



# EPISODE TRANSCRIPT

## Ric Edelman on the Future of Your Wealth Management Practice

A conversation with the Founder of the Digital Assets Council of Financial Professionals.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is Ric Edelman on the Future of your wealth management practice. It's a conversation with the founder of the Digital Assets Council of Financial Professionals. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

This podcast is available on our website, [diamond-consultants.com](http://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. 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.

We often talk about how the wealth management industry landscape has evolved, but the fact of the matter is every industry has been impacted by dramatic change, and each year, those transformations advance more rapidly than the years prior. The guest on this episode is someone who rode these waves of change, and served as both a leader and navigator. Ric Edelman is one of the most influential people in the financial planning and investment management profession, a career path that started in the '80s when he and his wife founded Edelman Financial Services. After growing the business in a series of mergers and acquisitions, the firm now known as Edelman Financial Engines would become the largest RIA in the country with 191 billion in assets under management.

Yet, as Ric shares providing financial education was the driving force that led their wide-ranging success. For example, Ric became one of the top 100 radio talk show hosts in the country, and produced award-winning specials for PBS too. He's also the number one New York Times bestselling author of 12 books on personal finance, including his newest, *The Truth About Crypto*, an Amazon Bestseller. He's the host of the podcast series *The Truth About Your Future*, and the founder of the Digital Assets Council of Financial Professionals. Plus, Ric ranked three times as the number one independent financial advisor in the nation by Barron's, and received the industry's lifetime achievement award in 2017.

Ric has a unique lens on the industry, so we're thrilled to have him on the show today to give us a candid perspective on the evolving wealth management space and his predictions for what lies ahead. So, let's get to it.

Louis Diamond:

Ric, thank you so much for joining us today.

Ric Edelman:



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Oh, it's my pleasure, Louis. Thank you.

Louis Diamond:

I've been following you since when I started in the industry, so I got to admit I'm a little bit nervous and starstruck to have you on today.

Ric Edelman:

Well, I appreciate that very much, but not at all necessary.

Louis Diamond:

Excellent. I think most people know who Ric Edelman is, but would love for you just to share your background, and what led you to become a financial advisor in the first place.

Ric Edelman:

Well, in hindsight, our background is quite unique. I didn't know it at the time, but that's what we ultimately learned. My background is in communications. That's what my degree is in. I used to brag, frankly, I still do that I graduated college without ever having taken a business course. I think that actually served me really well. I wasn't brainwashed by economics professors and accounting and business professors as to how money is supposed to work. Instead, I was trained as a journalist, and journalists are taught basically to do two things. First, ask smart questions, and two, explain the answers in plain English. Those two things really helped a lot as I embarked in the financial services field, which was frankly inadvertent and accidental.

It was never my intention to get involved in this industry. My wife and I were young, newly married, and like all other newlyweds, we were interested in buying a home. I was writing as a journalist in the financial trade press, so I knew enough to realize that there are these folks out there called financial advisors. I ought to go talk with one, and get their advice on how we can buy a house. This advisor, by the way, footnote refused to meet with my wife Jean. That spoke volumes from a sexism perspective. That's another story. Talk to my wife about that. She'll give you lots of views on that issue. But in the course of our dialogues, this advisor ended up telling us to commit a felony.

He told us to lie on our mortgage application in order to qualify for the loan. First of all, the advisor should have told us the truth. We weren't ready to buy a house. We weren't financially in shape to do that, but instead, he told us to lie in order to get the mortgage. We were so outraged by his so-called advice that we decided, "You know what? We're going to teach ourselves how this works, and then we're going to teach others what we've learned." So I quit my job and got myself licensed, and entered the field. My wife quit her job, and went to work for Paine Webber in their back office to learn the operational side of the business, and we started our own little financial planning firm back in 1986 with that exact premise, "Let's teach people what we've learned."



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Word spread that we were really good communicators. We were really good at helping people understand these complex, complicated subjects that people have little to no knowledge about and virtually no education about in a manner that is in their best interest, helping them deal with issues that they're facing every day, predominantly people who are like us young with not a lot of money, who don't have access to high-quality financial advisors and lawyers and accountants and whatnot. Word spread, and the firm grew as we were accommodating demand for our services. We began by doing college planning seminars for elementary school PTA groups, talking to parents in their 20s, 30s, and who had young children about the need to save for college. We ended up doing those seminars for pretty much every elementary school in the Washington D.C. area, where we were living.

Word spread. I got invited onto the radio. Eventually, they offered me my own show. I ended up hosting my radio show for 32 years, was named one of the top 100 most important talk show hosts in the country by Talkers Magazine. That led to television shows, and I've hosted a variety of series for PBS and others. That led to writing books. I'm the bestselling personal financial advisor author. I'm the number one New York Times bestselling author with 12 books, 1.2 million copies in print in a dozen languages, hundreds of seminars a year. We've spoken to, I think, we've calculated a million people over the 40 years we were doing this. So, our attitude was just, "We're going to grow our business to accommodate the demand from consumers seeking our help," and that led us to becoming the biggest investment advisory firm in the country.

Louis Diamond:

There's a lot there. I have to ask, when you and your wife went to found Edelman Financial in 1986, did you have a vision of creating this mega firm, or was it really just, "Let's just try to help as many people as we can," because there are some people that they're like, "I'm going to envision my success, and I'm envisioning that I'm going to be the top advisor in the industry?" Did you have that type of mindset, or was it just one foot in front of the other, and things started to snowball from there?

Ric Edelman:

No, we did not have any grandiose ideas. I still have the original business plan that I drafted as we embarked on our effort, and that business plan called for us having a profit of \$3,000 per month. What we figured was all we needed to sustain our lifestyle was earning \$36,000 a year. It was never about becoming biggest, those grandiose ideas. Whenever I come upon somebody who has such a goal, they never achieve it, because it's too much work. It's too hard. The risks are too great. The sacrifices are too large, and they quit. That wasn't our goal. Our goal was simply to help people who wanted our help. Our attitude was we will serve them, and if the demand for our services exceeds our capacity, then we'll grow our capacity to meet the demand, and when the demand stops, our growth will stop.



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Well, for 34 years, our growth never stopped. The demand never stopped. So, we grew simply out of need to serve our clients, and the fact that that growth ultimately led us to being the fastest growing firm in the country according to Inc. Magazine, and also the largest firm, and according to Consumer Reports, the number one firm in the country for quality. That was all accidental. We weren't trying to achieve those accolades. We were just had our heads down doing our work, serving our clients. You turn around one day, and we're like, "Wow, look what we built."

Louis Diamond:

It's amazing. You hit on some of this, but I'm sure every listener is eager to hear how you grew the business to become the largest RIA in the country to be named the number one Barons independent advisor. I don't think there's an advisor in the country who doesn't know who Ric Edelman is. I know there's a lot to achieving these levels of success, but can you share a few tactics or strategies that propelled your growth?

Ric Edelman:

Well, I would say number one is the fact that we focused on financial education. That has been the cornerstone of our business from day one, because that was what propelled us. We didn't get the advice that we needed from the advisor we sought out, and we didn't understand much of what he was talking about, because we ourselves, at the time, didn't have much knowledge about this subject. That's true of most Americans. I mean, think about it. People grow up with mom and dad never talking about money. It's the only taboo topic left at the kitchen table. Parents will talk to their kids about sex, drugs, politics, but won't talk about money. There's no education K through 12.

Most college students graduate without ever taking a personal finance course, and employers have nothing to say other than, "Sign these 401k papers." So, people grow up financially illiterate, and because of that, they don't know how to handle the everyday financial decisions they're facing, choosing a credit card, opening a bank account, filing your taxes, choosing life insurance, opening a 401k, buying a house, getting a mortgage, writing a will. All of these issues that we deal with, we are totally unprepared to, because we are financially illiterate. So, we built our practice on education, and we began by doing seminars. We did them throughout our entire careers. That's why I did radio and TV and wrote books.

It was all about teaching people how money works and how to make it work for them. So, that we've learned is a very different approach. Most advisors don't want to take the time to explain to their clients what they're recommending and why and how things work, so that made us different. The other thing that made us different is who we were willing to serve. Most advisors are only willing to serve rich people, because it's only rich people who can afford to pay the fee that the advisor wants to earn. We didn't do that. We took the attitude that we will take as a client anyone who's willing to be a client. Meaning if you're willing to ask for our help and you're



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willing to follow our advice, then we're willing to help you without any regard to how much money you might have or don't have.

If you don't have any money at all, we'll treat you as a pro bono case, and we'll work with you for free. So, we had a very low account minimum, \$5,000. Most advisors have million dollar minimums, and we are willing to serve anyone who wants our help. We found that that was very different as well. Over time, we discovered how significant that really is, that there really is nobody out there. That has changed a little bit in the last few years, but for the bulk of our 30 plus year career, nobody was willing to help the so-called mass affluent, because they didn't have enough money to benefit the firms, but that was ultimately the issue is that we were not focused on ourselves.

We weren't trying to emphasize the money we wanted to earn. We were focusing solely on the people who needed our help, that 99% of Americans who don't have access to advice. We discovered that by focusing on them, we ended up doing just fine.

Louis Diamond:

It sounds like it was a higher calling you had to start with the education, and to help anyone who needed your advice. It sounds almost like obviously, the profession's been great for you personally and everything you've achieved, but that you were doing it more as not as charity, but you're doing it for the greater good, and had the mindset, "My job is to help people. My job is to educate people." Ultimately, that propelled your success, was focusing on that rather than, "I want to make \$10,000 per client relationship, or I want to grow at 50% per year." Is that accurate?

Ric Edelman:

Yes, very much so. The more you focus on others, if you simply take care of them, you'll be taken care of. It's really that simple. Interestingly, what I considered and my wife as well considered our clients were not the clients of the firm, but the financial planners of the firm. They are our clients, because we knew if we took care of the planners, and we took care of our staff, they would take care of the clients the way that we wanted them cared for. So, our clients were the people who were working for us, and that by extension led to fabulous client service, which is what everybody was looking for. We weren't terribly focused on what's in it for us. That took care of itself.

Louis Diamond:

We feel the same way. That's the way we run our business. If you do right by people, good things follow, and don't chase the money, but chase the result. I think many folks are familiar with your 30 plus year run on the radio. It was a weekly show that was syndicated across the country. I'm curious how being on the radio helped your business. So if you can quantify, I don't know, number of clients or even just going with your gut, how much of new business coming in over the years was from the radio show?



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Ric Edelman:

It's impossible to say. We did everything everywhere. I was on radio, on television. I've been on every major news network. I was on Oprah five times. I'm a number one New York Times bestselling author of dozen books. I do hundreds of seminars a year, thousands over the decades. I once had the opportunity to have a conversation with the chief marketing officer of Coca-Cola who was lamenting that his budget was only a billion dollars a year. We were just joking about the fact that Coke's everywhere. I mean, this is probably one of the best known brands on the planet, and he was acknowledging that fact. I said, "Well, how do you evaluate your ad spend? How do you know whether something's working?"

He said, "We don't even bother trying to find out, because it's impossible to know. Coca-Cola is everywhere. How can we say this is the reason you decided to buy a Coke today?" We learned the same thing. When we would ask clients, "How did you hear about us," they would say, "Oh, I've heard you on the radio. I went to one of your seminars. I read one of your books. A neighbor of mine is a client of yours." So, how do I grant credit for the source of that new client? It's impossible. What we learned is that by doing lots of everything, you become Coca-Cola.

Louis Diamond:

I love it. I would agree with your approach. Let's talk about Edelman Financial. Edelman was a public company, which is a major accomplishment in itself for a few years, and then in 2012 was taken private by the private equity fund, Lee Equity Partners, and then later sold a majority stake to Hellman & Friedman, another private equity firm. Can you talk a little bit about this chain of events, and what each transaction helped you accomplish?

Ric Edelman:

Well, you've started with number three. There have been six transactions so far. There will be seven. I've actually sold the company six times, and there will be a seventh transaction before we're done. The first transaction was in 2005 when we sold a piece of the business to Sanders Morris Harris, an investment bank out of Texas. Jean and I realized that if we were going to serve more people, we had really reached capacity in our one office in Fairfax, Virginia. If we were going to continue to meet demand, which we were increasingly getting from around the country, we needed to open additional offices.

Our ability to serve people long distance really wasn't as viable. I mean, the whole work from home thing didn't exist way back then. So, we realized we needed to go national, but to do that required a lot of capital, and it also required expertise and experience that we didn't have. We'd always operated one location. So, we realized we needed help, and so we went searching, and found George Ball, who was the CEO of Sanders Morris Harris. George is also the former CEO of E.F. Hutton, and former chair of Prudential Titan on Wall Street. We realized that this is the guy who can really help give us the guidance and mentoring we need to go national, and also the capital to do so.





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So, we did a deal with Sanders Morris Harris. They were a publicly-traded investment bank out of Texas, owned dozens of companies. I became CEO of their business. We renamed it the Edelman Financial Group, and I therefore became the first publicly-traded financial advisor in the country. Well, we were listed on Nasdaq. I pretty quickly hated being a public company CEO. It's so distracting. Sarbanes-Oxley is such a nuisance. It doesn't serve anybody's best interests other than accountants and regulators. It doesn't serve consumer protection in the least, and it's a massive financial burden and a major distraction being publicly traded. So, I realized we needed to go private.

So, we did a deal with Lee Equity that you mentioned to go private, and then we traded up, I would say, traded away Lee Equity for Hellman and Friedman, one of the largest private equity firms. Then in 2018, we had Hellman and Friedman acquire Financial Engines. We merged their company into ours, turning us into the largest by far RIA in the country with more than \$250 billion in assets under management. The company just announced yesterday, in fact, that we've now added a new CEO, Jay Shah from Personal Capital who takes over in August.

Louis Diamond:

It's a massive chain of events. Most firms, they have one transaction. So not to mention that many, I'm curious, does any part of you now with very strong hindsight bias, no doubt, think about what it would've been like to just keep running completely independent? So, to have not done the first transaction back in the mid 2000s, and then going public, and then with your various private equity sponsors, do you think your business could have been a viable entity if you stayed completely private and at no point along the way took capital?

Ric Edelman:

Maybe. Impossible to know, of course, but I do know that we would most likely not be serving as many clients. We would not have had the liquidity events that we've had, and those liquidity events were not only important for Jean and me personally, but also equally important for our financial advisors and staff, all of whom have equity in the company. Jean and I have always been very careful to provide equity to everybody in the business to help them share in the results of their hard work, and to demonstrate appreciation for their successes. Those liquidity events are even more important for them than for Jean and me, and none of that would've been possible.

You end up with concentration risks. People used to ask me way back when, "Ric, what do you invest in?" I used to joke, "I invest in a highly speculative growth stock." That's not what you would tell a client to do is to concentrate their entire net worth and the fortunes of a single business. Yet, that's what we were doing. That's what every entrepreneur does. You get to a point where the business is so big that that's not prudent anymore. It's just bad financial planning, so we've followed our own advice, and diversified.

Louis Diamond:



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That sounds exactly right. Most advisors, their largest financial holding is an illiquid asset on their personal balance sheet, which is the equity or their personal goodwill in their business. So, that is a motivator for many folks is to take some chips off the table, and then access a pool of capital and expertise to propel the business further. But obviously, there's trade-offs and giving up some upside potential, and control is part of it. But in your case, it seems like the outside capital was fuel that needed to be put on the fire to grow it into what it is today.

Ric Edelman:

Exactly. You can let the firm get big and big and big and big, but how big is big? I mean, you get to the point where hamburgers are only so thick, and cars are only so fast. I mean, at some point, you're just keeping score. Are you really improving your life? Are you improving the lives of those around you, your advisors, your staff, your clients? At what point are you going to liquidate and monetize, and at what point are you going to recognize that the organization is now bigger than you, and you have a responsibility for ensuring its perpetuity so that the firm is no longer dependent on just you, that it can operate independently for the sake of everybody's careers whose lives they've entrusted to you, and all of the clients and all the assets they've also entrusted to you? So, it can't always be about you.

Louis Diamond:

One last question for you on the topic of Edelman Financial, and then the rest of the conversation would be about, I guess, your act two, three, four, whatever the number is, but away from Edelman. Fairly recently, you sunsetted your role as CEO of Edelman Financial to focus on your other endeavors and passions. Why did you decide to step away, and was it hard after being in the big seat for so long to step down?

Ric Edelman:

Well, sure, it's hard. This has been our baby for our almost entire adult lives. Of course, it was difficult but necessary. We realized this was going to be occurring, and so working with Hellman and Friedman, we mapped out a long execution of this. We began working on this back in 2016, and that's when I stepped away from the CEO role, remained as chairman in order to facilitate that. That was augmented by the acquisition and merger of Financial Engines in 2018. At this point, I'm simply on the board, and still the biggest individual shareholder, but I'm not engaged in the company's activities at all these days.

Back then in 2016, as we were beginning to do this, we were recognizing that walking away from the firm meant that we were creating a void. We all know that nature pours a vacuum, so in the absence of our activities in the firm that we've been doing for the past 35 years, what are we going to do instead? Where is our future going to lie? I have had a variety of other interests over the years, I've become known as somewhat of a futurist in the financial services industry, always trying to look ahead, "What's in front of us? Where's the world going so that the advice





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we're giving our clients is the advice that they need for the future they're going to have as opposed to the past, which might have worked for their parents or grandparents?"

That led to my 11th book, *The Truth About Your Future*. I was spending a lot of time with exponential technologies, AI, robotics, big data, 3D printing, nanotech, biotech, bioinformatics, fintech, EdTech, AgTech, and crypto, blockchain and digital assets. So, I created several new ventures back in 2016. The first one was DACFP, the Digital Assets Council of Financial Professionals. This is a crypto education company for financial advisors and now consumers. We launched the certificate in blockchain and digital assets two years ago, which now has thousands of people from 37 countries who have gone through this course. It teaches you what this is, because crypto is something everybody's heard of. Some actually own, but few can explain, and it's one of the most important technological innovations for the future, so as generative AI, most famously ChatGPT.

This is a hugely important technological advancement as are so many other areas, particularly in the area of medicine and health, in innovations such as the human genome, the human cell atlas, focused ultrasound. These are revolutionary technologies that are going to transform health, wellness, and longevity over the next decade and longer. So, we've been spending a lot of time with these subjects, and I built another company, *The Truth About Your Future*. I converted my weekly radio show into a daily podcast, which you can access everywhere you get your podcasts, *The Truth about Your Future with Ric Edelman*. That's also a variety of webinars, newsletters, and seminars, and conferences and such.

We do an awful lot of consulting these days where other firms are turning to us for help with their branding, sales and marketing strategy in the crypto field, the financial services industry. We do a lot of philanthropic activities, mostly with Rowan University, our alma mater, where we're the benefactors of the fossil park and museum, the planetarium and the College of Communication and Creative Arts, all of which have been named after us. So, we're pretty busy with a variety of different ventures. We also own an Alzheimer's research company. That's one of our major philanthropic activities, and several other activities to keep us busy, because the one thing we realize is that we grew up in my generation where there is no work-life balance.

You work to live, and when you lose work, when you lose or leave that career from retirement, you have the huge empty void. Many people have their social network associated with their careers. What happens when you lose the career? You lose the social network. Loneliness is now a national epidemic according to the Surgeon General, and so we need to figure out how to reinvent ourselves in the next chapter of our lives when we're in our 50s and 60s and 70s. Jean and I are embarking on this, and that's our big part of our journey now is helping others through this transition as they realize that whatever they've been doing the last 30 or 40 years is going to come to an end. They have to figure out what's next. That's...

We're on that journey ourselves, and we're working hard to help people do the same.

Louis Diamond:

Note: This is a transcription of a spoken word dialogue and as such there may be errors and/or omissions.

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I think most folks would say, "I picked up golf." It doesn't seem like you have much time for that. You got your hands full with everything else you're doing.

Ric Edelman:

Yeah, and let's face it, there are very few people who can fill their time truly playing golf every day. You might do it for months or a year or two, but after a while, really? When a physical ailment interferes with your ability to do that? What do you do next, and how is that providing fulfillment? The real key to staying young and healthy is to keep active, to stay engaged, to participate in community and society, and economically, an increasing number of retirees need to work for income because they haven't saved enough to support their lifestyles. Golf is great. Travel is great. Gardening is great. You need to really decide if you can make a second career out of those activities, or whether that needs to be supplemented by something else.

Louis Diamond:

Right. A topic you're passionate about and cover extensively on the Truth About Your Future daily podcast is the future of financial planning. So, I'll ask you instead of just the future of the financial world, since this show is mostly listened to by financial advisors and practitioners, what do you envision as the future of the financial planning industry or the wealth management industry at large? Big question, but I'm sure you got a good answer.

Ric Edelman:

Well, it's going to grow dramatically. Money makes the world go round. Let's face it. This industry is responsible for the management of that money on behalf of the people who own it, and to grow that capital. With luck, the people who own those assets will deploy them for the benefit of their families and society overall. So, it's a huge growth industry and always has been. Most importantly, the reason that this is such a bull market for the advisors in particular is because of two factors that are occurring at the same time. The first is that the over 65 population is growing. We're retiring 10,000 baby boomers a day, and it is the largest cohort, and the boomers are the ones with all the money.

So, there's a massive amount of wealth by the over 55 population, and people are living longer than ever before, because of those medical advances that I alluded to. This means that you need to make sure more than ever that your money lasts as long as you do. If you're going to live into your 90s and hundreds, which is increasingly likely, you need to make sure your money lasts as long as you do. That's very different from our grandparents who retired at 62, and were dead at 65. So, this requires the need for advice more than ever by more people than ever. But while that is going on, the number of advisors is radically shrinking. 10 years ago, there were 400,000 financial advisors. Today, there are 300,000.

And 10 years from now, there will be 200,000, because just as the population is aging, so is the population of advisors. They're aging as well, and they're retiring. There aren't nearly enough younger people coming into the profession to replace them. Financial planning, investment



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management isn't a sexy field. A lot of kids in business school coming out of college want to go to Wall Street. They want to get into investment banking, which they perceive to be more exciting, more sexy, and more lucrative. So, we don't have as many advisors as we're going to need, and that means that the advisors who are there are going to be in what we'll call a target rich environment. There will be a massive number of consumers needing their help, far exceeding their ability to serve.

So, it's great news for the financial services industry because the whole supply-demand equation is in the industry's favor. It's going to be a challenge for consumers going forward, but this is going to be a very exciting couple of decades. At the same time, technology's going to be changing everything for advisors. You cannot ignore ChatGPT. You cannot ignore blockchain. These technologies are radically upending the way we invent financial products, the way that we manage practices. So, advisors need to embrace these technologies, and get ahead of them to learn how to incorporate them into their practices. Otherwise, the advisors will become quickly obsolete, and they'll be out of business.

Louis Diamond:

I agree with your takes, and they're backed up by data. But specifically, how do we address the topic of there's a dwindling number of financial advisors, and more folks than ever needing financial advice? What's the solution?

Ric Edelman:

Well, the financial advisory community and everybody from Merrill Lynch to Schwab to the CFA Institute and the CFP board, everybody has to go to the college level, and go to those universities, and encourage them to create curriculum leading to degrees in financial planning. There are several universities that do this, but not enough of them. They need to make the case when they go to recruitment events that colleges hold as you're trying to hire juniors and seniors to explain what this industry is all about, and why it is worthy of consideration by that graduate. There's a stigma in our industry, which emanates from the old days when it was nothing but a bunch of stockbrokers and insurance agents peddling product for fat commission, frankly, with deceptive sales practices along the way.

We need to help people realize that this is no longer that, that the financial planning profession is a profession the same as law and accounting. By that notion, it's a nurturing profession that has an incredible impact on the lives of their clients, and it is one that is not only incredibly fulfilling, but also financially rewarding. That message has to get out. Until that happens, you're not going to see very many wanting to enter the field, or at least not in the numbers we need.

Louis Diamond:

I agree with you. I'm curious how you see ChatGPT or the topic of generative AI changing the industry. So if we were doing this podcast two years from now, or three years from now,



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whatever time period you want to talk about, how do you think those technologies are going to change the day-to-day of being a financial advisor?

Ric Edelman:

Our industry has been under evolution for decades and decades. When I started in this business, and I'll date myself with this, back in the 1980s, clients would call me on the phone to find out the price of a stock, because that's the only way you could find out by calling your broker. Many brokerage firms, Paine Webber, Merrill, E.F. Hutton, all the big firms of the day, they had lobbies in their offices that were huge, lots of sofas and seats, and clients would come in and spend hours in the lobby, because in the lobby, they had up on the wall a massive ticker, the kind you see scrolling across the bottom of the screen on CNBC these days. That ticker used to be in the lobby. It was the only way for investors to see what was going on in the market.

It was either that or call your broker on the phone. Well, today, nobody calls their broker to find out the price of IBM. That information is readily available in real time for free on your phone. So, advisors used to be the bastions of information. We aren't anymore. That information's out there for free. What do we do? Did that put us all out of business? No, the nature of brokers shifted to become advisors. It's no longer, "What's the price of the stock?" The question is now what do I do about that? In the future, it's going to morph even further to answering the question, "What does it mean for me?" It's the analysis of the data, and the application of it to the individual unique circumstances of the client. That's where the value of the advisor is going to shine in the future.

Many advisors have already been behaving in this manner over the past decade or two, but it's going to become far more significant going forward, and this is going to be aided and supported by ChatGPT. The AI is going to be able to grab the data, parse it, and provide elements around it. All the grunt work of data collection and analysis will be done by the machines. So if you are a security's analyst, I'd be very fearful for job obsolescence, because AI's going to do your job faster, more accurately, and far cheaper than you. So, we're going to see a radical shift in the workload of the advisor, but it's going to allow the advisor to do things that it will take the tech a while before it's capable of doing all that, but it's all coming.

We're already seeing advisors use ChatGPT to write emails to clients to create social postings, to design PowerPoint presentations for seminars. Pretty soon, you're going to use this tech in audio files. I already did that on one of my podcasts. I had ChatGPT write the script for one of my podcasts, and then I went to 11 Labs, which is a synthetic audio company, and had it record the script in my voice. I played it on my podcast, and it fooled everybody. Nobody knew that it wasn't me who wrote it, and it wasn't me performing it. The whole thing took me less than five minutes, and costs less than \$5. So, any advisor anywhere is going to be able to create not just audio files, but video as well, where consumers are not going to know that they're not really hearing or looking at their advisor.



# EPISODE TRANSCRIPT

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Eventually, it's going to be used for clients calling in asking questions. AI is going to be the one answering the question, but it's going to be your face, and your voice that the client is responding to. So, all of this is going to be evolving very quickly. JP Morgan just announced that they're spending money to develop investment advice using iterative generational AI. So, this technology is going to be growing by leaps and bounds, and it's going to change the investment advisory world. It's not going to eliminate it. It's not going to eliminate advisors. It's going to allow advisors to change how they spend their time so that they're spending their time on what clients truly value.

That's that interpersonal relationship, and advisors who don't learn how to champion this tech will become obsolete, and they'll be gone.

Louis Diamond:

I mean, it sounds like, one, a very interesting and exciting future, but also a bit terrifying. I'm thinking, "How's this going to change my profession?" I think everyone has to ponder that.

Ric Edelman:

Well, there's no question. In fact, that's one of the most important areas of advice for you to give clients as an advisor, which is career advice. It used to be college planning that mattered, not anymore. College is rapidly becoming free. We don't have to worry about the cost of college going forward. What we have to worry about is career planning. Are you in a career that is going to exist in five years? Because the scientists are telling us that over the next decade, half of America's occupations will disappear, replaced by robotics and AI. So, we've got to evaluate. Is your job going to be gone? Are you going to find yourself out of work, because your company is no longer in business, or your occupation within that company is no longer needed?

How do we retrain you into new occupational skills that are going to remain viable? Because although we're going to eliminate half of the jobs, we're going to invent an equal number of jobs, jobs that don't exist yet today. So, we need to recognize the point you've just made, Louis, which is that I've got to ask an internal question, "Am I safe? Is my career safe? If not, what do I need to do to stay safe or to reinvent myself?" This is a key area of opportunity for advisors to demonstrate value to their clients.

Louis Diamond:

If you're an advisor, I mean, of course everyone wants to say, "I'm going to leverage that technology when it comes. That's not really an option yet." I mean, I guess in some applications, but not nearly to the extent that you're describing. If you're an advisor, how can you prepare today maybe in shifting your role, or investing in your practice in a way that once this technology does take the world by storm even more, that the job and the revenue streams are protected?

Ric Edelman:



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Well, you need to start studying the tech. In the world of crypto, you need to get engaged with DACFP. You need to get your certificate in blockchain and digital assets. It's an online self-study course. You get 18 CE credits, and it will give you the information you need to understand this technology, so you can figure out how to adopt it into your practice management. You need to do the same thing with generative AI. Begin by asking ChatGPT, "Here's my occupation. What do I need to do to stay viable in the marketplace over the next decade?" Let the tech itself give you the answer to the question.

Louis Diamond:

That's fascinating. I'd like to talk a little bit about crypto, because you mentioned the Digital Assets Council of Financial Professionals or DACFP. How do you see blockchain changing the industry?

Ric Edelman:

Well, it's all about tokenization. Everything is going to be tokenized over the next decade. It is the most revolutionary development in the financial services industry probably since the advent of ETFs 30 years ago. It's all about tokenization. In other words, a token is a digital representation of a physical asset. Think about... We have all heard of NFTs, non-fungible tokens, and everybody looks at this crazy artwork, the Bored Apes Yacht Club, the CryptoKitties, Crypto Punks. Why would anybody pay hundreds of thousands of dollars for a JPEG for a piece of digital art that is frankly ugly art? Why would anybody do this? My answer is I have no idea. I'm not going to try to justify or rationalize.

What I will do is look at the technology that allows this to happen. In other words, look at your driver's license. Why are we still carrying a piece of plastic in our purse or wallet? That makes no sense. In the future, your driver's license will be an NFT. It'll be digital. It'll be something in your phone's wallet that is safer, more secure, easily readily available, and easily transmittable. Your passport, the deed to your house, the title to your car, your employment records, your academic records, your medical records, all of these will be NFTs allowing you to have greater access control over these assets. In the world of investments, it's going to grow by leaps and bounds.

Right now, we have 15 or 20 major asset classes and market sectors, but think about it. We're already digitizing and tokenizing real estate. The St. Regis Hotel has been tokenized. You can buy the St. Regis coin. We call them shares if you're buying shares of IBM, but the real estate, we call them tokens. You can own a piece of that hotel. They're tokenizing buildings. In Dubai, the global real estate market is three times bigger than the global stock market. Think about tokenizing all the commercial real estate around the world. Wouldn't it be cool to own a piece of the Empire State Building or the GM building or the Eiffel Tower? We'll be able to do this. We're tokenizing exotic cars, rare wine, artwork. We're going to be able to tokenize everything. We're going to be able to tokenize salaries.





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Instead of being a fan of your favorite athlete, you'll be able to own a piece of their contract. As their career succeeds, you'll enjoy in the economic rewards. Your favorite Hollywood star, your Broadway performer, musicians, recording artists have been all selling their music catalogs. Bruce Springsteen got \$500 million. Bob Dylan got 300 million. Pink Floyd, Stevie Nicks, Justin Bieber, they're all selling their music catalogs. The companies that are buying those catalogs, Sony Music, Warner Music, KKR, and other private equity funds, they're going to be selling as NFTs the individual songs. So, the next time you hear Born to Run, you'll actually be able to be an owner of that music, not just a fan of it, so you'll earn a piece of the royalty.

Instead of having 15 or 20 asset classes in the future, we're going to have 15 or 20,000 asset classes. The opportunity for true portfolio personification is going to go through the roof, and all of this is already underway. Franklin Templeton, one of the biggest fund companies in the world, \$1.5 trillion in assets, they just bought Putnam for a billion dollars. They have already launched the OnChain U.S. Government Money Market Fund. This is a money market fund that is on the blockchain. You can access it via an app. It's called the Benji Coin. Go download it from the Apple Store or the Android store, and it operates just like a stablecoin.

By placing this on the blockchain, Franklin Templeton says they've been able to radically reduce the cost of operating the fund, and they've been able to radically speed up the ability to execute transactions. Over \$270 million has already been invested in this fund. It's the first blockchain money market fund. Pretty soon, all mutual funds and ETFs will be tokenized. We're not going to have shares of ETFs anymore. We're going to have tokens of them. This is a radical change in the product development, the product availability. We're demonetizing. We're providing liquidity. We're providing democratization of assets.

This is going to be really, really exciting. As an advisor, you're going to have to learn about this tech so that you are prepared for building the portfolio of the future for your client.

Louis Diamond:

It sounds like you really have to master what crypto is and what it isn't to be able to not only advise on the asset class on, "Should I hold Bitcoin," but also in mastering how it's going to impact products. Is there anything as far as the day-to-day of a financial advisor that you see changing because of blockchain apps, and you should invest in this blockchain-based money market fund?

Ric Edelman:

Blockchain will be used as a very underlying fundamental element of business the way that photocopiers are. In many cases, it'll be invisible. The fact that your bank uses photocopiers in order to help them do what they do, you're not going to care. It's just going to be there. Blockchain technology is basically software that allows companies to collect and distribute data faster, cheaper, and safer than existing technologies allow. That's why there's so much



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excitement about blockchain technology. It's just bigger, better software than what has previously been available, but this is going to be used by the custodians.

It'll be used by the banks. It'll be used by the exchanges. It'll be behind the scenes. I mean, do you really know or care how the NYSE does what they do, or DTCC? We all know they exist. We all know how important they are, but do we care how they're fundamentally doing what they're doing? Not really, but it's there, and it's going to be ever present. So, blockchain will become an integral part of your business. Most of it, you're not even going to notice. Where you do want to pay attention, as you've just pointed out, is in the investment management angle. Do I want to invest in these coins and tokens? Do I want to invest in ETFs that buy the stocks of companies that are building this technology, and supporting the community?

These are the questions that advisors are going to have to answer. There's no better way to learn about this than from my book, *The Truth About Crypto*, or the certificate program at DACFP, or our vision conference, which is June 12 to 14 in Austin, a two-day event just for financial advisors who want to learn the latest about what's going on in the world of crypto.

Louis Diamond:

A lot to look forward to. Then I'm definitely going to have to become more of an avid listener of the *Truth About Your Future* podcast. I feel like if you're not understanding where the future's going, it's going to be hard to keep up and prepare.

Ric Edelman:

That's the challenge is that most advisors have been doing this for a really long time. You've been in the business for decades. You're managing a lot of money for a lot of clients. Everybody's happy, and you're successful. What you're now about to discover is that most of what you've learned is going to become obsolete, because this whole new stuff of technological innovation is brand new, and you don't know anything about it, and you need to master it. Think back to when you got your CFP, when you were new in this industry. That's where we're all at now, and those who jump ahead with this are going to be the ones that have leadership and who thrive in this industry. So, the sooner you master this tech, the better off you and your clients are going to be.

Louis Diamond:

Two more questions to bring us home. You mentioned earlier one of your statements was that you don't believe there's going to be enough financial advisors to, in its current form, keep up with the growing demand for financial advice. It sounds like though, through AI, through blockchain, through other technologies that aren't even around that it's going to make the job of a financial advisor that much more efficient so that an advisor can in theory work with more clients, and not drop the level of service. Do you think these technological innovations are an anecdote for the declining pool of advisors in the industry?



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Ric Edelman:

To some degree, yes. I mean, look at the world of robo-advisors today. There are a lot of people who turn to those as opposed to human advisors, but they tend to be either lower net worth, lower income people, or who have rather simplistic needs as opposed to complicated circumstances. But as their lives become more complicated, or as their net worth rises, they begin to realize that those technological answers aren't enough to solve their needs, and they turn to humans. I think we're probably going to see a similar circumstance. So yes, I think you're right that the tech will allow you to be more productive.

That should translate into you being able to handle more clients. But on the other hand, I don't know that that's going to be truly sufficient to eliminate the need for having more people in this industry than will exist.

Louis Diamond:

Last question to bring it home, any advice for advisors who aspire to build a financial advisory empire like you did? What's the next best action that they can take?

Ric Edelman:

You've got to really identify why you want to build a large firm, and understand what it takes to achieve scale. Way back in the beginning, I always admonished my team. I am not interested in doing anything for any client. If I can't do it for 1,000 clients, I don't want to do it for one. So, we always built everything with scale in mind, and that's what you really want to emphasize. You want to replicate. Think about the biggest, most successful businesses and what made them so. It's not because the hamburgers are fabulous at McDonald's. That's not their key to their success, it's their scalability, and that is really what you're after.

So, evaluate how can you do what it is you want to do at scale? That means you need likely to bring in people with a different set of skills than you have. It's all about building that team, and you providing that leadership to allow the team to execute on the mission. You're describing a whole other masterclass on this, which is a whole other conversation, but that's where I'd begin.

Louis Diamond:

All right. Well, we'll take you up on another conversation, because I can tell we're just getting you warmed up on what the future of the profession and the overall industry looks like.

Ric Edelman:

Anytime.

Louis Diamond:

Very good. Thank you so much, Ric.

Ric Edelman:



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My pleasure. Thank you.

Mindy Diamond:

Change is inevitable, and the most successful among us learn it's far less about managing change than it is about constantly reinventing. No doubt Ric shared a perspective of more dramatic transformations ahead, yet having that knowledge gives us foresight in how to evolve our mindsets, practices, and businesses to meet the new challenges and opportunities.

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