MINDY DIAMOND ON INDEPENDENCE
A PODCAST FOR FINANCIAL ADVISORS CONSIDERING CHANGE

EPISODE TRANSCRIPT

Expert Advice on Portability: What You Need to Know to Prepare for a Move

With Louis Diamond and Special Guest Grier Rubeling of Advisor Transition Services

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is Expert Advice on Portability: What You Need to Know to Prepare for a Move, with my partner, Louis Diamond, and special guest Grier Rubeling of Advisor Transition Services. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

Mindy Diamond:

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Mindy Diamond:

When we talk with advisors considering change, the single most important topic on their minds is portability. And that makes perfect sense, because having invested your business life serving clients and growing your assets under management, you certainly want to bring along as much as possible and practical to your new firm. But does that mean that every client on your roster should come? For example, advisors may make a strategic decision to leave behind some clients who are no longer congruent with their business goals. It's a concept we refer to as shrink to grow, one that several breakaway guests on this series have discussed. In other cases, you may have assets that are tied to your firm, which will need to remain behind. We see this often in the case of private bankers, whose clients are often owned by the bank and not the advisors. The good news is that in most cases, advisors who have built strong relationships with their clients tend to bring over 85 to 95% of the clients they want to follow.

Mindy Diamond:

But prior to any move, advisors need to assess their client relationships in book to determine if any concerns about portability are legitimate. That means conducting a thorough review of any non portable positions and evaluating the impact that leaving them behind would have on the overall business. The reality is that there's no substitute for thorough preparation, organization and asking the extra question of custodians, broker dealers and platforms you may be considering joining.

Mindy Diamond:

So for this special episode, Louis Diamond and I have asked Grier Rubeling, owner of Advisor Transition Services to join us as we share practical and actionable tips on the topic. Grier has been helping advisors transition for 15 years with a focus on those starting or joining RIAs. She started her business to help advisors with the operational aspects of transitions after recognizing a need in the market. There's a lot to consider and plenty to discuss. So let's get to it. Louis, as always I'm so happy to have you share the mic.

Louis Diamond:

Yes, of course. This is a fun topic to talk about.

Mindy Diamond:

And Grier, welcome. I'm so looking forward to hearing your export advice.

Grier Rubeling:

Thank you for having me.

Mindy Diamond:

Pleasure. So Grier please, let's start out. Tell us a little bit about your background and about your business Advisor Transition Services.

Grier Rubeling:

Yes. I actually have a background in client services and operations. I have worked in various support roles for advisors my entire career. I started out as a client service associate in the wirehouses world, straight out of college. And then I worked as a director of operations for an RIA. So in 2018, I started Advisor Transition Services and I have just been helping advisors transition for, well, I'd been helping advisors transition for a decade at that point. So I recognized an opportunity to help more people manage that process. And I kind of wanted to be my own boss at that point and put my knowledge and experience to good use. So yeah, I started my business to do it on my own, and I finally get to use that marketing degree I got in college.

Louis Diamond:

Perfect. And Grier's I think being humble, she's an absolute rockstar expert on all things advisor transitioning and book portability, which is why we decided to tap her for this special episode. So what we're going to do is go through a list of what we're deeming to be some of the top portability tips for advisors or practical portability tips. So I'll share my take and then get Grier's. We'll say more in the weeds kind of practical spin on it.

Louis Diamond:

So I'll get started with the first tip, which is to spend as much time as you need preparing your protocol list. That's of course assuming that it's a protocol compliant move. So I know real quick in my side, if a advisor is lucky enough to have protocol protection, which is certainly not all advisors, but many wirehouses teams, many already independent groups, et cetera, spending time on the protocol list is very critical. It's really your life raft when you're deciding to leave and it makes the rest of it much easier. So Grier, let me hear your take on best practices for creating the sheet and whether you agree that spending ample time on the protocol list is a good idea.

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Grier Rubeling:

Yes. So the protocol actually consists of five pieces of information. It's really just the client name, their address, their email address, their phone number and their account titles. So obviously that's not a lot of information when you're talking about opening accounts. I actually highly suggest exporting that data directly from your current platform into an Excel spreadsheet and deleting everything out that doesn't apply. Pulling the list really isn't going to raise any red flags because most of it is just contact information for your clients anyway, and this is the best way to get the most accurate and up to date information. It eliminates a lot of that human error of copying and pasting and that typing.

Grier Rubeling:

So the five pieces of information that might not seem like a lot, but there's actually no rules against bringing multiple data points per category. So we're talking about your legal address, your home address, your business address, your home phone, your cell phone, your work phone, and a properly formatted account title can actually tell me all sorts of information like the client names on the account, the account type, whether there's a TOD designation, what the trustees names are of a trust, what the trust name is, what the trust date is, what the trust type is, so done correctly, five data points can actually turn into more like 15 data points very easily.

Louis Diamond:

That is highly practical. I always thought you had to be very rigid with the type of data you take. So that's extremely helpful. And why is it so important to get this right? What's so wrong about just kind of figuring it out later? From your experience, why is having an accurate protocol list with as much data as possible so essential?

Grier Rubeling:

Well, you kind of already touched on that, the protocol spreadsheet, this is going to be your lifeline. It's going to be the only information that you actually have about your clients, because once you leave, all of your access to all of your current platforms is going to be shut off. And so this is your source for all organization, data collection, client communications, preparation, it's important to get right, because if it's wrong, you have nothing else. You have no way to reach your clients. And there's a much lower likelihood of you being able to control the narrative of the situation and track things properly.

Louis Diamond:

What about for those who aren't so lucky to be part of broker protocol, does that mean moving should be a nonstarter? And I'm sure you have experience with non protocol moves. How different is it to have a team that you're working with that does not have a benefit of a protocol list?

Grier Rubeling:

The protocol obviously is preferable, because you at least have access to the contact information that you need. In a non protocol situation, it is going to be a little bit more difficult. It's a little less proactive, much more reactive. And the sources of your contact information, you kind of have to get from public sources. So they're not necessarily always going to be the most ideal pieces of information or ways to get in touch with your client, but that in no way should prevent you from making a move. The only thing that should prevent you from making a move is if your business is not set up to be in a different structure. So I would say, don't let that deter you. There are ways around it. There are loopholes and contracts. A really good attorney can help you with all the legalities of an actual move. And in terms of information, at least you can still understand what data you need for the move, even if you're not going to be able to bring it with you.

Louis Diamond:

Well said. And I think we see it the exact same way. We have just as much success with book portability for protocol or non protocol transitions. Of course, it's easier to have it. It's kind of like a safety blanket, but certainly not a deal breaker if you don't have the benefit of it.

Louis Diamond:

Let's go on to the second point. This one I think I can handle. It's being honest with yourself and with your team about what is realistically portable. So this is before [inaudible 00:09:49] about to resign. The way I would define this is you have to mentally prepare yourself for percentages or who's going to come and who's not. And if there's a large block of business, whether it's institutional accounts or it's one large client that's tied into the bank, or it's a client that was shared with another advisor, not being honest with yourself ahead of time, is this going to help you get in the right mental mindset? It's also helpful when translating information to a new [inaudible 00:10:16], so that if a deal structure is based upon percentage of assets that have to move, that at least you're setting yourself at a more reasonable bar. So I think this one's more just about mental preparation. Anything else you'd add to that, Grier?

Grier Rubeling:

I would say that a transition is really kind of the perfect time to reinvent yourself. Especially if you're starting a new business, you might have new branding, a new focus, an opportunity to establish a niche and kind of differentiate yourself. So not every client that you currently have may be a good fit for that new model. So consider who you want to serve, how you want to serve them. Don't be afraid to leave business behind and just focus on retaining the highest percentage of business you actually want. Not what you currently have.

Louis Diamond:

That's brilliant. You took my answer and made it much, much better. Yeah. We call that oftentimes shrink to grow. And there's been a number of guests on this podcast who have talked about doing just that. There's a segment of the book that either wasn't portable or they didn't want to be portable because it wasn't productive. It wasn't as efficient and didn't match their ideal client. So even though taking a loss in revenue is a big deal, you're moving to take multiple steps forward, and it's okay to shrink to grow. So I really like that answer. Okay, let's go onto our third tip, which is understanding any restrictive covenants related to team agreements, retire advisor programs, or referred business from a bank. So neither of us are attorneys. I think both of us would agree you have to consult with a qualified professional who's a specialist in the field. We both certainly have good recommendations there.

Louis Diamond:

The one thing I'll mention on this topic is do this work ahead of time before you're really committed to making the move. You want to know, what are your guardrails? Is it possible to leave? If I leave, how much of the book is going to be outside of broker protocol protection? What's the ramifications that the firm has against me? You want to do this too, because it may impact your solution set. So you may say, "I would love to go independent, but I'm really worried about X, Y, Z firm coming after me. So I think I feel more comfortable in an employee model that kind of provides that safety blanket." So Grier, from the transition expert, anything else you'd add to this point?

Grier Rubeling:

I would say that every single time that I speak to an advisor who is considering a transition, the first thing I tell them to do is to talk to an attorney so that I can understand what the legal situation is for them before I make any suggestions for the operational side, because transitions are by nature contentious situations, your choice to leave is going to a negatively affect someone, even if it's just a small hit to their bottom line. So you don't want to do anything that could possibly give your current firm reason to pursue legal action. So you need to make sure that you have the contracts that you signed. You have them reviewed by the attorney, you know exactly what you can and cannot do. It may feel like those relationships with those clients are yours, but the contract you sign may say otherwise, and it's legally binding and enforceable. So a good attorney will help you understand any restrictive covenants and identify any loopholes that you can actually use to your advantage in the preparation process.

Mindy Diamond:

Grier, can I ask you a follow up question to that? So let's assume someone is making a non protocol move and therefore their employment agreement, the restrictive covenants in their employment agreement, govern the move. So let's say it's a non solicit. And the attorneys would say that as long as you don't solicit and you don't poke the bear, you are free to accept any clients, if you will. That's what the attorneys would say. As a transition consultant, can you talk with us a little bit about how you manage through that? So you are the transition consultant hired to help facilitate a non protocol move with a non-solicit.

Grier Rubeling:

Sure. A lot of times I will give some suggestions of things to ask the attorney in those situations. Things like if I get my clients to sign some sort of non-solicit agreement that says that I did not solicit them, is that going to help me in this situation? And a lot of those non protocol transitions, that's kind of what we start with, is we have the advisor call the client, explain to the client what they've done. And if the client says, "Okay, well, how do I join you?" That right there opens up the opportunity for you to now give your spiel and do everything that you would otherwise do in a protocol transition. But sometimes that extra step of having them sign something that says, "I am not the one that said come with me. You are the one that said come with me." That can be really helpful from a legal standpoint. And then you can kind of go right into the information gathering stage of the process and start putting together packets for the clients to sign.

Louis Diamond:

I think it's spot on. That's definitely the way anecdotally we see it. So it's good to know that on the front lines, that's actually how it goes down. One other question for you on the restrictive covenants and employment agreements, have you helped in transitions where part of the transition is protocol, in parts not protocol? I think an example of this might be a team that received a decent amount of bank referrals, or has part of the book that they inherited from a retiring advisor. Do you have experience in those types of moves and how does that complexity change things?

Grier Rubeling:

Yes. I have some experience in those, especially sometimes when there are advisors who are joining forces to start maybe an RIA or joining an existing one, but they were a part of different teams at the firm that they are currently at. So for those, I basically just separate out the situations and treat them as though they were that transition type. So the preparation that goes into the process will be applied to the situation based on where those accounts are coming from. So if it's a non-solicit situation and those clients they don't technically belong to you, well, then we're not adding them to the protocol spreadsheet. You can still reach out to those clients, but the conversations are going to be a little bit different than they were if you were calling using your protocol sheet and you were trying to solicit them. So I have very specific ways in which I begin the process of transitioning clients. They weigh heavily on what we are allowed to do prior to the transition, but I can separate them out pretty easily and just treat them a little bit differently based on the situation.

Louis Diamond:

Yeah. I think it comes back to preparation, asking more questions than you think might be necessary.

Grier Rubeling:

Absolutely.

Louis Diamond:

And putting the work in ahead of time to prepare. I think you'd agree with that.

Grier Rubeling:

Yes.

Louis Diamond:

And that's a really good bridge into the next segment, which I think this is going to be the start of our show, not to over hype it, but I want to ask you about mapability. That's going to be the next point, is

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thinking about the mapability or perceived portability of certain products or areas of a book onto new platform. So I have six different subsets here. I would say they're by the six most popular components of a book of business or items that we've heard that have given advisors problems. In no particular order. The first one actually I would say is probably the one that we hear most often from especially wirehouses teams moving, that sometimes gives them a little bit of a headache when transitioning. And that's securities back loans, or at Merrill Lynch they call them LMAs, some firms call them non-purpose loans or pledge asset lines. So on that kind of category, what would you say to understanding mapability and any best practices for how to think through moving a book of business that has securities based loans attached to it?

Grier Rubeling:

So securities based loans and related products, they can cause a few different issues during a transition. This is one of the first due diligence questions that I usually ask advisors. And I do a little fist pump whenever I hear that they don't have any. So some of the issues that I see with SBLs start with rates, every firm has different borrowing rates. I rarely see the rates at the new firm undercut the ones at the current firm or match them even. So you can usually negotiate those rates prior to a move, but that subject does need to be broached. And there's no guarantee that those rates will be honored. So it is just one of those things that you have to converse with the new firm about and have them make sure that they understand how many you have and what the rates are so that you can try to make sure that it's not going to be an issue with your client.

Grier Rubeling:

Another issue I see with SPLs is process. You're usually dealing with the banking side of a firm or a third party in these cases. So the application process for SPLs is going to be completely separate. Paperwork requirements are often much more substantial. There's usually more data required, and the process usually takes a lot longer. I like to say about two weeks for loan accounts, although sometimes they can take a little less. Some of the paperwork actually still requires physical signatures as opposed to an e-signature allowance. And then the loan account actually has to be paid off at the contra firm and established at the new firm, which is another one of those things that just takes a little bit of time. And so it's not just an issue with the loan account. The transfers of the collateral accounts actually get delayed as well because they have to transfer in tandem with the loan.

Grier Rubeling:

So if you go and enter a regular ACAT transfer for an account that's actually a collateralized account for a loan, you're going to get a rejection, even if that loan doesn't have a balance. So this is another major thing that I always tell advisors that they need to check before they leave. You need to make sure that the credit line is officially closed. Not that it doesn't have a balance or that it's inactive, but that actually paperwork was submitted to close it. Because if it's still open, then those collateral accounts could get rejected. And that's the last thing that you really need, is for an account to get rejected because it's collateralizing a loan that was paid off by the client years ago. That's just a headache that you and your client are going to have to deal with that's going to take up time that could easily be fixed by just doing a little bit of due diligence beforehand.

Louis Diamond:

And I think we also see that certain firms, especially those that are attached to a bank, they tend to emphasize to advisors to always open up securities back loans, or LMAs, even if a client doesn't need it. It's nice to just have the option. So it sounds like what you're saying is by doing that, which seems like actually a pretty good idea, that you have it as an option. If a client wants to buy a Ferrari on a Friday, they can do it without any sort of issue. But it sounds like what you're saying is even just having that account open, even if the line hasn't been drawn, is going to cause a delay potentially moving the book.

Grier Rubeling:

Yes. And it's not something that you necessarily recognize when you look at the account every day. It might not necessarily say that it's a collateralized account, but if there is a loan attached to any of those accounts, then those accounts are going to be rejected because you cannot do an ACAT transfer on a collateralized account. It's not going to be able to be done. You will get it rejected. Even if you can prove that there's no balance on the loan, they're still going to make you submit paperwork to close the loan, to get the collateral piece of the puzzle removed. And that takes time. And at this point you're no longer with the firm. So you're not the one processing that. Somebody else at the branch is going to have to process that.

Louis Diamond:

Fascinating. That's a very interesting wrinkle. Okay. Next one. It's actually two different ones, but I think it's a similar answer. Proprietary products and alternative investments.

Grier Rubeling:

Yes. So proprietary products, mostly not transferable. The fact that they're proprietary means that they're specific to the current firm. And some of those firms actually encourage advisors to sell those products just because of their exclusive nature. It's just another way for them to kind of dig their claws in. So obviously avoiding their use is the best way to prepare for a transition. But if your clients do currently own them, you have a couple of choices. You can either leave them behind, the client, or the products. You can liquidate them prior to the move, or you can liquidate them after the fact. So if they aren't ideal clients, just like we said before, consider leaving them behind. Especially if the proprietary products are the majority of what those clients own with you. If there are clients who want to keep their proprietary products, you can always transfer the remaining assets in their accounts to your new firm, initiating a full ACAT transfer will generally bring over all of the transferable assets, but it'll just leave behind the non-transferable ones.

Grier Rubeling:

This method does split your client's assets up, but it does allow you to keep a portion of the business and it allows them to keep the proprietary product. They're just also going to keep the relationship with the contra firm. You could also liquidate the securities prior to moving, but that could potentially raise some red flags with your current firm. I would say that mass liquidation of proprietary products is definitely a leading indicator and something that at least the large firms probably have things set up to alert them to the fact that you are doing that. The last option, you can liquidate the securities after the fact, this is probably the least risky and most popular option, but it does require the client to request that trade. Obviously it could also have tax implications, but it forces them to have contact with your former firm. And your former firm gets to control the narrative of that situation and possibly attempt to keep the client from leaving.

Grier Rubeling:

So in those cases, I would suggest getting on the phone, calling them with the client on the phone. Most firms even have an 800 number that you can call instead of calling the branch so that you're not actually dealing with someone that you used to work with, and they are not having to deal with some sort of sales pitch or anything like that.

Louis Diamond:

That's another interesting take. And is it similar with alternative investments? So it's probably split into two categories. One would be alternatives that are through a firm first proprietary feeder as a way to bring down the minimums or eliminate some of the fees associated with it. And the other would be a direct holding. So I own a direct holding of a KKR fund. What would you say about alternatives in that context?

Grier Rubeling:

So the ones that are considered proprietary are going to be treated much like the proprietary products. The only difference is that there might be less liquidation opportunities for those. So for those ones, your choice might have to be that you leave them behind until they are ready to be... The clients are out of them. As for the ones that are not proprietary, I do have one other option. John Cox at Cox Capital Partners, his firm actually, and I know a couple other firms do this as well. They'll buy the proprietary products from the clients. I'm not going to even pretend to understand what that process really entails, but I usually have people call him for those. And then I think the last one that you said were ones that are held direct. If you have a relationship with a broker dealer at your new firm, then the direct holdings, you can ask what the process is for transferring those. But sometimes it's just a matter of changing the agent of record on some of those, which I think you can do in most cases.

Louis Diamond:

Perfect. That's helpful. So two other categories, one would be firm managed portfolios. So let's say it's an advisor who's using the firm CIO portfolios, or is using a portfolio that's traded by their firm. We see this in the wirehouses, we see it at independent broker dealers. How would an advisor go about moving business like this?

Grier Rubeling:

In terms of, like you said, the firm managed portfolios, I would say that those don't usually cause any issues in the paperwork process. As long as the assets are transferable, they can always be brought over in kind. The issues arise in mapping those strategies over to your new firm's investment portfolios. So there's decisions to be made about selling current holdings, potential tax consequences. The best way to handle those situations is to just have a clear, detailed understanding of what your new firm's investment strategies are. So transparency is pretty key in those situations.

Louis Diamond:

One of the first questions we try to tackle is how do you manage money? And then understanding how a new firm can handle that. Because there's some fee implications. Maybe your firm doesn't charge anything today. And now you're looking at 10 or 15 basis points at a new firm. So I agree with you. We never see issue with the portability of those assets, because it's usually just ETFs or stocks or mutual funds. It's more so just who's going to actually manage the money once you move over. So again, just asking the extra question. One last area is separately manage accounts. What would you say about SMAs?

Grier Rubeling:

SMAs, they can cause a few issues. So if you have an SMA and you don't want to use the same manager, then that pretty much gets treated the same way that your firm managed portfolios will. You can bring them over in kind and then map them over to your new firm strategies. But if you have a client or if you want to keep the same manager, then you have to actually establish a relationship with that manager on the other side with your new firm, but you are not guaranteed the same pricing because a lot of times the larger firms will get discounted pricing on those situations. But by leaving that firm, you could be losing some of those benefits. So I will say that at some of the custodians, the paperwork requirements are different for an SMA account. I know that's the case with Schwab. If you want to go open an SMA account, not only do you have to use a different new account application, but you also have to use a different advisor number, so a different master number. So you actually have to have that established ahead of time and you have to know which master number you want to put those accounts under so that they can be managed by the managers.

Grier Rubeling:

You want to be very clear on those specifics, especially if you are in a protocol situation and you are filling out the protocol data spreadsheet, it's best to fully understand your new firm's investment strategies for all of this to avoid any issues. Due diligence is the key from their end and from yours. And like you said, you don't know what you don't know. And if you don't ask, you might end up suffering those consequences during the transition because you didn't understand the situation as it was. And you never alerted your new firm to things that could have caused issues. So it's just a matter of communication.

Louis Diamond:

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Yeah, that was great. Well, first I think you just established your value add. It's a lot to think about. I think the other point is understanding the flow of the transition process with a new firm or custodian ahead of time. This will be our next point.

Grier Rubeling:

I find this subject to be probably the most crucial because it's where I add the most value. To be successful in a transition you really need to know every single piece of information that's going to be required to open an account, add the correct features to it, and initiate the transfer. Without giving away too much, I will tell you the six parts that I kind of really break it down into. That is client information, account information, feature information, external documentation, So anything that you need to get from the client, firm information, which is anything that your new firm will actually require fees and stuff like that, and then delivery requirements. So how you're actually going to get the paperwork to the client and making sure that you have the accurate contact information in order to do that. So I'll keep that one short.

Louis Diamond:

Yeah, I think that's one where you add a ton of value and that's also a really good way to judge a [inaudible 00:32:53], is understanding their transition process, meet with the people that are going to be involved with the transition, get comfort that they know what they're talking about, and that most importantly, they actually have a process. How about, Grier, how advisors think about the delineation of roles on their team? So this is more just who's doing what on the actual team.

Grier Rubeling:

So I always like to educate advisors and let them know that the bulk of the responsibility is going to fall to them and their team. Yes, those other firms are there to help. But in terms of pre-transition preparation, there's really not anything that they can really help you with. They can conduct some due diligence, gather some general information, ask you questions and provide resources, but you are the one that actually has to do all of the work. Then you have to turn all of that over to the custodians' transition team. But by the time they're allowed access to it, it might be too late for them to fix any issues. And then you're kind of starting off the process at a disadvantage.

Grier Rubeling:

And so they have a little bit more control once the transition starts, but only to a limited extent, they're not really communicating with your clients and they aren't really going to be the ones doing anything other than some operational parts of the process. So it's very important for you to understand exactly what they're going to do and what they expect from you in order to do it. Because that's where the lack of communication comes in, is that most of the time they're going to say, "Oh, we're going to help you with all of this, this and this," but there are expectations that they have in order to be able to do that well.

Louis Diamond:

Yeah, we've seen that breakdown sometimes too, where you got to understand what your team is meant to do versus what's the bare minimum requirement of the custodian or the broker dealer. So let's talk more about the intro team dynamic. So making sure, this will be our next point, that everyone on the team is on the same page and knows their roles directly. So I've seen you write about this. Some of the unofficial roles that team members play during transition. Can you talk very briefly about what those roles are and why it's important?

Grier Rubeling:

Yes. I have another article that I wrote about this. I actually break down the roles into five different parts. The explainer is the client facing person. Generally the advisor. The gatherer is the person who's going to be collecting client information. The processor is the person that's going to be doing the actual paperwork preparations. The resolutionist handles any issues that might pop up. And then the tracker keeps track of all the progress. So that's not to say that you have to have five different people on your team or that a team with more than five people can't have multiple people in each of those roles. It's just that those are the five roles that I really think need to be filled, and you need to be open to making adjustments along the way.

Grier Rubeling:

So if it's two people that are working in one role or one person that's playing four roles, whatever it is, everybody just needs to understand what the process is and where they can fill in during it, and that things might change. So expectations are a little bit different, especially for those staff members maybe that are coming from W2 positions at Fortune 500 companies where they're not actually part of the advisors' teams, they're being paid and controlled by the employer instead of the actual team. If that makes sense.

Mindy Diamond:

Grier, we work with a lot of private bankers, and we've written a lot lately how private bankers are actually moving more lately. And they're actually really very desirable from a recruiting perspective to a lot of firms. But with a private banker, typically they work on teams. And the whole purpose of the private banking model and the team is to make the assets as sticky as possible to the bank. Where you've got multiple stakeholders touching every client. How does that impact or what is your advice from a transition perspective when you move a private banker regarding multiple team members?

Grier Rubeling:

Yes. I've seen a few of these situations as well. It can be difficult because, like you said, of the stickiness, there are usually a lot of things. Sometimes they're not even electronically ACAT eligible. This really comes down to speaking with the attorney, knowing what you are allowed to say to these clients, and then crafting your communications around why you are making the move, what benefit it has to them, what differences it would make, especially if it's going to save them any money or anything like that.

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With Louis Diamond and Special Guest Grier Rubeling of Advisor Transition Services

So in terms of the operational aspect of those things, it's hard to determine what differences there are going to be coming from one of those locations, because opening an account and transferring it, if they're on the ACAT system, it doesn't matter where they're coming from. The only difference is filling out the name of the contra firm on a transfer document, but it does affect the way that you have conversations with those clients and how you try to recruit them. And so from an operational standpoint, the only difference is going to be if they don't actually qualify for an electronic ACAT. And then you're talking about possibly having to do different paperwork, but as long as you ask your internal transition teams ahead of time about what that process entails and you understand it, then it's not going to become an issue having to do that part of the process operationally.

Louis Diamond:

Yeah, that's definitely helpful. And one other point I'll make on teammates knowing their roles during the transition is knowing the transferability of staff members. So we're talking about book portability, but a very, very important point in transition is making sure all team members come along. So that's things like making sure the new benefits programs of firms matches up. It doesn't matter if we're moving from a wire to a wire that has a defined benefit program, or you're moving into your own firm, making sure that there's not going to be a drop off as far as what employees have that's very important to them. It's also making sure that extra compensation is awarded, where there's very clear benchmarks for how staff members are going to make money. A transition is a lot of work for everyone, and making sure everyone's on the same page with what their internal roles are for the transition, but also what their new responsibilities might be in this new environment, I think is important. Because without transferring the team, a lot of this other stuff doesn't really work.

Louis Diamond:

Okay. Next point, we only got two more here. Preparing for the initial client communication. So this is the blast email or the phone script you have, or the letter that goes out. Really depends upon the legal situation, but what are some best practices, Grier, for the initial client communication? So of course an advisor needs to be clear on the what's in it for me for a move. So what's the benefit to the end client for this move. It's often very clear for an advisor to articulate why they're making the move. I get a nice deal, higher payouts, business ownership. My practice will be more efficient. But it's harder to translate the tangible benefits to a client who hasn't had the benefit of conducting due diligence on their own. So I think that part's essential. I would assume that's a major component of the client communication, is the clear narrative or pitch for why a client should come. But what are some other elements of the initial communication that you'd recommend?

Grier Rubeling:

Yes. I have another article on my blog that I wrote for this. And what you mentioned is the first reason that I always... I have six parts to the communications that I like to touch on. That's the first one. Benefits to you, but also benefits to the client. Make sure they understand why things are going to be better for them as well as why they're going to be better for you. The second part is introduction of your new firm and an explanation of that relationship, especially if you're going to join an RIA, but you're using a DBA because these are the most confusing situations I have with advisors in transition, is that you have your firm name, but the RIA that you're joining, it's their information on the ADB, but the assets are actually custodied at another entity completely. So that's just something, it's a relationship that you may understand, but that your clients may not. So when you bring up all of those different names, they're going to want to know how they relate.

Grier Rubeling:

Another thing is providing new contact information and stressing the importance of erasing the old information. So they're not picking up the phone and calling your former firm to talk to you and getting your old colleagues that are going to try to keep them instead. I suggest sending an email from your new email address to the clients while you're on the phone with them, if you aren't sending out that initial email and confirming with them that they get it right then and there and telling them to just delete all of the other information. Confirming existing client information, especially contact information, so you have the best methods for reaching them. If you call them and your client says, "Oh, you called me at work." Well, that's a good time for you to say, "Oh, great. Tell me your cell phone number. Give me your most current email address. I want to make sure that I can get in touch with you if I have questions."

Grier Rubeling:

Also another good time to request outside documents, asking them right off the bat to send you statements could really aid in the transfer process, especially if you're protocol and you weren't allowed to bring account numbers with you. Relaying account numbers over the phone from a client when they don't necessarily understand all of the account types that they have, that can be a lot of room for human error. So by requesting statements, even if they're not required by the custodian, you can kind of take care of that issue. And then managing expectations and asking for patients' realistic timelines, explaining that you're doing this with everyone, and making sure that everybody's comfortable and that they understand that things might not move at lightning speed.

Louis Diamond:

Yeah, I like that part especially about setting expectations, because if it were me, I would be like, why aren't my [inaudible 00:42:58] for tomorrow, you just don't understand as the client the way the sausage is made. And I think just stressing that there's a lot going on. I know it's not going to be perfect. It just sets it up so that it takes some of the stress and pressure off you. And they know that you're not going to be perfect. And hopefully they respect and understand that you have a lot going on, nothing's wrong with their assets and it's going to come over. But I think that's a good tip to avoid potential heartache later on.

Louis Diamond:

So just in the interest of time, one more question for you to wrap us up, and this will kind of be our bonus tip, but Grier, what is your best advice for a team preparing for a transition? Or an individual advisor thinking about a move? What's the best thing you can tell them?

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Grier Rubeling:

I would say that in these situations, if you take full ownership of the situation and the process, you treat it as though nothing is a given and you keep a positive attitude and stay as organized as possible, then you're going to get through it. Transitions are temporary. And if you have any reservations at all about the process, or just want to have a conversation, call me and we'll talk through it. It doesn't have to result in any business at all. I'm always willing to have a conversation with someone who is hesitant about the situation, because transitions are hard and you can't always tell your friends and family what your plans are and get their advice because they might not understand. But I do.

Louis Diamond:

Perfect. Yeah. That's a role we play too. So thank you so much for sharing your expertise. There's probably 15 to 20 other points we didn't cover, probably even more, but we don't want to give away too much. And it's a good reason for someone to consider engaging your services.

Grier Rubeling:

Thank you so much for having me.

Mindy Diamond:

Grier, I want to thank you so much for your time today. We are grateful. Clearly there's so much in the weeds stuff that we can all learn from this, and it was wonderful. And Louis, as always, I'm so happy to have you share your expertise.

Louis Diamond:

Absolutely.

Grier Rubeling:

Thank you both.

Mindy Diamond:

For our listeners, we have a checklist that captures many of the points we discussed here. You can download it from this episode's page on our website. You'll also find links to other content relevant to this episode. I thank you for listening and I encourage you to visit our website diamond-consultants.com and click on the tools and resources link for valuable content.

Mindy Diamond:

You'll also find a link to subscribe for regular updates to the series. And if you're not a recipient of our weekly email perspectives for advisors, click on the articles link to browse recent topics. These written pieces are an ideal way of staying informed about what's going on in the wealth management space without expending the energy that full on exploration requires.

Mindy Diamond:

You can feel free to email or call me if you have specific questions, I can be reached at (973) 476 8578, which is my cell, or my email mdiamond@diamond-consultants.com. Please note that all requests are handled with complete discretion and confidentiality, and keep in mind that our services are available without cost to the advisor. You can see our website for more information. And again, if you enjoyed this episode, please feel free to share it with a colleague who might benefit from its content. If you're listening on the Apple podcast app, I'd be grateful if you gave it a store rating and a review, it will let other advisors know it's a show worth their time to listen to. This is Mindy Diamond on Independence.