



EPISODE TRANSCRIPT

Innovative Ways the Best Independent Firms Fuel Growth: A Special Industry

A conversation with Louis Diamond.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is Innovative Ways the Best Independent Firms Fuel Growth: A Special Industry, a special industry update with my partner, Louis Diamond. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

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

Advisors are attracted to the independent space for many reasons, business ownership, superior, ongoing economics, autonomy and control, and the ability to build a brand and legacy, which are some of the most common draws we hear from advisors. But one of the more exciting aspects of an independent business is dreaming of all the additional services that can be offered to clients. This is where many independent business owners find their unique value, that is, in continually creating a new roster of capabilities to serve client needs. And the result shows in their bottom line.

The good news is that in this evolved landscape, you don't need to start your own independent firm to tap into these additional lines of business. Many multi-family offices, large national RIAs, and boutique firms have the scale to offer these services to advisors. And even some supported independent platforms enable an advisor to white-label services for use with their clients. So, what are some of the services the most successful firms are offering their clients? I've asked Louis to explore the topic with me. There's a lot to discuss, as always, so let's get to it.

Louis, welcome, and thanks for joining me again today.

Louis Diamond:

Of course, as always, excited to dig into this.

Mindy Diamond:

Okay, this is a topic that sounds squarely like we're talking to owners of existing independent firms. And while we definitely are, I want to make sure that we're connecting the dots also to make it relevant to our listeners that are practicing as employees now at wirehouses or regional firms and thinking about going independent. So, why should advisors on both side of the spectrum care?

Louis Diamond:

Innovative Ways the Best Independent Firms Fuel Growth: A Special Industry

A conversation with Louis Diamond.

Yeah, it's a great question. So, I think one of the first things is, it's what the competition is doing. If you're an advisor either who's already independent or who's at a wirehouse firm, you look across the landscape and who you're competing against. And many of the firms that you are likely bumping up against, or may in the future, are offering far more than just financial planning and investment management. So, for many, it's kind of become a necessity. If you're not going to offer it, then your clients may go elsewhere, and the next prospect in the door may find another firm to be more attractive. So, some of it's keeping up with the Joneses, in that other folks are doing it.

I think the other thing is, we talk about, or we hear about, how advisors have to make their fees more defensible, whether it's margins shrinking or just other parts of the business becoming commoditized. This is a way for advisors to stand out, no matter what part of the industry they're in. We'll talk a little bit more about the growth element as well, but that's certainly included, that firms that can offer these services have the potential to grow faster. But also, it's a way to just add the most possible value to a client relationship, again, going beyond just planning and investment management. And it's not just adding services for the sake of adding services, but being responsive to client needs and hearing what clients are looking for, and then being the one-stop shop for that individual. So, to me, it doesn't matter where you practice. It's something you should pay attention to.

Mindy Diamond:

Yeah. And I think that that's exactly right. I know we're going to talk about what some of these additional services might look like, but that's really the key. Yeah, it's making you able to keep up with the Joneses and ensure your relevance and all of it, but a lot of it comes down to responsiveness to client needs, that as clients' needs change and grow, what you're trying to do is to prevent your client from having to go elsewhere or having two advisors. You're trying to be one-stop shopping. And why it's relevant to a prospective breakaway, someone considering going independent, is because we talk a ton about building a business with the end in mind. So as someone thinks about launching a business, what do you want it to look like, and why? What kind of needs are you trying to meet? So, beyond that, do clients really care about these extra services? Do they even know about it?

Louis Diamond:

Yeah, I mean, I think, in many ways, they probably know these services exist, but they may not be educated enough to understand that they can receive these services from a financial advisor. And oftentimes, it's probably a friend who talks about their advisor doing these things, or maybe a unique need pops up, and they're out searching for a different provider, that this stuff really hits the radar. But from data we've seen and just from understanding why many of our client firms have launched these extra services, they do it in response to a client's need. So, they definitely do care. I think especially, we'll talk about some of the areas, but tax preparation is something that every client has a need for. And then depending upon the types of clients and advisor services, there may be more specialized needs



EPISODE TRANSCRIPT

Innovative Ways the Best Independent Firms Fuel Growth: A Special Industry

A conversation with Louis Diamond.

that that individual has. So I think clients definitely do care. It's the reason why firms are adding these services in the first place.

Mindy Diamond:

Yeah. And so, I think that it brings up the point about client advisors may be offering some of these services already, but not necessarily doing the best job in marketing themselves, in letting their clients or prospects or the universe know that in fact, they are available. And in fact, the episode we just launched, the interview you did with Megan Carpenter of FiComm, is one that's something good for somebody to listen to. If you're offering additional services, or plan to, it's not just about offering them, but it's making sure that you let the world know that you're doing it.

Louis Diamond:

Yep. And I think the other part of it too is, I've heard this, I forget where, that sometimes, you know your clients' needs better than the clients do. So I think it's also just dialing into the client base and understanding their pain points. And even if the clients aren't demanding these services, it's you as the practitioner and as the business owner recognizing what the market's missing and then being able to customize your service offering to those individuals. And it's one of the reasons why many folks decide to go independent. It's to create their own value proposition, create their own business model, and to push beyond what they're able to do in a captive environment.

Mindy Diamond:

Yeah. Yeah. All right, so, let's get to the meat of it, and let's take away some of the opacity around what we're talking about here. So, essentially what we're saying is that the wealth management firms or independent firms of the future are certainly going to continue to be about financial planning and investment management, but they're going to be about much more than that, at least the best ones. And so, when we talk about innovative services, or services beyond that, give us some popular examples.

Louis Diamond:

Yes, I think we'll break this into two different components. One is, what are the most popular or common that we see? And I think a question that we can talk about a little bit later are, what are some of the more out of the box or really creative or differentiated services that we've seen across the industry? So, this isn't in order of importance or popularity. It's more so just how I wrote it down. But here's a couple of examples of these additional services. Tax preparation, I think is the most obvious. Like I said earlier, every client needs their taxes done, and either they're going to a CPA firm, doing it themselves, or it's a really strong opportunity for an advisor to add value and increase stickiness of the relationship. And we've seen a number of firms either hire CPAs, acquire CPA firms, partner with firms, et cetera. So, tax preparation is definitely one.



EPISODE TRANSCRIPT

Innovative Ways the Best Independent Firms Fuel Growth: A Special Industry

A conversation with Louis Diamond.

We've seen some folks add an insurance agency. So, many advisors can offer insurance, but creating your own agency and being able to keep more of the revenue and add more providers is fairly common. Estate planning, I think most advisors would include estate planning on their website for value propositions, but some firms even go so far as drafting of documents or employing estate planning attorneys. That's another one where most clients have this need.

Some firms offer corporate services, so similar to what the Ayco company does through Goldman Sachs, serving a Fortune 500 executive's financial planning needs, and really focusing on these specific corporate entities has become fairly popular. Certainly, institutional services, whether it's institutional consulting, retirement plan consulting, and really using those as either a feeder for private wealth business or as a way to just have another line of business. We've seen bill pay services at some firms, business management, so kind of being an OCFO for individual clients who are business owners, and going beyond just the traditional stuff and managing their business affairs so they don't have to hire another company.

A couple of others to mention real quick, family governance consulting, so probably more with multi-generational, ultra-high-net-worth clients, working with the various family units to help them either with philanthropy advisory or helping them meet the family mission and just going beyond wealth and investment management, but figuring out how money has a purpose for these individuals.

And one or two others I'll mention is trust services, so whether it's offering advisory in this capacity. We've seen some firms buy trust companies. We've seen some white-label trust services. And again, just thinking beyond just advisory, how can we customize this service line for individual clients. And many, many more, but I would say these are probably the eight to 10 that are the most prevalent and most common that we see across the industry.

Mindy Diamond:

So, when you say common, I don't know that you can give me a statistic, but how many firms, what percentage, on an approximate basis, of firms offer services like this?

Louis Diamond:

It's hard to say. I mean, I would say if you look at any of the larger RIA acquirers or firms that are really focused on recruiting advisors into their company, I would say they have to at least offer one or multiple of these services, because these are things that take money, they take scale and take expertise, and this is a way that a firm can really change their value proposition to make it that much more attractive to someone who's a sole practitioner or someone who isn't doing this. So I would say if you look at most of the big-name RIA or independent firms, they're probably offering some of these.

Beyond that, my guess is, most RIAs would consider offering some of these. How far they go as far as doing this is the question. Like, like I said, for estate planning, many firms say that they offer it or that they do it, but it's taking it to the next level. Same thing with, we hear about tax advisory, or we consult

Innovative Ways the Best Independent Firms Fuel Growth: A Special Industry

A conversation with Louis Diamond.

with an advisor, CPA. So many firms would say they do that, but I don't know how many take it to the next level of actually doing the preparation. But I would say it's becoming more and more prevalent that firms are layering on these additional services, again, keeping up with the Joneses, but also with just trying to differentiate, it's become fairly saturated with what firms can do on the planning and investment side, so looking beyond to these services is, I think, the next frontier.

Mindy Diamond:

So, what's going through my mind as you're talking about this is how the need for these services could really be additional fuel for M&A in the RIA space, because, you just said it yourself, that it costs money and scale. It takes scale to be able to offer these things. So, it's the larger RIAs and platform firms that include these services. So, are there examples? And I'd love for you to share some examples of some of the larger RIAs that, in fact, offer these, but could a smaller RIA, non-private-equity-backed, smaller RIA offer services like these, and do they?

Louis Diamond:

Certainly. Yeah, I'd say the tax preparation is one where you don't have to be a large firm in order to do it. You probably have to employ a CPA or perhaps acquire a small CPA firm. And I've seen firms with 100 million in assets that are offering tax preparation. I think the big question for smaller firms is they're typically capacity-constrained. So by adding additional services, is it taking their eye off the ball? If they're already struggling a bit with scale and not having enough capacity in their business, does it make sense to have other areas that are going to take their attention away? So usually, it's a function of just the size of the team. And certainly some of the more complex services, like bill pay or business management, you need a larger team and more infrastructure to do that. So, some of that may be prohibitive for a smaller firm, but we have seen some smaller firms offer maybe one or two of these extra services.

Mindy Diamond:

So, can you give us examples of some of these larger RIAs that are offering some of these services, some or all of these services?

Louis Diamond:

Certainly. So I would say on the corporate services side, Cerity Partners, we had Kurt Miscinski from that firm on, they have a Ayco-like competitor that's doing the full corporate services business, the tax preparation, and just being experts as far as going into companies and offering executive financial education. So, Cerity Partners would be an example.

On the institutional side, two other podcast guests, actually, CAPTRUST, we had Rush Benton, and they're a powerhouse with offering mid-market 401k consulting, and also with larger plans, but also



EPISODE TRANSCRIPT

Innovative Ways the Best Independent Firms Fuel Growth: A Special Industry

A conversation with Louis Diamond.

doing private wealth business. Procyon partners, Phil Fiore was a guest as well, they have this bifurcated business of institutional and high net worth. They also have an insurance agency. Rockefeller, technically, they're an RIA. They offer the bill pay and business management services. And then tax preparation, Michael Henley of Brandywine Oak, his firm is providing that. Lizzie Evans of Evans May, they're providing it as well. So, maybe I'm just giving shout-outs to prior podcast guests, but all those folks have episodes where they talk about this, so if you are interested in learning how these firms are specifically going to market with these services, those are a few episodes and guests that are doing these services specifically.

Mindy Diamond:

Yeah. Well, first of all, I love the shout-out for prior podcast guests. Thank you for that. But I want to focus on, say, an advisor that's sitting now at a traditional firm that is contemplating independence and contemplating the version of independence they want. So, we won't bore the audience with another discussion around all the different versions of independence. But I imagine that this topic, not just the notion of, How independent do I want to be, and am I jazzed by the notion of handling human resources and legal and compliance driving the decision? But also, what kind of firm do I want? What are the services I want to offer my clients? And do I have the ability from a capital and a capacity perspective to offer these innovative services, these or others, to clients?

If you are an advisor sitting at a traditional brokerage firm as an employee and contemplating going independent, do you think that thinking about these additional services, bill pay, tax pay, tax preparation, outsource CFO, corporate services, et cetera, should that or will that change the thinking of the kind... or the version of independence somebody looks to build?

Louis Diamond:

I would say yes. I mean, I think first, the desire to have additional services like this might be motivation enough to consider going independent in the first place. You mentioned it in the introduction, folks enjoyed the idea or the concept of owning equity, being able to create a brand, having more autonomy. Well, adding services that they can't add at another wirehouse or another captive firm can certainly be the extra motivator or the pull factor to help people go independent.

I would say, though, I think what you're talking about is, do I have to have my own SEC-registered registered investment advisor in order to do this, or can I join a support-independent platform? Can I go to an independent broker-dealer? The answer to that somewhat depends upon the type of service. We've seen many practices that are affiliated with LPL or Raymond James or Soterra, independent broker-dealers, have a tax practice. It's just about how you disclose it, and there's some rules around how it's marketed and how the payments flow. But for something like tax preparation or insurance agency, that doesn't really matter what type of platform you're on.

For some of the more bespoke services, like being an OCFO or doing bill pay, depending upon what you're trying to do, some shared platforms may be okay with that. Some may not. I think the question is,



EPISODE TRANSCRIPT

Innovative Ways the Best Independent Firms Fuel Growth: A Special Industry

A conversation with Louis Diamond.

how far across the line of what's normal do you want to push? And typically, if you want ultimate creativity, ultimate control, and ultimate ability to craft this exactly the way you want, certainly, the easiest answer is, start your own RIA, because you're the one calling the shots. If you want the extra scaffolding and support, though, of a broker-dealer or a shared platform, I would say many of these first services I mentioned I think are possible, but certainly, got to check it out and make sure and just make sure that how you want to carry out the services is in line with what they allow, because usually, there's some clarifications or hoops to jump through in order to really make it happen.

Mindy Diamond:

We're talking about additional services, but how about anything specifically on the investment side?

Louis Diamond:

Yeah, so, obviously, investment is a critical part of an advisor's business. What we talked about earlier was more on the softer side or on the planning side. But on the investment side, we're seeing some really, really interesting ways that firms are differentiating themselves and pushing beyond traditional stocks, bonds, and ETFs. So here's a couple of interesting examples we've seen that some of our clients do. We've seen some folks start an affiliated hedge fund, so it's an advisor who's running his own RIA firm, but started a hedge fund with a similar name, a separate entity, but is able to charge the 2 and 20 fee structure, is actually able to, if he wants to, sell one but keep the other, and that's something that's pretty interesting.

We've seen some folks start an asset manager or a mutual fund, so being an outsourced CIO for other advisors or just marketing yourself as an asset manager, even going so far as creating a mutual fund to create some more scalability, especially with smaller relationships. There's some technology providers today that can create a white-labeled feeder fund exclusively for clients. So, there's technology where these platforms can go and say, "Okay, you want to pick the 10 private equity funds that you want? We'll go and make an exclusive feeder for your clients." So it can become the Diamond Consultants feeder fund, where you're not really doing any extra work, but you're able to market that we have this exclusive fund for clients and able to get clients in at lower minimums.

Ross Kerber, who is a prior podcast guest, has a whole crypto advisory business. I think this will become something a little bit more popular, where you're offering advice for clients about crypto. And this is certainly an area that captive advisors at a broker-dealer or at a wirehouse are unable to do. And I think we've seen some folks, especially younger advisors, show interest in offering advice on crypto.

Direct private investments is something that I think is a fairly common topic, but how firms actually do these direct private investments, so, other words, buying a building or investing directly in a company and bypassing a typical private equity fund is certainly what many ultra-high-net-worth-focused RIAs and family offices are doing consistently. Investing in qualified opportunity zones, or QOZs is part of that as well. So I think those are some of the more interesting, but also, honestly, some of the more common



EPISODE TRANSCRIPT

Innovative Ways the Best Independent Firms Fuel Growth: A Special Industry

A conversation with Louis Diamond.

innovations we've seen on the investment side, pushing beyond just the traditional SMAs, ETFs, and stocks and bonds.

Mindy Diamond:

Yeah, I mean, it's all about continuing to iterate in order to remain relevant and that the independent firm or wealth management firm of the future will look very different than the wealth management firm of the past. But I guess, out of curiosity, so, if someone is at a major firm, Merrill, Morgan, UBS, whatever it may be, do the private wealth divisions of those, the major firms, and how about of the regional firms, do they offer some of these or all of these bespoke services?

Louis Diamond:

I would say yes and no. Some of the ones I mentioned, like family governance consulting, we've certainly heard of groups within the private wealth divisions of major firms that can offer that. Certainly, helping out with trust services is something that's right down the middle for what most of these firms can do.

On the investment side, some firms may have I would say a somewhat contained or curated private investment platform, but there's a stopping point, or only so far as they can go. Tax preparation is definitely off-limits. Estate planning and drafting documents is off-limits. So I would say some of these services are there. And if an advisor is talking to clients about the services they can offer, my guess is they'll market themselves as offering much more than just traditional investments and planning. But in all practicality, getting really deep, and especially generating additional revenue on these services, is off-limits for those at a captive firm.

So I guess the answer is yes and no. And for many, what they can do at a captive firm is good enough. They look at their clients and say, "This is exactly what I need," or, "I don't really have the desire to do more than this." But my guess is, those that really see the power of these additional services will feel a little bit constrained by what they can offer at a traditional firm.

Mindy Diamond:

I think it's very important to say that we're not sharing this because A, we think that every prospective independent advisor needs to offer these services or should, and we're not saying that it's independence or bust, that being at a traditional firm is the wrong way to go. The vast majority of advisors that practice in the traditional space feel that what they have access to is more than enough. And so, it's just talking about what does the next frontier look like.

And so, let's pivot a little and talk about... It's obvious that the benefits of offering some of these additional services is that it will help you to grow and add revenue. But it also seems like it could be expensive, distracting, and potentially risky if you don't get it right. So, how does one think about the pros and cons?



EPISODE TRANSCRIPT

Innovative Ways the Best Independent Firms Fuel Growth: A Special Industry

A conversation with Louis Diamond.

Louis Diamond:

Yeah, I mean, I'd say all of that is true. There are benefits. But, like with anything, it's not a zero-sum game. You're giving up something or taking potentially additional risk by offering these new services. So, to me, I'll give you a couple of the pros, certainly growth, so being more referable from clients to their friends. We've heard that, especially on the tax preparation side, that suddenly, it's easier to reference your advisor that's doing tax preparation, and that may lead to more referrals. You may be able to market yourself in a more specialized way through social media or other means if you offer certain services. So I think it's pretty clear that growth is a benefit, if you do it right.

We've heard that clients are stickier once you add these services. So, think about... It's a pain for a client to change advisors, but once you start adding in tax preparation and bill pay and stuff like that, it's that much harder for a client to move away from the advisor. So it makes the relationship stickier and more defensible. Certainly makes firms stand out versus a crowded field. This is both from the prospecting standpoint.

But also, like we mentioned earlier, for being an acquirer or being a competitive recruiter, if you can have these extra services, it's a way for you to stand out and how your story can resonate more with clients and advisors alike. I would say too, it's an additional revenue source. Some firms might offer these services, just as part of their wrap fee, especially for larger clients, but most of these services are another revenue source. So you charge your 75 or 100 basis points for planning investments and then charge a flat fee for these additional services. So it's a way to grow the revenue without adding a client. And also, we saw this in the last couple of years with choppy markets, having additional lines of revenue can help smooth out maybe some down quarters if the market isn't cooperating. So I would say those are the pros, and there's many more.

The cons are many of the things we mentioned. These could be distracting. You have to invest in these services, and it might be a while before you see a return. It may limit capacity. Depending upon the service, your firm might be taking on more risk. If some of these services kind of fail to deliver, you're doing more for clients, which also means there's more that a client could have a problem with if there was some sort of compliance issue. Same thing with supervisory, maybe your firm has advisors that are doing these services. You have to be that much more dialed-in to what they're doing and how they're doing it, which is why many shared platforms and broker-dealers will limit what their advisors can do, because it's not worth the tail risk.

Mindy Diamond:

Right. So, are these types of additional services only relevant to advisors or firms that service an ultra-high-net-worth client base?

Louis Diamond:

Innovative Ways the Best Independent Firms Fuel Growth: A Special Industry

A conversation with Louis Diamond.

I would say the ultra-high-net-worth client is probably a bigger consumer of more of these services. But like I said, I mean, everyone needs tax preparation. Most clients at some point in their life are going to need estate planning. Most clients are going to have insurance needs. So I'd say depending upon the service, it could either appeal to the whole market, or it might just be more for the ultra-high-net-worth. Certainly, if you are serving the ultra-high-net-worth or trying to go more upmarket, I think it becomes more of a necessity to offer these services, because who you're competing against are going to be firms that are routinely offering these.

Mindy Diamond:

Right. So, I want to go back to some of the smaller firms, and I'd like for you to address, if you would, the two types. One is an already independent firm that's on the smaller side and doesn't necessarily have the scale or the capital backing to build these services out. Is there a way for them to offer them? And would it be right, or is it right for a prospective breakaway, out of the gate, to think about adding these services?

Louis Diamond:

Yeah, two good questions, and I'll take it piecemeal. So, for those that are interested in these types of services but may want to just dip their toe in the water before really investing in having these services in-house, the good news is, there's certainly ways to still hold yourself out as offering these services without really having to build it yourself. We've seen some firms form a reciprocal fee-sharing arrangement with another firm, whether it's a CPA firm or another RIA. So, obviously, you're not capturing as much revenue as you would, but you can still market yourself as offering these services. We've seen folks who have relationships with estate planning attorneys. Most advisors do this, no matter what channel the industry, where they can have this more integrated model. They have an attorney that they really like that understands their client needs, and you can hold yourself out as, in essence, offering these services. Again, you're not capturing the revenue, and you're still going to another provider, but if it's well-choreographed or well-coordinated, you're kind of accomplishing the same thing.

We've seen asset managers who can white-label the feeder fund, so that's a way of, without having to create your own funds, you can leverage some fintech providers that are out there. Or we've seen some advisors just form a partnership with another firm. So it's a firm in their market that they're friendly with. Maybe they're not competitors, or they work with different segments of client bases. And you can form a fee-sharing arrangement or maybe some sort of cross-referral relationship where, let's say, I'm an expert on insurance. This other firm is an expert on bill pay and family office services. You can exchange clients back and forth, in essence, both be able to meet this need.

So, the answer is no, you don't have to homegrow these services, but certainly, the more you can bring in-house, I think the more valuable the firm becomes, the more differentiated it becomes, and also, the more you can customize and curate the services to your clients' needs and control the quality.



EPISODE TRANSCRIPT

Innovative Ways the Best Independent Firms Fuel Growth: A Special Industry

A conversation with Louis Diamond.

Mindy Diamond:

Yeah. And I also think that most every independent firm, at some point in their life cycle, gets to a point where they want to add inorganic growth to the mix. They want to recruit, and they want to acquire. And it's difficult. Let me say it the other way. It's a lot easier to have success in differentiating your firm and holding yourself out as the right destination of choice the more differentiated or unique your service offering is.

Louis Diamond:

I completely agree.

Mindy Diamond:

I think it brings up the notion of a prospective breakaway when thinking about what version of independence. This becomes part of it. But if they're thinking about launching their own independent firm without joining an RIA firm or without taking on private equity backing or something of the sort, is it right for them to think about offering these services out of the gate?

Louis Diamond:

Yeah, so I mean, I think it becomes part of their why story for why they want to go independent and why they're giving up the safety and security of a competing firm, the safety and security of a big up-front check. It's because perhaps they want to be able to add these services. I would say, though, that out of the gate, it's best just to focus on the X's and O's, focus on transitioning the business, focusing on getting right what you've been doing all along. There's a lot that needs to be done, and it could become distracting to try to conquer the world day one.

So I wouldn't advise someone to offer these services right away. I would say, "Get through the transition, get at least a year or so under your belt, and get to a point where things are steady state, the ground doesn't feel like it's shaking beneath you, and then you can think about the next frontier," which is either adding new services. It might be adding advisors, adding in organic growth to the mix, as you mentioned, or starting a new business line. So I would say it's best to focus on what's most important, which is getting the transition right.

Mindy Diamond:

Yeah. And beginning with the end in mind means, in terms of good, solid business planning, you learn to be a business owner in the first year or two, get the business to steady state, and it becomes part of the to-do list for the future-

Louis Diamond:

Exactly.



EPISODE TRANSCRIPT

Innovative Ways the Best Independent Firms Fuel Growth: A Special Industry

A conversation with Louis Diamond.

Mindy Diamond:

... if that's, in fact, what you want to be when you grow up.

Louis Diamond:

Yep.

Mindy Diamond:

Okay. So, you and I talked offline about some of the more out-of-the box services you've seen offered in the RIA space. Can you share a couple of them?

Louis Diamond:

Yeah. This is a fun question to think about. I'll share some of the better ideas I've heard and also some examples of firms that are doing it. So if anyone wants to research this more specifically, they certainly can. We've seen firms offer a real estate brokerage specifically built for clients, so that for residential or commercial real estate needs, the firm now has an affiliate arm that can help the clients, and it could become a feeder for new private wealth clients too.

There's a firm called Manhattan West that was launched by a J.P. Morgan breakaway that offers full-cycle real estate investing, where they develop real estate, they manage it, and they own it, and all of it is done through a fund structure where clients can invest directly. There's a firm called Freestone out of the Pacific Northwest that will be coming on the podcast in the future. They actually buy barrels of bourbon and mobile homes directly and allow clients to invest directly in that as a way to generate more income in a very differentiated way than private equity. There's some family office firms that offer domestic staffing, so actually go out and help with finding property managers or nannies or have some sort of relationship with a staffing agency to help with that.

A firm called Mariner, ran by Marty Bicknell, has an investment bank that is built exclusively for clients. Rockefeller is something similar as well, where instead of a client needing to go to an investment bank, the firm can offer it directly. So, talk about being truly comprehensive, it's when a business owner client wants to sell, you have a way now to generate fees on the advisory and the sale of the business, and my guess is, have a much, much better way, or mechanism, to retain the post-liquidity proceeds.

One other that I love, this is done by NorthRock Partners, Rob Nelson, who was a guest on the show, he actually started a full-service NHL agency, so competing with the major sports agencies, offering an agency to his clients. He saw that he had a lot of NHL clients. He was doing a lot of the other services. And North Rock is a great one to look at if you want to see a firm that's offering the OCFO services and bill pay and tax preparation and probably checking most of these boxes. But Rob went so far as to start an NHL agency. And many, many more.

Mindy Diamond:



EPISODE TRANSCRIPT

Innovative Ways the Best Independent Firms Fuel Growth: A Special Industry

A conversation with Louis Diamond.

We could go on and on, and we don't want to belabor the topic, but I loved this episode, because it's fascinating, and it's exciting, and it's iterative. And I hope our listeners enjoyed it as much. But to wrap up, I think that if an advisor is interested in this topic, one, I think... and not shameless self-promotion, not to promote the podcast, but certainly to listen to some of the podcasts mentioned, because the advisors or the owners all talk about these additional services.

But the real answer is focus on getting the basics right first. Speak to firms already doing this or research firms already doing this and ask questions around, "Was it worth it? And are they glad they did it, and would they have done it differently?" Always create your strategy first and then build the services around it, the business plan around whether you do it today or five years from now, and understand the economics of adding these services and where and what the break-even point is.

And I think, going back to what we talked about, there are many ways to skin the cat. You don't necessarily have to offer these services or build these services into your firm. There are ways of partnering with others in order to get them. But it is exciting, and we do think it's going to change the face of wealth management yet again. So, Louis, thank you so, so much again for joining me. I think this was really fascinating.

Louis Diamond:

Absolutely. Yeah, we'll have to do a follow-up episode, because the services keep changing and keep getting more interesting.

Mindy Diamond:

Yeah, we definitely should. Thank you.

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 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 Podcast app, I'd be grateful if you gave it a star rating and a review. It will let other advisors know it's a show worth their time to listen to. This is Mindy Diamond on Independence.