



EPISODE TRANSCRIPT

“Will My Clients Follow?” A \$500mm UBS Breakaway Success Story

With Steven Tenney, Founding Partner and CEO, Great Diamond Partners"

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is will my clients follow, a \$500 million UBS breakaway success story, a conversation with Steve Tenney, founding partner and CEO of Great Diamond Partners. I'm Mindy Diamond. And this is Mindy Diamond on Independence.

Mindy Diamond:

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Mindy Diamond:

In all of the conversations we have with breakaway advisors, we hear a consistent theme around the motivation to make the leap, to improve the ability to serve clients. And ultimately, enhancing service delivery, such as improvements in platform and technology, and the ability to freely communicate typically leads in one direction, business growth.

Mindy Diamond:

But while many independent business owners may have initially built their businesses in the wirehouses, more and more are finding they're hitting a wall when they try to take things to the next level. And that's why we're seeing such tremendous interest and growth in the independent space. The ability to both serve clients and grow businesses without conflict of interest or limitations.

Mindy Diamond:

For example, my guest on this episode Steve Tenney spent some 26 years at UBS, joining the firm in 1993 when it was still PaineWebber, building a business managing some \$500 million plus in assets. Yet like so many others who'd made the leap before him, after two years of due diligence, Steve was convinced that he could provide better service and advice to clients within the RIA space.

Mindy Diamond:

So in 2019, he and three team members from UBS left the firm to launch Portland, Maine based Great Diamond Partners. As Steve shared in an interview shortly after launch, it was the vastly improved technology, advanced planning resources and tools, and the fiduciary environment of the RIA model that was the tipping point.

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But what else was it that drove the desire to a business owner? I've asked Steve on the show to share his perspective, both about the decision-making process and life as a business owner two years out. To talk about his 26 year experience with UBS, when he realized it was time to start due diligence, what specifically he found to be vastly improved in the independent space, why he didn't opt for another wirehouse and transition deal, how he talked about the benefits of independence to his clients, the role of family in both his own business and the clients Great Diamond works with, and his expectations and vision for the firm. So let's get to it. Steve, I can't thank you enough for joining me today.

Steve Tenney:

Well, it's really a pleasure to join you Mindy. And thank you for all you do. Your podcast really helped us prepare for independence and continues to educate us on important issues as I get to listen to experts. And I love hearing from my peers as well.

Mindy Diamond:

I love it. Thank you. It makes my day. So let's jump right into it, and you can join that panel of experts. So I guess first and foremost, tell us a little bit about yourself and how you wound up at UBS.

Steve Tenney:

Sure. I grew up in Maine, still live in Maine, just outside of Portland with my wife, Christine, and we've got two great kids in Beverly, Mass and west in Bozeman, Montana. After going to school outside of Boston, I spent a little bit of time in London at Morgan Stanley asset management, then back in Boston at State Street.

Steve Tenney:

And this was 1993, and my parents were visiting. And I went for a walk with my dad, who he was in the business, started the business in 1974. And on that walk, I learned that fundamentally, what he did was to figure out what challenges people were facing and then suggested how he could help them solve those challenges. And that sounded really interesting, and it's one of the things I love the most about my work. That conversation probably four months later landed me at PaineWebber in Concord, New Hampshire in 1993. A few months after that when I was live, I opened the Whitepages and I started calling names and phone numbers. And that's how I built my practice.

Steve Tenney:

If you fast forward to 1997, again, walking with my father. We decided to put our businesses together. And not long after that, we were partners for about four years. And in about 2000, we brought on Joe Powers who I'm still partners with. And his focus is all around planning. And that was our first strategic move to bring people on that had unique abilities. And it's a theme that's repeated itself time and time again.



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Mindy Diamond:

Yeah. Well, that's wonderful stuff to unpack there. As I think you know, I have a soft spot for family businesses and love the fact that you work with your dad. Nothing better, lucky you.

Mindy Diamond:

But let's fast forward. So you and your team were managing about 530 million in assets when you left UBS in may of 2019 I believe to go independent and launch Great Diamond Partners. So talk to us a little bit about what was behind that decision.

Steve Tenney:

That story, it starts out gradually, and then turns on a dime. And for probably the last 10 years that I was at the firm, I'd occasionally be asked what I thought of independence. And my response was always the same. I said first as an entrepreneur, I naturally thought about hanging up my own shingle. Very, very natural, just the way I'm wired. And second, I felt that we were plenty objective enough and had sufficient control over our practice. At the same time, I would hear from others after they went independent and how thrilled they were. To be very honest, I disregarded their comments because I thought we could do anything at UBS. And really in hindsight, I realized those responses were largely due to a lack of education about our industry. Fundamentally, I believe now that there are structural issues at the wirehouses that really prevent that full objectivity and flexibility.

Steve Tenney:

Then over the last three to five years at UBS, we had this growing sense that there was a better way. A better way to work with our clients, to engage with our employees, contribute to the community, and a better way to grow our business.

Steve Tenney:

And Mindy, you talk about freedom, flexibility, and control as reasons to go independent. You're exactly right. I recently went to my partners. And in hindsight, what were the two big reasons why we launched Great Diamond Partners? And the two big responses that I got back were technology and values. And the technology, we're five to 10 years ahead right now of where the wirehouses are. We went from a situation where we were receiving technology from one provider and one integrator, to a situation where we now have people competing for our business. And competition leads to lower prices. Competition leads to far more competitive situation where we've always got leading edge technology.

Steve Tenney:

And then on the value side, we firmly believe in the concept of conscious capitalism where we consider all of our stakeholders in everything that we do, clients, employees, community, strategic partners, and owners. There's a huge contrast between that and what you get at the really big firms.



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Steve Tenney:

So all of that is background. And then as I said, it turned on a dime. I think I was and we were susceptible to suggestion. And I crossed paths with an owner of an RIA in New Hampshire. I had known him for a long time. I have tremendous respect for him. And he suggested that we join forces, that we join his firm. And from that point on, our focus went from as you put it, from the pushes to the pulls. I was done with the pushes. I recognized what those were. Every step of the way in our due diligence process further opened our eyes to what was possible.

Steve Tenney:

I'm someone that likes to say what if and why not? I like to start with what's possible and then figure out how to do it. And independence is just the perfect home for that attitude.

Mindy Diamond:

So that's an amazing answer, and it brings up a million questions. But let me back up one second just for perspective. So I'm right that you were managing an excess of about 500 million or so when you left UBS, is that right?

Steve Tenney:

That's right. 530.

Mindy Diamond:

Okay. Got it. And tell us a little bit about the kind of business you were doing, what kind of clients you were serving.

Steve Tenney:

Really the same then as it is now, which is working with individuals, families. Many of them are business owners. For a long time, we've been focused on what we call a virtual family office model. Where we are if you will, the general contractor where we execute on what we are expert at. And then we connect with strategic partners, really for everything else, all the other elements of wealth management.

Mindy Diamond:

And how about how big your team is, how much in support staff?

Steve Tenney:

We were a team of six before we left. Four advisors, two on the admin team. At launch, we added another person who's our director of marketing in March of last year in the face of the pandemic. Things were going so well that we added another person to the admin team. And then literally today as we're recording, employee number nine has joined us.



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Mindy Diamond:

That's awesome. So I want to get back to what other options you considered besides going independent. Because in a quest for more freedom and control, there are degrees of freedom and control. And I guess one of the questions is you might have gained more freedom and control had you considered Rockefeller. You might've gained more freedom and control had you considered Raymond James as an employee. You could make a case you might've gained more control by moving from UBS to Morgan, because there would have been leveraged in being recruited. And in going independent, you not only turned all of those options down, but you turned down what would have been life changing transition money. So talk to me about that if you would.

Steve Tenney:

Sure. In terms of going to another wirehouse and getting a big transition package, I always believed that that only helped one person or one group of people. And that was me and my partners. That's it. I really didn't feel that it was any better for our clients. I didn't feel that it was better for our admin team. And to me, that just didn't feel right. In 26 years at UBS, not once did I ever meet with another wirehouse talking about joining that firm, because there was no compelling reason to do it.

Steve Tenney:

In terms of the other options that you mentioned, I think it boils down to control. And I think there's some very interesting stories out there from some of those firms you mentioned. But it's still hitching our wagon to another company. And things can change over time. Ownership of that company can change, management, priorities, financial arrangements, whatever it is. And we wanted full control because we were coming from a place where we felt that we had decrease in control. So we really did not want to put that at risk at all.

Mindy Diamond:

And it raises the question just how entrepreneurial you need to be in order to go independent. So I've written a couple pieces over the years. Do you need to be Mark Zuckerberg or Steve Jobs in order to do this? And I'm curious to know what you think about that. Was it that you just always had the burning desire to be an entrepreneur, or was it more about the pushes, the things that you were no longer able to do at UBS that drove you to entrepreneurialism?

Steve Tenney:

It's hard to split it one way or the other. I think if you look at our team, we really value having people coming from different perspectives, having different strengths. For my partners, it was probably more about pushes. And we would've been fine staying at UBS. We still have a lot of good friends there. But it was probably a little more about the pushes for them. For me, one of my strengths is how I'm wired and the entrepreneurial spirit. I just love the flexibility that it affords us.



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Mindy Diamond:

Yeah. All right. So let's look. You talked about the pushes for both you and your partners. And how over time, it became increasingly clear that you were not going to spend the rest of your life with UBS or in the wirehouse world. So can you give us some specific examples about the limitations you were facing? And I guess, was there a straw that broke the camel's back moment for you?

Steve Tenney:

I don't think there was a so-called straw. But there were certainly plenty of limitations. I mention earlier, I'm someone that likes to ask what if and why not with some energy and just sort of conquer the world attitude. I would get ideas from my peers around the country. But then when I'd return to Portland, I'd be prevented from executing them.

Steve Tenney:

For example, I mentioned earlier that we work a lot of business owners. Part of our niche is working with business owners that are preparing for or executing some kind of transition. And I was writing a lot of articles that were approved by compliance and sending them out, and people found them very valuable. And I had peers around the country that were writing books. And I thought okay, I've got a lot of material here in the articles that are approved by compliance. Why don't I just put it all together, enhance it, do a little more writing, and produce a book?

Steve Tenney:

Well obviously, I was told no, I can't do that. But what sort of really got to me was that it took nine months to get that answer. So the responsiveness, the entrepreneurial spirit was not being mirrored at the firm.

Steve Tenney:

There were other examples around advanced planning techniques where I'd be in a presentation, and they'd share any number of techniques and say how great it is. But it would always be followed by, "But if you're at a wirehouse. But if you're a wirehouse, you probably can't do that." I would meet with business owners of any industry, and I love digging into their business models and what they're doing. And I can't help but instantly translate that into how could I use that in my business? How could we use that in our business? So I'm always looking to improve the firm. And at UBS, it would just fall flat. There'd just be one roadblock after another. I will readily admit that if I were running UBS and 6,000 diverse advisors or 16,000 at a bigger company, I might do the same thing. I might have the same policies. I get that. But that doesn't make it right for us.

Mindy Diamond:

Right. I guess it raises a question for me. Advisors at the wirehouses or really any brokerage firm believe that they have access to open architecture. And to me, what that means is access to true best in class everything. So when you talk for example about a limitation regarding advanced planning techniques,



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that UBS said, "No, this works, but not in the wirehouse world." How do you reconcile that, and how wrong are they about it being true, open architecture?

Steve Tenney:

Well on the investment side for example, I've recently had client conversations about local investment opportunities that have an ESG component. They're generally real estate based. I would never even think about approaching UBS to consider allowing us to do that. You look at 401(k)'s. At the wirehouses, you're not allowed to make investment decisions in 401(k)'s because those assets are held away. Yet 401(k)'s are a huge part of an individual's wealth building.

Steve Tenney:

If you look at other advanced planning tools, you've got things like captive insurance, private placement, life insurance, ESOPs, structured settlements, etc. Those are very specialized situations. It takes a lot of talent and expertise to put those together.

Steve Tenney:

But if I was ever in a situation where I wanted to learn enough to be able to execute on something like that because it was right for my client, everything had to funnel through say one or two advisors in the country. That just didn't sit well with me. If I think something is right for my clients, I want to get full control of that. I want to learn about it and execute on it. And we were prevented from doing it.

Mindy Diamond:

Yeah. You know what I say to a lot of advisors I have this conversation with? I say that for most wirehouse advisors, it is open architecture enough. Meaning they're able to access what they need. They don't in any way feel that they're harming their clients. Yeah, there may be an idea or two along the way that they're not able to execute upon. But for the most part, it's more than good enough, until it's not. Do you think that's valid?

Steve Tenney:

Absolutely. We continually get new ideas floated our way for assets that are not going to be held on the Schwab platform who's our custodian. Whether it's cash management or other programs of Bitcoin, for example. That's not held on the Schwab platform, it's held away. But we can recommend it to clients if we think it's appropriate and it flows through into our client reporting system. So real big limiter is the whole concept of selling away, which you're not allowed to do in a wirehouse. However, in the independent world, you're expected to consider that stuff if it's in the client's best interest. That's the whole fiduciary principle.

Mindy Diamond:

This conversation is reminding me of a conversation I had just yesterday with a significant team that I'm representing. Wirehouse team generating probably 15 or 20 million in annual revenue. And they're exploring the notion of independence and intrigued by it, loves it. But having trouble wrapping their



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head around the notion that if they go independent, their new business will lack the scale that a Morgan Stanley, a Merrill Lynch, or a UBS has. And to them, scale is the equivalent of the ability to invest in the business more than a small business count. How would you respond to that?

Steve Tenney:

It's a great question. And I think it has to do with what partners you use. It doesn't have to be with a firm like Rockefeller as you mentioned, although they may be the best partner for this team you're referring to. For us, that's Dynasty. And they give us that scale. They are our middle office, our back office. We get the purchasing power of a \$60 billion firm. And we have great aspirations for growing, and scale absolutely is important. And Dynasty is a critical part of that.

Mindy Diamond:

Yeah. And I want to come back to the notion of why Dynasty when you got started. But I do want to ask a question that a lot of people ask. So I get that for you, it was a lot about a pull. You were excited to really build something. And enough pushes as well, things that were frustrating or limiting you. But how about the in-between? What did you worry about most as you were just beginning to think about building what became Great Diamond?

Steve Tenney:

There were plenty of issues to think about and deal with. There was one overwhelming worry or concern. And that is will our clients follow us? That's it. If we could have been guaranteed that our clients would follow us, it would have been far, far easier. In listening to a lot of your guests and other people that I got to know over the years, generally when people did this, they brought 95% of their clients give or take. So we had to put our faith in that statistic that it held true every single time someone went independent.

Steve Tenney:

And still, when we made that leap on May 9th, 2019, it was sort of a leap of faith. And we felt to a certain extent that we were throwing a party we hope everyone would show up at. And fortunately, it was hugely successful.

Mindy Diamond:

So let's talk about those clients. Yes, you were putting your faith in those that had gone before you. But my advice to any prospective breakaway is everyone worries about that. That's the number one concern is will my clients follow? And rightly so. Making a move is not meant to be an exercise in futility. It's meant to be accretive. And what you're really hanging your hat on is the depth of relationship and the trust you have built up over the years with your clients. And only you, the advisor can actually be the one to really assess that. You know better than anyone.



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Mindy Diamond:

But let's talk about how it worked for you then. So how did your clients respond to your decision to leave UBS and go independent? Did they all follow? How did you explain the move to them?

Steve Tenney:

The response was tremendous. It was one of the most rewarding things I've ever been through. When we made those calls, there were two primary reactions. The first was they were genuinely happy for us as people and as business owners. They just said, "I'm so happy for you and your team." And that speaks to the depth of the relationship that we've built over many, many years.

Steve Tenney:

The other reaction was fascinating, not something that we anticipated. But in hindsight, was perhaps we should have. And that is, I would say, "Mrs. Jones, our whole team has left the firm and we've set up our own independent firm." And the first question they would ask was, "Well, what about Susan? What about Andrew?" And Susan and Andrew are the key admin team that we've worked with for a long time. And they have built fantastic relationships with our clients.

Steve Tenney:

The fact when I was able to respond immediately that, "Yes, Susan is here. Andrew is here. The whole team is here." I could hear them over the phone just relax and say, "Okay, we're in."

Steve Tenney:

So the response was tremendous. We got north of 95% of our clients that came over just like the statistics say. When we launched as you said, with UBS we had \$530 million. Our what we call perfect goal was 480. Because there were some relationships that just were not appropriate to join great time and partners. So that was in May of '19. In December just seven months later, we were \$500 million. So I think it worked out.

Mindy Diamond:

That's amazing for sure. I think it would be helpful for our listeners. Can you give us an idea of what the pitch sounded like? So you walk out of UBS, you walk into your new offices, which is now Great Diamond Partners. And you start calling Mrs. Jones, client number one. What did you say to her? What does that sound like?

Steve Tenney:

I would take a deep breath, ask how Mrs. Jones is. And then I'd say, "Mrs. Jones, I've got some really great news to share with you. Our whole team has left UBS, and we've set up our own independent wealth management firm called Great Diamond Partners." And then I would pause, just stop. And I would let them react to it. We let them drive the conversation because we had a whole laundry list of



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things that we were prepared to answer. But we didn't want to go into all kinds of information that they didn't care about. We wanted to talk about things that they cared about.

Steve Tenney:

And so they would say, "Wow, that's great. We're so happy for you. Are Susan and Andrew there?" They might ask a couple of other questions. "Okay. How do we do this?" And we would explain the process about transferring accounts. And then I always had a couple of things that I wanted to explain to them like, "Okay, Charles Schwab is the custodian. And we're working with Dynasty Financial Partners," who at the time they had 50 firms, \$50 billion. "So even though we're independent, we're not alone. And we've got the buying power of this \$50 billion firm."

Steve Tenney:

So we wanted to reinforce that their money was very safe, that we were in a very objective kind of setting, and that we had a partner in Dynasty that was backing us up, helping us focus on what we want to focus on, which was the client's best interest.

Mindy Diamond:

And how about any objections? Or not even objections. Did any of them question the notion of leaving the safety and stability of UBS behind?

Steve Tenney:

Sure, absolutely. Some did. One of the more common issues that people brought up were the logistics. The credit card, the checkbook, etc., and to revamp all of that does take some effort. And we promised them that we would walk them through that, and we did.

Steve Tenney:

There were some people we just couldn't convince. And as it turns out, we have a full analysis of every single client and what we expected people to do. And as it turns out, there were far more people we didn't expect to come that did compared to those that we did who didn't. So the waiting certainly favored us in terms of what we expected to happen.

Mindy Diamond:

Yeah. So help me to understand what role protocol played into your transition. What I mean by that is UBS is a non protocol firm. And I'm wondering to what extent being non protocol impacted the way you pitched going independent leaving UBS to your clients.

Steve Tenney:

Well first of all, leading up to the launch, we were very careful to do everything by the book. We had some great advice from Dynasty, as well as an independent attorney. And we wanted to do absolutely everything by the books so that we wouldn't run into any issues at launch, because we knew that that transition was when we were most vulnerable. And we really relied on those advisors to help us out.



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Steve Tenney:

We walk in the doors of Great Diamond Partners, and now what do we do? Because we're not protocol. We sat right down, wrote down client names. We went online and brought up contact information, and we had to rebuild our entire database essentially from memory. And then we would call people and ask them to come. We did not have a non-solicit. We couldn't take anything with us. But we were certainly allowed to solicit business.

Mindy Diamond:

Got it. And how many clients were there that you had to recreate from memory?

Steve Tenney:

It was probably about 250 clients, give or take.

Mindy Diamond:

Got it. And how much scarier did the prospect of going independent seem given the fact that it was non-protocol?

Steve Tenney:

Well, I didn't know the difference. I mean, it's what we were dealing with. And we were just a lot more careful, I suppose. And a lot of conversations with the attorney and with Dynasty to make sure that we did it the right way. Because again, we did not want to violate any of the rules. We did everything by the book.

Mindy Diamond:

Yeah. Well obviously look proof is in the pudding. All right. Let's fast forward if we can to the launch of Great Diamond Partners. So tell us about Great Diamond. What is its value proposition?

Steve Tenney:

Great Diamond Partners operates largely as a virtual family office, where we are dealing with all aspects of wealth management from investment consulting, to advanced planning, relationship management, addressing those issues that are most important to our clients. We are effectively the general contractor and then rely on experts, strategic partners for the rest of it.

Steve Tenney:

In addition, we are a purpose driven organization. Our stated purpose is we exist to connect community to opportunity. And that is all part of what's called conscious capitalism. It's paying attention to all of our stakeholders, clients, employees, community, strategic partners, and yes, the owners. Us, the partners. It's a very, very different orientation from many wealth management firms, and I think one that is appreciated by all of our stakeholders. It helps us with employee recruiting, with retention, with their job satisfaction. It absolutely helps us out with prospective clients and centers of influence.



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Mindy Diamond:

And what does the business look like now two years, you're about to approach your two year anniversary two years post-launch. So what else has changed about the business besides your asset base?

Steve Tenney:

That asset based by the way is now \$600 million, and we've got the strongest pipeline of new business that we've ever had. It's really kind of incredible. And interestingly, putting a few strains on the business, trying to deal with that growth, it's a dynamic that we never dealt with before.

Steve Tenney:

In the first few weeks after we launched, I independently bumped into three different attorneys that I had known for years. And independently and without prompting, all three said that they were more willing to refer business to us simply because we were independent.

Mindy Diamond:

Interesting.

Steve Tenney:

And it's proven out. We've gotten that business. Our strategic partners appreciate independent thought and structure. And if you think about it Mindy, that's them. They own their firms. That's how they operate. They see a parallel in what we are doing. And it's also very easy to draw a distinction between Great Diamond Partners and all the other firms.

Steve Tenney:

And contrast that with the wirehouses which to centers of influence, they all see the same. In terms of what else has changed, huge thing that's changed for us is flexibility. And that was so, so important during the early days of the pandemic.

Steve Tenney:

It got to late February, and we were beginning to hear noises from our clients that we needed more communication with them. In the span of literally hours, we wrote a client letter that was very, very timely and addressed the issues going on practically that day. Because as we all remember, that was a day-to-day kind of event back in February and March, and leading into April of last year. We were able to produce that letter, get it approved by our great compliance partner Foreside, put our marketing stamp on it, and distribute it in a matter of hours. And that kind of flexibility at a time of great stress in the system, there's no way we could have done that before.

Steve Tenney:

We've added other technologies. So risk management software we've incorporated that clients have really come to appreciate. And it's a great tool for us. To incorporate that software, we made a few



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phone calls. And then in two weeks, it was fully integrated. It was remarkable to us how quickly that happened. And it's been a wonderful tool.

Steve Tenney:

With MoneyGuidePro, which is the planning software we use, that was the engine for the planning software we used before. Except it was watered down before. Here, we've got the entire package of money guide pro. And then the other bit of technology that's incredible is the client portal. That's powered by Black Diamond, great tool. Clients absolutely love it. We're doing things like connecting CPAs to a limited exposure view if you will, of the client portal. So they can download tax forms directly from our website. And ongoing during the course of the year, they can get updates on anticipated income and year-to-date realize gains, things like that, that allow them, the CPAs to do their jobs better.

Mindy Diamond:

Let's talk about tech for a second. I think a wirehouse advisor wears one set of goggles, sees the world through one set of goggles. And that set of goggles is relying on the technology that their firm makes available to them. In the independent space, it's drinking from a fire hose. And the negative of that a lot of people worry is that it's overwhelming. How do you choose your tech stack?

Mindy Diamond:

So let's talk about Dynasty also here. To what extent did Dynasty help you to select your technology? And how does technology as an independent compare to the technology you had access to at UBS?

Steve Tenney:

Dynasty played a huge role with that. They've got this massive checklist of things that you got to walk through in the course of 10 months or so. And they diligently walk us down through every single step. And technology's a big part of that. They would set up demos for us where we'd look at different financial planning software, different client portals, the reporting engine side of things. Whatever the technology was, they would set up demos. And very often, I would respond and say, "Well, what do you think we should have? You see all of it, you know us. Give us a recommendation." And probably 99% of the time, we took that recommendation.

Steve Tenney:

I'm not going to lie here and say that everything's wonderful. There are some challenges with the technology, especially integrating data from one system to another. However, the ability of this technology from the CRM is incredible. The client reporting is great.

Steve Tenney:

I remember very specifically I did a visit down to New York City to visit with Dynasty, and we did some demos. And I remember watching some of the software and just literally laughing out loud. "You got to be kidding me. We can do this?" And it was run-of-the-mill for them, but it was light years ahead of where we were coming from.



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Mindy Diamond:

Yeah, we hear that a lot. Tell us a little bit more. I think the greatest service that Dynasty, a firm like Dynasty brings is you don't know what you don't know, and they know what you don't know. So other than helping you select technology, what else did they sell for?

Steve Tenney:

If I could back up just a second and share with you why we chose Dynasty, we decided to go independent before we connected with Dynasty. And we were doing a lot of due diligence, talking to a lot of people. And we identified early on that we didn't want to make all of the decisions ourselves and get into all. We needed our hand to be held. Because as business owners, any kind of business, there's a lot to deal with. And the way I would phrase it with a couple of people was we don't want to pick the healthcare plan. Will you just do that for us?

Steve Tenney:

So I went to people that I trusted and I said, "We don't want to pick the healthcare plan." And both of them said, "Talk to Dynasty." So that connected us with Dynasty. And we continued to do our due diligence. I talked with a lot of Dynasty firms. Not only ones that are still in the network, but ones that actually left the network. And there were two common threads with those that left the network. One is that they were essentially satisfied with where they were. They weren't that interested in future growth. So they were more interested in controlling margins. So they decided to leave Dynasty. For us, we're very interested in that scale that Dynasty's able to give us because we want to grow.

Steve Tenney:

The other common thread is that they all said, every single one of them said Dynasty is the best in the country at transition. And we knew that that's when we were most vulnerable. We had to get that right. And boy, did we ever. They were fantastic at the launch.

Mindy Diamond:

Interesting. That's really helpful. I think I see it the same way. So let me ask you a question. You've given us some examples about how you are better able to run your business as an RIA than you could as an employee. But how about the kinds of things you can do now for your clients that you couldn't do as an employee of a major firm?

Steve Tenney:

Well on the investment side, I mentioned earlier that we can look at local opportunities. There are other examples like cash management. There are pooled FDIC insured accounts that we can use that are held away, not held at Schwab. That today, the extra juice isn't that significant. Maybe it's another 10 basis points. But if you roll the clock back 18 months, it was really quite substantial. Probably another 125 basis points on cash that with daily liquidity, we can advise on retirement plans. We can charge advisory fees on those retirements. So there's quite a bit that we do that we couldn't before.



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Mindy Diamond:

Yeah no, it's exciting stuff. Steve, I'm hoping you can help me address some of the specific issues that prospective breakaway advisors raise. And I'd love to hear your perspective and your hindsight, what you'd say. So first and foremost, the one we hear a ton. "I'm too old to go independent." Do you believe that there's a certain time when it's right to do it? And I guess, think part of what drives it is I don't want to work that hard. So are you working much harder now than you did when you were at UBS?

Steve Tenney:

Well first of all Mindy, I hope you're not saying I'm old.

Mindy Diamond:

Not even a little bit. I'm pretty sure you're younger than me, so no I'm definitely not saying that.

Steve Tenney:

I go back to your interview you just released with Ahmie Baum, a good friend of mine, also in the Dynasty network. I think he's 65. And he's like a kid in the candy store. He's having a great time. And he did it because it was right for his clients, because it was right for his family and his firm, because he's got a son working with him. And very importantly, he's growing.

Steve Tenney:

I do think that it's not required, but I think if a group is growing, it's even better. Because you keep that future leverage yourself. You have that growth contribute to you as the owner. In terms of working harder, you're darn right on working harder. And all of us are. And I think while we are occasionally exhausted, every single person here, all nine of us love what we're doing. And the job satisfaction is just off the charts. And that is so rewarding for us to see as employers when our employees say, "Yes, I'm working hard. I'd love to be able to take a little more of a break. But I love what I do and I believe in what we're doing."

Mindy Diamond:

Yeah. So they're invigorated it sounds like. All right, here's number two. "My clients are ultra high net worth and very sophisticated. They rely on the full breadth of services my firm offers like investment banking, the alts platform, insurance, banking and trust capabilities. I could never get those clients comfortable with anything but this fully integrated approach."

Steve Tenney:

I would completely disagree. Clients, if you're their trusted advisor, they're going to take your recommendations. And if you say, "I think you should go to this other bank for a line of credit because it's in your best interest for one reason or another," they're going to say, okay. If you say, "I've got this great partner in Halo for alternatives or for structured products," they're going to say okay.



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Steve Tenney:

You go back to your interview with Terry Cook, a good friend of mine in Seattle. He's at the pointy end of our industry. And he's incredibly successful. I think very similar to Terry commented on, and I stay in touch with him. Many high net worth clients, ultra high net worth clients are business owners. That's how they got their wealth. And they, more than anyone else appreciate independent thought. They appreciate the entrepreneurial spirit, and the need for highly customized solutions.

Steve Tenney:

And as fellow business owners now, we better understand them than when we were W-2 employees. We understand all the stresses. I firmly believe that business owners regardless of the industry, deal with the same fundamental issues. They transcend the industry. And you look at just the effect of what's happened, and more and more billion dollar teams are going independent. That means that the resources are out there and clients are fine with it.

Mindy Diamond:

Yeah. I couldn't agree with you more, Steve. And I will tell you that today's independent RIA, the model is really rooted in the family office model of days gone by, where there was a separation between advice, product, manufacturing, and custody. And that is what ultra high net worth clients want, and why they're resonating so much with it. All right, let me ask you another one. "I would leave way too much unvested deferred comp on the table if I were to go independent." I just can't afford the move.

Steve Tenney:

It might be true, plain and simple. That might be the case. In our case, we felt that it was worth the price. We definitely walked away from a lot of money. We had to write a check to pay off some deferred comp arrangements. But we never looked back. It was very much worth the price. And now we see that instead of focusing on generating revenue or gathering assets and generating revenue from a business perspective. We're focused on building enterprise value. And that's very, very different. The whole mentality is different. And long-term as owners, our wealth will largely be generated not from cashflow, but from the enterprise value in the firm.

Mindy Diamond:

Yeah. Well, okay. So then let me ask you a related question to that. How long do you think it will take you to know, to really know from an economic perspective that going independent was a better bet than moving from UBS to say Morgan Stanley?

Steve Tenney:

I don't know if I'm ever going to do that math. But I look at the numbers now. And I think within probably eight to nine months, our cashflow, our compensation was equal to what it was before we launched. And now quarterly, when we meet with the Dynasty outsource CFO, they do a tremendous



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job. We're seeing all kinds of metrics, including enterprise value. And that's getting to be pretty meaningful, because we're running a great firm.

Mindy Diamond:

And I think the key is you're right. For some people, if you're focused on the short term, who knows if that number will ever, or someone could ever really justify that. But the people who go independent do it because they're focused on something much bigger, a bigger picture. And you said it yourself, go from focusing on generating revenue to focus on building enterprise value.

Steve Tenney:

One thing I would add to that is that before we launched and even considering future partners, Dynasty does a great job of modeling and saying, "Okay, here's your cashflow and here's your enterprise value that you're building over time." And I was really stunned by how accurate that was, how things played out. I would say nearly every single line item, independent line item came out exactly the way they said it would. And that just gives us great confidence that okay, their projections long-term are also going to play out. They did a super job.

Mindy Diamond:

One final question. What do you think the future holds for Great Diamond?

Steve Tenney:

I can't wait to see what it looks like. We're really focused on impact. If I boil it down to one word, it's impact. How can we positively impact our clients, our employees, the community? We're doing some really exciting things with the community, building an internship program. We're addressing a lot of the issues that the people here at the firm are concerned with. Our attitude or approach to Great Diamond Partners is very long-term in nature. You had a guest on once that said, "When you start your firm, you have to always do it with the end in mind."

Mindy Diamond:

Begin with the end in mind. Yep.

Steve Tenney:

Exactly. And we did. And for us, that end is a firm that lasts for many, many decades. So we are running it and evolving in a way that it will last for generations beyond us, which means bringing in younger professionals that hopefully eventually will take over leadership of the firm from us.

Mindy Diamond:

Yeah. Well Steve, this has been delightful and insightful. And I really appreciate your time and your insights. And I can't wait to see what the future holds for you as well. And I hope you'll agree to come back again.

Steve Tenney:



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Absolutely. Thank you so much, Mindy.

Mindy Diamond:

Pleasure. Steve's thoughtful approach to what's in it for clients really resonated. While most wirehouse folks think they have access to complete open architecture, the reality is really very different. And clients can actually be the real beneficiary of increased freedom and control when their advisor goes independent. I thank you for listening, and I encourage you to visit our website diamond-consultants.com, and click on the tools and resources link for valuable content. You'll also find a link to subscribe for regular updates to the series.

Mindy Diamond:

And if you're not a recipient of our weekly email Perspectives for Advisors, click on the blog link to browse recent articles. These written pieces are an ideal way to stay informed about what's going on in the wealth management space without expending the energy that full-on exploration requires. Feel free to email or call me if you have specific questions. I can be reached by cell at (973) 476-8578 or by email at mdiamond@diamond-consultants.com. Please note that all requests are handled with complete discretion and confidentiality. And again, if you enjoyed the episode, feel free to share it with a colleague who might benefit from its content. And 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.