



EPISODE TRANSCRIPT

Regional Culture, Global Capabilities: Stifel's \$400B Success Story

A conversation with Ron Kruszewski, Chairman and CEO, Stifel Financial Corp.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is Regional Culture Global Capabilities Stifel's \$400 billion Success Story. It's a conversation with Ron Kruszewski, Chairman and CEO of Stifel Financial Corp. I'm Mindy Diamond and this is Mindy Diamond on Independence. This podcast is available on our website, diamond-consultants.com, as well as Apple Podcasts and other major podcast platforms. If you're not already a subscriber and want to be notified of new show releases, please subscribe, write on your favorite podcast platform or on the episode page on our website. For Apple Podcasts users, I'd be grateful if you'd give the show a review. Your input helps us to make this series better and alert 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 are simply looking to learn more about the industry landscape, please feel free to share this episode or the series widely.

Mindy Diamond:

When we started this series some four years ago, we expected to share a handful of episodes that explored the independence space, hence the name Mindy Diamond on Independence. But we came to a realization, there was a far bigger story to tell. That is one that wasn't focused solely on a model but instead on a mindset. An evolved state of mind amongst advisors who were assuming the bureaucracy of the brokerage world they grew up in, for models that offer greater freedom and control. Because the reality is that not all advisors are looking to cast aside their W2s and become business owners. Instead, they're looking for more control over how they manage clients, more creativity and how they market their services. And ultimately, many want freedom from the bureaucracy that is preventing them from living their best business lives.

Mindy Diamond:

Take for example regional firms. It's a moniker that once represented smaller firms with a limited geographic footprint and it's since taken on a completely different meaning in the evolved Wealth Management landscape. The new regionals are by no means small, and have come to represent a cultural appeal unlike their wirehouse counterparts. And those geographic limitations are also a thing of the past as my guest in this episode shares. Ron Kruszewski is the Chairman and CEO of Stifel Financial Corp. It's a great example of what the term regional firm is representative of today. It is a firm with nearly 2300 advisors managing some 400 billion in assets and 4.6 billion in projected revenue. That's a far cry from where the firm was back in 1997 when Ron became CEO. At that time, the firm's revenue was at 100 million with assets under management at only a billion.

Mindy Diamond:

Stifel stakes the claim of being the only investment bank and financial services firm with 25 years of record revenue even throughout the financial crisis in 2008. Some of that growth can be attributed to several strategic acquisitions made over the last two decades, including Barclays, Sterne Agee, Ziegler Wealth Management, City Financial Corporation, and several smaller UBS branches. Today, Stifel is the nation's seventh largest full service wealth management and investment banking firm in terms of



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number of advisors. So what's the secret to their success? From the advisors perspective as Ron shares, it's Stifel's entrepreneurial culture which allows their advisors to act in the clients best interests coupled with the broad capabilities of a global bank.

Mindy Diamond:

Plus, there's no bureaucracy. In this episode, Ron talks about the history of Stifel which dates back to 1890. To what he attributes the firm's extraordinary growth, how being an employee at Stifel differs from being at Morgan, Merrill or UBS and the like. How the firm compares to joining or launching one's own RIA. What Stifel's independent channel is all about. The value their bank brings to the table. Their M&A plans for the future and much more. So let's get to it. Ron, thank you so very much for joining me today.

Ron Kruszewski:

I'm pleased to be here Mindy and thank you for having me.

Mindy Diamond:

You bet. All right, lots of talk about so let's jump right in. I guess, let's start at the beginning. Tell us about yourself and your career path to the C suite at Stifel.

Ron Kruszewski:

Well, first of all, I've been 25 years as CEO so I almost forgot how I got here but I'll try. I'm a person that's from South Bend, Indiana. Went to Indiana University, started my career in Chicago in public accounting. Got in the securities business in 1983, a little company called the Illinois Company. Was then at Robert Baird till 1997. And then at the ripe age of 37, I was recruited to be the CEO of Stifel 1997. What I remember about that? That Stifel was a very small firm about 100 million in revenues, market cap of about 40 million. I was one of four candidates for the job me included. And what I do remember is the other three turned it down so that was how I so forth become the CEO Stifel.

Mindy Diamond:

I want to talk more about who and what Stifel is today and certainly to contrast to the 100 million dollars in revenue that it was doing in 1997 to where it is today. But I want to pick up on one other thing I read. I read that you come from a blue-collar family where your dad was a barber and firefighter. I'd love to hear how you made it to where you are today. I mean, it's unusual to go from that to such success.

Ron Kruszewski:

Well, I would like to think that anyone could do that but I appreciate you letting me talk about my dad who not only was a barber and a firefighter, he had a landscaping business. He worked four jobs so that myself and my three siblings could have a wonderful childhood. And I will always be remembered and



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frankly humbled by how hard my dad and my mom worked to provide for their children. And I think that what I learned from them I carry to this day.

Mindy Diamond:

That's extraordinary. So let's talk then a little bit about Stifel, \$100 million in revenue in 1997 when you took over. So let's fast forward, how much revenue does it do today? How many advisors and how many markets?

Ron Kruszewski:

Yeah, well, today if I look forward I think this year the street analysts would think that we'll do about 4.6 billion in revenue. In '97 I think we had 37 offices, we have close to 400 offices today and nearly 2300 advisors. We manage about 400 billion in AUM, I remember that number was about 8 billion in '97. So Stifel has clearly grown. And you know what underscores that Mindy? And I do think, I don't want to pat ourselves on the back too much. But we're probably the only investment bank and financial services firm like ourselves that have had 25 consecutive years of record revenue. And think about that, that's through the tech crash, that's through financial crisis. That's through a lot of tumultuous times where Stifel has consistently grown.

Mindy Diamond:

I know that it's grown organically and inorganically. So there's been some acquisitions along the way. But to what do you attribute that spectacular growth?

Ron Kruszewski:

Well, I get asked this question a lot and I've thought about it a lot. And if I try to find the highest correlation of numbers between our revenue growth and another factor, it would be the growth in people. We've grown from 700 people to about 9000. So as we add talented people, our revenues increase so we get more clients which in turn causes us to get more talented people. It's just a quality circle that has worked for 25 years now. So the direct answer is that our growth is attributable to our people.

Mindy Diamond:

And we'll unpack a little bit so what is it that attracts the people to the firm because especially in the labor market now with so much talent shortage and a very competitive advisor recruiting environment, not so easy to find people. We'll come back to that. What is Stifel's value proposition? Who and what is Stifel today? How would you describe it?

Ron Kruszewski:

Well, today I would say that Stifel is one of the leading wealth management and middle market investment banking firms. So we're not just a wealth management firm, we have a very significant and



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successful middle market investment bank, both in equity and fixed income. And so just to unpack it a little bit to get a sense, our wealth management revenues are probably approaching \$3 billion and little less in our institutional business about \$2 billion in round numbers. So the firm is a combination of a wealth management and an investment banking firm.

Mindy Diamond:

And let's talk a little bit about some of the acquisitions that it was done. So we know that you've acquired firms like Barclays, Sterne Agee and some of the branches from UBS. So how have those acquisitions shaped the firm today?

Ron Kruszewski:

Well, each was unique in what they provided that also includes Ryan Beck, City Securities, Ziegler, a number of smaller firms that brought their unique local expertise and people to Stifel. Barclays was noteworthy specifically in some of the capabilities that they brought primarily in the alternative space and conviction model for investing for high net worth individuals. So that was an important deal for us. And they brought a big presence in New York as well.

Mindy Diamond:

And but it's difficult sometimes when there are acquisitions to create one culture. Has Stifel been successful in doing that?

Ron Kruszewski:

We've been very successful in that. And I think it's a great question and the answer lies in the fact as to how Stifel has grown. And because our culture is an amalgamation of all of the cultures and Stifel is a very open firm and a group of people so that when we do acquisitions, many of the people that are integrating these acquisitions came themselves from an acquisition. So it's just a philosophy where we take the best of all ideas that doesn't matter where it comes from. And it builds a strong culture. One of the interesting things Mindy that will speak to the strength of our culture is in the last 18 large transactions that we've done. Where another CEO was coming, I was negotiating with another CEO of the business for instance, Tom Shaw of KBW or Eric Neeleman from Stern Agee. Of those 18 acquisitions, 16 of the CEOs are still here.

Mindy Diamond:

Interesting.

Ron Kruszewski:

One retired and one gentleman in London went and did something else. But when you speak a culture or the fact that over 15 years I have those number of CEOs that are still here and embracing the culture speaks to the culture.



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Mindy Diamond:

Mm-hmm (affirmative). Yeah. And do you think that M&A will be part of the strategy going forward?

Ron Kruszewski:

Well, it has been for the last 25 years. I think that I certainly believe that it will be. We took a little bit of a pause during the pandemic because it was difficult with the remote aspects to do acquisitions the way we do which is really getting to know the people and that made it difficult. So we've taken a little bit of a pause. But as I look forward, I certainly think past is prologue with respect to our acquisition strategy.

Mindy Diamond:

Okay. So Stifel was always described as a regional firm, a lot of advisors think about the industry landscape in buckets, the wirehouse bucket, the regional bucket, the boutique bucket, the independent bucket. And we've always described or a lot of people have thought of Stifel in that regional firm bucket but it has a national presence. So what was the genesis of the term regional firm and how has it changed over time? And would you describe Stifel as a regional firm today?

Ron Kruszewski:

Well, let me take your last question first. I mean, Stifel is a regional firm in terms of feel and culture which is very positive. But we're a global firm in terms of product access and capabilities. That's why it's such an attractive place to come because we don't stand back to any of the large firms in terms of product access or service. Yet this is a firm that has that "regional" feel. Where did that come from? Mindy it's a great question. I didn't start it, in some ways I always used to think it was pejorative that the big firms needed to classify smaller firms so that they could then say, well, they don't have our capabilities which was certainly not true with us. But regional firms came back really came into being back in the early part of the 1900s when local communities had to finance the projects and they couldn't get it done in New York.

Ron Kruszewski:

And so Stifel founded in 1890, help finance a lot of the projects in the Midwest like the O'Hare Airport and the Mackinac Bridge and many of the bridges across the Mississippi. And then you can just go on and on and name them. Many of them are gone today but JC Bradford, MacDonald & Company, WheatFirst. These were all firms that started because they needed to finance local park projects and they got the term regional firm. Most of them are gone today and Stifel is still here but like I said, we're regional in feel but national in scope.

Mindy Diamond:

So what's regional in feel mean? How would you describe that? As a recruiter who helps advisors to understand the industry landscape, I've described Stifel as a regional firm and just what you said, regional and feel and culture with global capabilities. But what does that mean really?



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Ron Kruszewski:

Well, it goes back to I didn't really answer your question earlier about what the value proposition is at Stifel. And it's an understanding that in the wealth management business, central to our business model is our advisors. We published an org chart back when I started that had clients at the top and the advisors that served them right next to that and at the top of the org chart. And so when we think about the business we understand that the advisors own the relationship, they own the clients. I mean, Mindy you know this, when an advisor joins firms, they take all their clients with them.

Ron Kruszewski:

I mean, it's not anyone who doesn't believe the advisor is the brand and the value added just simply doesn't understand what's going on in the business. Advisors are the brand of their clients. For us, we recognize that and our entire firm is built around that proposition that the advisor is centric. You see it in everything we do. So it's hard to execute because many management teams want to be in control of everything. Here at Stifel we put the advisor in control of many of their own decisions.

Mindy Diamond:

And how does that compare and contrast to the way Morgan Stanley, Merrill Lynch, UBS, Wells Fargo, the big boys, the biggest firms think about the advisor client relationship?

Ron Kruszewski:

Well, I think you'll see that in that a lot of the large firms view clients as being partitioned into various business models. So when you read for instance or understand that if you have less than \$250,000 of investable assets in many of these large firms, the advisors, those accounts are taken away and put into a call center. And some of the largest clients that have maybe will be defined as ultra high net worth are segmented and put into different channels of the firm. And so these large firms channel clients and we do not. Our advisors can have clients across the range of capabilities, wealth, whatever it is. So that's one of the biggest differences that I see.

Mindy Diamond:

Yeah. So this podcast is about the independent space. It's called Mindy Diamond on Independence. But as the series has evolved, we've been highlighting many firms and models that are not actually independent but rather W2 models that offer advisors more freedom and control than the traditional wirehouses. That's why we've included Stifel because in this evolution on independence means not necessarily that an advisor goes out and he's going to build his own firm, but that he's looking for more freedom and control than he has where he is. I also know that Stifel is going to offer an independent option and would love to hear more about that. But let's start with what's it like to be an advisor at Stifel as an employee?

Ron Kruszewski:



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Well, I think I view it as the best of both worlds in terms of all the capabilities and products that you can have at the largest firms including banking products, including the raw securities that come out of municipal underwriting. Stifel is the largest underwriter of municipal bonds in the country. And we're not regional, we're not even national, we're the largest. So when you think about the products and capabilities that the large firms have especially having a bank and the ability to do lines of credit mortgages, self clearing, all of those things that are very important to many full service advisors we have that at Stifel.

Ron Kruszewski:

Yet as I said earlier, we also have a culture that allows advisors to be truly entrepreneurial, understand their client's needs and deal within what they believe is their client's best interest, not necessarily what I believe is in their clients best interest. So when you combine those two factors, you get the freedom and entrepreneurial nature of an independent firm with the broad capabilities of a full, universal bank. We have them both here at Stifel.

Mindy Diamond:

Okay, let's talk about this independent option that you are launching. Is it up and ready and ready for primetime? And can advisors who are employees at Stifel slide into independence? How does that work?

Ron Kruszewski:

Well, first of all, it's interesting because yes, it's up and running. It's been up and running for 30 years I've just never focused on it. Stifel formed an independent channel back in 1990. And they called it Century Securities because Stifel was a century old in 1990. And we have had this, what's really interesting about it is it's fully integrated with the firm and that we've almost treated it as a brand. So Century Securities has all the capabilities, we just never marketed that. We never really focused on the independent channel until recently when I hired a gentleman from Wells named Alex David. And I said, "Alex look, I've had this sports car in the garage for about 30 years and take it out and take it for a spin, it's ready to go." And he didn't really believe it, he joined and he said it is and so we're engaged in the independent space. And we have a very competitive platform to compete with the other independent firms.

Mindy Diamond:

So how many advisors were under I mean, when we were thinking about independent options before this iteration that we read about where you recruited Alex David from Wells Fargo finance, we never really thought about Century Securities or Stifel's versions of independent as a real option. So how many advisors were under that umbrella? And what do you expect this new iteration will look like?

Ron Kruszewski:



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Well, it was never that large, maybe 100 advisors. Interestingly, it was about 100 advisors when I joined. And so the what I would say is that was of no fault of the independent channel it just never really had my focus. I was focused on building out the traditional model and the investment bank. So when I look today and I look forward, I expect that it's no longer Century Securities it's Stifel. We rebranded it Stifel Independent Advisors. And I expect that growth to match what Stifel's growth has been instead look at Stifel's growth. We were on as I said, from 100 million to 4.6 billion. There's no reason that we can't grow the independent space. Takes a little time as you know Mindy, I've got to get you don't understand it. And when you understand this platform you're going to be one of my biggest cheerleaders.

Mindy Diamond:

So why now?

Ron Kruszewski:

Well, I think that channel has grown and it has become more accepted. And so the Raymond James and the LPL and the advisor world have created a niche that I believe now is attractive in terms of the way they are run and their profitability. So we think that now is the time, actually, now is not the time because the independent model struggles in a low rate environment. But we think that's going to change. So we were just going to build this out, we have all of the tools and all of the products and services to compete with all the biggest independent firms. So why not? I mean, I'm a competitor and we've grown this firm every year, well grow our independent channel.

Mindy Diamond:

Well, from where I sit, it's all about advisor choice. It's a seller's market, meaning advisor is in the driver's seat, and advisors want to be able to define their own version of what utopia looks like. For some that's being an employee at a regional firm, and for others it's about being a business owner. But I want to be clear, this Stifel Independent will be an independent broker dealer model that will compete with the likes of LPL and FiNet and other independent broker dealers, correct? That's not an RIA model?

Ron Kruszewski:

Correct. Yeah, let me be clear. It has been it is today a separate broker dealer. Okay, it is an independent model that will compete with who you just said that is correct. I think that's true and one of the things that we have found is that we've had a lot of advisors that went independent that would say, look, I would have loved to come independent with Stifel but you didn't really offer me that. And I would shrug my shoulders and say I guess not, but I want to quit shrugging my shoulders and say, no wait a minute, well, we can do that as well.

Mindy Diamond:

So are you going to meet advisors where they are?

Ron Kruszewski:



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That's right. That's our culture anyway so why not?

Mindy Diamond:

And can your existing Stifel advisors or if an advisor, if someone is listening and is recruited to Stifel as an employee, can they slide or move into independence at will?

Ron Kruszewski:

Yeah, we have like all firms do, there are some rules about how you do that especially when you're an employee model you have, there are things that are benefits that accrue to you as an employee model not unique to Stifel. Raymond James, they all have the same rules. But we were generally indifferent as to where you want to reside.

Mindy Diamond:

Got it. Okay, that's a good thing. So I'm going to do some compare and contrast. Let's go back to talking about the Stifel W2 Traditional Private Client Group model. I want to understand how do you think it differs being an employee at Stifel from being an employee of say, Morgan, UBS or Merrill. And maybe you can give us some examples of some wirehouse advisors, some advisors you've recruited from those firms and the kinds of things they can do at Stifel that they couldn't do where they were.

Ron Kruszewski:

I don't know if the right way to discuss this is about what you can and cannot do. I think I can sum it up though in one word for you. And it is bureaucracy versus lack of bureaucracy. We're all compliant firms. We all want to do the right thing. But what the advisors tell me that join from the large firms and their business goes up here. That's important. I mean, their business increases and increases in some nice trend lines. And I asked the question I said, "Okay, come on, we all have the same products. Why are you flourishing here?"

Ron Kruszewski:

And the answer is, it's just easier to do business here. When the answer is no, the answer comes quick and the yeses come quick too. So I'm able to do and grow my business much easier at Stifel than where I was. And that's probably the number one thing I hear from the firms which almost by definition have to be more bureaucratic. These are very large institutions.

Mindy Diamond:

And how about, what would you say to an advisor that is considering Stifel, but also considering going independent? So joining Stifel as a W2 versus going RIA, the most independent form of independence?

Ron Kruszewski:



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Well, I think you have to look at your business first of all, you have to understand what you gain and what you give up. You certainly gain owning your business as an RIA yet you are now going to do advisory fee business only almost by definition, you're not a broker dealer. You're going to have to give some concessions on the liability side, we own a bank. And I think that's important today I think that the banking products is a very important product for clients and that's difficult to have in many RIAs. And on the other hand, you get to manage your business, that takes time.

Ron Kruszewski:

Whereas an employee, you don't have to really manage the day-to-day business, the staff and benefits and all that, you can focus all your time on growth. Neither one depends on the person as to which they want. We find people flourish under both models yet the personality type generally drives that decision more than the platform.

Mindy Diamond:

I would agree with that. I think that's right. How about Stifel as compared to other regional firms? So firms that fall into the same bucket at least an advisors mind. So let's say Raymond James and RBC?

Ron Kruszewski:

I respect all my competitors. I think there are real differences. RBC has done a nice job of portraying themselves as a firm like Stifel but RBC is owned by a bank and that can't change and it won't change. And so there's a huge difference between what I do which is I get up every day thinking about how our advisors double, triple quadruple their business. It's good for them and it's good for me and my shareholders. That's what I think about, large banks think about long growth. And that difference is not going to change. So I think RBC, great firm owned by a bank. Raymond James also a lot of friends there. I think Raymond James is primarily an independent firm, but they have twice as many independence as employee. So their independent model is more established than ours. And I think our employee model is well, I would pick it but you would expect me to say that.

Mindy Diamond:

Yeah. All right. So about Rockefeller. It's a firm that's newer obviously but came on the scene and had instant success. And today, almost every advisor that's got a quality business at least wants to understand what Rockefeller is. So how would you contrast Rockefeller as you understand it to Stifel?

Ron Kruszewski:

I really don't know Rockefeller that well. I mean, they were able to brand to use that name. That's a huge branding event with the name. I think Rockefeller as I understand it is a firm that's focusing on high net worth in a manner that's good for them. I view us as an investment bank that if you have a client that wants to sell their business or go public, you can do that straight here at Stifel. We own a bank, we're self-clearing, I believe that makes our service levels much higher. And our payouts are higher so I



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am not... But other than that people will make their own decisions. They've been successful firm, be interesting and what the end game is there, but not for me to say.

Mindy Diamond:

Yeah. You mentioned self-clearing. And I don't know that it's clear to a lot of people. What is the benefit of self-clearing?

Ron Kruszewski:

Well, self-clearing is that the things that need to be done to serve as clients are done within the Foursquare walls here in St. Louis, whether it's account opening, account transfers, establishing accounts, whatever you're doing with trust accounts. And those people that are answering those questions are answerable to me. And so we have a very strong service culture. We rank very high on all of these surveys about how well our service is to clients when you have to pick up the phone and call and ask a question. I think we are the number one firm in terms of the way we respond, the attitude, the friendliness, that's all because it's all part of Stifel. When you're not self-clearing, you're calling another firm's service department. And I think it's self-evident that if you're outsourcing it, you're not going to have the same level of services if you maintain it yourself.

Mindy Diamond:

Okay, let's pivot to recruiting. So Stifel has had a lot of recruiting success of late, why do you think that is?

Ron Kruszewski:

A lot of the acquisitions that we have done have been on the institutional side of the business. So most of our growth in advisors has been organic, just through recruiting and opening offices. So when I hear that I always smile to myself because I feel that we have had recruiting success for 25 years. It ebbs and flows a little bit, and it ebbs and flows on our view the markets and the competition and how deals ebb and flow. But our success more recently has been our ability to attract very large teams from some of the very largest firms. And that's a little bit different say in the last five years, and I think it speaks to our capabilities. What we did bring on with the Barclays Wealth Management which was important to us. And so now, I would say eight years ago, we weren't recruiting that many people from the large firms. And today that's about all we're recruiting from, so that's the difference that's occurred.

Mindy Diamond:

I agree with 100% that it's not only Stifel but generally speaking, it's the biggest teams in the industry, the most productive teams in the industry that are actually making moves. And that's very different than it was five or 10 years ago. What are you hearing from these folks that's driving, not necessarily what's driving them to Stifel, but what's driving them away from the big firms?

Ron Kruszewski:



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Again, probably the word which is bureaucracy and process and change. At Stifel, and I'm proud of the fact that we have one of the most simple payout structures on the street, we always have. I often say it fits on a coffee coaster because it does. Our payout system doesn't take pages and pages. And we've changed it twice in 25 years. You go ask other firms how many times they've changed their payout system, I'm pretty sure that no one's going to say that they've done it less than twice in 25 years. And yet the other firms, they publish these payout schedules, which are really disincentives to do certain businesses, there are hundreds of pages long. And I just believe that advisors tire of the bureaucracy and long for the entrepreneurship and that's what's happening.

Mindy Diamond:

Yeah, I think that's right. And I think that to your point, there are advisors that will look at independence and think that it's a bridge too far in terms of having to build something from scratch, but if they can get the same level or a similar level or a close level of freedom and control as an employee that they can as an independent that's a home run. And it sounds like that's the way you're describing Stifel.

Ron Kruszewski:

Well, for sure, we're not for all people, you know this Mindy. I mean, when you bring people in here not a lot of people leave Stifel. And it's for a certain advisor who wants the products and capabilities of a full service, investment bank and wealth management firm. The very high or payouts, but a firm that has great technology invests in technology. So you mix all those things together, we're a very attractive option for a certain segment of advisors, not all advisors I know that, but I don't think we'd be as special as we are if we were attracting everyone.

Ron Kruszewski:

I don't think that's possible, you have to have your focus and we do on the employee side. And again, with a separate broker dealer, we're going to compete on the independent side. So I don't want to discourage independent people from calling us, in fact if they do, they're missing a great, great opportunity on the independent space and Stifel Independent advisors.

Mindy Diamond:

Well, we'd love to hear more about that too. But again, on the employee side, what does the ideal advisor recruit look like or the typical and the ideal advisor recruit look like?

Ron Kruszewski:

I don't know that again, I can describe it. The ideal person is a fun person and an entrepreneurial person that respects others and respects their clients and wants to be in an environment and a culture that is likewise. The number of advisors and their mix of business whether they write options for clients or do sole fee based or do muni bond ladders, the business is as diverse as our advisors are diverse. So I don't like to think that we have a typical advisor at Stifel. We have advisors that are entrepreneurial and want



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to be able to make decisions in what they think are the best interest of their clients and they have a firm that recognizes it's their client.

Mindy Diamond:

So fair enough. But I think in the olden days when we talked about regional firms, we also talked about or thought about advisors where average production was say, \$700,000. And yet you're talking now about big teams joining. So can you give us a sense of average or mean production of your typical recruits?

Ron Kruszewski:

Well, it's obviously gotten larger, let me say it this way Mindy. I believe that we have some of, if not the largest teams on Wall Street. Okay, this regional concept that you always had small advisors. I mean, we have teams that I believe are as large if not larger than at the largest firms that are doing a lot of business with billion dollars of AUM and I'll be polite not to cite numbers, but it's well under eight figures, okay. And in terms of these production, so when advisors are coming and they're thinking, oh, I can't do my business at Stifel they find out real quickly not only they can they, but there's many, many teams that are doing significant more when they joined. So that's all a recruiting pitch to say use the word regional and then use the word that you can't do as much business, I say BS.

Mindy Diamond:

Okay. And how about an advisor in a market where you don't currently have an office, how do you think about an advisor that comes to you? Do they have to have a certain amount of production in order to consider opening a new office? Or is there a hard and fast rule around it?

Ron Kruszewski:

Oh, there are no hard and fast rules here first of all, that we're again, we're very compliant there. If it's against the law, we don't do it. But other than that, I don't know that we have hard and fast rules. And look at our history Mindy, again we had 37 offices, we did not have an office West to Colorado, East of Pennsylvania. We were I guess, a regional firm back then.

Mindy Diamond:

Yeah.

Ron Kruszewski:

Today have 400 offices and those offices many of them if you do the math are four and five person offices in small communities. So it first thing I would say is that if an advisor joins us today we don't have an office nearby, they are probably somewhere interesting, we have a lot of offices. But we open offices all the time. I think we opened 10 during the pandemic, so if that advisor is out and they like our model and they want to build a business, be part of the community and have a Stifel office, we'll talk. There are



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no minimums or hard, fast rules. And I think we're one of the top firms again in the country because we've done it in opening new offices.

Mindy Diamond:

So let's talk money for a minute. I mean you've referenced payout several times and about it being very positive. So what is the payout at Stifel?

Ron Kruszewski:

In broad terms, it's 55% on the incremental dollar over \$12,000 a month, it's a 50% in cash and 5% in deferred. It doesn't matter what the product is, it doesn't matter on productivity how many accounts, doesn't matter if you did a mortgage or a line of credit, or there's no nothing like that. It's been a very simple flat payout for the 25 years that I've been here and it's very competitive.

Mindy Diamond:

It is, I would agree with that and simple is a good way to put it. How about the deals, the transition deals, we know that Stifel doesn't look to be the top deal on the street. So how do you compete against higher bidders for top talent?

Ron Kruszewski:

Well, first of all, I believe that we are the top deal on the street, it just depends how you look at it. If you take our payout and the consistency of our payout and the fact that we haven't changed it in 25 years and then you look and say, all right, what's my payout going to be on my business for the next 10 years, and then add that to the transition deal, then you will see that we are very competitive, very competitive. I lose to some of the firms that you've mentioned I won't name them here that have higher transition deals but their payout is 40%? Well, that 40% versus our 55 is 150%. I can do math over 10 years. So I believe that you have to look at what the future looks like over the next 10 years. If someone is looking for just a transition deal on day one and doesn't understand the benefits of being here for the next 10 years, we probably lose that recruit and I'm okay with that.

Mindy Diamond:

Yeah, and I agree with that, that someone evaluating a firm needs to look at it in its entirety, not just payout and transition deal, but the value proposition and what they offer overall. I think you're 100% right about that. But let's think about say, a \$2 million advisor, what would a typical deal look like for that advisor a transition deal?

Ron Kruszewski:

Well, are we going to timestamp this podcast? I love how you're trying to pin me down here Mindy, it depends on the day in the market and a whole bunch of things. And you know that as well as anyone but a \$2 million advisor. I will say this, a \$2 million dollar advisor that comes here and looks at our deal is



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not going to say oh, that's not competitive with you name it, you can name the firm, we are competitive, there's a market out there. And we believe that you should take a discount to come here but we don't make you take one to come here.

Mindy Diamond:

That's fair enough, I think that's fair. How about a sunset or retiring place program? Do you offer one to your advisors?

Ron Kruszewski:

Of course, we do and we tend to not publish it because as is our culture and as the way we do things, many of these are customized depending on the facts and circumstances. Some advisors want to sunset that last a year, someone want to do it over five years. Some want to bring in new members, there's just so many different variations. But of course, we have sunset plan so that would be to not have one is you're just not thinking about it so-

Mindy Diamond:

Yeah, table stakes agreed. Let's pivot now to the industry overall. So as the CEO of a major firm, I'm wondering what your perspective is on the wealth management space overall, where do you think the pack is heading?

Ron Kruszewski:

Well, first of all, I think that it is heading in the advice channel and I think it has been for a while. And one of the things that I'm optimistic about relative to the business is the number of people that younger ages that are being taught both the benefits and frankly the perils of investing through the new Robin Hood's of the world, for example. That have democratized in their words they've made it very easy for people to get involved in the market. We as an industry used to spend millions of dollars trying to do the stock market game to try to have younger people understand the benefits of investing. And that's being done today. So there's a whole generation of investors that I believe will need advice and are learning the markets now. So I think it's a good thing for markets, I think it's a real good thing for the advice business. And I'm very optimistic about that part of our business.

Mindy Diamond:

And this conversation is a unique opportunity for advisors to hear from a CEO of a competitor firm. So I'm wondering what message you'd share with them about building their businesses?

Ron Kruszewski:

Well, I think number one, it comes down to build your business, to the advisors I'm speaking to, they have built their business through their ability to relate to people, to understand people to have EQ, and build clients and build trust. That is a trait that many advisors share. Otherwise, they wouldn't be



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successful on our business, they have to be able to garner the trust for clients who are having then help them achieve their financial goals. But what you need going forward is a firm that understands that, but also has the technology that's going to help clients get organized. Communicating with clients through technology is going to be a huge differentiator going forward. You have to be able to communicate and you have to be able to digitally engage with younger people. And as you think about your business going forward, you should be with a firm that respects your independence yet it gives you those tools that are going to allow you to compete that place of Stifel.

Mindy Diamond:

And what about what advice you'd give them about serving their clients, how they should think about serving clients and growing their teams?

Ron Kruszewski:

Well, at the highest level I think that's the one thing that hasn't changed in this business as much as we talk about all the technological changes in the environment and whatever. The one thing that is a constant is that you need to understand your clients goals, objectives, goals based planning, that hasn't changed. And you need to do that at the highest level and then act in your clients best interest and their risk tolerance. And that is again, table stakes for a successful advisor. Besides technology though, I think one of the things that advisors should be doing is really building teams that are bringing younger people on to their teams that understand social media, understand how younger people want to be communicated with and about.

Ron Kruszewski:

And the best way to do that is to add younger people to your teams. Our teams that have done that have shown tremendous success in building their business. Because remember, a lot of your clients are going to pass their investable wealth to their children. And you need to be able to communicate with those children as well. So I think that that's what I would be focusing on if I was an advisor among the other things I've said.

Mindy Diamond:

Great advice. And Ron, I have taken up enough of your time but your wisdom and your generosity and your willingness to share is much appreciated. This was fabulous. And I'm thinking that as Alex David is deep in the lab and really builds on the Stifel independent model, we should invite him on to talk about that and hear some specifics about that as well. So we will look to do that in a future episode.

Ron Kruszewski:

Yeah, I donate Alex's time right now he doesn't even know-

Mindy Diamond:



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[crosstalk 00:49:15] Yeah, good. Perfect.

Ron Kruszewski:

You know what Mindy? I appreciate the opportunity to talk to you. I think you have a tremendous finger on the pulse of the industry and what advisors are looking for. So I always appreciate your wisdom. And every time we get a chance to talk. And I appreciate you helping us be better understood. The one thing I get frustrated with is I feel that we're the best firm that some people have never heard of. So we're trying to fix that.

Mindy Diamond:

Good way to say that. Yeah, good way to say it. Ron, thank you again for your time. I'm grateful.

Ron Kruszewski:

Thank you.

Mindy Diamond:

I often say that culture is one of the most overused terms in the industry. But the fact is culture is often the main reason an advisor changes firms or models. As Ron shared, Stifel place is a high value on an environment built around advisors and their ability to have agency over how they do business with the bonus of support and community. In Ron's words, "It's just easier to do business here." And isn't that really what most advisors are looking for? 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 to regular updates for 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.

Mindy Diamond:

These written pieces are an ideal way to stay informed about what's going on in the industry without expanding the energy that full on exploration requires. 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. You can 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 the show 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.