MINDY DIAMOND ON INDEPENDENCE
A PODCAST FOR FINANCIAL ADVISORS CONSIDERING CHANGE

EPISODE TRANSCRIPT

Industry Update: 2022 Transition Report

A conversation with Louis Diamond and Jason Diamond.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is a 2022 transition report. It's an update on advisor movement in the wealth management industry for the first half of the year, a special industry update with Louis Diamond and Jason Diamond. I'm Mindy Diamond, and this is Mindy Diamond On Independence.

Mindy Diamond:

This podcast is available on our website, diamond-consultants.com, as well as Apple Podcasts and other major podcast platforms. If you are not already a subscriber and want to be notified of new show releases, please subscribe right on your favorite podcast platform or on the episode page on our website. For Apple Podcast users, I'd be grateful if you'd give the show a review. Your input helps us to make the series better and alerts other advisors like you who may find the content to be relevant. And while you're at it, if you know others who are considering change or simply looking to learn more about the industry landscape, please feel free to share this episode or the series widely.

Mindy Diamond:

We're in the information business. Sure, we're recruiters, and while the outcome is that our advisor clients decide to make a move or stay put, to take on that responsibility being a trusted guide means we have to know our stuff and we're happy to share all that we know because each and every day advisors are asking us things like, how does one firm compare to another in terms of wins and losses? Why are advisors at big brokerage firms changing jerseys so often? Why are independent advisors making moves? What are some of the key factors driving changes to competitive recruiting? What are transition deals like and where are they trending? What are some real-world examples of recent moves?

Mindy Diamond:

So we searched out the answers and realized something, we were sitting on a gold mine of data because to our knowledge, there was no singular source of such information, that is a comprehensive data-driven exploration of financial advisor movement over a specific timeframe. And as students of an ever-changing industry, like so many advisors we counsel, we are genuinely curious about what this data might reveal. So I'm grateful to share the first edition of the Diamond Consultants Transition Report, a semi-annual review of advisor movement in the wealth management industry. Louis and Jason have the mics on this one. There's tons to discuss, so let's get to it.

Louis Diamond:

Jason, thank you for joining us today and I'm very excited to talk about this report.

Jason Diamond:

Me too. Thanks for having me. This is great.

Industry Update: 2022 Transition Report

A conversation with Louis Diamond and Jason Diamond.

Louis Diamond:

All right. So this report is going to be available for our listening audience, but today we wanted to just dive into some of the methodology, the reasons why we created this report, and we'll spend time on some of our key takeaways. So let's just start off, can you explain why you decided to create this report? Why is it important?

Jason Diamond:

Firstly, we decided to undertake this project because we think it matters. The truth is movement begets more movement, and we saw trends play out in the first half of 2022 that we think may well play out continuing in the second half of 2022. So a lot of the conclusions we've drawn are evergreen, or at the very least should have some level of staying power. The next reason we decided to do this is because, to our knowledge, there's no similar report. So a comprehensive, data-driven exploration of advisor movement data over a specific timeframe and our hope and our goal is to update that periodically so that we sort of get this ongoing picture of advisor movement trends. And that's in terms of where people are moving to, where people are leaving from, what they're being paid to do so, and sort of the why and how they're leaving as well.

Jason Diamond:

And then the last thing I'd say is we did this report because it answers a lot of the questions we get most commonly from advisors, it speaks to the information that advisors care most about, which is where their peers are going, why they're moving, and how they're moving.

Louis Diamond:

Perfect. Yeah. I agree with you. It's definitely an important report. And even though this is from the first half of 2022 and it's being released in September of 2022, the conclusions are all extremely valid and the winners and losers, I think, are very relevant as well. So tell us, how did you gather this data? What was the data sources? How did you put it together?

Jason Diamond:

Yeah, it's kind of a combination of a couple of different industry data sources. The truth is advisor movement data is notoriously fickle. A lot of times it's either self-reported or not reported or only reported via FINRA or broker check CRD registration changes. So the number one source we used was the Discovery database, which provides essentially a comprehensive listing of advisor movement during a certain period of time. But on top of that, we relied of on our seat as an industry-leading search and consulting firm. We have a lot of this data in house just from our experience working with advisors. So those were probably our two main data sources. We did use a number of other sources like Cerulli, took some inspiration from Echelon Partners who publishes a similar report but targeted more towards the M&A and the RIA space. So a number of different data sources, but I would say the chief sources were the Discovery database and also our sort of proprietary data.

Industry Update: 2022 Transition Report

A conversation with Louis Diamond and Jason Diamond.

Louis Diamond:

Excellent. And what were the parameters that you used to gather the data? How did you decide who was going to be included and just any other information with how you scrub the data?

Jason Diamond:

So the first thing, and the biggest thing we were mindful of is we really wanted this to be about the data. We did not want to manipulate the data to fit our narrative. So we tried our best to let the raw data speak for itself. So the biggest adjustment or tweak we made to the data was we only wanted to capture seasoned or experienced advisor movement. So we intentionally only looked at advisor movement for those advisors with an LOS or length of service greater than three years, because our view was that counting advisors with less than three years of experience or advisors with zero years of experience, for that matter, would've resulted in capturing a lot of trainee or new hire advisors, and that wasn't the emphasis of this report. We wanted to look at seasoned advisor recruiting or transitions. So that's the first thing.

Jason Diamond:

The second thing is some of the challenges we had with the raw data set was that different firms handle their various affiliation channels differently. So I'll give you an example of Wells Fargo. Wells Fargo obviously has a W2 channel they call PCG, it's their traditional broker-dealer model. They also have an independent channel called FiNet. When an advisor slides from one channel to another, but within the same firm, different firms report that or handle that differently. So we were mindful of trying to be consistent in the way we capture that sort of data because otherwise the data skews and it makes it look like, well Wells Fargo lost X number of advisors, but in reality, a lot of those advisors simply slid from one Wells Fargo channel to another.

Jason Diamond:

The last thing I'll say is with the moves to the independent space in particular, there's a number of advisors who went independent via the RIA route, or who made the leap to the RIA channel. And in some cases, those advisors presumably dropped their Series 7, and those advisors are not being counted in this data set because the data relies on FINRA CRD registration changes. And unfortunately, those advisors who drop their Series 7, so those advisors who go fee only do not report a CRD change because they no longer have their Series 7. Hybrid advisors certainly still counted because most of them affiliate with what we would call a friendly broker-dealer. So those ones we are able to capture, but fee only RIA advisors are excluded from the data.

Louis Diamond:

Yeah. And I think that's right, we have to draw a line in the sand somewhere and you'll see in the report that Purshe Kaplan Sterling, or PKS, who's one of the largest RIA friendly broker-dealers, we're kind of using as a proxy for the movement into that space. So let's move into our key takeaways. We have 10 key takeaways from the report, kind of summary data, or just what we're saying are our main conclusions. Let's just switch off between the takeaways. If you want to take the first one, Jason, and then I'll take number two.

Jason Diamond:

Yeah, absolutely. So I think the headline number, the star of the show is that 4,249 experienced advisors, so again, that's advisors with a length of service greater than three years, changed firms in the first half of 2022. Again, that's 4,249 transitions, which averages out to 708 advisors per month.

Louis Diamond:

Which is a crazy number. And I think from our own anecdotal data, it's about in line, maybe even a little bit stronger, than we've seen similar movement data in the past. So definitely a very active time in advisor movement. And this is across industry channels. So it's wire house advisors moving, it's independent advisors moving, et cetera. So a pretty broad based sampling of information.

Louis Diamond:

I'll take the second one. One of our major takeaways is, what's causing advisor movement, first within the wire house or traditional space, and then secondly, how that may be similar or different than why independent advisors change firms? So on the wire house advisor side, we pointed to recruitment deals. So the desire for an advisor to monetize, and we'll talk a little bit more about deals later, advisors across the board wanting to serve clients better or in a different way, the overall feeling of bureaucracy or kind of just challenging to do business certainly motivated many advisors to change firms, compensation plan changes, whether it was the Merrill Growth Grid or recent changes to UBS's compensation, certainly frustrates some advisors and not having a consistent way of being paid.

Louis Diamond:

And I'll give two more, compliance being managed to lowest common denominator, meaning I'm treated the exact same way and I'm a very experienced, terrific advisor, I have the same compliance rules as a trainee, and there is no gray area or room for interpretation that gives me more leeway on how to run my practice. And then finally, the underlying driver or catalyst is an expanded set of options. As you'll see in this report, where advisors are moving is completely fractured. There isn't really one firm that's the definitive winner, and as the landscape has expanded to move beyond just, "I'm a multimillion dollar wire house team, I'm only going to go to another wire house," it now includes the boutique space, the regionals, the independent space, et cetera.

Louis Diamond:

So how is independent advisor movement different than wire house advisor movement? So when we see independent advisors change firms, some of the motivators are similar, certainly recruitment deals and economics plays into it. So getting paid to change broker-dealers, looking at payouts, and whether an advisor is receiving enough value relative to the cost. This definitely played out during the pandemic and seeing, okay, I'm giving up 10%, 12%, 15% of my revenue to the house. Are they adding enough value to keep paying them?

Louis Diamond:

Technology is a major motivator. Does my firm's technology keep up with the competition? Very, very expensive to stay on the cutting edge, so typically scale is a big predictor of a firm's technology. Service levels are huge. So am I getting consistent service from my firm? When I call, do they answer? Do I have to call back a bunch of times to seek a remedy? And then I'll give two more. I mentioned scale, this could cut both ways. Many advisors are at subscale or smaller broker-dealers, which was great for a period of time, but as industry needs change and as technology and compliance and everything just becomes more expensive, we've definitely seen a lot of advisors move from these boutique broker-dealers to larger ones.

Louis Diamond:

But it can also cut both ways, meaning advisors that are at some of the larger broker-dealers sometimes can feel like they're on an island and feel like they're not getting the support they need because they're just a number. And then finally, we saw this absolutely play out in the first half of 2022, it's also been a theme probably the last four or five years, but it's broker-dealers being sold. So, massive waves of advisors having their hands forced to change firms because their broker-dealer was sold or there's a rumor or possibility that their firm is up for sale.

Jason Diamond:

Well said. Now, kind of shifting gears back to the wire house world, if you look at the raw data, the biggest net loser of advisor headcount is the wire houses. That's true not only the first half of this year, that's certainly true looking back the last year or two. So in the first half of 2022, over 300 advisors on a net basis left the wire house world. I will say, one of the things that I always caveat when I talk about this raw data is that we are looking purely at advisor headcount, meaning we're looking at the number of advisors who joined the channel and the number of advisors who left the channel. Particularly in the world of the wire houses, that's perhaps not the best mechanism for evaluating the success of the channel, because it is worth noting that as a whole, wire house advisors tend to be the biggest and most productive advisors in the industry.

Jason Diamond:

So, a more useful metric, although not readily available for the wire house base in particular, might well be asset gains or revenue gains or losses over that same period. We're using advisor headcount because we're primarily interested with advisor transitions in this report, but I do just point that out that I think the death of the wire house is greatly exaggerated.

Industry Update: 2022 Transition Report

A conversation with Louis Diamond and Jason Diamond.

Louis Diamond:

Yeah. I would completely agree with you that you look at average productivity, I mean the wire houses, they keep setting records as far as net new assets and profitability. So would you agree that the wire house model isn't necessarily doomed, even though they are down advisors in the first half of 2022, it doesn't necessarily mean that the wire house model is eroding or going away, do you agree?

Jason Diamond:

Absolutely. I would even take it a step further to say it 100% does not mean that the wire house model is doomed. There will always be a subset of advisors who wants or needs the brand name associated with a wire house and the all resources under one roof feel. There's benefits to scale. There's no question about it. There are benefits and there are capabilities and resources that the wire houses tout and there are things the wire houses do really well that will always resonate with a certain subset of advisors. So certainly do not think the wire house model is doomed. In fact, that's probably a good lead into number four, Louis, I don't know if you want to take that one, but maybe talk a little bit about what's going on under the hood in the wire house world.

Louis Diamond:

Yeah, exactly. So within the wire house channel, we saw a pretty large gap develop between the firms that were the most successful at recruiting advisors, but also retaining their FAs, and then those that maybe were less successful in bringing on new hires and were losing advisors. So looking at the data, Morgan Stanley had a net change of 87 advisors in the first half. They were actually the only wire house that was in the green. The rest, UBS was down 56 FAs, Merrill was down 141, and Wells was down 213. So all the other wires, with the exception of Morgan Stanley, were losing advisors.

Louis Diamond:

And I think this plays out too, because we have seen anecdotally that Morgan Stanley, after taking a large break on the recruiting front, pulling out of protocol, publicly saying they were not going to recruit anymore has begun to put the pedal to the metal again and bringing in recruits. And I think a prediction for the data for the second half of 2022 and 2023 is all the wires, I think, are going to be more aggressive in adding teams. We've already seen it play out, and the question or the jury's out on whether retention efforts will work or not.

Jason Diamond:

Yep. Agreed. I think we're going to continue to see this theme play out. I probably would expect some of the wires to really step up their recruiting efforts into the second half of this year and probably into 2023 as well. I use Wells Fargo as an example, Wells Fargo was plagued by a lot of headline risk the past several years. I think the hope, certainly from Wells Fargo's perspective, is that as some of that risk sort of fades more into the rear mirror, they'll have more success recruiting because they're currently paying one of the most attractive deals on the street. We'll talk more about deals later.

Industry Update: 2022 Transition Report

A conversation with Louis Diamond and Jason Diamond.

Jason Diamond:

So that's the wire house world. Our fifth sort of takeaway here is similar, but as it relates to independent firms. So independent firms have seen the most success in recruiting, it's probably no surprise to anyone who reads industry publications on a regular basis. When we talk about independent firms, we're aggregating a couple of different models into one. So we're talking about independent broker-dealers, we're also talking about RIAs and RIA hybrids. So on a net basis, independent firms have added 287 advisors in the first half of 2022. So if you think about the independent space, again I mentioned those various different models or modes of independence. Typically think about the independent broker-dealers separately from the RIA space.

Jason Diamond:

I think the lines are increasingly blurring between those two, as frankly, the independent broker-dealers look for ways to compete with the RIA space. So a lot of independent broker-dealers are now holding themselves out or providing resources more akin to the RIA space. And the flip side of that is a lot of the RIAs or these hybrid RIAs or some of these sort of platform or supported independence firms have started paying transition capital to better compete with the independent broker-dealers.

Louis Diamond:

Yep. I completely agree. So really, in other words, the independent broker-dealers are not just competing with each other, which they still are, but they're also competing with the RIA channel. Either someone going and starting their own RIA or someone affiliating with an existing RIA, and I think we'll continue to see how this unfolds.

Louis Diamond:

Let me ask you though, within the independent channel, which firms did the best with advisor recruitment in the first half of the year?

Jason Diamond:

Yeah. So the 800 pound gorilla, no question, is LPL. They were the biggest to begin with and they added the most on a net basis. So LPL added 716 advisors and they only lost 177. So that's a net change of 539 advisors. Again, on a percentage basis, that's not as significant of a move as it sounds like because they started with the highest baseline, they're almost 20,000 advisors. Other firms that had great success in this bucket, Ameriprise Financial, Raymond James, on the independent side, added 151 advisors. Wells Fargo on the independent side, Cetera. To your point earlier about Purshe Kaplan Sterling, which is the sort of friendly broker-dealer to the RIA space, added 59 advisors. So that suggests to us that 59 advisors went from some other channel into the hybrid RIA space, meaning affiliated with or started an RIA, but used this PKS to handle their transactional business. So honestly, most independent firms on a net basis added headcount. It was one of the most prolific recruiters in the industry in the first half of 2022.

Industry Update: 2022 Transition Report

A conversation with Louis Diamond and Jason Diamond.

Louis Diamond:

Terrific, I'll take the next one. We saw regional firms and boutique firms, we're kind of lumping them together, add nearly 200 advisors on a net basis in the first half of the year. We're seeing this as further proof that advisors want more than just the best recruitment deal. Oftentimes the regional firms, they're not paying the top deal relative to their wire house peers, but advisors voted with their feet, and proved that culture and greater control ultimately is a major motivating factor. And which ones did the best in this category? We saw Raymond James up 52 advisors and we saw RBC up a net 32 advisors. And most of these firms were actually in the green. And again, I think we'll continue to see both the independent channels adding advisors and the regionals, and in large part where they're pulling their advisors from is the major wire houses.

Jason Diamond:

Well said. Okay. So the question that I think we probably get asked as much or more than any other question, which is, what are my peers getting paid to make such a move or how much are transition deals? To put it bluntly. So the answer is they run the gamut. It varies certainly depending on channel. So whether we're talking about the wire houses, the regional firms, the boutique firms, the independent firms, but I think what we've seen both in our work with advisors and also in some of these transitions that were reported in the industry press is for W2 advisors, so for traditional wire houses and regional firms and boutique firms, deals in the ballpark of 250% to 350% of an advisor's trailing 12 months production. Those deals are typically not all paid upfront. They're often structured as forgivable loans with a portion paid upfront and then the rest of the deal, sometimes as much as half or more than half of the deal paid, in backend earn outs or hurdles that are based on either asset growth or revenue growth.

Jason Diamond:

On the independent side, deals are often structured in a similar way, but the numbers are much lower. So I think in the independent space, deals around 30% to 100% of an advisor's GDC or essentially their yearly revenue. There are some outliers. So I think one of the major trends we saw was, historically, firms moved in lockstep with each other. They kept each other honest, one firm raised their deal, another firm answered by raising their deal sort of commensurately. We've seen now several firms have gotten really creative, both in terms of deal structure, but also in terms of eye popping deals, so numbers we have not seen in years past. So firms like First Republic, even firms like LPL or Ameriprise on the independent side are paying deals above the band you would expect for their channel.

Louis Diamond:

Yep, agreed. And overall just very simply, in the first half of the year, do you think we saw deals increase?

Jason Diamond:

Industry Update: 2022 Transition Report

A conversation with Louis Diamond and Jason Diamond.

I think we saw as a whole deals probably stayed relatively the same, but I think the outliers probably skewed up the average, if that makes sense. So meaning if you looked at what is the median deal, it's probably pretty similar to where it was about a year ago, but I think there were a number of really large transitions that probably would skew the mean up a little bit higher.

Louis Diamond:

Yeah, I completely agree. And I expect when we record something similar in the beginning of 2023, we'll talk about deals actually increasing with the increase in interest rates actually driving deals higher. But as far as this data, I completely agree with you, deals were relatively similar, but for larger teams there were definitely outliers.

Jason Diamond:

Yeah. Maybe what I would add is deals are probably on a lag relative to market conditions. So the things you're talking about, probably not yet priced in, would certainly agree that they're likely to be priced in over the back half of this year.

Louis Diamond:

Absolutely. So take number eight, which is advisors moved to and from firms with and without protocol protection, meaning that the lack of protocol protection did not appear to deter movement, either meaning advisors leaving certain firms, meaning they were scared to move because they did not have protocol protection, but as evidenced by Morgan Stanley being in the green this half, who's not part of protocol, advisors clearly weren't scared off from joining a firm without protocol protection. So not much more to say here, we've talked about protocol in the past, but this data proves out that protocol or no protocol, it does not impact advisor movement.

Jason Diamond:

Yeah, well said. I would add Ed Jones to that category. I know you mentioned Morgan Stanley, but I would expect to your point about the 2023 recording of this, I think we'll be talking a lot about Edward Jones, movement away from Edward Jones, which is a non-protocol firm, and seemingly has not been a deterrent.

Jason Diamond:

I'll tackle number nine, which is, I sort of have two takeaways on number nine. The headline is that advisors moved between channels at a given firm without necessarily changing firms. So I mentioned earlier Wells Fargo, we saw many advisors slide into the independent FiNet channel of Wells Fargo from another division of the firm, the private bank or the PCG sort of traditional wealth management channel. But to me, the trend that this represents is more interesting. It's to me less about the fact that advisors made this move, which is interesting in and of itself, it's more about the fact that firms are offering various ways for advisors to affiliate.

Industry Update: 2022 Transition Report

A conversation with Louis Diamond and Jason Diamond.

Jason Diamond:

And I think they're doing it for a few reasons, but the biggest reason is because it's what advisors want. They see where the puck is heading and they offer advisors the flexibility to slide within channels at the same firm because it's better than losing assets. So I think if you asked Wells Fargo honestly, is an advisor more profitable in the traditional PCG model? Maybe, probably, but if the alternative is an advisor leaving Wells Fargo to go into an LPL of the world, they would prefer the assets to stay in house. And we've seen many firms, LPL, Stifel, Raymond James, Ameriprise, many firms have expanded the ways in which advisors can affiliate and I would expect that to continue. So I would expect other firms to offer new and enhanced affiliation models as the year ends and certainly into 2023.

Jason Diamond:

So I think that flexibility is key. It's being able to say to an advisor, "Look, you're on the broker-dealer side now, fine, but you want the ability to slide into the RIA space in the future, we support that and we offer that without you having to move the assets."

Louis Diamond:

Yeah, we definitely see it as a major selling point for firms that do offer multiple channels of affiliation. The idea of starting off with more structure and support perhaps in a W2 model, and then as the practice grows or needs evolve, being able to go independent in the future. It's like a built-in put option.

Louis Diamond:

Let me ask you this though, we get this question often. Do you think seeing how successful Wells Fargo's been in this multi-channel approach, do you think UBS or Morgan or Merrill Lynch will follow and create their own independent channels?

Jason Diamond:

It's a tough question. It's a good question. I think likely not, because I think those firms are so hyper committed and hyper focused on their strategies that they would view adding a channel like this as dilution of the core brand or the core product. I know we've heard it kicked around, I think UBS probably most recently, we've heard rumblings or rumors. TBD. My honest read is likely not. I think they view their strategies as; we are not for everybody. We are for the advisors who really want to value and leverage the entire firm. And they've sort of committed to that strategy. What's your take on that?

Louis Diamond:

I think that's right. Don't know what the future holds, haven't heard anything very recently, but I think it's pretty clear that the independent model is less profitable for a firm than a W2 model, and especially less profitable when these major firms are sitting on massive real estate portfolios and have to figure out what to do with millions of square feet of real estate. And ultimately if they allowed for folks to move independent, we know there would be a ton of pent up demand for advisors moving, and there would be an exodus to an independent channel. So we'll see. We'll keep everyone posted as we hear more, but I think for right now, it's just Wells in the wire house world that's doing this.

Louis Diamond:

So I'll take the last one, which is what might actually slow this movement in the second half of 2022? Market volatility certainly continues and many advisors may be less inclined or a little bit more nervous to move in choppy markets. We've actually seen many advisors just push ahead because they're that motivated to keep moving forward, but that certainly could put a dent in advisor movement. Outside of that, there's always the risk of a major supply shock, meaning a traditional firm offering some sort of retention incentive, whether it's a change or an enhancement to the firm's retire and place program. So the Merrill CTP, the UBS Alpha Program, et cetera, advisors always ask about a retention offer. It's possible. We're not hearing anything, but that could put a dent in the supply side of the equation. But I think overall, all indicators point to a really, really strong back half of 2022, and with tailwinds for 2023.

Louis Diamond:

Great. So those are our 10 points. They'll all be in our report. To wrap this up, let's just talk about two representative advisor moves. In the report we highlight a number of specific moves that we think are representative of a trend and we have some more anecdotal evidence, but let's just talk about two moves. The first one was actually one that was a client of ours, the second one wasn't. So I'll take the first one, which was the Moyer Group led by Mark Moyer. It was a family team bordering West Virginia and Ohio that moved from Merrill Lynch, having a combined 130+ years of Merrill Lynch service between the team, moving to the W2 side of Raymond James, which we consider to be a regional firm. This team was doing close to $7 million in annual production.

Louis Diamond:

And what's representative about this as far as advisor mindset is this was a team that certainly could have gotten paid more to go to a traditional wire house. It maybe would've been more comfortable or even easier to move to a traditional wire and probably six or seven years ago, they never would've considered going to Raymond James. But given what they were looking to solve for, which was a better culture, they wanted to own their book, they wanted the option to go independent in the future like we talked about, and they just wanted more day to day control, they ultimately made the move to Raymond James and had a really good transition and are incredibly happy. So we look at that as just a representative example of some of the movement we're seeing. How about you? Let's take one more example and then everyone else can find others within the report.

Jason Diamond:

Yeah, absolutely. So I wanted to talk about one that's a little bit different. So shifting gears a little bit, it's a move from independence, so from an existing independent model to another independent model. So the move I wanted to highlight is Lee Wolf and team, so it was four advisors moved from Wells Fargo, FiNet, to Stifel Nicolaus on the independent side. The team was in Southern California and Hawaii. Team had about $720 million in assets under management and they moved in April of this year. And I thought a lot, read a bunch, we didn't work personally with this team, but read a lot of the industry press and I thought long and hard about why an advisor might make that move or why a team might make that move. And there's a couple things that I think in our experience meshes with this move.

Jason Diamond:

One is the independent broker-dealers run the gamut in terms of business friendliness. Some of the feedback you'll hear about the space in general is that advisors outgrow the space. There is this tendency to almost view the independent broker-dealer space as a middle ground between the traditional firm world and the RIA space. So we have seen advisors in the past make the move to an independent broker-dealer only to outgrow the space, meaning move eventually down the road to the RIA space, more open architecture, third party asset custody, more freedom and control. But that's not what happened here. This team left one independent broker-dealer, Wells Fargo, FiNet, and moved to another, Stifel Nicolaus. I think part of that probably comes down to transition capital and economics, so the Stifel platform, which is one of the newer platforms we discussed, so Stifel recently started offering this additional affiliation option for advisors, probably got very attractive economics and they probably got aggressive as they looked to add advisor headcount. So certainly economics are always a driver.

Jason Diamond:

And I think the bigger thing is what are the resources the firm provides relative to the cost? And I think, reading a lot of the press around this move, it was just a question of what firm enables us to grow better or grow more robustly down the road? And Wells Fargo, being a wire house, being a massive firm has some of that sort of bureaucracy and red tape that some advisors have tried long and hard to get away from. So I think that was a major driver of the move.

Jason Diamond:

It's not that this type of move is uncommon. You've seen a number of advisors switch from one broker-dealer to another, maybe a little bit uncommon that a team of this size did not opt to go that other route I talked about, which is to just rip the band aid off and ultimately land in the RIA space, but they obviously found enough value in this new broker-dealer that to them, it provided the support and resources they need without a lot of the headaches that you hear in the RIA space, things like business ownership, having to put toner in the copy machine and turn the lights on. So, wanted to briefly touch on that one.

Louis Diamond:

Yeah. Perfect. And I think that is the right takeaway that it was a move from one broker-dealer to another. They decided to not go the RIA route, so seemingly Stifel must have provided a really strong value proposition to incentivize movement like that since usually a team of that size and stature, probably more likely than not would've gone to build their own RIA firm.

Louis Diamond:

This has been extraordinary. I wanted to remind everyone that we will put the link to this report on the episode page, but you can also find it by going to our website at diamond-consultants.com/transitionreport122. Again, diamond-consultants.com/transitionreport122. And Jason, thank you so much for joining our show and we definitely expect to hear more from you in coming episodes.

Jason Diamond:

Thank you so much for having me. This report was an absolute pleasure to work on with you. It was truly a labor of love and really enjoyed getting the opportunity to discuss it with you as well.

Louis Diamond:

Perfect. And if anyone has questions about the data or how to interpret it, our doors are always open.

Mindy Diamond:

While accurate advisor movement data is notoriously difficult to obtain by design, this report serves as a framework for advisors who are curious about the winds of change in the wealth management space and the impact on their businesses. The good news, as Louis and Jason shared, is that in the first half of 2022, those winds blew with gusto and we fully expect that flow to continue through the rest of the year.

Mindy Diamond:

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. Please note that all requests are handled with complete discretion and confidentiality and keep in mind that our services are available without cost to the advisor. You can see our website for more information.

Mindy Diamond:

And again, if you enjoyed this episode, please feel free to share it with a colleague who might benefit from its content. If you're listening on the Apple Podcast app, I'd be grateful if you gave it a star rating and a review, it will let other advisors know it's a show worth their time to listen to. This is Mindy Diamond On Independence.