



EPISODE TRANSCRIPT

Industry Guru Bob Veres On Achieving Excellence & Building the Advisory Firm of the Future

A conversation with one of wealth management's most influential thought leaders and the editor and publisher of Inside Information

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is industry guru Bob Veres on achieving excellence in building the advisory firm of the future. It's a conversation with one of wealth management's most influential thought leaders and the editor and publisher of Inside Information. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

Mindy Diamond:

This podcast is available on our website diamond-consultants.com as well as Apple Podcast 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 this 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.

Mindy Diamond:

There are few in the financial services media that have the name recognition and clout of Bob Veres, and even less who are as smart and outspoken. Because, for over four decades, Bob has been at the helm of journalism in the wealth management industry, having served as the editor of Financial Planning Magazine, as a contributing editor to the journal of financial planning, as a columnist and editor at large of Investment Advisor Magazine, and as editor of Morning Star's advisor website. But the way I see it is this, Bob's perspective on the wealth management space, honed from a vast depth of experience and knowledge, fills a critical gap for our listeners, particularly perspective breakaways, because he comes at this not representing a firm or model but instead fully objective, as someone who has seen all sides of the circle and has a clear vision of why independence is better for advisors and their clients. For both those considering independence as well as current business owners, Bob has sage advice on building an enterprise designed for growth, stability, and continuity.

Mindy Diamond:

Today, Bob's newsletter, Inside Information, and his annual insiders forum serve as part guide, part master study group, and part networking community for advisors looking for the essentials on running and growing prosperous businesses and better serving clients. He's got a keen sense of technology and its role in building a wealth management firm, and a deep understanding of the real potential of independence. His commentary on the brokerage world, AUM, and commission is, well, you'll find out. Bob's won countless industry and journalism awards, including the Jesse H. Neal Award from the American Business Media Group, considered the most prestigious editorial honor in the field of



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specialized journalism, and the Azbee Award of Excellence from the American Society of Business Press Editors.

Mindy Diamond:

On top of all that, he's an author of five novels and the industry tome, *The New Profession*. As such, it's both an honor and privilege to have Bob on the show to share his knowledge and help advisors and business owners fully realize their ability to build and advisory firm that will last long into the future. So, let's get to it.

Mindy Diamond:

Bob, I can't thank you enough for making the time to join me today. I'm excited for our conversation.

Bob Veres:

Well, thank you for having me.

Mindy Diamond:

Pleasure. Let's jump right in. Tell us a little bit about yourself and how you got started in the financial services world.

Bob Veres:

It's a long story to how I got started. I was hired as editor of *Financial Planning Magazine*, back in the 1980s, before I had ever balanced my own checkbook. So, to say I was under-qualified is understating this inuention. I faced a learning curve that goes straight up. The most interesting thing about that is that in my whole 40-year career, that learning curve has gotten steeper. It seems like every year there's a lot more to learn, a lot more to understand, a lot more people to talk to. I got started, and as an editor I realized and knew at the time that I was really more suited to being a writer and finding out stuff. That's where I found myself.

Mindy Diamond:

Today, I know you're editor and publisher of the industry leading publication, *Inside Information*. Tell us a little bit about what you focus on these days, and about the publication and the target audience it serves.

Bob Veres:



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Okay. Well, the target audience is easy. It's the people who think and read in the financial services industry. That may be as many as one tenth of the total people in the advisor profession. Those people have an unfair advantage. They have more information and more preparation for what's coming at them than anybody else. I wish there were more of those people, because my target audience would be bigger. But there's a relatively small number of people who want to stay on top of everything. I think that's an interesting dynamic. Everybody wants to help other people. That's the thing you find in this profession. Not everybody is a student of their profession. My target audience is people who are trying to figure things out. I try and help them figure out what's happening.

Bob Veres:

I recently coauthored a whitepaper about the advisory firm of the future, which tries to identify the next iteration of advisory firms. I published a fee survey report, which shows how advisors are adapting your fee structures. I did a survey on which conferences advisors said they got the most value of. With Joel Bruckenstein, I do an annual tech survey that shows the market share and user ratings of 300 software products and services. My newsletter, the focus comes from my readers. They tell me what they're thinking about, what worries them, what they've seen that's interesting and noteworthy. Over the years, I've collected more than a thousand eyes and ears at every corner of the profession. That drives what I write about.

Mindy Diamond:

Are the advisors that are reading primarily at traditional brokerage firms? Are they independent? Where are they?

Bob Veres:

I have very few brokerage firm readers. The ones I do, it's interesting, I run into them at conferences, and they're very thoughtful, and they're very consumer oriented. I tell them, "Could you please leave the brokerage world so I can say with a straight face that everybody who works in the brokerage world is a dirt bag?" Because, it's not truthful if they're still there. There are a lot of people in the brokerage world who I think are appropriate for the independent world. But they're not there for some reason. But mostly, the people I write for are independent. Most of them are fee only, but some of them are mostly fee only who are affiliated with the independent broker dealers.

Mindy Diamond:

I want to unpack more the whitepapers you've written and some of the stuff you focus on. But that comment, and I know you said it tongue in cheek, that dirt bag that work in the traditional brokerage space, what is that gives rise to that comment?



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Bob Veres:

It's really the culture of the firms. The thing that I've always written about, about the brokerage firms, is that their incentives are wrong. I remember, somebody told me once that their local branch manager had a group meeting. After every group meeting, there would be a cheer, "Money." Another person told me about his branch manager had a sign in his office that said, "Happiness can't buy money." My sense is that the incentives are, how much can you produce? Not, how much benefit can you give your clients? That's not something that every advisor adopts, but it does come from the top down. The firms primarily seem to me to have a culture of, how much money can you make? And let's keep score on that. That's not ethos of the fiduciary financial planning world.

Mindy Diamond:

That's probably right, and I think that you're not wrong that big brokerage firms have an eye on profitability and profit margins. But, I think that there are many, many, many advisors that think of themselves as fiduciaries within this world. Many of them are thinking of moving toward independence. But even the ones that don't, don't buy into the ethos you're talking about. I think that there's some truth what you're saying, but perhaps not entirely. Let me ask you another question. I know one of the things you also run is this insiders forum. You had told me, when we talked offline, that it was scheduled to be held in person this year. Is that still the case? And what is the conference?

Bob Veres:

It's an extension of my newsletter. It's the same target audience. It's the elite of the profession, the people who are ahead of the curve and who... I jokingly say that the target audience is people who go to a traditional national conference, and they walk out of the sessions muttering, "I could've given that presentation better than that person." If they're right, they're our target audience. That means that we don't have to dumb down any of our sessions. We don't have to have anybody explain, what is diversification, and how do the correlation to efficiencies work? The audience already knows all that stuff. We have everybody smart-up their presentations. Don't give the same presentation that you would give at other conferences. Make it a little edgier and make it a little more relevant to an upper, more thoughtful, audience, if that makes sense. Those people are really difficult to please, but we love them. Because, if you can please them, you really accomplish something.

Mindy Diamond:

Yeah. Are you having it in person this year?

Bob Veres:



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We're having it in person. I mean, we're watching everything, of course. Last years, we canceled. One of the things I like to say is that we have 100% survival rate in our conference, and we're really proud of that track record. And so, we're hoping not to change that. We went virtual last year. But we did it differently. We spaced out the presentations over a period of four months, so that you weren't spending three days of your time in our conference virtually.

Mindy Diamond:

Yeah. On Zoom, yeah.

Bob Veres:

And I'm hoping we won't.

Mindy Diamond:

Good, I hope so for your sake too. Let me ask, I heard you say that the financial services profession is suddenly having to adjust to several rapid evolutionary shifts. What are those shifts?

Bob Veres:

The first one and perhaps the most important one is the value proposition is shifting from managing assets to providing advice and service, which is really what every other profession hangs its hat on, the quality of advice and the specialized knowledge, rather than a particular service that you're providing, if that makes sense. I see managing assets as a service not as a component of expertise, if that makes sense.

Mindy Diamond:

And so, how has the role of the advisor changed as a result?

Bob Veres:

One of the changes that I'm watching is the change in the revenue model. If you're charging by AUM, by assets under management, that tell the client implicitly that your value is managing those assets. Most advisors tell me, "My value is giving advice, but I'm still charging for managing the assets." And so, there's a fairly significant mixed message there. I think sooner or later we're going to have to move to either a flat fee or maybe some will change to hourly. I did a report on that to ask people what they were thinking in that area. I got a 30 page analysis of what they were doing.

Bob Veres:



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But when you sit down with a client, instead of immediately burying your nose in their finances, which I have experienced when I was a financial planning consumer... The advisor immediately said, "Well, let's take a look at your portfolio." That wasn't what I was there for. I think that's not what most clients are there for. And so, the first thing, the tenor of the meetings change. My best advice to advisors is, when a prospect first walks in, instead of saying, "What is your portfolio? How much do you have?", instead say, "What brings you here? Tell me your story. What are you about?" And then, exploring how your expertise can help them achieve what they're trying to achieve, or not. If you can't, then they're not an appropriate client for you, no matter how many assets they have.

Mindy Diamond:

That actually is my next question, so how clients change. In other words, are clients demanding this shift in the way advisors serve clients? Which came first, the chicken or the egg?

Bob Veres:

Well, the clients I don't think really know what they want until they experience it. And so, my sense is that, when a client sits down or a prospect sits down with an advisor, and the advisor immediately buries their nose in the portfolio statement, there's a discomfort. There's a disconnect. When the advisor says, "Tell me your story," and listens more than speaks, then I think the client realizes this is an experience that I'm going to enjoy. This is someone who is genuinely interested in my.

Bob Veres:

I've done many presentations on the seven components of excellent advisor service. One of the most important insights that comes out of that is that most clients, almost all clients, don't know how to evaluate your expertise. There's no way for them to know how much you know. And so, they have to form their judgment of you based on your behavior. Are you listening? Are you paying attention? Are you finding interesting areas in their lives and commenting on them in a knowledgeable way? So, I don't think consumers know to ask for this, but I think they know it when they see it. I think they recognize that some advisors are more relevant to their lives than others, if that makes sense.

Mindy Diamond:

It makes perfect sense. Bob, would you be willing to share with us, so what are some of the components of excellent client service?

Bob Veres:

It's six dimensions. The interesting thing, the way this came about was that I asked my audience, I said, "What is excellent service? How do you define it?" Because, you got to conferences, and they say,



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"Great service, provide great service." Well, that's a really good idea. Let's provide great service. What is it? How do you measure it? How do you define it? And so, I asked my readers, I said I have never heard anybody define what exactly what excellent client service is. So my readers sent me back this incredible hodge-podge, like 200 pages, of all different idea about what they think is client service. And so, I went through that and I started grouping it. I eventually grouped it into six different categories.

Bob Veres:

I can give you the categories. It's set clear expectations. If you set clear expectations, then you can exceed them, if that makes sense. Being responsive to client requests. That means a lot of different things, but one of them is, how quickly do you respond to their phone calls, or emails? Or how quickly do you set up a meeting with them when they want a meeting? You can measure that. Creating enjoyable interactions when you have these meetings. That covers things like having their beverages, having a special place set aside for them to park when they come to see you. One advisor puts a little sign out there. One of the nicest touches about that is an advisor says that, when he has female clients come to visit, he will walk her out to her car and make sure she gets to her car safely. Apparently, women really respond to that.

Bob Veres:

Number four is providing high quality professional advice. I think we all hang our hat on that. That's an important component of services and the hardest thing for clients to measure. The fifth was exhibiting exemplary conduct and character. The joke I always tell in the presentations is that, if you're stealing from your client, you're probably not passing the number five test. Then, there's also a section in there about how to offer an apology when a mistake is made and how to repair the client relationship when a mistake is made. That requires a certain amount of character and courage, because you're admitting a mistake, and you're talking about how you're going to fix it, and repairing the damage. The number six was visibly caring about clients' wellbeing, visibly caring that they are improving their lives as a result of working with you. You can't fake that. That's probably the most important in terms of getting referrals or otherwise impressing clients with how great it is to work with you.

Mindy Diamond:

Yeah. It's funny. This list seems like pretty common sense, but it's probably not everyone executes it well. So, I appreciate you sharing that. How about with respect to the shifting demographic toward younger clients? What does that look like? And what are the kinds of things that advisors should be doing when thinking about adapting their firms to serving the next generation?

Bob Veres:



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Well, the first thing you have to do is change your revenue model. Somebody comes in, they're in their mid-30s, they're a professional, they've got good income. They're capable of paying your fees, but they don't have assets to manage. So, the value proposition is different right off the bat. You can't charge them based on their assets, because if they don't have assets, you're not going to be able to pull it out of their portfolio. So, there has to be a different revenue model.

Bob Veres:

But more than that, when I talk to younger people, I say, "Would you pay 1% of your assets to an advisor?" And they laugh at me. The next generation of clients is not going to be willing to work with people on a AUM basis, if that makes sense.

Bob Veres:

The baby boomers, I think there are still some services that the baby boomers need, and those have shifted. Tax aware decumulation, talking about how much you can decumulate and how. There are a lot of later stage life issues that, that clientele is going to need that are not traditional financial planning services.

Bob Veres:

The younger people coming up, you've got kinds of advice that have not traditionally been provided, like student loan debt management, and budgeting, and how to navigate your... Most young people, a lot of their monetary value of their life is bound up in their ability to earn income in the future. And so, disability insurance becomes a huge part of the conversation, life insurances comes back into play. A lot of advisors don't worry about life insurance anymore, because they're dealing with people who are toward the end of their careers and moving into retirement.

Bob Veres:

As you're dealing with Gen X and millennial clients, you've got a number of different kinds of things to talk about. Not only that, they're a lot more tech savvy. They're more tech demanding. A lot of advisors I talk to they're in their 60s and 70s, and this who technology thing is befuddling to them. That's not going to cut it with a Gen X or a millennial client anymore.

Mindy Diamond:

That's actually a good pivot point to my next question. I read something you wrote a while ago that said, "The firm of the future will be more efficient, more effective, and offer better service and advice to its clients. From a marketing standpoint it will stand out in the existing sea of sameness. And its technology



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will be completely different from the tools used by its predecessors." Can you unpack that for us? What does all that mean to you? What does that look like specifically?

Bob Veres:

Well, that came directly out of the whitepaper on the advisory firm of the future. We wanted a chapter on verse, and actually I did a four part series on what we learned from the 16 consultants that we talked to about where it's all going and what are the characteristics of the most efficient and effective advisory firms, and what would you like to see them do? And so, a couple of things that came out... I can't paraphrase the whole whitepaper. It's pretty long. And then my articles were much longer. Each article was longer than the whitepaper.

Bob Veres:

The advisory firm of the future will have a full time manager of the firm. It will have a robust process for allowing its staff members to progress in the profession, to become smarter. There will be internal and external, and encouragement if you will, of enhancing your professionalism, enhancing your knowledge of the business, building your career. There'll be career ladders.

Bob Veres:

I just wrote a profile of company that, instead of putting their clients first, they put their staff people first. Because they put their staff people first, they probably provide better client service than any other firm that I could name. So from management standpoint, there's a lot of focus on the staff and on the culture, if you will.

Bob Veres:

From a marketing standpoint, we talked about pro-personal marketing, which is... We're in this age of social media. I think a lot of advisory firms need to get with the picture there. You have people who have a picture of the founder of the firm, and he's dressed to the nines. He or she, they look like a walking bank. There's something slightly intimidating about them. There's no personal information about that person at all. It's just, "I have a CFP. I have three or four other credentials. I'm really smart. I serve on these boards." I think the effect today is to intimidate rather than impress.

Bob Veres:

And so, what we said, what we heard from our consultants was that consumers these days are looking for, who are you? What are you about? Tell me more about yourself, so I understand who you are outside the firm, who you are outside the profession. What are your interests? And the pictures that you put on your website would be of the different interests you have, and what you do, and how you



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interact with the world, if that makes sense. More than that, the whole firm becomes a marketing magnet. Everybody on staff has their own social media presence. And everybody on staff has these hobbies and interests listed and shown in the pictures.

Bob Veres:

One of the most interesting things we found was that the consultants were recommending a different staff member. The staff member was... It was a director of client experience and marketing, I think. Basically, what that person did was tend, we haven't gotten the client experience yet, but tend the client experience and advocate for the client experience and for the constant improve of it. At the same time, the coach and mentor of every member of the staff helping them create their own unique marketing outreach within the firm. And so, the whole firm becomes a marketing magnet.

Bob Veres:

And then, on the service side, we talked earlier about one of the important changes that's happening. Well, everybody is on Zoom now, or everybody is doing these video conferencing with clients. Clients are buying into that. All of sudden, we have mastered the technology. It's amazing that it took a pandemic to do that, but that's where we are. But now, I can meet with anybody on either side of the Mississippi just as easily as I used to meet with people in person. That means everybody is competing with everybody else in everybody else's backyard.

Bob Veres:

What are the implications of that? The most important is that you need to specialize in a certain kind of clientele. You can't be the best advisor for everybody. When you specialize, you get deeper into the challenges, the unique challenges, that every profession, every client group, faces. And you're able to address those at a deeper and more comprehensive level, and therefore offer better service. That's when the profession gets to that magical point where people are willing and even eager to pay for advice rather than for the ancillary things advisors offer, like asset management.

Mindy Diamond:

Bob, this is incredible. I've got a million questions. But a lot of our audience are prospective breakaway advisors, so advisors that are sitting at big brokerage firms that are considering going independent. And so, give me that perspective. What's the key takeaway for a prospective breakaway advisor? If they're launching a firm and we think about beginning with the end in mind, what should they be aware of? And maybe you can address that also from a technology perspective. How does that work?

Bob Veres:



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Earlier, I suppose what I said was insulting. But basically, what I said was that the really good advisors, within the brokerage environment, have to protect themselves against the culture that they find themselves in. And so, if they're looking to go independent, they'll immediately realize that the culture that was asking them to produce rather than benefit the client is no longer tugging and the mind share, if that makes sense. That's what I was trying to communicate earlier.

Bob Veres:

To answer your question, the first thing I would do is to find a target client. That would be the people I really enjoy working with, who I have something in common with, and really feel like I can help. And then, I would define a really terrific service package that addresses those people's most pressing needs. And then, finally, I'd put together a website and have it talk directly to those people. Most importantly, I would tell clients' success stories that illustrate my value in very specific ways. So, somebody can go on my website and say, "That's me," and, "Wow, that's a challenge I face," and "Wow, that's a happy ending, and I would like to have that happy ending."

Mindy Diamond:

The word that comes to mind is authenticity. Even when you were talking about social media, that it's less about canned pictures and more about just authentically showing up as you are and letting clients know who you are, picking your lane, sticking to it, and being authentic.

Bob Veres:

I agree. The more you can show of who and what you are, the more people that you want to relate to you will relate to you.

Mindy Diamond:

Yeah. Two questions. One is about technology. What does this firm of the future look like from a technological perspective?

Bob Veres:

Well, it's interesting, we asked that question in a dozen different ways, and the answer always came back that we don't really have the software that the advisory firm of the future will need. We have all these different isolated different softwares, the CRM over here, and the planning program over there, and the portfolio management over somewhere else. It's all siloed. It's not all put together.

Bob Veres:



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What I would do is I would, first of all, you got the client experience you want people to have. And then, what software can I adapt to this customized service package? For example, if I'm targeting younger clients who have good incomes, I use different planning software. There's something called Elements out there. Elements is, I think, the perfect planning program for younger people. If I'm working with pre-retirees in a specific niche, you've got something like Income Lab. That gives you long term tax aware retirement projections. It gives you all the information that traditional Monte Carlo analysis leaves on the table.

Bob Veres:

You want a CRM program where you can put together really good... There's several programs that do this. Accelerate from Concenter Services is an overlay of Salesforce. Redtail is excellent. Put together a workflow that gives you a roadmap on how to provide this service for a mass customization process, if you will. There are niche software programs that people aren't using. There's something called i65 for Medicare planning. Depending on who your clients are there are, I think, really good niche programs that will do a better job, I think, than the generic programs that re more for a person who doesn't specialize, who's a generalist.

Bob Veres:

And then, break down the client experience into granular tasks, and who's going to perform them, and how is that going to be performed? At the end of every quarter, I print out a summary of all the tasks that our firm handled for each client. I would collect, from each client, goals, and then help them achieve those goals, and then show them their personal goals that they've achieved over the last year or since inception of the relationship.

Mindy Diamond:

Very helpful. We talked about social media. It seems to me that the industry adapted to it rather slowly. I mean, not that long ago, advisors at brokerage firms weren't even allowed to use it. Where do you think we are now, and where do you think we're headed in terms of how most advisors use social media today and how they should be using it?

Bob Veres:

The key takeaway for brokers and advisors in the brokerage environment is that they will finally be able to interact without interference with the media, on social media. The phrase I use is, you'll be able to communicate with your clients like an adult, which means there won't be a compliance department monitoring everything you say and everything you send out. That's the thing that people suddenly realize when they become independent is that they have more freedom to communicate through these various channels. But I really don't see social media, per se, as a marketing tool so much as I see it as a



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validation tool. People want to check you out on social media. If you're not on social media, they wonder, what's he hiding? What's she hiding? Maybe there's that sex offender conviction that they don't want people to know about or something. You're free to make inferences if they're not a social media that you don't make when they're fully exposing themselves to who and what they are. I would use social media as a validation tool.

Bob Veres:

There are some people that post articles on social media, and that's perfectly fine. Although, I don't know a lot of prospects who read detailed articles. You can also post those on your website. They're going to check out your website, so I'm not sure if there's a huge benefit there. The other part is being able to interact with the media without someone telling you, "No, you can't," or "I want to fact check everything you say." You can talk to your local newspaper, or TV station, or some of the online services, and offer yourself up as resource without somebody interfering with that process.

Mindy Diamond:

Yeah. I think that comes back to that word again authenticity. It's about showing who you are authentically so that the right people can connect with you.

Bob Veres:

Yeah, I think that's right.

Mindy Diamond:

I want to talk about the evolutionary migrations in the financial advisor profession, from broker to independent broker dealer rep, and from salesperson to AUM focus to fee only. What do you think are the benefits or drawbacks of each of these practice models?

Bob Veres:

I see it as a continuum of evolution, if that makes sense. The broker who is sales focused, who could sell ice cubes to Eskimos, which tells me they're comfortable selling things that people don't really need, they're at the back of the evolutionary process. I think the next evolution of a career is your leave the brokerage world, and you gain... Many people can make the leap directly to pure independence, which means pure fee only and give up their licenses.

Bob Veres:

But the next iteration is working with an independent broker dealer who has... Building your own office, but having back office support, if that makes sense. So you can build value in your book of business, you



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take the step of creating your own office. There are still some conflicts in the form of sales commissions. You might still sell annuities. You might still collect commissions. I think that reduces the amount of trust that clients give you. I think a lot of people don't realize clients, once they pay a commission, they don't ever completely trust you again. Sometimes, they hide assets. They won't be solicited for a commission transaction. When you go fee only, clients breathe a sigh of relief. They say, "All right, I'm not going to be solicited for commissions anymore. I'm not going to have to worry about that." They may not realize that there are other conflicts. They may not see the other conflicts.

Bob Veres:

But the head of the line, to my mind, is the advisors who have not only gone fee only but are now charging quarterly or monthly flat fees or some kind of subscription model, where the fees paid are no longer tied to the portfolio. I see the AUM model as an outgrowth of the sales model. One of the lines that I use when I give presentations, I say, "There's no real profession where someone says, 'How much do you charge?', and your answer is, 'I'm not sure, how much have you got?'" It just doesn't make a lot of sense to me that we still charge that way.

Bob Veres:

To me, the people who are at the front of that line, who have evolved to the point where there's not a lot more evolution to go, I guess, are the people who are charging quarterly retainers. I have said many times I can predict the future based on the way I see the model working. You see people who leave the warehouse world, and they go into the broker independent dealer world, you put a gun to their head, and you say, "Go back to the warehouse, or I'll pull the trigger." And they say, "Go ahead and shoot." And then, you talk to somebody who has left the independent broker dealer world and go on fee only, and you put the gun to their head and make the same proposition, and they said, "Pull the trigger." People don't go from fee only to the brokerage model. Water rolls downhill. Downhill is from the brokerage model to the independent broker dealer model to the fee only model. If the pool at the bottom, I know where the profession is going, because I can see the pool at the bottom.

Mindy Diamond:

Yeah, I think that's right. I see it the same way. That is the right way to describe the evolutionary shift for advisors. I want to go back to something you said a little earlier. You talked about how the firm of the future will be professionally managed. But what about a firm that's managing, say, less than \$500 million under management? At what point does it make financial sense to hire a CEO or COO?

Bob Veres:

Well, professional management, or full time management is another way of saying it, doesn't necessarily mean you have to go out and hire somebody who's expensive. I know a firm that went out and they



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hired a senior executive from Proctor & Gamble. It was an enormous expense, and it didn't work out, which I thought was very interesting. Chances are you've got a COO in your office who's managing the back office already, or you have somebody who's handing a lot of the back office chores. You can repurpose that person to be a full time manager of the firm. In other words, keeping an eye on pretty much everything that needs to happen. Are you familiar with Traction, the book Traction?

Mindy Diamond:

Yes. Yes.

Bob Veres:

I think it's one of the best management books that's out there. I have written about people who are Traction advocates, and they always seem to be growing faster and running more professionally managed firms than anybody else. The basic concept is that you have somebody who's the idea person. That's typically the founder. You have somebody who's the implementer. That's typically the COO, who could become the CEO. I think most firms, no matter how big they are, they need the person who has the ideas, and they need the person who's in charge of making these things happen. It doesn't have to be an enormous expense. It doesn't have to be hiring from the outside. I think, in most cases, the COO is probably your best choice for full time management. They're doing a lot of that anyway.

Mindy Diamond:

Yeah. Bob, what, in your opinion, differentiates the most successful advisors from the rest of the pack? What are the best advisors in the industry doing?

Bob Veres:

Oh, they're all reading my newsletter. That's the-

Mindy Diamond:

Okay, beyond that. And listening to my podcast. But other than that.

Bob Veres:

That's right. So, we got the self-serving part of our talk out of the way. It is actually true. Interestingly, there is a fairly high percentage of them. But that's because that's my target audience, that's the people if they can read. The most successful advisors think and read. They process a lot of information. I always see them at, at least, one or two national conferences. I go to a lot of conferences every year. Fewer lately than most years, but I'm getting back in the swing of it. You see those people over and over again



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networking with their peers and joining that elite that is formed out of the national conference scene, if that makes sense.

Bob Veres:

The very best, the people who are, I think, the most successful, before they go to a conference, they will work out the things that they want to have happen in their business, and work that issue into their hallway conversations, and find friends who will become colleagues, who can help them address those issues, and maybe potential study group members. Those people seem to have an unfair advantage over everybody else. I think getting involved with the conference scene, and reading, and processing information... And I honestly think the trade magazines have failed us there. The trade magazines, right now, are just not helping very much. And so, I would look for other alternative sources of information. Not just you, not just me. You've got kitces.com. You've got other niche service providers who are giving a lot better information than the traditional outlets, if that makes sense.

Mindy Diamond:

Yeah. You mentioned study groups. I know that a lot of top RIA firms, the CEOs of a lot of top RIA firms, form study groups. What kind of things would a principal of a RIA firm get out of that? What's the benefit of that?

Bob Veres:

Yeah. It's not just RIAs anymore. There's now a study group for operations professionals and best practices there. You've got more eyes and ears. You've got more people looking at what's going on out there, and more people with ideas on... So, the first thing you get is a broader perspective. More important than that, I think, is accountability. You say, "I intend to do this or that with our firm in the next 12 months." And then you meet four times a year, and you've got people you respect who are asking you, "All right, how much progress have you made on this? How have you made that happen?" Because you don't want to say to these people, "Oh, I didn't really actually do anything on that. I made no progress. I was too busy," you'll actually do things that you might not do on your own.

Bob Veres:

It's the same thing with clients. You talk to clients, and you say, you ask the question, "If you were to die tomorrow, what would be your biggest regret?" And they tell you. And it turns out they haven't done anything about that issue in the last five years. Well, it's the same thing with advisors. The world sets your agenda for you unless you take control of it. Having somebody hold you accountable is the best way to force you to take control of your own agenda and not let the world just fill your desk with busy work, and so you never get around to the things you want to get around to.



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Mindy Diamond:

Yeah. I imagine, in a COVID world, last year and a half, with every conference in the world being canceled or at least only virtually, individual study groups were small groups of smart people can get together, even if it's virtual, was probably a very good replacement.

Bob Veres:

Yeah. We've got two study groups that are meeting in our conference this year. I would schedule your study group around a conference if you can, an in person conference, because you get a double... The biggest cost of attending a conference, the biggest cost of attending in person a study group meeting, is the time out of the office. If you can double that up, I think that is a benefit.

Mindy Diamond:

Yeah. So Bob, I know your focus is on financial planning firms, and I know your feelings about the wire houses that people can better serve the profession and clients as an independent advisor. But many of the wire house advisors we work with are feeling pretty well served in that world. They don't feel limited. They would never succumb to pressure to sell anything. They're okay where they are. What they do complain about is feeling that it's become more bureaucratic and less efficient, and that the firms, particularly the bank owned ones, like Merrill Lynch, have become more bankafide. We refer to it, the bankification of Merrill Lynch. So, the advisors inclined to make a move from that world are most frustrated by a lack of control. Any thoughts you'd share with us about that?

Bob Veres:

I think the best advice comes from people who don't have to answer to anybody else. That addresses another issue. We got to a list on this money coming in from the hedge funds, and the private equity, and whatever in the profession, and they're investing in buying financial planning firms. They become another mouth to feed and another voice at the table. The fewer voices you have at the table, the more it's your voice and the client's voice at the table and nobody else, the better service can be offered. I think that's pretty obvious. But I think most people, they talk about the support they get. Well, the support costs. You can buy support without giving somebody else a voice on how you do things. And so, my best advice, and especially the compliance stuff, people who work in the brokerage world are treated as if they're salespeople. I know many of them are not and never will be. And that's not their mindset. But they're supervised as if they are. That makes no sense whatsoever to their business model.

Mindy Diamond:



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Yeah, well, I think you hit it on the head, that's exactly right. There are many really good people with good morals, who operate as fiduciaries, who do not see themselves or act as salespeople, but they are managed as though they are, and that's where the conflict comes in.

Bob Veres:

Could we tell them all to go independent so that I can say terrible things about the brokerage firms and it'd be a true statement? Can we put that message out there?

Mindy Diamond:

You're welcome to do that, if you'd like, for sure.

Mindy Diamond:

Let me ask you one final question, Bob. What's coming down the pike? What's the industry's next big thing?

Bob Veres:

There's two very, very, big things. The one I talked about earlier, that all advisors are increasingly competing with all other advisors no matter where they're located in this increasingly virtual world. That's going to force everybody to find a specialized client. I don't call it a niche anymore. It's a specialization in a certain kind of client. Just as you wouldn't go to a general practitioner and say, "I need knee replacement surgery," the general practitioner doctor would never say, "Well, I'm going to get hospital privileges. And I'm going to get myself a chainsaw. And I'm going to do that operation for you, because it's incremental income to me." That would never happen in the medical profession. In 10, 15, 20 years out, that would never happen in the financial services world either. When someone comes to you, you specialize in people who are just coming out of medical residency and somebody is a senior executive at a pharmaceutical firm, you refer that person out. That person is not your target clientele.

Bob Veres:

The second is that you got this middle market. Somehow, advisors seemed to have forgotten that there's this blue ocean of people with income but not assets. I think the profession is starting to learn now how to serve those people, serve them profitably, charge them appropriately. And when they do, the number of potential clients for the profession is going to increase 10 or 20 fold. I think the opportunity there is too great to ignore. Many of the advisory firms that I talk to, that read my newsletter, are now exploring how we're going to move into that blue ocean. What are we going to do about that? How are we going to serve a much bigger potential audience.



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Mindy Diamond:

Interesting. Bob, thank you so much. Your perspectives are terrific and vast. I'm grateful for you sharing some of the perspectives from the stuff you've written. I hope that you will get some new readers from this podcast. Do you want to share how people can subscribe to your work if they want to?

Bob Veres:

I'll share something different. I'll share my email address. A lot of times, in my career, people have said, "Bob, you're completely full of shit." A disturbing percentage of the time they're right. And so, if any of the people listening to this think I'm full of shit about anything, send me a message. And if you're right, I will learn from it. If anybody wants a copy of my newsletter to see what it's like before you subscribe to it, I'd rather you see it before you subscribe to it, so my email address is bob@bobveres.com B-O-B@B-O-B-V-E-R-E-S.com. Send me a message, and if you want to subscribe I would encourage to do so and make it easy for your to do it, and also send you samples so you know what you're buying.

Mindy Diamond:

Perfect. Thank you for sharing that. Bob, thank you again for your time, for your wisdom, for your generosity, and we look forward to talking again further.

Bob Veres:

Thank you for having me. Take care.

Mindy Diamond:

Pleasure.

Mindy Diamond:

There are few people that have the depth of knowledge that Bob has. Yet, it's his direct and candid nature that has made him one of the top thought leaders in our industry. I'm grateful he took the time to share his wisdom with us.

Mindy Diamond:

I thank you for listening. 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. If you're not a recipient of our weekly email, Perspectives for Advisors, click on the articles link to browse recent topics. These written pieces are an ideal way to stay informed about what's going on in the wealth management space without expending the energy that full on exploration requires.



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Feel free to email or call me if you have specific questions. I can be reached at 973-476-8578, or by email at mdiamond@diamond-consultants.com. Please note that all requests are handled with complete discretion and confidentiality.

Mindy Diamond:

Again, if you enjoyed this episode, feel free to share it with a colleague who might benefit from its content. If you're listening on the Apple Podcast app, I'd be grateful if you gave it a star rating and a review. That will let other advisors know if it's a show worth their time to listen to. This is Mindy Diamond on Independence.