



EPISODE TRANSCRIPT

An Insider’s Perspective of LPL Strategic Wealth Services: A “Modern” Supported Independence Model

A conversation with Kimberly Sanders – SVP Advisor Solutions, LPL Strategic Wealth Services

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is an insider's perspective of LPL Strategic Wealth Services, a modern supported independence model. It's a conversation with Kimberly Sanders, Senior Vice President of Advisor Solutions, LPL Strategic Wealth Services. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

Mindy Diamond:

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Mindy Diamond:

In our last episode, Josh Brown of NorthEnd Private Wealth, shared his extraordinary journey to independence, which started some 20 years ago as a Merrill trainee, and fast forwarded to today, just a few months shy of his firm's one-year anniversary. And it was that Merrill veteran's decision, in April of 2021, to leave the firm and opt to build an independent business with what was a new entry in the supported independent space, LPL Strategic Wealth Services. Be sure to visit the episode page for a link to our interview with Josh.

Mindy Diamond:

So in an industry landscape, replete with just about every option under the sun, what drives an advisor's decision of one model versus another? What's even more interesting is the fact that new models seem to be appearing almost daily. What's fueling this continual evolution? And as the landscape becomes increasingly more crowded, how does each model not only compete amongst each other, but ultimately attract the right advisors?

Mindy Diamond:

In this episode, we welcome Kimberly Sanders, the Senior Vice President of Advisor Solutions for LPL Strategic Wealth Services. LPL describes the platform as a modern supported dependent solution that enables advisors and business owners to build and grow their firms according to their vision. And with the recruiting tear that LPL has been on over the past year, this adds an exciting new opportunity for the firm to grow further market share and offer advisors a supported independent option from a brand that's been attracting an incredible amount of attention. Kimberly oversees the management team that



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enables advisors to optimize on LPL's relationships, resources, and services to build equity in their own brand and business so advisors can focus on what they do best.

Mindy Diamond:

And while LPL Strategic Wealth Services platform is fairly new, having launched in 2020, Kimberly is certainly not new to the Wealth Management world. Prior to LPL, she served RIA clients and prospects at Schwab Advisor Services, providing business consulting to support the custodians existing and potential clients. And she spearheaded Schwab's entry into consulting to the startup market, collaborating with C-suite clients to guide the development of profitability programs, strategies, and succession plans. So we're excited that Kimberly was eager to share an insider's perspective on the platform with Louis Diamond. She discusses how it fits into LPL's menu of options, the types of advisor she sees as the right fit for the model, how they view the competition in the space, and much more. So let's get to it.

Louis Diamond:

Kimberly, thank you so much for joining us today.

Kimberly Sanders:

Well, thank you. I'm really excited to be part of the series. I wanted to tell you that so many advisors have referenced it as a key source of their early education on independence. I'm hoping to be able to live up to the legacy here.

Louis Diamond:

No doubt. So let's get started. Can you walk us through your background and how you found your way into the independent wealth management space?

Kimberly Sanders:

Well, sure. Looking back, I guess I've always had a passion for supporting small business owners, from business banking and college, to my work with a local RIA, to my time in M&A. I've always been focused on helping business owners create value, but it was after spending time at home as a stay-at-home parent, that's what caused me to realize that the next phase of my career had to be more meaningful in a way that went beyond just a paycheck. And that's when I found my niche. So after joining Schwab, I truly recognized the positive and the personal impact that I could have by focusing on helping financial advisors on their journey to independence. And I have never looked back from that moment. I guess I live with this fundamental belief that everyone should have the choice to live the life that they want, and this is my small way of helping people achieve it. So it's just way more than a career for me; it's very personal. And I think that most of the folks that I work with can see that.



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Louis Diamond:

Amazing. I certainly sense that when we have the privilege of working together, and we call it living your best business life and how advisors should use that as their north star. And it sounds like that's what you do, and by extension, the advisors you work with. Let's talk about your time at Schwab Advisor Services, the RA custodian, starting in 2011 and then your rise to become a managing director of Business Startup Consulting.

Kimberly Sanders:

When I first joined Schwab, I was working with the largest clients in helping them with their strategies, strategic planning, thinking about segmentation of their book, how to look at referrals, and see make that part of their culture. And I loved it. I loved working clients, seeing that advancement in their practice. But because of my M&A background, I was also charged with working with the prospective advisors, these breakaways who were looking to make a change. It was those breakaways that really caught my attention because I was noticing that they were launching, they were fearless, but they were really launching without a lot of planning. So I started to think about how do I take the work that I'm doing with these established RIAs, and seeing that all of the benefit that comes from that intense work on your business, and bring that to these breakaways. And so, that was what helped launch the Startup Consulting Program at Schwab, is really taking all of that work that we knew were best practices and bringing it to advisors in the beginning to help them launch with a strong foundation.

Louis Diamond:

Yeah. So Schwab really founded RA Custody in the '80s, but we didn't really see the RA model proliferate until, we would say, after the financial crisis of 2008, 2009. And it wasn't really until companies like High Tower, and Dynasty, and Focused Financial demystified the RA world, and began to offer wirehouse advisors the confidence and infrastructure to break away. The breakaway movement really gain steam. So I'd be curious to hear what was it like being on the front lines of this breakaway movement? And of course, Schwab was, and still is a leading custodian for prospective advisors looking to break away.

Kimberly Sanders:

Yeah, I am still in awe of those advisors that made that early leap to independence. I had a front row seat as the advisor were launching these businesses. As I mentioned, I was part of the analysis and the design phase of the business. I witnessed the roller coaster of emotions that came from breaking away, talked many of these advisors off the ledge, especially when UBS and Morgan Stanley broke a protocol, and those teams had to make that split second decision on whether to leave in a hurry or to keep their date and change their strategy. I love looking back to those launches, and I'm so proud to see how far those businesses have come. And I do believe that it was the help of the custodians, and the consultants, and the platform providers that gave them the confidence that they could do this.



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Kimberly Sanders:

I think they all wanted to do this, and they were watching it, and they were waiting. And I think every one of the companies that have come and they are this boutique industry that we have, that they're here to support those advisors. It's because of those companies that so many advisors are able to do this.

Louis Diamond:

Yeah. So it sounds like within Schwab, your job was to help make these breakaway advisors feel more confident and comfortable in providing an extra layer of support to the more do it yourself or type advisors. So how is this similar or different from the services that supported independent platforms provided and services like LPL Strategic Wealth Services provides today? I guess, to simplify the question, how does someone working directly with a Schwab or a Fidelity or a Pershing in the groups that you used to be a part of, where do they leave off and where do these supported platforms pick up?

Kimberly Sanders:

It's interesting. What I have seen over time is there's been a shift in the advisors. So in the early days, the advisors were fiercely independent. They were born to do this. They had a guy for everything. Their friend owned a building, their cousin could run tech, their sister-in-law could manage the marketing while the kids were in school. All they needed from me, at that time, was help validating the back of the envelope economics that they had run. They essentially just wanted to see if that 60% assumption they were using, if it was real. And as soon as we had built the proforma and they could see it, they were off. And then, fast forward a little bit, you we realize that that next set of advisors, they're the best practice hunters. They joined the mix.

Kimberly Sanders:

These teams were still willing to put in the sweat equity, but they wanted to know what other firms were doing. What worked, which vendors should they use for legal and compliance, technology, benefits, business insurance, brokerage, furniture, real estate, the list goes on and on. And this was the piece where you realized these folks really need the consulting, and that's when I launched the startup consulting team at Schwab that I just talked about. It was to service these advisors and point them in the right direction. They still had to do all the heavy lifting and the expense was theirs, but we were there to help them along the path.

Kimberly Sanders:

Now, fast forward again, and you started to see this, say, a third wave of advisors. I call them the efficiency seekers. These were the advisors that knew what they wanted and they also knew what they didn't want. They didn't have any desire to get into the weeds of startup or ongoing business operations. They didn't want to spend time on HR or building marketing plans. They wanted to spend time focusing



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on their clients, growing their business, and building a culture that they believed in. A lot of them were thinking back to the old days at Merrill, and how they loved that culture. But the new days, it was totally different. And they wanted to get back to building something that they had confidence in and that they would be very proud of.

Kimberly Sanders:

So they wanted help running the day-to-day operations, and they wanted to monetize up front and on the back end. And this is where the traditional custodians were struggling. There's no way to solve for those needs and really step in and execute for this segment of advisors without adding the complexity of an overlay partner. So that's when you started to see the custodians start partnering with those other supported independent models. They were partnering with friendly BDS. And unfortunately, I think it adds complexity to that advisor's life, but it is what they needed at the time.

Louis Diamond:

Yeah. And we see it the exact same way. I love what you said, this is the third wave of a breakaways. It was the super entrepreneurial than the, probably, a little bit less entrepreneurial, but still very clear head it about what they wanted. And now you have advisors who believe in the independent model, but realize what they're good at and what they're not. And we see it the same way. And complexity, I think, is a good thing because it means there's more choices for advisors and a better chance for advisors to find exactly what they're looking for. So that's a perfect pivot point to your decision to join Marc Cohen and Rich Steinmeier over at LPL in 2019.

Louis Diamond:

At the time, I remember when you moved over, this business model that became to be known Strategic Wealth Services didn't even really have a name. And you were just going, not on a whim, you believed in the vision that they had. But can you just share a little bit about what motivated you make that leap? And it really was a leap because you're going from an incredible job to an incredible company, but into a brand new business unit.

Kimberly Sanders:

Yeah. It was a leap. I'm going to own that. It was my own breakaway. So I guess it goes back to that third set of advisors that we were just talking about, those efficiency seekers. They were becoming a larger percentage of the advisors that I was speaking to, and they were so clear about what they wanted, and I wanted more than anything to be able to deliver it, but I was just disappointed by the options at my disposal. Like we just talked about, I think that pairing a custodian, a friendly BD, and a platform provider, it was cumbersome. You lost control of the process as the consultant. It was expensive. It felt disjointed. And it really didn't solve for the monetization needs that the advisors had. So you were just constantly saying, "Well, no, that's not how it works" at a custodian. You're going independent, but



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those dollars aren't there. And so, that was a bit on repeat with that emotion and that process that was going on.

Kimberly Sanders:

So it was right at that same time that LPL called me and invited me to come and build what is now Strategic Wealth Services. Was formally unknown or premium. We had all sorts of names. And don't get me wrong, it took me a while to call them back because I did not understand the degree to which LPL had evolved, but I'd worked for with Marc Cohen for years while he ran market council, and I trusted him. I believed in his vision, and I was amazed at what LPL had become while I wasn't paying attention. It was custody. It was broker-dealer and business partner, all in one. All of the building blocks, in scale, were there to allow us to actually build out this modern supported, independent solution that was going to solve for that startup and monetization need that the breakaways had, but also solve for the ongoing execution support needs of any business owner, whether they were a breakaway or not.

Kimberly Sanders:

So I began talking to them in June, and I was in my seat building this in July. So I ignored them for a very long time, but then it was fast and furious once I actually opened my eyes.

Louis Diamond:

And just for our listeners who may not be as familiar with LPL as a company, can you just take a step back and briefly explain the various business models or platforms that LPL has, and then how Strategic Wealth Services fits into the puzzle?

Kimberly Sanders:

Sure. I'm sure, based on all of our conversations in the past, that you agree that each advisor business is a direct reflection of either that individual advisor or that team of advisors. So at LPL, we give advisors the power to personalize through our full spectrum of wealth management solutions so they can pursue those individual goals. And our affiliation models vary. There's the independent and corporate RAA, there's supported independence, which is LPL's Strategic Wealth Services, the employee advisor model, which is Linsco by LPL Financial, there's the new advisors, and they fall in the Advisor Institute, and then finally, we have the financial services. So it's a broad spectrum of wealth management platforms for these advisors.

Kimberly Sanders:

And it's this belief in the power of personalization that is why we offer such comprehensive suite of those affiliation models. It's from independent owners and entrepreneurs, all the way to those banks and credit unions. And each business and each advisor's definition of personal and professional success, it's unique. And so, having that level of choice empowers them to capitalize on their individual strengths



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so that they can customize the level of independence that serves them best. It's not fitting them into a box. It's letting them see how does independence speak to them, how do they define it, and then allows them to move into the model that best supports them.

Louis Diamond:

Right. And part of what you're alluding to, initially, probably the reason why it took you a long time to call Marc and LPL back was a lot of advisors were probably thinking right now that we're in a similar spot as you were a couple years ago, and not really thinking of LPL immediately as a destination of choice for wirehouse teams, especially larger scale ones. So I'm curious why you think and why you thought then that LPL at its core is uniquely suited to service wirehouse breakaways. And then we'll get into what Strategic Wealth Services does and how you go to address that.

Kimberly Sanders:

Sure. There were four things that I noticed as I started to really get to know LPL and understand what the individuals, and the strategy, and the growth that was happening at that company. First, it was leadership. So under Dan, he's fiercely, entrepreneurial, and he's an advocate for the advisor. LPL's evolved the long term vision for the firm and how we deliver on our mission to be able to serve more advisors in the practice of their choice. I think that's the key. It's no longer just one model. And the idea is to serve more advisors so that they can serve more American investors. So it's that entire leadership shift that has happened. It's also about building on our foundation. So we've invested in the business in more ways than just technology capabilities and resources, but there's also been a huge investment in the culture and the infrastructure of the business. So we're totally modernizing the operating model. We're creating that digital and scalable infrastructure, and that is resonating really well with the wirehouse team. They see that, and then they look at that modernization, and they're attracted to that.

Kimberly Sanders:

It's also about our mission. We put advisors at the center of the relationship with ultimate choice and flexibility, always. That is it. It's always about advisors. There's no conflicting businesses. It is 100% about meeting the needs of our clients, the advisors. And then finally, it's that personalization, and that keeps getting woven in here today. And it's delivering a platform that solves for those needs of all of the advisors, but it gives that personalization layer to make it meaningful to the individual that you're talking to as you're trying to figure out what independence means for them. So that personalization layer of Strategic Wealth Services and then also Linsco is in response to that direct feedback that we were getting from the wirehouse teams, as they were making the move that they needed more. They needed more support. They were looking for something different than the advisors that LPL had been talking to in the past.

Kimberly Sanders:



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I think you asked a second question about why we're uniquely suited to the breakaways. Is that right?

Louis Diamond:

That's right. Yes.

Kimberly Sanders:

Personally, I think this is just a giant leap for any advisor. And so, having a landing spot for them, regardless of what level of responsibility they want to take on, I think that's what is different. It's choice and it's flexibility. It allows advisors to land where they feel best at that moment, but also to then evolve over time. So if they want to land on the corporate RA and then evolve to owning their own RIA, if they want to start as a hybrid and then evolve to fee only, and they want to start as an employee advisor and move to owning their own business. That flexibility, that full spectrum is unique in the space.

Louis Diamond:

Yeah. I'm with you. Advisor choice has proven to be a winning recipe for success for a lot of highly successful firms through recruiting side.

Louis Diamond:

So let's move to talking just about Strategic Wealth Services. Since 2020, when you really opened the doors to prospective recruits, you've been on an absolute tear recruiting a number of high quality teams from the major wirehouses. In fact, Merrill breakaway, Josh brown, who was on our episode prior, shared a story about the launch of NorthEnd Private Wealth in April of 2021. So I'm curious to hear from you an update. Where is Strategic Wealth Services now in terms of affiliated teams, assets, or whatever metric makes sense to define its scale and success?

Kimberly Sanders:

Sure. Well, first of all, I think it's awesome that you had Josh on your program. He has become something of an informal advocate for all of the Strategic Wealth Services advisors when he's speaking with LPL leadership or our board. The way that he views the business and the way that he communicates opportunities, it has just created a sense of community within the team there, and he is speaking up all the time, helping us understand where we continue to make enhancements or where we can fine tune the capabilities and the support that we're giving the Strategic Wealth Services advisors. So he's an amazing individual, and their launch was fabulous, and there's such great pictures. And I hope everyone goes out to or website and gets to see their brand and the fun that they had during their launch.

Kimberly Sanders:



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So back to your question, you're right. It has been a very busy year. As of last week, we were at 45 advisors and 18 teams, and they collectively managed over eight billion in client asset at their prior firms. So monster growth for us compared to our 2020 launch in April.

Louis Diamond:

Congratulations. And where have you seen those teams come from? And if you're looking at the pipeline and the vision for the future, are the firms that you've had success with, is that going to be consistent, or do you expect the funnel to broaden a little bit?

Kimberly Sanders:

The teams today are largely from wirehouses. They're excited about owning their own business. They've got great plans and vision for growth in the future. Many of them know other advisors that they're going to be bringing along with them in the future, but they definitely see the value of the support and of the additional business services to help them stay focused on their clients while they continue to grow the business.

Kimberly Sanders:

So that's seems to be the largest percentage, but we are seeing that change because we're seeing, in the last couple months, we've welcomed teams that have moved from other independent firms because they were looking to offload some of those responsibilities of business ownership that they were already taking on. They were already wearing so many hats that they realized that it was just becoming abstraction for them, and that they thought, "If we can offload some of that, we will then be able to grow faster, spend more time with our clients, expand into new markets." So we've seen three teams of those 18 that have come from independent channels just in the last couple months. And I do see that that trend is going to continue.

Louis Diamond:

Yeah, that's incredible. Let's talk about the value proposition for Strategic Wealth Services. I'm not going to pepper you with a bunch of bulleted questions, but maybe, if you take a minute or two, just to share why it's built, what it does, what it doesn't do, and who it's for. I guess, how you position it to a prospective recruit.

Kimberly Sanders:

Well, sure. So we built the model for independent-minded business owners and advisors that want to steer the ship, hold the reins, call the shots, however you want to say it. They want that control, but they also find the value in outsourcing the business support functions to a strong, trusted partner. They're looking for a partner that is invested in helping their business to thrive, both operationally and strategically. They want to grow their business. They want to drive their own agenda. They want to



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create that legacy, but they don't want to sacrifice the support because they did value the support at the wirehouse. So they're looking for a way to take that piece of it with them while also launching these new businesses.

Kimberly Sanders:

And one of the things that I think is a true differentiator for us is how we are going to help them with that launch. That first part is a scary piece for them. It's a big leap. So as soon as they sign an LOI, we are assigning a project manager to act as their interim COO, and manage both the startup and the transition for them. The startup includes all of the different services that any business owner, whether it's an advisor, or CPA, or pet shop, they are going to in a need to have legal support. Get their entity formed, branding, payroll, benefits, finding real estate, building out that space into a custom office that meets their vision, their brand, their culture, all of their tech, the infrastructure, and all of that is done for these advisors with no out-of-pocket cost to the team, and it's all professionally managed and coordinated by that interim COO I was talking about.

Kimberly Sanders:

So then shifting, because that piece is really important, that transition piece is critical, but it's also short-lived. This is just a moment in time for these advisors. What we really want them to focus on is what does their life look like 1 year, 5 year, 10 years out. So postlaunch, the day-to-day interactions are going to be covered by combining the integrated technology, the hardware and the software, with an elite customer success team. This team includes dedicated service professionals, case management, supervision, virtual admins, and it's all designed to make LPL feel smaller for the advisors. The Strategic Wealth Services advisors call their dedicated pod, and the pod is responsible for working with the rest of LPL.

Kimberly Sanders:

Then the other piece, that strategic piece that I mentioned, those key decision making moments, those are covered by the dedicated professional management team. And that's led by the business strategist for the firm. And the team of professionals includes the senior marketing partner, CFO, and a bookkeeper, advisor, technology, and growth consulting. And we think of that entire team as the advisor's presidential cabinets. These are the people that they go to when they have a question about evolving their business, when they're looking to create the day to day marketing plans, or they're looking to understand their economics, where are they to day? What would it look like if they were to bring on another advisor? All of those tactical questions, they're coming in, and they're working with the strategy team to think forward about how are they going to execute, and then actually use the team to help with that execution.

Louis Diamond:



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Yeah. It seems like a very thoughtful model. Really looking at what an advisor needs to grow the practice. And I think the key is, and you probably see this, and it's probably what keeps you up at night, is we know we can add a lot of value for the transition and the launch, and that's critical, but how do we keep these advisors as clients of ours once they're already business owners? And I think you've hit on a lot of the major things that advisors care about as we're talking about this third wave of breakaways, which values the support and knows what they want and what they don't want. Let me just follow-up on one item. You mentioned economics for a second, but I think it is a major component of your model. Can you talk about the upfront capital solutions and then how you price the platform? And if you want to get into specifics, that's great. Or if you want to just talk in generalities, I would understand as well.

Kimberly Sanders:

Sure. There's absolutely upfront capital. So that is a big piece of it because the desire to monetize was one of those key gaps that the advisors were highlighting from the other models. So that was heard loud and clear. So that is a big piece of the economic package for these advisors. We get them started, as I mentioned, without any out-of-pocket cost, and then we're also making that capital investment in the teams to offset any disruption to their business during the transition.

Kimberly Sanders:

So how is it priced? The advisors receive 100% payout for their business, and then they are going to pay LPL a single service fee for Strategic Wealth Services. It is a bundled offering, and it is a coordinate offering. And so, everything that I've mentioned from the day-to-day interactions, the professional management team, all of those transition and support services, the technology, all of the miscellaneous fees that typically come from working with a broker-dealer or a custodial partner, platform fees, all of those are all bundled into that single service fee. The goal there is to make it simple for the advisors so that they understand their fees. There's no nickel-and-diming. There's nothing hidden from them. It's very transparent, and it allows them to manage their business effectively going forward.

Louis Diamond:

Yeah, that's helpful. Thank you. And how is Strategic Wealth Services similar or different from the traditional core or corporate model that LPL has been known for and where most advisors who are affiliated with LPL set?

Kimberly Sanders:

In any model where an advisor is taking on all these responsibilities themselves, they are going to be managing their HR. They're going to be managing their CFO, any consultants that they bring in, the marketing. They're either doing it themselves, or they're hiring it out, and then they're working with all of these different vendors and partners, and it's they become the general contractor. So that's LPL, our core model. That's any of the other custodial models where people are doing this on their own. The



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difference with LPL Strategic Wealth Services is that all of those services, all of that support, that consulting attention, that human capital, it's all coordinated. They all work together as a true extension of the advisors staff.

Kimberly Sanders:

Like I said, this is their presidential a cabinet. When they're having a staff meeting, these are the individuals that are coming. They are not responsible for making sure that the marketing team understands that they're going to create a strategy to go out and recruit new advisors. The strategy team and the marketing team, they're working together. They know that this is happening, so that marketing team's already working on a landing page to help those advisors attract other advisors to their company. So when they're ready, they're figured out their financials, they figured out their strategy, they're working with the business development team to go out and start recruiting, there's already work on the backend making sure there is technology for those advisors when they land. That there's space available to them, all of the systems are set up, all of their access, all their technology is ready to go.

Kimberly Sanders:

So it's all this coordination and this working together that allows the advisor to just stay focused on the growth and stay focused on the client. That is something that I haven't seen in any other model, and it is a distinctive characteristic for Strategic Wealth Services.

Louis Diamond:

Perfect. Thank you so much. And perfect bridge to my next question. In the supported independent world, which is how we would describe Strategic Wealth Services, there're seemingly new entrants popping into the landscape on a monthly basis. And we already have some major established players that have had their own run of success and continue to crush it on the recruiting side as well. Names like Dynasty, and Sanctuary, and Raymond James Financial Services, and I left the many, many out. So without picking on anyone in particular, what would be one or two things that you think sets Strategic Wealth up nicely against your core competitors?

Kimberly Sanders:

Well, at first, I think it's our vertical integration. It puts us in a unique position. So having that custody, the clearing, brokerage, and the professional services in a single entity allows us to bring scale and efficiency to the advisors. It is one statement for their clients. It's one service team for their staff, and one partner for the owner of the firm. That creates efficiency for these advisors that I haven't seen anywhere else. And there's also that ongoing decision and execution support that we've been talking about from the professional management team and the day-to-day interactions with that admin and the



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dedicated service team. So we are going well beyond an amazing transition, and supporting these teams on a day-to-day basis for the rest of their journey in the space.

Kimberly Sanders:

And then, finally, it's that we're a long-term, flexible partner. We're not an option for where you are at this moment. We fully expect our advisors are going to evolve their business over time. They're going to adapt their operational practices, take on new markets, change the business model, retire. There's all this change that you have to go in expecting is going to happen. And we're going to be along that entire journey, and supporting their goals, and creating the business with the value that they're looking to achieve, serving the needs of their clients, their staff, and the owners themselves as a true partner.

Louis Diamond:

Yeah, that's a, I think, very clear and concise answer, and thank you for sharing. So let me go to a couple of questions. We'll call these the hard-hitting questions, the ones that are probably more in the category of a rebuttal that advisors might have against the model like Strategic Wealth Services, and we'd love to get your thoughts. So the first one in the string is, most wirehouse teams see a lot of value in the support, and handholding, and scaffolding prior to breaking away. I think you can't even question the amount of value that a lot of these platforms provide, and most advisors are willing to pay for that, and pay extra for it even. But as time goes on and an advisor finds their sea legs with being independent, this extra white glove support can sometimes feel expensive, relative to the value that an advisor's getting from that platform. What's your viewpoint on this? And I'm curious, what major services you foresee Strategic Wealth Services businesses leveraging as time goes on so that you can continue to stay relevant?

Kimberly Sanders:

Well, sure. I think a couple of points there. So one is, it goes back to a lot of the things that we've just covered. And I do completely agree with you that there is real risk to any model that's seen as temporary. But it's difficult for firms to provide really robust, dedicated support on an ongoing basis without the ability to scale, to hire, train, manage an ever expanding team of professionals. In order to provide that value on an ongoing basis, you need to be able to do those things. And that's one of LPLs differentiating capabilities, and a big reason that I came here is our only focus is taking care of advisors. So we've been able to invest in building foundational capabilities like our business solutions offering, which gives Strategic Wealth Services the ability to customize and scale those professional services to fit that wirehouse audience, to personalize it for those advisors that we are talking to on a daily basis, including adding new services over time.

Kimberly Sanders:



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So that is a big piece of that ongoing value that we're bringing to the team. And I'll also tell you that I've done hundreds of these proformas over my time, both and at Schwab, at LPL. And the pricing that we've put in place, and the way that we've stacked these services is, at the end of the day, if you're going to go out and build the like-size firm and it's going to have the same human capital and the same technology, the same offerings, you're going to be about point difference at the end of the day between these two models. So where that idea that maybe it is expensive, I think that breaks down when you truly go in and you compare what will it look like if I do all of this on my own versus what does it look like to have that professional coordinated bundled support. There's not going to be much of a financial difference there. So that's one piece.

Kimberly Sanders:

And then the second question you asked is what are the advisors going to be leveraging on an ongoing basis? Where are they going to find the most value? And I think that one's really difficult to answer because, as I mentioned, each one of these businesses is totally different, and that's where that personalization layer really comes to life. Some of our teams are going to look to expand into new markets, and they're going to focus on their marketing and event strategy. Others are already talking about becoming serial acquirers, so they've been tapping into our M&A resources, capital resources alongside their CFO, and that becomes one of their favored meetings each week.

Kimberly Sanders:

And then, there's others that are focusing on creating a legacy, and they're going to be using our liquidity and succession team to monetize their business. We're taking equity state. While the business strategist is going to be working with that next gen, making sure that they're ready to grow their business without adding additional staff because that's usually the most expensive item on the P&L, is that staff line. So if we can help folks evolve and to really use these support resources in a way that avoids that, I think it makes all the difference in the world.

Louis Diamond:

Let's talk now about the operating model or the platform that Strategic Wealth Services sits on. It's a shared ADV model, meaning advisors sit on LPL's broker-dealer and their RIA, and LPL is the largest independent broker-dealer in the country with over 19,000 registered representatives. So if you don't mind, can you talk a little bit about why would an advisor prefer a shared ADV versus having their own RIA?

Kimberly Sanders:

I don't really think there's a right answer to this one because what we've seen, so much M&A activity in our space, we've seen that valuations are not impacted by the name that's listed on the ADV. So whichever path you take, that's not going to impact your evaluation. Your evaluations are going to be



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based on your client portability, the quality of the advisor, how likely those assets are to transition. And so, when we have advisors asking this question, we're taking a consultative approach and recommending that teams find the model that allows them to build the strongest firm because, at the end of the day, they are all still looking at this from evaluation perspective.

Kimberly Sanders:

For some teams, opening their own RIA is needed for flexibility, and sometimes it's simply a philosophical itch that needs to be scratched for them. Others are going to choose to outsource compliance and risk management all day long. They are never going to want to take that on in-house. And so, personally, I tend to recommend that breakaway teams start on a shared ADV because breaking away involves so much change already, why add learning to be a CCO when you're already focused on learning to be a CEO and a COO? It's just a lot. So because LPL is able to support advisors through that evolution, our clients have that flexibility and they can take their time to see if taking on that extra risk is something that actually adds value for them. So that's why I say, I don't know that there is a right answer. I think the answer is dependent on what's important to the advisor at the time, and I just love that we have the flexibility to handle both.

Louis Diamond:

I'm with you completely on that answer. There's not a right or wrong answer. It's more, what does the advisor want to achieve, and what's going to be the most meaningful to them. So on the topic still of a shared platform, what are some things that an advisor on the LPL platform would be precluded from doing that maybe someone who has their own RIA would be able to do? Because, ultimately, they're the ones who set the risk and own the platform.

Kimberly Sanders:

When I think about it, if you're leveraging a shared ADV, you're outsourcing the risk and responsibility. And so, therefore, you're also outsourcing the risk decision making. So whichever CCO that you outsource to, may decide that a product isn't suitable, and an advisor who's outsourcing is going to need to be prepared for that answer. And it may not be the decision that that advisor would've made themselves, but it doesn't mean it's a bad answer. It's just a tradeoff there. I also hear advisors, they ponder how much more difficult the marketing might be when you have a shared ADV versus your own ADV.

Kimberly Sanders:

And that's one of the things that I think that Strategic Wealth Services is helping the advisors with, is that that worry, that hassle of going through marketing regulatory review, that's all taken off of their plate, and that's all managed by their senior marketing partner for them. So they're writing content, they're writing market commentary, they're creating eBooks or blogs, and the marketing team is



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managing that entire approval process and getting it out usually within a 24-hour period for them. So even though that's something that they were worried about, it's not surfacing as something that is a worry once they have made the leap.

Louis Diamond:

Right. I see it, actually, this exact same way. Two more. We'll call them potential rebuttals. Unless you have your own RIA, you aren't truly independent. Do you agree with this?

Kimberly Sanders:

Not at all. To me, independence does not mean that you're are running your own regulated entity. It means that you control your business. You control the client relationships. You are building an operations in a tech stack that serves you well. You designed a custom client experience and a custom brand. That's independence. And like we talked about earlier with that spectrum of models that advisors can join, you can be W-2 and still be independent. You're simply outsourcing more functions than somebody who's outsourcing for Strategic Wealth Services or somebody who's outsourcing their compliance. It's all a spectrum of how much you are taking on, but it doesn't impact whether you're independent or not.

Louis Diamond:

Yeah. I'm with you. Another belief of some of the industry is that the independent broker-dealer model is not meant for sophisticated businesses serving ultra-wealthy clients. What do you think?

Kimberly Sanders:

I see that. So often, the sophisticated needs of ultra-high network clients are served by family office units at either the brokerage or the custodial firms with exclusive access based on individual and investor qualification. At LPL, we are focused more on democratizing advisors access to those unique serve services and capabilities that are generally reserved for the family office units. So specifically, we're focused on delivering services to enable advisors to address wealth management adjacent areas of a client's financial life, things like tax advice, or family governance, exit planning services, comprehensive P&C insurance needs, or private lending solutions. And a lot of that is done through our private client team and through the private trust company, which is an affiliated trust company for LPL. But it's about making sure that all of the advisors have access where needed for their ultra-high net worth clients versus really segmenting it off to just a few advisors in a firm.

Louis Diamond:

Right. Thank you for addressing those, I think, in also a very balanced way. At the end of the day, what I took from your answers is that there isn't a perfect answer for every single advisor. There's tradeoffs in all these different types of models, and that's what makes the independent wealth space so exciting



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right now is depending upon what an advisor wants to accomplish, what services they want, what support they need, there's likely an option that's been built, or maybe it's a blue ocean for another smart Kimberly Standard in the future to see an opportunity and build something that they don't think exists at the moment. So let's move the conversation a little bit back to LPL as a company. What are a few things that LPL does best, and what are some areas relevant to a wirehouse advisor that you believe are still work in progress and that you're building towards?

Kimberly Sanders:

All right. Hands down, the culture of the firm is where LPL excels. Every employee, every dollar invested, every decision made is focused on serving our advisors better. And for Strategic Wealth Services specifically, it's also that the culture and it's the people that we've selected to be part of the team for executors, and we are always looking for how to say yes and how to continue to raise the bar. It is real people doing real work and achieving real results on behalf of our advisors. And that is absolutely the Hallmark of what I view as LPL's best side. And on the flip side, where do we need work? That one's pretty easy too for me. Brand recognition is still a major work in progress for us, and we are not consistently thought of as a top destination for the breakaway teams. And there's a lot of work for us to do to get into the consideration zone on a repeatable basis. So I guess we're still the best kept secret in the industry, but there's real work that needs to be done there.

Louis Diamond:

Yeah. And what's on the roadmap for Strategic Wealth Services? I know LPL is a publicly traded company, so I don't want to get you in trouble, but what are some things that you can share that you guys are building towards specific to Strategic Wealth?

Kimberly Sanders:

You'll probably hear other folks from LPL that we consider feedback a gift. So we spend every single day listening to our clients. And when we launched Strategic Wealth Services, we were very focused on operationally supporting the teams. And what we've seen since we've launched, we've brought these teams forward, is that based on some of those learnings, we are starting to pivot from solely supporting the advisors as small business owners to actually helping them scale their own ability to serve their clients. So some of the new things that are being introduced are things like paraplanning services and tax advice, where we're allowing the advisors to lean on LPL as a scale based partner to deliver those services on their behalf. So how do we allow them to do more with the staff that they have?

Louis Diamond:

Yeah. I like it. And are you still bullish about the breakaway movement, or do you think a lot of the momentum we've seen is a thing in the past?



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Kimberly Sanders:

I'm absolutely bullish on the entire advisor mediated space. The independent environment is the best place for an advisor to control their destiny, and every advisor deserves to live that best life. I guess we're back to where we started the conversation about my passion for that particular topic. But I don't think it's slowing down because every time we add more support, you're unlocking a new segment of advisors who are ready to make the leap.

Louis Diamond:

Let me pivot to our last two questions. This is going to be more on the practice management or experience side, and I think just learnings that folks listening can take from this. You've seen many transitions, some very good, some mediocre, probably some really bad, both between your Schwab years and your time at LPL. What are some of the top traits or learnings that you can share with us of the most successful transitions?

Kimberly Sanders:

Planning is key. You've got to make sure that you have a guide to help you stay on track, to stay on schedule. Transitions are full of dependencies, and one early delay on a key decision can have a ripple effect that ends up forcing a change that you didn't want it to. So when everything's done right, advisors get to have what I call their moment, and that moment is when they walk into the office for the first time, they launch their new brand and website, they get to share their story with their client. It's like the grand reveal, and it is a memory that lasts a lifetime. And in my opinion, it lasts generations because I have a picture of my great-grandfather on the day he opened his shop, and it's part of my family's history. It's our lore. Every aunt, uncle, and cousin has this same picture sitting in our kitchens, and that's legacy. And that's what I want for the advisors.

Kimberly Sanders:

And so, on that flip side of the question that you asked, which is where are they least successful, it's when they try and rush a transition. And whether it's planned or unplanned, if things get missed, then there's risk that you're not going to have that moment, and things end up happening in stages. And while everything does get done in the end, it always does, often, that moment is missed. And so, I think it's so important to have that guide, pay attention, follow a plan, and it takes a lot of the uncertainty out of it.

Louis Diamond:

Yeah. I couldn't say it better myself. It's taking time to plan. Almost always pays immediate dividends, and it's when it's rushed or a team becomes impatient where mistakes happen. Last question, we ask pretty much every guest this, any guidance for a team considering a move?



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Kimberly Sanders:

Yes. You want this to be your last move. So make sure you are choosing a partner that can grow with you. Do your due diligence, lean on thought partners, be thorough, and think about where you want to be in 10, 15 years. Choose the path that's going to get you there without disrupting your clients more than once. Don't compromise. Learn everything you can, listen to podcasts, explore your options, keep learning all the way through the entire process because there's a model that is right for every single advisor. And if you make educated decisions along the way, you're going to join that long list of advisors who say, "I wish I did it 10 years ago." And there's a big list of them.

Louis Diamond:

Yeah. I think, if you look at our podcast roster, that's pretty much the parting words from everyone. I'm with you. Kimberly, thank you so much for sharing your expertise today and giving us a glimpse into what's under the hood of LPL Strategic Wealth Services.

Kimberly Sanders:

You're very welcome. Thank you for having me.

Mindy Diamond:

Advisors are pretty lucky lot. The world of options available to them seems to be growing almost daily. As Kimberly describes it, the independent space has taken another evolutionary leap, and is now in the third wave, providing entrepreneurial advisors who have the desire for greater freedom and flexibility, but also want maximum efficiency. And models like LPL Strategic Wealth Services are answering that call, and then some.

Mindy Diamond:

I thank you for listening and I encourage you to visit our website diamond-consultants.com and click on the tools and resources link for valuable content. You'll also find a link to subscribe for regular updates to the series. And if you're not a recipient of our weekly email, perspectives for advisors, click on the articles linked to browse recent topics. These written pieces are an ideal way to stay informed about what's going on in the wealth management space without expending the energy that full on exploration requires. 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.

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