owner of Pallas Capital Advisors as you're marketing your firm?

Rich Mullen:

That is probably interestingly enough, one of the most stark contrasts that you can really point out. So, we ran our own models at UBS, equity models for our clients, and we would provide a monthly commentary. And that monthly commentary, obviously you need to disseminate or get out to your clients in a timely fashion. It would take us a month to get it approved. So the commentary was not very timely and was typically a month behind. In the world that we live in right now, compliance is very important, but we're not managing to the lowest competent denominator. We're managing our compliance with purpose and with sound business objectivity. And most importantly, in what the best interests of the client are. As the world moves as fast as it does, getting information out to them in a timely fashion we feel is very important. So here videos, webcasts podcasts, like this are a very important part of our daily marketing efforts and dissemination of information.

Rich Mullen:

In many instances, and in most cases those videos, webcasts and podcasts can be turned around in 24 hours. That was just not possible. And I'm not even sure whether we could do a podcast at a UBS or a Morgan Stanley without some sort of Herculean effort. And if it was at all allowed, it would be very scripted and the deliverable would be something that UBS would put in your hand to read. So night and day there. Also just branding and co-marketing, and having the flexibility to reach out to organizations like yours with a quick compliance turnaround, and just being part of the ecosystem and feeling that you weren't kind of a kept entity, if you will, only to be broadcast through the voice of the underlying firm. So that's very important. And then one of the things that we've taken on as a big project, many of the U.S. opens, it's going to be at Brookline Country Club next June.

Rich Mullen:

And we made a decision that that was something we wanted to be part of. So we've taken a big advertising type position, 10 on the 18th green and made a big deal about that as something that our clients can come and enjoy. We would never get something like that approved at UBS. And it's really kind of unfortunate that those things never really entered our mind or consideration set. So the marketing is huge. Christie Fitzgerald here at our firm was with us at UBS. She's here at Pallas and does all of our outward facing podcasts, webinars, and marketing and so on for the firm. And it's just so refreshing to be able to brand yourself and get out there and really have the freedom and flexibility to tell a story.

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Louis Diamond:

It sounds like it. And it seems like you've really taken advantage of that freedom and flexibility. I think it's a perfect natural segue into inorganic growth. I've seen on industry publications that Pallas has been pretty successful on the recruitment side for such a young firm, having brought on a $500 million UBS team, an approximately $300 million team from Merrill, and an advisor from Ameriprise. Most advisors that we speak with, they dream of going independent one day and being able to recruit and acquire, but in practice very few are able to execute on the vision, especially so quickly. What's been your strategy and any advice you can offer to someone who's looking to do the same?

Rich Mullen:

We've always prided ourselves on our reputation and putting our clients first. And I think our reputation is very good in this area. I think that was a big help. I think we always have done things the right way and played by the rules and were well respected. So when word got out that we had launched our firm, we did receive several incoming phone calls though, people that were thinking the same way. And as you know, when you're at UBS or Morgan Stanley, those conversations about going independent and doing all the due diligence that we talked about are very secretive. So you can't really circulate that amongst your peers, but once we launched, word it had gotten out. And I think the other part of that was Charlie Evangelakos, one of our partners was also working at other firms in addition to UBS because of the contractual agreement that Sagemark had. Would say, Morgan Stanley and Amerprise and some of the others.

Rich Mullen:

And he was very highly regarded and very well thought of as an estate strategist. So that also cast our net a little bit further. And most of what we've enjoyed right now for growth has been a recognition of the caliber of the platform that we have. And that what we're doing here is well thought out. We have a strategy for transitions. Most of the industry will tell you that when you make a transition from a UBS to whatever, another firm or in this case, independence, that you'll get 60% to 70% of your clients over in the first six to 12 months. We transferred over 95% of our clients in two months as did every single one of the teams that we deployed or recruited rather. And that's because we have a well-thought out strategy, a way to execute that transition. And it makes all the difference in the world and gives the advisors the reassurance that we know what we're doing. We know how to do it properly, do it legally and play by the rules and get the job done.

Rich Mullen:

So, that was a big, big help, but also I think the inception or the interest generated initially on the front end from these teams was really an acknowledgement of what we had built here and the awareness of the caliber of the offering. I should also mention, we continually to invest in the business here and it's well publicized. We've hired the former CIO out of BNY Mellon. We've really put a tremendous amount of effort and money into building a platform that's availed to other advisors to leverage, and they see the value in that. So they can come over here and leverage that platform, leverage those resources. And again, know that there's continuity and consistency and go out and grow their businesses. And as an example of that, the advisor that joined us from Ameriprise came over with about 75 million, a little less than a year and a half ago, and is currently hovering on 200 million. And that's from leveraging the platform and using the James', Charlies and the Mark Bogars of our wealth management platform here.

Louis Diamond:

That's amazing. So how would you describe the value proposition then on the recruitment side? Are advisors joining Pallas as employees, are they independent? And why would someone and join Pallas over just launching either their own RIA or just joining any platform and kind of building it on their own?

Rich Mullen:

Great question. So there are a lot of options. You know that, and as people I would encourage them to do their due diligence, they will discover themselves. I talk about, when I talk to potential advisors, I tell them to take out a piece of paper, Louis, and on the left side of the paper write the name of the firm you're at. UBS, Morgan Stanley, whatever. And on the far right of the side of the paper write RIA, full independence. And in the middle, you can put the high towers, the stewards, the focus, and so on. And the things in my mind that are problematic, that you are finding trouble with, the frictional elements of prosecuting business at these large wirehouse firms. The further you move to the right, the more and more those go away. Some of these other intermediaries, these large aggregators, independent BDs, and so on, tend to look and feel a lot like what we left at UBS or wherever you are.

Rich Mullen:

And I would caution you that you could find and feel some modicum of independence there, but only to kind of wake up, I think, down the road and feel some of the frictional elements of the things that you ran away with. So one of the other things that we pride ourselves in, since I've been in this business, I've never taken a reassigned account. Your business is your own business. You have children, families to feed and so on, and we value that more than ever here. When you're at a wirehouse or some of these other firms, at the end of the day, the advisor in the office next to you is really competing against you. You all perhaps own stock in the company and at least professed some allegiance to a defined or unified goal, but you're really competing against each other.

Rich Mullen:

Here at Pallas, there's such an amazing collegial and great culture, collegial atmosphere. And we here are here to help you grow your business that you ultimately own. So if you want to stop at a Hightower or a Steward, there may be a lot of reasons. Because full independence has a lot of headaches and responsibilities that go along with it. We've iron those out and we provide a platform, turnkey platform for advisors to lift out of a wirehouse or lift out of perhaps a current independent broker dealer and relationship right now, and really enjoy the value of being fully independent of ownership.

Rich Mullen:

And the other thing that we talk about too Louis is when you're at a Morgan Stanley or a UBS, all you really own is a cash flow. Going independent changes that cash flow to equity. And that's important. That's a very, very important aspect. And I think quite frankly, at the end of the day, the ultimate reason to go independent in addition to servicing your clients the right way, there's a preponderance of older advisors in the marketplace. We think it's a lot easier to structure a transition plan, which we've thought a lot about. We've looked at the alpha programs and so on that are out there, Alpha at UBS and some of the transition programs over at Merrill. And you have to think about what the best way to transition out of the business is. And we thought some of those solutions through here at Pallas as well.

Louis Diamond:

Got it. So Rich, in launching Pallas, you deferred a major short term liquidity event, like many independent advisors do. How did you reconcile this and what are your thoughts on how you would look at monetizing your life's work in the future?

Rich Mullen:

Yep. So, I talked a minute ago about the fact that we brought over 95% of our clientele in two months and then everybody else did too. So if the current growth trajectory of Pallas continues, we think we'll really make up for any short term liquidity events that we left on the table. And at the end of the day, those short term liquidity events were more about us than they were about our clients. And we've always been driven by the mantra of doing the right thing by the client. And there's no argument against the independence and the fiduciary part of the RIA that's in the best interest of clients. So we're fine with all the short term liquidity events and we feel our success will certainly make up for that.

Rich Mullen:

In the future, we never want to grow irresponsibly or faster. We've experienced faster than we can tolerate. So we've experienced prolific growth. One of the things, since we've come over here, we've raised over $200 million in less than two years organically. In addition to all the advisors have affiliated with us. And what's really, really paramount to us is to ensure that we don't ever lose the value that we bring and grow irresponsibly and outgrow the resources that we provide for our clients and our advisors. So, the only consideration we've had, and it's been passing because the need isn't there yet just is that there may be an opportunity to look at some outside capital to enhance the value model or make sure that the value model that we offer stays on pace with the growth that we've enjoyed. So, that's kind of the way we look at that we've been approached by former Bain folks or what have you about strategic investments and one off type thing, but there's nothing on the horizon.

Louis Diamond:

Understood. Thanks for sharing. Let me change to somewhat of a common question we get from advisors. They talk about how their business is very plain vanilla. Maybe it's just basic ETFs, financial planning, and the typical client has one to 5 million. So the question is, what can I really do differently for those clients now as an independent? So I'm going to take that question a step further, given the types of clients that Pallas works with, do you still believe that the RIA model would've made as much sense for your practice had you worked with smaller clients than you do now?

Rich Mullen:

Absolutely. And there's no question in my mind about that. I mean, let's not forget, as I mentioned earlier, at the heart of this model is putting yourself on the same side of the table as your clients. So that always makes sense to do, right? And I think you can just do it in such a big way without all the conflicts we talked about earlier. But the other thing is the model cuts a lot of wasted costs out of your current structure. And those costs can be reinvested in your business for your clients. So whether you're looking to grow your massive fluent book or just do a better job for yourself and your clients, I think the RIA model provides that flexibility and opportunity to do that. Let's not forget also in the independent space, you're moving from a firm that's mitigating risk for themselves at the enterprise level and you can go into a compliance mode that's very purposeful and direct it at your clients. And that's also an enhancement to your ability to service the clients no matter what net worth they have.

Louis Diamond:

Well said. Thank you. So last question I have for you. If we have this conversation three years from now, let's say it's 2025 or so, what does Pallas look like and what is it that you've accomplished during that time?

Rich Mullen:

That's great question as well. We think a lot about this. We do, obviously. Certainly proformas, but planning and three and five year models. And I think three years from now at the particular pace that we're on, I think we will be a five plus billion dollar firm would be my guess. We currently have offices in New Jersey, Portsmouth. We're building out an office in Wakefield. We have one in Newport. I think we'll probably have several more offices. And in particular my guess would be in some of the tax friendly states, be it Florida, Texas, and so on. So I think $5 billion and probably 10 offices. I think our resources will have grown. I think there'll be some additional trust in estate planning and some additional asset management capabilities here at the firm so that we can preserve and deliver on that value that we promised.

Louis Diamond:

And I lied. Actually, I have one more question. As the CEO now of a company rather than the head of a team, what keeps you up at night?

Rich Mullen:

I think it goes back to the comment I made about delivering. We want to make sure... We've turned down four teams already here, and that was because they weren't a great fit and we never want to lose sight of what we're trying to do here from a culture, but also from a value system. And it's very easy to grow for the sake of growing, especially when you have something as desirous as what we have here. But our approach on this has really been to work with the, say top 10%. We're really looking for the top echelon of advisors out in the marketplace. And the things that keep me up at night aren't so much that, because I know we'll never compromise on that, but the regulatory environment and the changing sands of the industry. We've seen so many changes over the years, both on the regulation environment, certainly in the economy, we've seen pandemics.

Rich Mullen:

We launched Keep in Mind right before the COVID pandemic. I mean, it could have gone sideways very quickly if that was the existential threat that they had predicted. Louis, it's kind of interesting when you think about what we did in the period of time that we did it with the backdrop that was existing there. But one of the things that does kind of worry me is this preponderance and kind of mindset that Wall Street's the pariah and wealthy people are to be taxed and dealt with and are part of the ultimate problem going forward. And I think regulatory wise, there are things that could really change directionally, how we do business.

Rich Mullen:

There's often discussions about flat fee pricing and different things like that, but you never know, day to day, I guess, well, more year to year, administration to administration, what the underlying regulatory environment will be. It's complex and it's a full-time job keeping up with it, and I think a lot of the regulations are in place for a reason and have their desired effect, but we all know the pendulum can swing far and wide and I think over reach and some of the elements that could come onto the scene could provide enough of an impediment to perhaps change the model rather dynamically. And to what I'm not sure, but those are the types of things I keep an eye out on.

Louis Diamond:

Creating Continuity. How a Former UBS Advisor Put Together a Team in Independence

A conversation with Rich Mullen, founding partner and CEO of Pallas Capital Advisors

Very good. Well Rich, thank you so much for taking time and sharing your story and flooding us inside your vision. Really appreciate you doing this.

Rich Mullen:

Oh, great. Thanks, Louis.

Mindy Diamond:

Rich's mantra of doing what's right for the clients has motivated him to continually drive toward new and creative ways to serve his ultra-high-net-worth clients, with a level of continuity that he just couldn't otherwise achieve on his own or as an employee. I thank you for listening and I encourage you to visit our website diamond-consultants.com and click on the tools and resources link for valuable content. You'll also find a link to subscribe for regular updates to the series. And if you're not a recipient of our weekly email, perspectives for advisors, click on the articles linked to browse recent topics. These written pieces are an ideal way to stay informed about what's going on in the wealth management space without expending the energy that full on exploration requires.

Mindy Diamond:

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