EPISODE TRANSCRIPT

Orion's Founder Eric Clarke on How Advisors Can Innovate, Disrupt and Win

A conversation with the Industry Visionary from Orion Advisor Solutions.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is Orion's Founder Eric Clarke on How Advisors Can Innovate, Disrupt and Win. It's a conversation with the industry visionary from Orion Advisor Solutions. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

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Running a wealth management firm in the '90s was a very different animal than it is today, and it was the ingenuity of people who sensed there was a better way, which served as the driver of an incredible evolution in the industry. For Eric Clarke, finding that better way started with the realization that there was a lack of quality portfolio solutions available for RIAs like that of his father, the late Patrick Clarke. So Eric developed reporting software for the firm CLS Investments. It was in 1999 that that exercise would become the basis for the launch of Orion Advisor Services. It was a seminal moment for the industry leveling the technology playing field, and paving the way for the proliferation of independent firms, which now had access to tools that would allow them to compete with the industry's behemoths. Today, Orion Advisor Tech is an industry standard that Eric grew from its role as a portfolio accounting and reporting system to a wealth tech powerhouse with a variety of tools including financial planning, CRM, risk management, compliance and analytics.

Eric has been super busy building out the vision he had for Orion, overseeing several high profile acquisitions including planning from Advizr, risk technology vendor HiddenLevers, and the popular CRM, Redtail. It's all part of what's become a fully developed ecosystem, which includes investment firm, Brinker Capital, TAMP Orion Portfolio Solutions, plus the CRM compliance and risk offerings, as well as behavioral finance embedded throughout its offerings. According to their website and as of this recording, Orion currently has $3.8T in assets on its platform across 2,300 independent firms. Their wealth management firm manages over $67B in assets. The acquisition of Redtail added another 110,000 advisor clients. Yet all that aside, one of the most staggering headlines this year was the announcement that Eric is stepping down from his role as CEO of the firm. And just after the recording of this interview, it was announced that Natalie Wolfsen, the outgoing CEO of TAMP AssetMark will be the new leader of Orion starting in mid-October.

We're thrilled that with all Eric has going on right now, he was able to take the time to sit down with Louis Diamond and talk about his incredible journey from the founding of Orion to its astonishing

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growth over the last 24 years. Eric shares how Orion solves the challenges that advisors face and the many more that it has yet to embark upon. He talks about the future of wealth management and how AI is reshaping what advisors do as well as the opportunities to innovate it creates for them. And Eric discusses his decision to step down from the firm he gave rise to plus much more. It's an incredible conversation so let's get to it.

Louis Diamond:

Eric, thank you so much for joining us today and sharing the story of Orion.

Eric Clarke:

Thank you, Louis. It's an honor to be on your podcast, big fan of your podcast and your business, so look forward to spending some time together.

Louis Diamond:

Terrific. Well, why don't we start from the beginning. Can you walk us through your background that led you to fund Orion all the way back in 1999?

Eric Clarke:

Absolutely. So I was working at our family asset management investment advisory business and was asked to head up our operations and IT group, and we were growing our business rapidly. We had right out a billion dollars of assets in the mid to late '90s that we were managing, and we had some operational bottlenecks that we had encountered. And as a result, we redid workflows, we re-engineered processes, we made sure we had the right people, but even still we had technology problems. We were doing things in a very customized way to meet our client's needs from a billing perspective. Back then it was rare that you would charge an asset management fee as opposed to a commission, but that's what we were doing. We were providing performance reports out to clients, which was difficult, and we were trading client accounts that had similar objectives using model portfolios.

And so we had to build systems to support our business. And so we were struggling to keep up and we looked at a lot of different technologies off the shelf. We even tried a couple of those technologies, but ultimately Orion was really born out of frustration, if you will, because we couldn't find what we needed off the shelf. We desperately wanted to grow our business. And after a couple of frustrating attempts at using off-the-shelf technology, I pulled together a business plan, presented that to my father and his two partners, and they agreed to let us set up the company that today is Orion, separate out from the RIA business and be our first client. That was in December of 1999. And as I tell that story today, it sounds fun and exciting, but I can tell you at the time it was very frustrating. It was a challenge for us and we were really fortunate to have the opportunity to start this business with our first paying customer to help us get our start. So that's essentially how we got started in this business of supporting independent fiduciaries.

Louis Diamond:

So did you set out when you started on what became Orion to build a technology company or was it more so just to find a solution that was going to work for the family business?

Eric Clarke:

It honestly was both. We recognized that when we did this, we needed to support other firms as well. Otherwise, we felt that as soon as we created the technology that we needed, it would quickly become obsolete and we wouldn't have the resources that we needed to reinvest back into the technology to keep it relevant and to stay current with the different compliance regs and client needs basically. So we set out to do both. We squarely set out to solve the need that we had for our own family, RIA business, but we also kept the needs of other advisors in mind as we built the technology because we wanted to grow the business in and of itself.

Louis Diamond:

And if you look back at that initial business plan or just thinking about the way you were looking at the market and ultimately the business you created back in 1999, how different was that vision then to what Orion is today or to what it became over the years?

Eric Clarke:

It's surprisingly similar if you look at it from the portfolio accounting perspective, so the data reconciliation, the performance reporting, the trading, the billing, all of those core components still exist inside of the system today, but they have all been greatly enhanced. They have been modified over the years, and then obviously we have sought to add additional technology capabilities either through our own development resources and capabilities or by acquiring other companies as well. The needs of the RIA marketplace have expanded out greatly from when we started in the mid to late '90s. We started out to solve a problem around scale, like I can't continue to grow my business if I can't figure out how to trade invoice and report out to these clients. And once we solved that, then we were able to get to more exciting opportunities with the technology to drive advisor efficiency and also create a great client experience.

Louis Diamond:

And thinking back to when the business was launched, I mean RIAs back then were way under the radar. I don't even know how much in assets were invested with RIAs back before the turn of the millennium, but I would guess the tech landscape especially was very different. So what was the technology landscape then? Like the billion dollar RIAs, which there probably weren't that many, or in your view, the most cutting edge RIAs, what were they doing for technology?

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Eric Clarke:

Predominantly doing things in a very manual basis? So if you think about some of the biggest tech innovations that we've experienced that really have supported our industry's growth, the growth of the independent advisor, it's very simple things like Schwab Institutional saying, Hey, we will give you data files so that you don't have to key in data out of statements anymore. We will process advisory fees based on an LPOA that your client signs one time instead of every single time you want to withdraw fees from the client account, we will accept trades from you and we'll accept trades from you through a digital file or an upload. Those types of things have really allowed us to add scale and dramatically change the way that advisors were able to serve clients because at its initial onset in the early '90s, we were doing all those things in a very manual way to support the A business.

And now you look back and you say, oh gosh, well that's crazy to think about. And it really was crazy. But your ability to support clients today has not only dramatically increased, but the scale at which you can provide services also dramatically increased. So many firms back then, that were in the investment advisory business, were using homegrown solutions tools like Quattro Pro, even before Excel type of tools to build macros and create some level of automation for the processes that you are executing, but very, very difficult to support any type of scale in that business at that time.

Louis Diamond:

Yeah, it seems like it, and we've had the privilege on this show to interview many industry leaders that have built platforms, service providers, consultancies, to foster the growth of the RIA channel, especially for advisors that are at one point captive under a broker dealer. And you probably agree that certainly 1999, 2000, probably even until the mid 2000s, your wirehouse competitors certainly had a leg up as far as technology development budgets and the like. So I want to thank you on behalf of the industry for what Orion and many of your competitors have done to bring it to a point where technology now is not a commodity, but where a tiny RIA can compete head on with the biggest financial institutions because of the scale that Orion has provided to them for a fraction of the cost of a homegrown technology budget. And we can talk more about that and why don't you describe-

Eric Clarke:

Well, I appreciate that. We've had a lot of incredible partners along the way that have helped us build and grow this business. But beyond that, I think the saying that technology is the great equalizer is really true here because as the open architecture marketplace of tech providers like our business have had to compete and had to become relevant, the opportunity that those brokerage firms had to do the same thing really didn't exist inside of that captive environment. So we were able to through open source technologies and other tools, surpass the things that they were using inside of those captive environments to what I believe is a superior experience for advisors and for their clients on the independent side of this business and the technology that we can provide them to leverage. So it's a really exciting time to be in this space, but you're exactly right. In the early 2000s, that was definitely not the case, and advisors were making that leap to independence because fundamentally they believed in doing what was in that client's best interests and not just what was suitable for them or having to be restricted to captive product sets. So when you combine both of those capabilities of being able to do what's right for the client and provide a superior technology experience, the independent model today is obviously increasing at an increasing rate, which we're thrilled to be a part of.

Louis Diamond:

No doubt. Can you describe Orion's value proposition today? An article that I saw recently said $3.6 trillion of assets on the platform across 2,400 or so firms. I'm sure that number is maybe different, but maybe just describe the fundamental value proposition or how you go about helping advisors on a day in and day out basis.

Eric Clarke:

Yeah. Well, today our objective and mission here at Orion is to connect and integrate that advisor client journey across really for what we feel are four pillars of that advisor client engagement. And when we define those as Prospect, Plan, Invest, and Achieve. So we want to infuse technology to help advisors win more than their fair share of business opportunities with prospects. We want to then help them connect those prospects with just-in-time planning workflows to solve those things that are top of mind for the prospect so that they can sleep well at night.

Then we want to take those plans, those financial plans, connect those to best in class investment strategies from an open architecture marketplace of SMAs, UMAs, and strategists. And then we want to take those investments and those financial planning goals and we want to report back to the client in a way that they can easily understand and comprehend how they're doing it, achieving those goals. And so we refer to that Prospect, Plan, Invest and Achieve as a fiduciary framework that we support through all different types of integrated technology to help connect that advisor client journey.

Louis Diamond:

I love it. Very succinct and clear. I'm by no means a technology expert, but the way I've always viewed Orion was as a consolidated reporting engine. It seems like there's many more elements to that. So maybe can you explain maybe the names of some of your products and maybe let's say a typical RIA client who's interfacing with those four pillars of Orion. What does their technology stack look like and how are you supporting them?

Eric Clarke:

Absolutely. So when we see advisor surveys, ultimately the number one frustration around their technology experience always hinges upon integration. So regardless of the source, when advisors are asked, what frustrates you the most about your tech that you're using within your firm, it's always something to do with integration. And as a result of that, and as we looked at what we were defining as

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our say, aspirational vision that we had recast for ourselves some five years ago, we recognized that we couldn't support everything from just our Orion portfolio accounting system going back to basically our roots of what we do and why we started this business. We had tried through several hackathon attempts to bring better integration to the marketplace, which I think we were somewhat successful at, but we recognized that in order to take that integration to the next level and truly solve this problem for our advisors, that we were going to have to make some acquisitions.

So as we go through that Prospect, Plan, Invest and Achieve that fiduciary framework, we start with prospecting. So we recognized that advisors always enter prospect data into their CRM first, that's where it starts. And so we had the opportunity to acquire Redtail, the market share leader in the CRM technology space some 15 months ago. So we were able to, in essence, solidify that prospect step of the fiduciary framework. So we have the CRM, our advisors enter the prospect data into that Redtail CRM. We do support integrations with Salesforce and Wealthbox and other CRMs that advisors use, but predominantly our advisors are either using Redtail or Salesforce, and most of our advisors were using Redtail. So it was just like a wonderful opportunity for us to do things even better from an integration perspective by acquiring Redtail.

Then as it goes to plan, we acquired a client portal and financial planning business called Advizr, which we felt like was a best in class client experience. And what I mean by that is that if you go back three, four years ago, we started to see ads being placed by Personal Capital and Personal Capital was using their technology to attract prospects. They were using the opportunity to consolidate your balance sheet to solve those just in time planning workflows, things that were top of mind for prospects. They were using that to advertise and grow their business. And so we wanted to have something similar and what Hussein Zaidi and Mustafa Baassiri had created at Advizr was exactly that. So we acquired Advizr not just because of their financial planning workflows, but because of the incredible client experience that they created so that we could connect those prospects with financial plan workflows.

And then when it comes time to connect those two best in class investment strategies, we had the opportunity in 2020 to merge our business with Brinker Capital, which was a discretionary provider of SMAs and building UMA portfolios for high net worth investors. So we now had the different managers and capabilities and strategists available on our model marketplace that we call Orion Communities to help our advisors connect those plans with investments. We had the opportunity to acquire HiddenLevers, which was a stress testing and risk analytic provider, if you will. So we have rebranded that business to Orion Risk Intelligence, but it really allows our advisors to come in and do different what if scenarios with the investment strategies that are available on our platform. And then obviously on the reporting side, we had that buttoned up with our portfolio accounting capability, but we wanted to extend that in two key areas, which we did through acquisition.

One is around alternatives reporting. We acquired a business to close a gap that we had in the alt space called Pantenix and we also acquired a business called BasisCode, which provides compliance reporting capabilities to CCOs, which is probably one of the most underserved segments of the RIA tech landscape, if you will. The CCOs weren't getting a lot of love and attention. The team at BasisCode had done a superb job at focusing on the CCOs needs. And so we stepped in and bought that business to ground out the ecosystem that we needed to connect those fiduciary framework dots across Prospect Plan Invest and Achieve.

Louis Diamond:

It's fascinating. If you saw these different needs and instead of home growing solutions that probably admittedly wouldn't have been as strong as what the free market created, you decided to acquire them. We will talk a little bit later about your partnership with private equity and how that transformed the business, but I'm curious, with all these different acquisitions, it means that you encounter new competitors along the way. So as you think about, I don't know, maybe the full platform or maybe just in various components, who are your chief competitors?

Eric Clarke:

Our competitors, I would refer to them as admired competitors. And I mean that honestly because they have made our business better over the years. I look at firms like Envestnet Tamarac, Stuart Depina and Bill Crager. I have a lot of admiration for not only the business they've built, but the way that they've built that business. They've done a tremendous job and at times they have done a few things better than we have, and so we've quickly had to catch up or look at ways that we could compete with some of the creative things that they're doing. And I think maybe from time to time they have felt the same way about some things that we're doing. And ultimately because of that competition that exists, our businesses really, I think have made each other better over the years. Certainly, they have done some things strategically that we admire on our side of the fence, so to speak, but definitely they're a competitor.

We also offer a TAMP business or a TAMP offering to the marketplace. And in that segment, if you will, we definitely compete with AssetMark and really admire the team that Natalie has there and some of the things that they're doing. So we have some admired competitors, but ultimately we think that we are a bit unique in that we're truly trying to integrate a suite of technology very similar to say what a Microsoft Office or a Google Suite offering looks like for independent RIAs. So our objective is to not buy something, leave it on the shelf, sell it separately. We continue to do that, but the objective here is to truly solve the integration problem that is top of mind for our technology advisors.

Louis Diamond:

Yeah, well said. And that's actually my next question. So many of our listeners are employed or maybe affiliated with broker dealers that have spent hundreds of millions of dollars in many cases, probably billions of dollars in developing their own proprietary technology. I think many times the folks would say that technology works well enough. It is fairly well integrated but there are some limitations. So with that as a backdrop, can you share your views on how the technology available to RIAs today compares to many of the home-built platforms and maybe also how that view has changed over the years?

Eric Clarke:

Absolutely. So if you look at the technology integration landscape in and of itself, we started out with single sign-on. If I'm looking at this information, I want to be able to hop over to another system that was augmented or supplemented by batch files that were being passed from one vendor to another to populate data in systems. Then we've migrated into open APIs, which allowed us to make calls or requests for information real time. But depending on the volume of information that you're requesting, you can experience some delays in that. And now we've evolved into real time data sharing, leveraging tools like AWS's Redshift platform synchronization tools where we can literally within microseconds have the information reflected in these data sharing platforms and then enable integration at scale.

So for us, we leverage the AWS Redshift platform to power or enable our very best integrations that we can because the information is shared from a common location and it is shared real time and it is shared at scale so that firms don't have to then export all of the data out of our database and then repopulate a separate side database that they maintain. They can literally have their own AWS account with their own compute resources, and we can literally share the same data layer that power our reports with whatever it is that the advisor wants to integrate with on their own.

And that's the key point to all of this is that in an independent environment, our advisors can leverage technology to augment what we're providing them with the tools that they need to accentuate their niche and value proposition in the marketplace that they serve, so that they can take what is unique about their advisor client journey and the types of clients that they serve and leverage the very best technology experiences that they want to powered in real time all by leveraging the Orion data. And this is something that we think is a huge differentiator between the independent advisors and their ability to serve clients and what is available inside of a captive environment.

Louis Diamond:

So it's your view that the technology that either Orion puts out into the marketplace or some of your admired competitors have made available to independent advisors. Do you think it's superior to what an advisor on a captive platform has access to today?

Eric Clarke:

I can tell you that technology is a journey, it's not a destination. And I can also tell you that in an open architecture or an open sourced environment, if you will, that our rate of change is going to outpace those inside of captive environments. And I truly believe that our advisors are better suited to accentuate their value propositions and what makes them unique by having the ability to independently choose the technology that best fits their needs. And I fundamentally believe that this is the winning

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combination, if you will, being an independent fiduciary advisor and being able to match up with best in class technology from providers that are solely focused on meeting their client's needs.

So every single day we have to earn our advisor's business. We are not in a situation where that advisor is captive based on regulatory licenses or client agreements to use our system, we have to make sure that we're competing for their business every single day. And because of that, we keep our saw very sharp, so to speak, and we have to, that's the key to our business. We have to show up every day and innovate. We have to show up every day and disrupt the traditional ways of thinking to challenge ourselves, to push beyond the status quo so that we can help our advisors win more than their fair share. Those things are just fundamental coming to work every day at Orion and inside of a captive environment that's really tough to replicate.

Louis Diamond:

So the fact that there's competition in every aspect of an advisor's tech stack, so there's multiple providers trying to provide the best financial planning tool, multiple providers for performance reporting, multiple providers for CRM, so it makes sense that if I can pick and choose what makes sense for my business and my clients, that the flexibility might win out. With all that said, and I agree too on what you're saying about competition, just competition drives the market forward rather than a homegrown tech stack where the competition is just how much money do we have next year to build upon something, that's going to take a little bit of time to create but at the end of the day, the impetus for change is not as strong as it is if you're in a market-based business.

Eric Clarke:

Exactly. Completely agree.

Louis Diamond:

Some of the complaints we hear from RIAs and even for those clients of ours that evaluate the independent space is that the technology platforms are not as integrated as they should be. That one of the edges that some of these homegrown tech platforms have is that everything just flows really well together and that there's a lot of efficiencies. What's your reaction to this hypothesis or statement?

Eric Clarke:

I agree that is the exact issue that we are trying to solve. Our technology is not as integrated as it could be. Our technology is integrated at a level that does drive efficiencies, creates a great client experience, but there's a lot more for us to do. I still believe that our mission is somewhat aspirational in nature and we get up every day, come into work focused on solving this integration problem. At the same time, we are allowing our independent advisors to leverage the ancillary technologies that are in categories that we don't provide solutions for to accentuate their niche and what makes them unique. There's an element past the technology though that also exists around service. And so for us, we have recognized that for some advisors, they simply don't want to learn, for example, how to use our trading technology. They would rather call our trade desk to execute trades.

So we launched a trade desk service. So in some cases, these advisors that are leaving their brokerage firms or their captive environments, part of the solution goes beyond the technology experience and it would include a service layer that we are stepping up and now providing through our OCIO platform. So we're seeing the same types of comments, we're hearing the same types of things from advisors, and at the same time I know that their client experience is far and away better, some of the things going on behind the scenes to get the systems to talk to each other and integrate the technologies to create seamless workflows and seamless processes. Those things are still a bit in the works for us. We've made a lot of strides, but there's again, technology's journey and we're picking up our pace, so to speak, to solve that integration issue our advisors are experiencing.

Louis Diamond:

And I have a question that this is probably a... you'd probably say it's a dumb question from someone who doesn't really understand technology, but in the recruiting business, we speak to RIAs, independent advisors, day in, day out, and most will cite if we ask them what makes you different? What's your value proposition? Why are you the best option for a prospective advisor? Most will cite technology as a competitive advantage, but if most firms are using fairly similar technology tools, and like we said earlier, Orion has over 2,400 firms on its platform, how then is technology a competitive advantage if there's only a handful of primary tech stacks that RIAs use? So again, probably a dumb question, but if you look at any of your clients that are on similar Orion products, how can they say that tech is competitive advantage when the whole purpose of your business is to provide a tech platform at a reasonably low cost to many RIAs?

Eric Clarke:

So the technology that we provide is certainly one aspect. The other aspect of the equation, the other part of the equation is how that technology is implemented. So if a firm is implementing technology solutions or their technology stack in a way that would enable best practices, they will drive efficiencies for the advisor and ultimately create more capacity for the advisor to serve additional households. So I think it's around taking those best practices. We see firms here that are hungry for best practices, they quickly adopt those and implement those to drive scale in their business and scale for the advisors that they serve. And that is a competitive advantage. Now, if another firm is using the same technology, but they're not implementing those best practices, oftentimes that will result in lower KPIs around the number of households that their advisors serve, higher headcount and ultimately lower margins in their business, but the firms that truly implement best practices, those firms do have a technology advantage.

Louis Diamond:

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That makes sense. So to use a cheesy analogy, Orion's providing the car, but it's how you drive that car that makes it an advantage, but what separates a race car driver from someone driving their kids to soccer practice, if you will.

Eric Clarke:

That's exactly right.

Louis Diamond:

Love it. So eight years ago about you decided to sell a majority stake in Orion to private equity firm TA Associates, and then most recently recapitalized the business with Genstar and another private equity sponsor. What was the rationale behind these moves? We talked a little bit about the acquisitions, so I guess that's part of the answer, but can you talk about just the concepts of selling majority of the business to not one, but eventually two private equity firms? And aside from the acquisitions, which I guess you can elaborate on, why did you do this and what has this enabled you to do?

Eric Clarke:

Yeah, so going back, it's been eight and a half years ago, but really nine to 10 years ago we were trying to acquire a business and they were an Orion client. They were growing rapidly. We saw a huge opportunity ahead if we could acquire that firm. And when we went to bid on that business, the seller just said, hey, your balance sheet pales in comparison to the balance sheets of these firms that are backed by private equity and ultimately made a choice to go with a different acquirer. And at that same time, we also had some transitions taking place in our family and we decided that, hey, you know what? This would be a great time to bolster our balance sheet to get us better prepared for acquisitions if we brought in private equity to boost up our acquisition capital and at the same time allow our family to diversify some of our personal balance sheets.

And we went through a process. I remember reaching out, having a very, very valuable conversation with Ric Edelman, who I trusted and was a friend and was someone I reached out to ask him questions about his decision to bring in private equity and some of the process that he went through in doing so. And he had advised us to bring in an investment banker, which we did. We hired Brendan Ryan at Raymond James, who has been phenomenal to work with over the years. We have used Brendan again to recapitalize the business and have bought a couple of businesses that he has been selling as well. He's been great. But we used Brendan to go through a process, interview a series of different investor options, and eight and a half years ago we signed and closed a deal with TA Associates. Todd Crockett, Roy Burns, and Clara Jackson from TA Associates were members of our board.

Todd and Roy are still on the board today. They've been phenomenal partners and really an incredible strategic help to our business and put us on a trajectory to not only support the reinvestments that we needed for our continued organic growth, but they also helped us think strategically about the business, helped think differently about the business and look at inorganic growth opportunities that were coming up from acquisitions that they were aware of or the things that we were aware of. They have a team inside of TA Associates called the Strategic Resources Group, which can come in and quickly help us analyze opportunities for improvements within our business and that's been just a tremendous help for us strategically over the years.

Beyond that, some three years ago we did recapitalize the business with Genstar, Tony Salewski and Sid Ramakrishna, they're now on our board. They are also great partners, great strategic visionaries, really know and understand this business. They were some of the early investors in AssetMark as well as other RIA businesses, so we didn't skip a beat and in fact accelerated our strategic thinking by having them invest in our business and also join our board alongside Todd and Roy. So really excited to have both of these great backers of our business and our strategic vision here at Orion.

Louis Diamond:

One of the things that many RIAs or even just financial advisors in general grapple with is when's the right time to take on private equity or an external investor? On the one hand, you can just keep growing the business organically, own all of the business or more of the business than you would and keep a similar level of income. So when we have advisor clients come to us and say, "I'm making 2 million a year. If I sell to whatever firm, I'm going to be making less, why would I do that?" How would you respond to that? It seems like in your business you had a pretty clear vision for what you wanted to accomplish with this capital. So how would you counsel someone who was thinking about taking on an external investor and how would you make them comfortable with the prospect of seeding some control but also giving up a material amount of their cashflow?

Eric Clarke:

Yeah, I have advisors come and ask me this question often and I always ask them to be very specific about the issue that they're trying to solve. And once you're very clear around the issue that you're trying to solve, then the path forward, it's just a lot more straightforward. So in other words, if you're trying to take chips off the table, that may be one problem you're trying to solve. Another might be succession planning, another might be growth. You might want to join a larger firm that has more marketing resources, more lead gen capabilities. Another may be breadth of offering. So there are a lot of different reasons why advisors are considering this. For us, I kind of articulated for you a few minutes ago exactly the problem that we had encountered, a deal that we had lost and we didn't want to have that happen again.

So we were willing to make some adjustments, give up some control, if you will, to make sure that the business was in position to win going forward. That for us was the fundamental driver and the issue that we were trying to solve. So I think you've got to have extreme clarity around what the exact issue is that you're trying to solve. What can happen is firms will be reaching out, calling in with inbound inquiries, even writing some initial letters of intent with some big numbers on them, but if you don't have clarity, it becomes very confusing as to what you should do and why. But if you really understand your why, then the path forward looks really easy and you can begin to solve for that.

Louis Diamond:

I completely agree, there has to be a strategic reason for what you're doing and starting with the baseline questions of why am I actually doing this and what am I looking to solve for does provide a map, if you will. And if you don't have that, then you don't really know what you're solving for and things become a little bit murky. So I see things the exact same way. Speaking of succession planning, it was announced in May of 2023 that you were going to step down as CEO of Orion at the end of 2023. What were your reasons for stepping down? That couldn't have been an easy decision for you.

Eric Clarke:

Building this business has been essentially the opportunity of a lifetime, and at the same time, I have invested everything that I've got into this business since December of 1999. So if you were to ask my kids or my wife, they would tell you that there really hasn't been a vacation. The vacations have included conference calls, Zoom meetings, employee issues that have come up, those types of things. So from my perspective, I've given this business my all, and I've decided that now is a great time with the resources that we have and the members of our board that we have, the staff, the exec team that I have in place for me to be able to step aside from the day-to-day, let someone come in with a renewed energy level, if you will, and take the different pieces of the puzzle that we've acquired, put them together in a way that will continue to drive exponential value for the advisors and the firms that we serve.

But it's just, I don't know if the timing is ever perfect or that you ever feel a hundred percent about this, but I feel really, really good about the timing of the decision and we're not in the midst of an acquisition or a recap of the business. And because of that, as the dust settled and we had the opportunity to have Charles Goldman step in as a new chair for our board of directors, it was just the timing felt really, really right for me personally to make this change. I'm going to continue to serve on the Orion board and I'm excited about that and I'm excited to be supportive in any way that I can to the advisors that we serve and helping connect them with solutions that we can make available to them.

Louis Diamond:

Yeah, that's the challenge that really any founder faces. You can always keep pushing forward, there has to be a part of you that thinks you can run this business in a way that's different than anyone else. So letting go of the control and letting go of the reins had to have been a hard decision. Are you retiring and I have air quotes up, or are you thinking about doing something different?

Eric Clarke:

I have an old board member, Vernon Barback, who we keep in touch from time to time. He said, "Eric, the best advice I can give you is to go to the beach for six months." And he said, don't really go to the

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A conversation with the Industry Visionary from Orion Advisor Solutions.

beach, but you know what I mean. And I thought that was a really fun way to look at it. I need a break. Once the dust settles bit bit, I'll decide if there's something beyond serving on the Orion board or other board opportunities. I'm an entrepreneur. I love getting involved in creating new things, and there's nothing that excites me more than starting up a new business. And at the same time, I can tell you that it won't be anything that would be remotely competitive to what we've created at Orion. I've put my life into creating this business and I want to continue to see this business flourish and be successful.

Louis Diamond:

Absolutely. Well, excited to see what you do next. Where do you see the technology landscape for RIAs headed? So if you remain CEO over the next handful of years, where do you see technology going for independent financial advisors?

Eric Clarke:

Well, I see two things. One is a topic that we have touched on a bit, which is in real-time data sharing and the power that technology provides, you could see a timeframe when custodians are also standing up real-time data sharing capabilities as opposed to batch file processes that take place every evening at close of market values. So I see technology and experiences becoming real time. And the second thing that I see is around the way that AI will change our business.

AI is going to be used by tech providers like Orion and others to power advisor narrative that will better connect the advisor with the client, help them better understand the client, and ultimately communicate with the client in a more human way than the advisor can. What it won't replace is the advisor's ability to understand and to coach and to navigate, but that will be supplemented and powered by AI, which I think adds tremendous scale opportunity for the advice industry. And I think that as an industry, if we look at KPIs around AUM or a number of households that advisors can serve regardless of your KPI, AI is going to drive additional scale into this business.

Louis Diamond:

Can you give some examples you think of a real use case of how a financial advisor will use AI in the future state?

Eric Clarke:

Yeah, absolutely. Client has a need to withdraw money from their portfolio to pay estimated taxes. So the client calls in or emails in with a request. The rebalance algorithms will tell you, "Hey, there are three different ways you can take the money from the portfolio." One way will create no tax implications, but we'll increase the equity exposure. The other way brings them back to target stock to bond ratios. Another way keeps the risk constant, but it blends the two of creating additional tax liability and the client's risk. So the advisor and the AI tool can then analyze those situations. But beyond that, the AI tool, if it knows anything about the investor's persona or personality type alongside the additional factors of cost basis, market values, the portfolio analytics, so to speak, it can take all of those factors to then generate a narrative and it will generate the narrative in a way that best matches up with that client's personality type.

So that when the advisor's communicating the options back to the investor, they're doing it in a way that will be natural for the investor to understand and using terminology that will best resonate with their personality type. So AI will augment that relationship in a way that, number one, we'll be able to do things in minutes as opposed to hours on the analysis side. And two, we'll be able to give the advisor specific communication tools to help them communicate with that client's unique personality type. So that's just like a quick example of a workflow of how AI will be able to augment the advice that our advisors are giving to their clients.

Louis Diamond:

That sounds fascinating, but I guess the next layer of the question is, if I'm a high net worth client, is this not something that I could just go to Orion, buy on my own, go to a custodian and buy it, and then disintermediate the financial advisor? Where then does the financial advisor play a unique role?

Eric Clarke:

I think that could be the case. Ultimately though, our advisors are not only working with higher net worth investors, but they're working with investors that want to delegate financial responsibility of their retirement or investment portfolios back to their advisors. Will it accelerate a do-it-yourselfers ability to do it themselves? Absolutely. But it will also at the same time elevate the advice side of the industry as well. We'll continue to have delegators and we’ll continue to have do-it-yourselfers and I think there's a bright future for both in our industry.

Louis Diamond:

I love that. Yeah, it's kind of like the debate a number of years ago about the wealth fronts and personal capitals of the world that the robos, how it was coming for the advisor. I guess my answer would probably be something akin to with more time that an advisor has, the good advisors at least will allocate it in ways that are going to... they're going to make the client experience that much better. So instead of spending three hours on this quarterly tax project, I'm instead spending it on going really deep and learning about the kids' life and going out and adding a new service or building the business in a way that's going to help the client. Do you agree with that?

Eric Clarke:

That's right. Yes, I do. In fact, I think to that end, we'll probably start to see those with social science degrees flourish inside of our industry because the analytical skills that have been augmented by finance and accounting degrees over the years will be in large part automated and the way that our advisors will be adding value will revolve more around behavioral finance than deep understanding of analytics. And

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so I think there's an exciting shift that'll take place in our space and AI will be really the catalyst to make that happen.

Louis Diamond:

Very interesting. Two more questions for you to take us home. What's something that worries you about the industry?

Eric Clarke:

When I am losing sleep at night, if you will, it's around talent. Our industry still is somewhat of a niche and our need for talent inside of this space to support the growth of the independence is growing rapidly and being able to bring in the talent that we need to support that growth is something that concerns me. I'm still concerned about the lack of diversity inside of our industry. I think that as the population, the investing population continues to, their needs continue to evolve.

We're going to need to have a diverse set of resources inside of our industry to step up and be able to meet those needs and solve those challenges that we face. And so for me, I often think about the talent need inside of the space and how that talent need is shifting and changing and the types of talent that we need to continue to remain relevant. We talked a lot about competition inside of the industry. There's also competition outside of our industry, if you will. And you touched on that with the do it yourself side of the business. And so the advice side of the business has to continue to innovate, and we've got to bring in an incredible amount of talent to continue to support the trajectory of the growth of this side of the space.

Louis Diamond:

Yep, I agree with you. And last question, we ask every guest this, but I'll give you a different tilt on it given your perspective, what advice would you give to an advisor, aspiring business owner or current business owner about how to build a business that one day they would hope would only be as special and valuable as Orion?

Eric Clarke:

Have a relentless focus on the client. So for us, our client is the advisor and indirectly the investors that they serve, but have continue to have that relentless focus on your client. And here, Orion, our values, our core values are innovate, disrupt, and win. They're innovate because we want to... we're in the tech business, and so we have to innovate to continue to remain relevant. We have to disrupt the traditional ways of thinking. I always tell our staff that we would rather disrupt ourselves than have someone else from the outside disrupt our business. So to future-proof our business model, we have to have a certain level of disruption in the way that we approach problems and think about things. And lastly, win because we want to win more than our fair share. And we do that by helping our advisors win. And so that mantra, if you will, that we have internally around our core values of innovate, disrupt, and win, would be the same advice that I would give to anyone running a business. And certainly we'll be giving some thoughts around that to our next CEO here at Orion.

Louis Diamond:

That is amazing advice, innovate, disrupt, and win.

Eric, thank you so much for spending time with us. I think it's pretty clear how much passion you still have for the business. You're stepping down as CEO of Orion, but are still here to share your wisdom. Like I said early on in this recording, I want to thank you on behalf of the industry for what you've done in advancing the profession. It's now at a point where advisors, regardless of your AUM, have the ability to have the tools and resources and technology platforms to compete for clients of any size. You don't have to be captive at a major firm in order to have a compelling technology stack. So thank you for everything you do and will continue to do for our profession.

Eric Clarke:

Great. Well, thank you Louis. It's been an honor to spend some time with you today and really appreciate you reaching out and including me on your podcast, so thank you.

Mindy Diamond:

Eric epitomizes how innovation drives disruption, which results in an evolution. Firms like Orion and trailblazers like Eric are the founders of a new generation of wealth management firms, one that is created upon the freedom of designing something better. And while Eric may be stepping away from Orion, I'm sure this is not the last we've heard from him.

I thank you for listening and I encourage you to visit our website diamond-consultants.com and click on the tools and resources link for valuable content. You'll also find a link to subscribe for regular updates to the series. And if you're not a recipient of our weekly email, Perspectives for Advisors, click on the articles link to browse recent topics. These written pieces are an ideal way of staying informed about what's going on in the wealth management space without expending the energy that full on exploration requires. You can feel free to email or call me if you have specific questions. I can be reached at 973-476-8578, which is my cell or by email mdiamond@diamond-consultants.com.

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