Growth Through Media and Innovative Solutions: How Ross Gerber's $2.2B Firm Found a Resounding Voice in Independence

A conversation with Louis Diamond and Ross Gerber, President and CEO, Gerber Kawasaki.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is, Growth Through Media and Innovative Solutions: How Ross Gerber's $2.2 Billion Firm Found a Resounding Voice in Independence. It's a conversation with the President and CEO of Gerber Kawasaki. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

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The name Ross Gerber has become a familiar one over recent years. Certainly, he started to build a name for himself in the wealth management industry as the co-founder of the now $2.2 billion RIA, Gerber Kawasaki. But it wasn't until he and co-founder Danilo Kawasaki had a conversation with Mark Casady, who at the time was the LPL Financial and shared their vision of a firm that would leverage marketing, media, and technology in a way that no one else was currently doing. That was in 2010, and as Casady saw it, they were the future.

Ross's journey started at SunAmerica, which was acquired by AIG. Then the 2008 financial crisis hit. That's when he and Danilo said, "We have to start our own firm." With just $50 million in client assets, they negotiated their freedom as Ross put it, spun out of AIG, which later became SagePoint, to LPL's broker-dealer model.

And things really took off when Independence bestowed upon him the freedom to share his thoughts in the media. Ross's commentary is sought after on broadcast news shows and media sites, including CNN, CNBC, Fox, Reuters, Bloomberg, and the Wall Street Journal. And his direct and outspoken nature made him more of a household name once he began to challenge the thoughts around everything from crypto to digitization to Elon Musk and Tesla. Yet it's his deep-rooted investment knowledge and business strategy that helped propel the growth of Gerber Kawasaki innovative thinking that continues to drive the success of the firm. So in this episode, Louis Diamond and Ross discuss his journey, making their way through the '08 crisis with just $50 million in client assets and building a $2.2 billion mega firm. He shares how thinking differently and creating unique value was a game changer for them. And he offers not only his financial wisdom and industry knowledge, but sound ideas that can help advisors rethink their business processes and goals. There's so much to discuss, so let's get to it.

Louis Diamond:

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Ross, thanks so much for joining us today.

Ross Gerber:

Thanks for having me.

Louis Diamond:

Let's get started. Can you briefly share your pathway that led you to where you are today, how you became an advisor?

Ross Gerber:

Well, it actually wasn't really my goal as a child to be a financial advisor. I am a musician, and when I was a kid, my parents, actually my grandparents were stock investors, and especially my grandfather was retired and I was very curious to how he didn't have to work, but my dad did and he showed me about dividend stocks. And they weren't very wealthy people. They were modestly retired, but I was fascinated with the fact that back then you'd get a check in the mail from a company and it was a dividend check. And I was like, "I want to get these free checks. This is great. How do I do this?" He said, "It's investing."

So when I was in college, I went to University of Pennsylvania and I played in a band and I played around town. I realized that I would probably be broke if I wanted to be a musician, so I better keep the stock thing going because I could actually make money trading. So I was trading stocks when I was like 18, 19, 20 through college. And then I graduated from college. And basically what happened was I had a lot of bad experiences in the music industry over a six-month period and decided that maybe that wasn't the best avenue of a career and got a job at an independent financial planning firm called SunAmerica. And so since they had a training program and I was right out of college, they got me licensed and I learned how to excel retirement plan. So that's basically how I got into the industry.

Louis Diamond:

How about your career path that led you to launching Gerber Kawasaki in 2010? What did you do before that?

Ross Gerber:

I was at SunAmerica that whole time, so I spent 16 years there, which was acquired by AIG in the late '90s. So at the top of the market in the '90s. I was very lucky when I started my career, it was the beginning of the greatest bull market that I think we've seen since the '20s. And in the '90s things went pretty crazy and SunAmerica was a wildly successful company. We grew like crazy selling retirement plans, mutual funds and annuities. And then we were acquired by AIG and we became AIG Financial Advisors. And at the time, it's kind of similar to today, we were pretty stoked to be affiliated with such a huge AAA-rated insurance company with such a great track record, and it really helped bring up the brand level of our firm. And oh yeah, we're AIG Financial Advisors, very similar to how the financial advisors at First Republic probably feel today.

So then what happened was when the financial crisis struck, AIG went down along with everybody else, and it was a horrific period of time for us because not only did we clear through AIG and we sold American and general insurance and annuities and then the losses and the client withdrawals, it was just a disaster. So when that ended and we survived, I vowed that I would never work for another major firm again or clear through and that we would start our own firm, create a new brand that people didn't trust the old brands anymore, and that it was an opportunity for us to leverage technology. That was really our innovation, was how do we leverage technology to serve a large amount of potential clients?

So by 2010, my partner and I really had sort of hit the wall and we were like, "We got to get out of AIG, we got to start our own firm." So we did that. We found LPL Financial, started our own firm in 2010, and it's just been huge levels of growth for the past 13 years.

Louis Diamond:

It's interesting, it's almost like one door closes, another one opens, and in your case, an extremely stressful and negative experience for everyone is probably the, you might agree, was the best thing that happened to you. It probably kicked you in the butt to get moving faster and helped to solidify your vision, which became this wildly successful RIA firm.

Ross Gerber:

Well, it wasn't the best thing that happened to me. The best thing that happened to me was at the bottom of the market in... Well, it was almost the bottom in December '08, a really, really bad time for me, I met my wife. So that was actually the best thing that happened to me.

Louis Diamond:

I knew you'd say that.

Ross Gerber:

I met her in '08 and then she was really supportive. And when we started the firm and we were both kind of almost like out of work at the same time, it was an incredibly difficult time. I lost pretty much all my money. I was down to my last couple bucks and fortunately I didn't have a lot of debt. So we started the firm right when things kind of started to turn, and then the idea was like, well, hopefully the economy will get better, and this was a really good idea, but if it doesn't, this was a really bad idea. But my partner and I are risk-takers and when things are really, really bad and you kind of almost lose everything, you can either kind of roll up into a ball and die or you can just realize you have nothing left to lose, but let's just go for it. And that was what we did.

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Louis Diamond:

So when you launched the business in partnership with LPL Financial, can you describe just your thought process behind opting to go with LPL and what did the business look like when you launched it? How much in assets and what was the base that you were building upon?

Ross Gerber:

Yeah, what happened was we kind of spun a team out from my old company with AIG and we negotiated our freedom and I had to pretty much give up everything for that. So we started with a core group of about 20 people, and that core group we managed less than $50 million, and most of it was actually mine. I was the top producer. It was really around my advisory business. I had started advisory in 2003, so I was one of the first people to really start an investment advisory program from an independent advisor perspective. And back then it was brand new and everybody was like, "Why would you take 1% when you sell for 5%?" And I was like, "Well, the sales model sucks. The future is advisory." And so I had started that in 2003 at my other firm. So when we started GK, that was the idea that we were going to bite the bullet over the first five years and just be advisory only.

And we were a hybrid firm in theory because we still had commission business on the books, but the model was to be advisory only. So we had the double whammy of not getting the big commissions from sales and moving to advisory, but we had the foresight to understand the reoccurring revenue model was a better model. So when we started in 2010, we were still with this company called SagePoint, which was the AIG remains, and we had to find a new broker-dealer and get free. And we met this guy, Mark Casady at LPL, who was the CEO at the time. And when we explained our vision of not having all the branches and not doing it the traditional model, leveraging the internet, leveraging social media, leveraging technology, and having one big branch centralized and using laptops and mobility as our main way to serve clients around the country, they kind of was like, "This is great. This is the most innovative thing." And it was great that LPL recognized that because then they helped support us during this transition. So whenever we would go to them and say, "Hey, here's what's going on, can you help us?" They couldn't have been more helpful and supportive.

And then when Casady retired and Dan Arnold took over at LPL, he was even more aggressive for focusing on growth. And he looked at us and said, "You guys are the future. How can I help you?" But we were also having lots of problems with compliance at LPL because being so innovative on social media and in traditional media, we basically were breaking every rule that they had that were really meant to prevent people from doing these things. But we were like this is the future of marketing. So management stepped in with compliance and worked out a deal with me and the compliance department, and we kind of did that for a long time up until probably two years ago when we dropped the hybrid broker dealer, but now we're RIA only, so we don't have to deal with a lot of that. But LPL's been a huge supporter of our company in the innovations that we wanted to implement and really supporting that vision despite the fact that many of their lawyers were like, "Oh, this guy's crazy."

Louis Diamond:

I can understand that. Maybe my next question was, given how outspoken you are in the media, I would think you'd run into some issues if you weren't the one controlling the compliance program, but you answered that. And a lot of our time today we'll be talking about your media presence, so we'll save it.

Can you describe for us what the firm looks like today? Its value proposition to clients, number of employees, assets under management, and any other metrics that will give us some perspective?

Ross Gerber:

Oh man. Okay. Now we've got a whole thing going on here. So we started with let's say 20 people and let's say less than $50 million in assets. And now we're looking at close to 50 people. We have six lines of business that we do. So our main line of business is advisory. And within advisory we have three subgroups for get invested for first time investors who are young. We have our traditional wealth management for what we call the mass affluent. And then we have a high net worth program for people with over $5 million. So our advisory programs are pretty thorough, and we have about 27 financial advisors, RIAs, and I think about half of them are CFPs, and we highly encourage that licensing. Then we also do life insurance. That's a core business of ours that we've done forever.

And then really one of our most successful expansions... In 2021, we expanded in several areas and our most successful expansion was the accounting division we started and we were able to start an accounting division in 2020. We had a lot of hardship with it at first, and then found a great leader for that business who's now grown it to five accountants. And so we have five accounting professionals and we're on track to doing about a million dollars in gross revenue just in accounting. So that's been a huge success. We're growing at a hundred percent growth rate with accounting. So in three years we've really built a great business and it's really complimentary for our clients.

Then we also started an ETF at the top of the market in July 21. So the GK ETF is our investment management proposition for the do-it-yourselfers. We wanted to be able to serve clients that maybe just didn't want to move their accounts and such. So we started an ETF and it's really focused on the alpha side of our portfolio, the growth side of our portfolio. So our ETF is meant to be paired with an S&P 500 ETF because our basic investment philosophy is what we call index plus alpha, which is we use broader investment indexes coupled with very focused thematic investments to get maybe a little bit extra return if possible. So the ETF was a great addition to our business.

We also partnered with Gemini and began a cryptocurrency business, which has also been an incredibly challenging experience so far, but we continue to plow forward with them and we put about $10 million into crypto. Actually, it was like our clients had crypto and we just wanted to be able to help them with this, and it ended up being a huge success because we got them off other platforms, many of which have gone under or been banned recently. And so the fact that our clients were able to have secure accounts at Gemini was a huge plus. So we're still plowing forward with them in our crypto business, and that's also an important part of our long-term vision.

And then lastly, we partnered with Vontobel Securities in Switzerland, and we are an international business and now do business mostly in Europe, but ideally throughout the world through our international custodian.

So our six lines of businesses: We manage $2.2 billion in assets, we're doing tax returns and insurance, both about a million dollar businesses, each of them. And then we currently have what I would say, 32 financial professionals with our goal to get to 50 on the short term. And then we have about 15 servicing and marketing employees.

Louis Diamond:

I don't know how you find time to sleep. That is a lot going on. And it also, again makes sense why you opted for the fully independent model. I think if we can maybe just go through and tick through what I think are some of the more unique elements of your value proposition, the crypto, the accounting side, the ETF and the international, maybe starting with the CPA side. A lot of folks that listen to this show, I think dream about offering tax services. It's a pretty obvious value add that every client kind of needs. Can you talk about your experience with it and how it aids to GK's growth? You mentioned the revenue of the business, but how does it help in other ways?

Ross Gerber:

Yeah, I was pretty motivated in 2021 coming out of the pandemic and not having as much of a social life. I just decided to start all those companies within ours at once. So '21 was a really good year. We made a lot of money. I worked really hard to build these businesses, and then we sort of ran into the machine gunfire of '22. So in that period of time, one of the things we realized with accounting for example, was how many of our clients were dissatisfied with their accountants and how much time we were spending with accountants that didn't know what they were doing, working with our clients, telling them the wrong thing, asking us to do basically half the work for them. And I'm like, "Why? This is ridiculous."

And then we had a bunch of accountants we were referring to and just the relationship also wasn't mutually beneficial. They would refer us some clients, but we have tons of clients and we're like, "Come on," but these guys aren't really client getters. And then I looked around at marketing and I go, "Accounting firms really suck at marketing. They don't even use online, they don't even have websites." I was like, "We've got to get into this business because it's so similar to what we've done with finance by moving forward marketing into the modern era and having a Twitter or a TikTok page." The accounting firms, they can't even imagine this.

So the issue was finding an accountant that was entrepreneurial that wanted to build this business. So the first guy we hired was an absolute disaster. This was in 2019 for the 2020 year, and it was just a disaster. Within a year he had insulted a bunch of clients and he was just your typical accountant. And I was like, "This sucks." So we fired him and I was pretty close to shutting it down because this is the challenge, which is finding an accountant that understands service and wants to build a company. And this was really hard. And so I put a bounty out inside the firm. I said, "I'll pay anybody $5,000 if you can refer me an accountant that we hired." And sure enough, two weeks later I get this great young guy, I think he left Ernst & Young or one of the major accounting firms, and he's like, "We're sitting here, we're not learning anything and I want to build a firm." And I said, "This is perfect." And this is Michael Malc, and he's just done a phenomenal job at our company. And then he recruited the other four accountants from other major firms.

And it turns out many of the young accountants at all the major firms are not getting any help because of work from home. There's this very little interaction with partners, and we realized we could really recruit away people who want to work in our office and want to be around people and have an entrepreneurial environment with a lot of upside. So we're continuing to hire all the great young accountants we can find.

But what we found that was more incredible was that when we market accounting, we get tons of leads, like tons. It's unbelievable. And I was like, people really don't like their accountants and the younger generation doesn't relate to any firm. So I actually believe there's more growth building the accounting firm than the financial advisory.

Louis Diamond:

And do you view them as being complimentary, meaning the accounting clients or wealth management clients and vice versa?

Ross Gerber:

Yeah. Most of our clients come from our existing client base, but we're getting new clients that are coming in through accounting that become wealth management clients. So it's like it's been super good for that, but then there's this synergy because the accountants are around the advisors and there's this education process. I don't care what people say, work from home is a failure. If you run a collaborative workplace environment, working and having Zoom and all this stuff is a wonderful convenience and whatever, but if you look at the collaboration and the motivation and the teamwork that's being done inside our office on a daily basis, you can't beat it because I got a bunch of accountants hanging out with a bunch of advisors having lunch and what do you think they talk about? It's definitely not sports and girls, it's finance. And so I think it's been one of the best things for my firm that we've ever done.

Louis Diamond:

Yeah, it's exciting. It makes a lot of sense.

How about the crypto side? I don't want to get into the crypto market, that's probably a whole other episode, but more so from a business standpoint, how the crypto business contributes to the wealth management side. And I'm curious too, when you say you have a crypto business, is it advising clients on buying and selling crypto and what currencies to buy and how does that work?

Ross Gerber:

That's a good question. I've been involved with crypto for a long time and I know some of the original guys, and I've been lucky enough to started investing a little amount of money in crypto back when it was a $500 thing, Bitcoin was 500 bucks. So I have a fundamental distrust for the ecosystem of Bitcoin, which served us very well. And because of my experience, I realized that the only person I was comfortable partnering with... Believe it or not, we met with FTX.US too, but we passed. I actually was one of the few people that saw through their bullshit. Excuse the expression. And we partnered with Gemini, Tyler Winklevoss, I reached out to him. We had a bunch of conversations. They're very, very smart. They put a lot of money and technology into their platform.

Our basic premise is that many assets in the future will be digitized, especially things like real estate, art, music royalty rights, things like that that are very easy to have a digital value system. And people will want to hold those assets. And I'll give you an example. Artwork is a perfect example for insurance companies and the way that art's valued and the way that we convey ownership of art is essentially a piece of paper. When you think about putting that on a blockchain and having an NFT or a token that represents your ownership, it could be a deed like to your house. My house deed is this weird piece of paper, and you sort of think, "Why is this a piece of paper in this day and age?" So I still see a future where many real assets like real estate are digitized and then investors can just hold their ownership stakes in a portfolio. Even though the values might not fluctuate, that that ownership would be held there. So we see this value.

Secondly, I saw a lot of potential in currencies like Bitcoin and Ethereum, but that was it. I'm not a coin guy. So this also served our clients very well because I refused to let anybody stake coins. I refused to let anybody invest in coins other than Bitcoin and Ethereum. And by doing that, our clients weren't harmed during this last disaster. That said, Gemini's gone through a lot of difficulties. We've been working very, very closely with them, A, to make sure that they stay in business and we don't lose money for our clients, but also B, helping them design an advisor-led platform. So this is one of the coolest parts about what we're doing, is that we're working hand in hand with their tech group in building this platform for advisor-based cryptocurrency management. So this is where I think the long-term future leads us. And the technology that a lot of the Bitcoin firms are using for trading and management is a hundred times better than the technology that Wall Street has because we're still using Excel and Bloomberg and systems that are very antiquated because it's so hard to upgrade.

So I really feel like working in both financial systems was smart for us, the old financial system and the new one, and helping design the new one would serve us well as time went on.

Louis Diamond:

That's fascinating. That's another one that advisors sometimes talk about is wanting to advise on crypto and they're unable to at their various institutions. So it seems like the vision you have for it, aside from believing in the blockchain and the technology, it's more so being able to advise and trade crypto on behalf of clients and basically making it so they have an expert to guide them through a lot of the noise similar to how you handle a stock market.

Ross Gerber:

And we have this thing like nobody counts in your returns all the things you talk clients out of. They look at your account and they go, "Oh, you're up 12% this year." And I go, "Well, yeah, remember the 10 things that were really dumb that you wanted to do? And one of them was cryptocurrency." So even though we haven't made anybody money in Bitcoin since we started, we helped prevent people from losing lots of money with a lot of these scam coins and things like that. And I think fundamentally because I believe in it, but yet I'm highly skeptical of it, it serves our clients very well. And so it's worked out. I would say it's been a painful process because of huge levels of fraud and issues with the industry and certainly regulation. But what we also wanted to do was put together a framework of regulation, and that's what we've done as well.

And so by applying rules and regulations that... We treated it as a security. Ironically, the SEC is still trying to figure out that it's a security and how to regulate it, but we just treated it like any other security and created policies and procedures around it. And I've offered the SEC anytime they want help, I'm happy to help them. You know what I mean? But I think if you want to build an industry, it's not going to be built by regulators and by partnering with some of the smartest innovators in the industry, and ideally, hopefully they get through this, we're going to be in the driver's seat. But clients own cryptocurrencies. They want advice on this, and there's a trillion dollars out there in cryptocurrencies, and there's a lot less exchanges that are around now. So when halving comes in a year and Bitcoin goes back up, everybody's going to be clamoring around looking, "Where's a safe place to put my money?" And we hope to be one of those few institutions.

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It's fascinating. And how about the ETF? That's another one that put it in the category of a lot of work and pain and disruption that crypto created. So why create an ETF rather than just advising clients on a single stock basis? What was the rationale behind the ETF and has it been worth it?

Ross Gerber:

Well, when I started the ETF, I absolutely knew it was the top of the market. So I was like, "Great, this will be fun," because I was starting an ETF. It's Murphy's law. So it really was brought to my attention because back... I was an original investor in Tesla, and it kind of made us famous in the sense of by having a pretty large investment in Tesla, we were able to make about a $250 million profit for clients on that position. And it pushed us up into the pantheon of great trades or great firms. And at the time, this woman, Cathie Wood, became incredibly successful and she also was with me on that investment thesis, and there were really just three of us. It was Ron Baron, Cathie Wood, and me and Baillie Gifford that were the only four institutions that stuck with Tesla like five, six years ago when things were really bad. And it paid off for us.

When I looked around and I was like, Cathie took in $10 billion in assets and we've got $2.2, boy, this is super efficient to run an ETF because you can manage money in scale and you can reach investors at Robinhood and Schwab and all these websites and apps that people are trading on, that they're not going to open an account at LPL. So it was like, "If people want to invest with me but they don't want to open an account at LPL or Schwab, how do they do it?" So AdvisorShares reached out to me because we were so high profile, they were like, "Well, you know, don't even really have to market because you're on TV every day and you're like a good investor, so why don't you do this?" And I said, "Because it's a nightmare of regulation and whatever," which turned out to be true, which they didn't really tell me. They kind of minimized that part of it.

But we started the ETF, it started off great, everything's going fine. We gathered assets, we brought in enough to be profitable, and then the market just gets destroyed. It was basically a year ago. Last April the market was down over 10%. So then you get the negative of owning a public vehicle with markets going down and underperforming, everybody starts beating you up online and stuff. So that's been tough. You take your lumps, that's part of being a stock investor. But I'm proud to say that we've kicked the heck out of Cathie Wood's funds, and that was really my goal from the beginning. Because I felt like, "Hey, we want to have a track record that's public and hey, I know we can do better than Cathie." And so we've done better than Cathie, but now we've got to just do better than the market.

So now that the markets have come back, we've had a great year to start the year, I think we were up 14% in the first quarter versus 7% on the S&P. So that's the kind of returns that we expect. And we're seeing a rebound in technology, in climate stocks and consumer, which are kind of our three main sectors. So there are three main sectors that got hammered in '22, and now they've recovered in '23. So I'm kind of excited for the year once the fed stops killing us.

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Louis Diamond:

That is very interesting. I was asking a little bit about Tesla since I know you've got an interesting perspective on them, but I wanted to ask you, and I think you've probably answered some of it with these new lines of business, but today the firm's at $2.2 billion in assets. You talked about starting at $50 million back in 2010, so incredible growth in that time period. But I also think you've almost doubled or more than doubled since even 2018. So what's the secret for that growth?

Ross Gerber:

So like 2018, '19, we were growing probably 25 to 35% rate, and then the pandemic hit. And when the pandemic hit, what happened was because I was already on Twitter and I was already on social media and I was one of the few... Nobody cared about stock pickers at all. For the last 20 years since the '90s and nobody cared. And I'm just doing my thing and then all of a sudden everybody's a stock picker in 2020. And so people are looking around online, who do we follow, who do we follow? And they're going after YouTubers and basically anybody who knew anything about stocks. So all of a sudden my following starts growing and then all these random stars start saying they're stock guys, guys like Dave Portnoy. And then I got in a fight with Dave Portnoy online because I'm like, "You don't know anything." And so then he started calling me names and then I went on his show and got millions of views and survived that, which was super scary from a reputational standpoint.

And our business just exploded between all the media we were getting and social media in our following. And then so many people in the public saying, "I want to invest and who can I get advice from when all the firms only work with the super rich?" And because we don't only work with the super rich, our business exploded. So in two years we doubled and then we ran into the wall, obviously. So we've gotten our inflows up to about $25 million a month net. So we've taken about $300 million in new flows a year, and we don't have to recruit advisors or pay people for that flow, that's just organic. And then '22, we still ended up having the same $300 million in flows, but we lost like 20% or more. It was a little over 20%. So 2022 was kind of a step back. And then we started this year really strong as well. And so our paces continued to still be about $25 million a month, and now we've got returns back. And so our assets have come back and hopefully this year we'll really see some growth continue.

Louis Diamond:

I mean, it's absolutely terrific. Any advisor at any firm would kill to have net organic flows of that magnitude. And I think it's a perfect bridge to the next thing I wanted to talk to you about is your media strategy. Like you said, you've built a massive following from being on TV, podcast, print media, and your very active social media presence. So I think you've hit on probably the growth power of it, but can you just talk a little bit about the thinking behind this and the strategy and how it overall helps GK?

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When you buy an ad on a TV channel, it costs a lot of money. So people buy ads on CNBC, Ken Fisher spends millions and millions on ads, and I'm like, "I don't want to run a business like that." We're like social media, we're boots scraped. So we had a PR firm originally and they got me on like CNBC and got me some spots.

Basically the way it works is most financial advisors don't put a lot of time into marketing. They just don't get it. They spend all this time on investing and they spend all this time with their clients, but they don't really spend a lot of time on marketing and then they don't grow. So most financial advisors get a net handful of clients a year. It's just not a growth business basically. So once you get to your asset goal, maybe it's $50 million or a hundred million, most of those advisors just don't really see new clients and they don't grow and they don't hire and train people to deal with the flow of new clients. So it's not really a growth business. You get to a point and you just stop growing and you're happy with your income.

With GK or me personally, I've never been that way. I've always tried to make more money every year. So marketing was a key element. So when we first looked at our strategy, we had a two-part strategy online with Google and Facebook. Back then it was Google and Facebook and Yelp, and then traditional media, which was using our PR firm to get in the New York Times to get on CNBC and Fox Business. So we were kind of doing that. And when you get on television, most advisors get one shot at it. You get on, they make the PR people happy and then you never get on again because you're not that exciting. And one of the things I realized early on in financial media was that this is really entertainment. It's not information.

So I realized that the more entertaining I made this, the more fun I made it, the more positive I made it, the more spots I was getting. Because basically it was the boring person from Des Moines who is going to tell you that Google's earnings aren't that good, or you can get this funny guy from LA who's really talking about Google in ways that other financial people don't talk about Google. So that worked, and that's a part I can't say, "Oh, everybody can do that." That's the hard part. That's a personality and that's entertainment, knowing how to do that.

But as far as from a strategic perspective, the idea was leveraging online and spending money. Back then we spent a lot of money on Google and Yelp and Facebook ads, and then doing PR and other PR things to get credibility by being in financial media. So that worked and it just grew. And then I was also tweeting, and so I started on Twitter in 2011, and Josh Brown was kind of the king of Twitter for a while, and he got up to a million followers and I was like, "If Josh can do this, and he's on CNBC, this is..." So I kind of liked Ritholtz's strategy when Barry's just some guy at Bloomberg and Josh is some CNBC talking head, and then they start a firm and they basically just use Betterment. So they don't even really invest, but they use marketing in a way that other firms had never done, and they were able to grow very fast. And so I'm kind of friendly with them back in the day when I used to do...

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I was doing CNBC twice a week, three times a week kind of consistently, and it was just like this building process. So now it's to the point where last week I probably did 15 TV shows and some days I have shows all day. And then I also do YouTube. I work with the YouTubers. There's basically very few people in general that are on TV as much as me across the board. And then there's nobody in finance on TV as much as me unless you work for a network. And so I put a lot of time into it and on top of managing my company and my... So today I have CNBC this afternoon, I have this, I had a radio show on SiriusXM this morning. Tomorrow I got BBC. It's just like every day there's media spots and that's just part of my schedule.

Louis Diamond:

To me, the big takeaway for advisors is I think the concept of customer acquisition costs. You can pay a lot of money for ads in various forums where you can go client by client, but you figured out a way through your media personality, which clearly is built upon itself to bring in clients basically for free that are following you and seeing you in these different mediums. To me, that's the big takeaway is a scalable way to drive new business that's also extremely cost-efficient.

Ross Gerber:

Yeah, I do want to say though, it's cost-efficient in that we did have to spend money at the beginning to just get to a certain point, but then other people started doing this. And so the acquisition cost grew for Google, and we don't use Google at all anymore. But what we found was YouTube was incredibly valuable as a tool. And so many people watch YouTube for finance, substantially more than watch traditional media financial shows, which most people don't realize. But really from a customer acquisition cost today, our cost is the staff that run our studio.

So we're one of the few investment firms that actually has a functioning TV studio and team that helps us put out all this content. So I have a three person staff. So that cost is real, three people plus the studio and the equipment. So we're a functioning TV studio basically. That is a real cost because there are three good employees costs in there. But what I'll say is that every day we get business coming in, whether I do shows or not. Every day we have emails coming in of clients and many of them are high net worth and we work so hard to get to that point, and it's just thrilling to see.

Louis Diamond:

Yeah, it's well deserved. I think what's interesting too is that there's a cost to start it and to invest in it. You have the fixed cost, but you pick up operating leverage along the way because it's not going to cost you more to get the 30th client from this medium as it did your second client. And each one you bring in quickly defrays the cost of your media infrastructure.

Ross Gerber:

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And I have all these other advisors so that they're able to leverage our exposure to help their credibility with their clients in business. And we have the constant content for our newsletters and whatever. Everybody else sends these canned newsletters from the broker dealer or whatever. And we have new content every week of TV shows from major networks that we're in or major articles in the paper. It's so many things. Sometimes people are like, "Dude, we can't have a newsletter of 10 articles about you." You know what I mean? But the personalization of the content around our firm is incredibly valuable to the other advisors.

Louis Diamond:

Right. I mean, I have to say, it seems like is it a major... Is it a major distraction doing all this media from running the day-to-day and all these other business lines and getting back to the core of who you are, which is a financial advisor? How do you manage it all?

Ross Gerber:

Well, the real distraction is Elon Musk more than the media. So if he doesn't do anything really crazy or stupid, my weeks are pretty normal and it's just any other appointment. So I'll put in an hour for this podcast. It's just like any other appointment I would have. So marketing is part of my job. So every advisor is not doing this at my firm. It's just me. Maybe that's a lot less clients than I can see, but my main function at my firm is not seeing clients. So I basically don't personally take on clients anymore. But that said, all advisors can make an investment of time into better marketing, whether it's networking or doing stuff. And that investment and commitment of time is really what it's about.

Where it gets crazy is when Elon does something crazy and then every network in the world is calling me for TV spots like last week. And I literally was on TV for two days and nights straight because global media also starts in the morning and ends at night. And so I can be on all over the world in one day on five, six shows, and that's when it gets disruptive and distracting. So I pray that Elon doesn't do crazy stupid stuff and my weeks are much smoother.

Louis Diamond:

Another good bridge. In February of 2023, you announced that you're going to seek a seat on the Tesla board, and I think I found you from seeing all your comments and your coverage about Tesla. So can you talk about why you wanted to be on the Tesla board and just what's going on that you have this, I don't know about fascination, but that you're aligned so closely to what's going on with Tesla?

Ross Gerber:

Well, part of it is we still manage a about a hundred million dollar position in Tesla. So it's crucial for me to be in the know of what's happening with the company because it's such an important investment for our clients. And most of that is gains actually. But we don't want to pay taxes and Tesla...

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One of my investment theories and philosophies is that there's only a few companies that are really going to make people a ton of money over time like Apple, and you got to stick with these companies. It's like they'll have their ups and downs, but there's only a handful of them that have driven the majority of excess return in the S&P over the last 50 years. And so if you don't own those companies, you might as well just own the index fund and move on. And Tesla's one of those companies. And so assuming everything goes right, Tesla will be one of the most consequential companies over the next decade. And that's why it's important to me because companies like Tesla are what help us make our clients' dreams come true. It's like if you want to get to retirement, if you make 6%, well it's a lot harder than if you make 8%. And so our clients' futures very much rely on excess return if we can make it because we're not going to take excess risk to do that.

So core holdings like Apple, Tesla, Microsoft, Nvidia, we've spent a lot of time making sure that we're happy with these companies and these companies are doing what's best for their shareholders and in most cases there's not much effort. But in Tesla's case, Elon's purchase of Twitter became a huge distraction and a huge negative for Tesla's business basically. And we've seen our position size obviously go down from Tesla. Was at the high around 400, which was overvalued, but we had came into the year of valuing Tesla closer to 300, and then it's like price cut, price cut, profits down, profits down, and Elon's like screwing around every day. So because I was really popular in the Tesla community and I was like the only one willing to say something to Elon because everybody's scared of him, I was just like, "Look, enough is enough, Elon, you're hurting all your fans, you're hurting everybody, and our goal is sustainable transportation energy that's clean. What does this Twitter thing have to do with it?"

So it got to the point when Tesla hit a hundred, everybody's calling me this and that, and I was just like, "I've had enough." And the board of directors at Tesla is not an independent board. So there was a new rule that came into place called Universal Proxy, and it came in and it basically allowed somebody like me to get on a proxy without having to do very much if the company didn't take steps to prevent these things from happening. And Tesla hadn't done that. So I was working with this guy who's a lawyer, and he was like, "This is how you do it." So I decided to hire him and he helped me do it. So we actually figured this out and I was right that Tesla was going to have to put me on the proxy. But once I ran for the board and started doing research into the job itself, the risks, the liabilities, what's going on with Elon and what's going on with the board members, I realized that this was a very difficult and painful thing to get involved with.

And then as you've seen recently, it turns out a lot of people were happy I was doing this because they were really unhappy there was no independent board members and I actually could possibly win. So if all these institutions start voting for me and I become sort of the guy who's going to, I don't know, tame Elon, that narrative was not what I wanted to do, to be honest. My job and what I like to do is manage people's money and work at my company. I didn't want to end up spending my whole life at Tesla dealing with problems and dealing with Elon.

And when I realized how difficult that was going to be and that it wasn't my goal to fight with the richest man in the world all the time, I reached out to Tesla, there were certain goals I had for them, they very much agree with me, and I decided that it would be in my best interest not to do this and let somebody else do it if they want to do it. But I had achieved the goals for the most part of what I wanted to achieve. Now that hasn't fully been implemented yet because they're not advertising yet, and Elon's still creating more damage, but nobody can do much if Elon doesn't want to do it. And that's the challenge. So I'm very closely involved with everybody at Tesla and Elon and now this sort of out of control situation. I want to see Tesla focus on what they do best and get back to their core business of selling vehicles and doing what they need to do to be successful.

And it was like, "Well, why are you doing this when you're a financial advisor?" Part of that is also for publicity. And we got a lot of publicity out of it too, and next thing Carl Icahn calls me. Icahn's trying to take over Illumina, and he's like, "Well, I like the way you do things, let's talk." So I'm now talking to Icahn and this and that. So I consider it really successful to move our image to being a firm that is legit and will stick up for our shareholders and take on major companies if we're not happy, because I've always been an activist, but I'm a friendly activist because we like to invest in companies that are doing well and not try to fix them. But if they go off the path, we're going to say something. And this is an example of it.

Louis Diamond:

That's fascinating. Maybe the next line of business is to be a corporate raider than partner with Carl Icahn.

Ross Gerber:

Yeah, I was like, "Carl, this isn't really what I want to do."

Louis Diamond:

I think the big question, again, looking at takeaways for advisors listening is that many advisors talk about wanting to simply share their views publicly and growing their business via social media and video, but it's really hard to pull off, hard to get started. What would you recommend for these folks who are interested in this? I think very few, if any, can build such a successful media empire like you did. But what are the baby steps or the micro actions that folks can take to get started down this way?

Ross Gerber:

And I don't want people to think this is all positive because it's definitely not. There's a lot of pain involved in... I've made missteps, I've tweeted stupid stuff. I got in a fight with the Trump administration, had the Secret Service at the office. We've been threatened. I am insulted on a daily basis in ways that I think most financial advisors probably would not be happy with. I have haters. You get hate emails. So there's a negative to it. Sometimes clients don't like some of the things I say and they complain to their advisors. Occasionally we lose a client because of some of the things I say like around politics, for example, which I try to avoid mostly. So as much as there's this huge positive that I get for being out there, there's a huge negative that you have to deal with.

So I would say to most people, this is not for you. There's a plus side in that we make money, but it's tough. It's really tough some days. And when you got a thousand messages that you're the worst person on earth from all these people, it's sort of like... And then you realize, "Oh, who cares?" It's not my friends. Who cares? And then on the other hand, the business comes in.

So for the typical advisor, I always tell people, just start off with your website. Most advisor websites just suck because the basic idea is I'm going to give you information about my firm. And the problem with that is that it's boring. And people who come to your website, yeah, they're looking for information sort of, but what's the difference if they don't do anything? If there's no action, if they don't reach out to you, it doesn't matter what information was on your website.

So first thing I always say to advisors is, how easy is it for somebody who goes to your website to get in touch with you? And putting a little phone number in the corner isn't what I mean. And I always go back to Google. If you look at Google's website, it's literally just a box in the middle where you enter your search. One of the most successful businesses in the world. Your advisor website could simply just be a box that says, "If you need financial advice, put in your information here and I'm going to get back to you." How easy is it for somebody to contact you because your website isn't that easy to navigate.

Secondly, I think advisors have to be on social media. People do not watch traditional media that much at all. Social media is where most people's eyeballs are, even old people now. And being on social media, whether you have a big presence, whether you put a lot of time or not, it's about having a presence on social media.

Now, a lot of people will start a social media account and then they just repost articles. So this is my second piece of advice. People want to know who you are. Who are you, what do you stand for? And if you're scared to be who you are, because not everybody's going to like you, welcome to the real world. Not everybody likes me, and not everybody chooses my firm, and that's okay. But the people who choose my firm know what we stand for as a firm. For example, we invest in climate and clean energy, and we don't invest in oil. Even if we know oil's a good investment like last year, it was just like, "We're not doing it. We don't invest in oil." Now we get a lot of clients that really like this. Well, I'm in

California. It might not be the same in Houston. In Houston, you might have the opposite situation, but what you stand for, your clients should know.

And if your views are that extreme that you're going to drive people away, well, you might want to assess that, but a certain amount of people are going to like you and a certain amount of people aren't going to like you.

Now, I do business with conservatives even though I'm a liberal because I have viewpoints that are conservative too. And I don't want to be political with people who get emotional, for example. And I think politics is the most toxic way to let people know who you are. Who you are is like what you stand for, what's right or wrong, like gun control or this or that. So if you're afraid to have opinions on things or let people know who you really are, what you like to do, what you stand for, it's very hard to build a marketing plan. So I think you shouldn't be scared to let your clients know who you are and your personality. That's what they're really assessing.

And I always say, people choose you because they like you. The truth of the matter is most of financial advisors after a certain level are very competent. Most financial advisors buy the S&P 500. So what separates one advisor from the next? And why do clients choose them? And the truth is, it's a feeling that they get. It's like trust and like. Are you conveying those two things to your clients through your marketing, through your website, through your social media, and through your actual appearances with clients. That I think is one of the key things.

And then lastly, live events. We do a lot of parties at my firm. So along with all the marketing that we're doing online and on TV, then we have all these events where people can get together, meet the advisors, see who we are, what we are. We don't do seminars, we don't do content. We do a party where people just meet and hang out and talk, and clients love it. They don't have to listen to a 45-minute speech about the economy. So you do all this marketing online, but then you have to have offline physical events to reinforce it.

Louis Diamond:

I love it. Those are very practical tips. So making it easy for clients to get in touch with you through your website. Actually having a voice and showing up on social media and live events. And the one I'll add too is probably just do it. Take a micro step to do it. Put yourself out there. And you don't have to be the next Ross Gerber, but you can do a lot to scale your marketing and have a unique voice.

I want to be respectful of all your media appearances and your time. We'll love to continue this in the future. Talk about all these other lines of businesses I'm sure you've started and probably the firm being over $10 billion at the time, but really appreciate you sharing your insights, practical tips for scaling a business via media and social media, and just hearing the amazing growth that GK has had over the years. So we really appreciate it.

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Ross Gerber:

Thank you. And I have to thank my team as well. I have a great team and I think that's part of it as well. I have a deep bench of really committed, experienced advisors who work and train our other advisors. So our team is also a big part of our success.

Mindy Diamond:

It was through Independence that Gerber Kawasaki found their freedom to market and innovate their way to becoming a $2.2 billion enterprise. And they're not stopping there. As Ross shared, they continue to be a resounding voice in the media and are always looking for new services to provide to their clients. It's a winning formula that continues to work for them.

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 my 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. 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 Podcasts 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..