



EPISODE TRANSCRIPT

An “Industry Outsider” Shows What’s Possible When Building a Financial Planning Firm from the Ground Up

A conversation with Anders Jones, CEO and Co-Founder, Facet Wealth

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is an industry outsider shows what's possible when building a financial planning firm from the ground up. It's a conversation with Anders Jones, CEO and co-founder of Facet Wealth. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

Mindy Diamond:

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Mindy Diamond:

If there's one thing that the pandemic taught us it's this, many clients are okay with not having face-to-face interaction with their advisors. In fact, there were a few firms that can provide proof of concept that the remote model works and does so very well. And it took a 30 something CEO who hailed from Silicon Valley to make us pay more attention because when the pandemic hit, his firm already had a working model in which clients interacted remotely with their advisors. And in 2020, while the world was shut down this firm experienced 4X growth. The firm is Facet Wealth founded by Anders Jones, a wealth management industry outsider who back in 2015 recognized an opportunity to serve clients who no longer fit the big firm mold. It was a scenario propelled by the DOL fiduciary rule requirement that financial advisors act in the best interest of their clients yet in a commission-based structure it became more difficult.

Mindy Diamond:

So in 2016, Anders took a ground up approach and developed a fixed fee based independent firm. One that focused on the untapped market of mass affluent clients, many of which fell outside of the asset minimum big firms require. Facet gutted start by purchasing those clients who lost their advisor relationships and were too small for the account minimums at big firms, a concept that provided a foundation for the nascent firm. Yet it was his mother's vision that Anders' credits as a profound lesson for him. Her career was devoted to making 401(k) retirement plans more accessible for everyday people. First at Fidelity and later at T. Rowe Price. In her words, helping millions of Americans save for retirement Anders sees Facet as his mission to carry on where his mother left off by helping people



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achieve financial wellness. To do that Anders sought out to deliver completely unconflicted advice free of the ties that bind fees to assets.

Mindy Diamond:

Instead, Facet charges a flat annual fee designed to be reflective of the services being provided. But how does a firm with a fixed subscription model make money? That's where Anders' background shines. His background in fintech, not wealth management allowed him to take a different approach with technology that's designed not to replace advisors, but to make them more efficient and create scale.

Mindy Diamond:

And it seems to be working. Aside from outstanding growth the firm has raised more than \$60 million in venture capital with backing from Warburg Pincus. Educated at Stanford with an MBA from Wharton, Anders takes a unique approach to business. No doubt glean from a dozen years as an early stage investor in emerging tech markets as a founding partner at Argyle Ventures, and prior to that with adtech firm LiveRamp.

Mindy Diamond:

In this episode, Anders shares his story with Louis providing a unique entrepreneurial perspective, that's both philosophical and analytical. He digs into what drives the success of Facet's model and how it and others like it serve as a template for financial planning firms of the future. So let's get to it.

Louis Diamond:

Anders, thanks so much for joining us today.

Anders Jones:

Louis, thanks for having me.

Louis Diamond:

Very good. So let's go back to the beginning. You founded Facet Wealth in 2016, but not as an advisor, like many of our guests. Can you walk us through your background and how you came to found this company?

Anders Jones:

Yeah, absolutely. My two minute history is I grew up in Boston, went to Stanford undergrad and graduated in 2009, which with the exception of probably the last year was arguably the worst year to graduate in recent memory. 75% of my class didn't have a job when we graduated, which was pretty



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extraordinary. You're sitting there in Silicon Valley and no jobs to be had. Well, what do you do? You throw in with some folks and you just start up. So I was on the early team of a company that ultimately became LiveRamp, which is now a publicly traded company in the advertising technology space. And I don't know if you know what retargeting is, but if you've ever been shopping online and the thing that you're looking at follows you around for the next two weeks. We did a version that, and had a hand in making that a reality on the internet. So I apologize to you and all of your listeners for that.

Anders Jones:

But after I left LiveRamp, in 2013, I started doing some venture investing early stage tech investing, got very interested in what was going on in fintech. This was right around the time when some of the first robo-advisors were getting a lot of attention and a lot of funding. So the Wealthfronts the Betterments, the Personal Capitals of the world. And then really started thinking about, okay, is there an opportunity to build a business in the consumer fintech space?

Anders Jones:

And for us, the light bulb really went off in 2015 when the DOL rule was being discussed and ultimately didn't pass. And from an outsider's standpoint, looking at the pushback that the industry lobby was giving, which was if you pass this rule, you're going to end up with 8 million households that either they will lose their advisor relationship because their advisor can't afford to both service them and act in their best interest at the same time. That was just crazy. To me that was the industry very publicly admitting that they were for lack of better phrase screwing 8 million of their clients. And that just seemed like a huge opportunity to rethink what financial planning really means. Both from a what's the value that the client is getting, and also what's the service that we're actually delivering and what's the cost structure associated with it. And so all of those things went into the creation of Facet.

Louis Diamond:

That's amazing, and it's very different than others who had started RAs, because it seems like you saw an opportunity just like any innovative founder does, but without any assets under management or even seemingly relevant industry experience, you decided to launch Facet. So I'm curious, what was it about the wealth management space in particular, aside from the 8 million or so potentially unserved households that led you to the sector versus something in advertising or something in a different segment of the business world?

Anders Jones:

Yeah, I think the business opportunity was really clear. So that was obviously a big draw. I think, after spending the first part of my career in the ad tech world, you start to... Or I started to think about doing something more meaningful from a career standpoint. I'm thinking about what's the service that we can



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create that actually helps people. And I'm very passionate about the idea that having a good financial life or having your financial life in good order actually helps you live a much better life in general. Financial planning and financial wellness is as essential of a service as physical health or as medical care. And I think there's a lot of studies that are continuing to back that up with empirical data. And I think that by and large, most advisors get into the market for that reason, it's really a great way to help people.

Anders Jones:

And then I also have a personal connection to the industry. My mother worked at Fidelity for a very long time for most of her career and really helped build their retirement business. And so there's a little bit of a legacy play here too, where I'm kind of joining the family business. And one of the things that she always says she's most proud of in her career is she helped millions of Americans save for retirement. And I view Facet's approach as the next iteration of that, which is helping millions of Americans live a better financial life and by extension a better life in general now.

Louis Diamond:

Amazing. You just answered my next question, which was about the why for Facet Wealth. So let's pivot then to what's the value proposition? You've mentioned a little bit of the problem that Facet's looking to solve, but if you were pitching this to a potential new employee or to a client, what would that sound like?

Anders Jones:

Yeah, I think at the highest level we're rebuilding financial planning, the way that it should be. And this goes back to, again, the industry outsider approach where we looked at everything from a purely first principle standpoint and we said, okay, what is the value that's being pitched to clients today? And does that actually match up with what they're getting or the kind of value that they actually need? And the answer by and large was no. So with that as the wrapper, what do we do? Well, we exist for people who have too much nuance and complexity in their financial life for a purely digital DIY solution, like a robo-advisor or a website to really be meaningful and help them. But at the same time, don't have the asset level to be interesting to a traditional advisor. So I mentioned the 8 million households that there was surface by the DOL rule pushback.

Anders Jones:

There's actually about 38 million households out there that fall into this category. And they're not, it's something that they don't have assets. Something that they don't have money. They represent about \$44 trillion of assets, but they're primarily tied up in either a residential real estate or in some retirement account. Two things that most advisors can charge fees on. So they're largely overlooked. So



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for us, our pitch to them is, first of all, we're going to look at every aspect of your financial life. So, sure, we'll talk about retirement and asset management, which seemed to be the two primary value props that most of the industry is. But really we want to dig into every aspect of your financial life. Our tagline is every decision is a financial decision. So we help people think about starting families. We help people think about changing jobs. We have clients that we help save for a two week beach vacation.

Anders Jones:

It's everything that your life touches and our view is that we can help you make better decisions around all of this. The next piece is you work with a dedicated CFP. So you're working with the highest certification in the industry. You're working with a dedicated person, it's not a call center and you're building a relationship with someone over time.

Anders Jones:

And then lastly, and I think this is a super important one, and we could probably spend the whole podcast talking about this, but we charge a flat annual fee. So the way that we charge is not at all tied to how much money you have, it is purely designed to be reflective of the services that we're providing to you. And I'm very, very passionate about this idea of you have to align incentives so that we can be in a completely unconflicted and really trusted resource to help guide our clients through their financial life decisions, as opposed to have some weird incentive on the backend that creates a conflict of interest. So those are the core pillars of what we do. And we found that really resonates with clients.

Louis Diamond:

And how is it that you can deliver services to a lower end and presumably less profitable segment of the market and still turn a profit yourself?

Anders Jones:

So let me take a step back and say that we are, I guess, technically an RIA and that we are regulated by the SEC as such, but at our core, we're a technology company. And when we started Facet, we said, we see an opportunity to build a proprietary tech platform that basically makes our advisors way more efficient. So the average advisor today works with 75 clients, ours work with 250. And the way that we do that is the average advisor today is spending that three hours of prep and wrap-up time for every hour of client facing time. I think if you talk to any independent that you have worked with that they would say that much of that prep and wrap up is very low value add, they're going into a bunch of different systems. They're pulling a bunch of data together and it's not like true financial planning. It's just like the administrative stuff.

Anders Jones:



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So the good is technology is very well equipped to automate all of that away. And that's what we've done. So our advisors spend a lot less time focused on prep and wrap up and really maximize the client facing time. So we've driven incredible efficiencies from a cost standpoint, and we're able to pass the cost savings onto, under our clients. So to give you context, our average client pays us about \$2,600 a year. I think if you were to go to a traditional firm and they'd probably be looking at closer to \$6000 or \$7,000 a year, if that advisor would even work with them.

Louis Diamond:

Yeah, it's really interesting. You're really democratizing financial advice. And I love the mission that regardless of how much investible you have, that if you are willing to pay something for it, you can get access to a highly credentialed CFP and a digitally enabled. So what do you describe the investment approach? Is it a robot type offering or do you have a group of portfolio managers that are picking individual securities or funds for clients?

Anders Jones:

As a starting point and one thing to know, so we only manage money for 50% of our clients. So I think this is another thing that really differentiates us is that you don't have to manage money with us in order to work with us. In fact, we work with a lot of clients who are actually negative net worth, or they might have a huge student loan debts.

Anders Jones:

Like a young lawyer is a perfect example of someone who they don't really have any assets saved. They have a lot of student loans, they're making a good salary so they can pay our fee, but then they definitely need financial help, but they're shut out from existing options. So that's just, I think an important nuance of our business. In terms of what we put our clients in it's very simple. It's we have seven model portfolios, they're all low cost ETFs focus on globally, diversified, passive, low cost index funds. And our view is that for the vast majority of our clients, that's what they need. We have never said, we're going to try and add alpha based on our investment choices or nor should you expect us to. And if anyone's pitching you on that, you should probably run the other way.

Louis Diamond:

Yeah, that makes good sense. And where's Facet now as far as number of employees, number of CFPs, advisers, AUM, any metric that might paint a picture for the audience as to the scale of Facet?

Anders Jones:

Yeah. So we are about 300 employees total right now. I want to say we're about 130 of them are CFPs. So I think by any measure, we're one of the larger CFP teams in the country. In terms of AUM I actually



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couldn't really tell you, I think we're somewhere between seven and 800 million. It's not a meaningful metric for us. It's not how we measure success. We think about our number of clients we have and then our annual recurring revenue. And so we're just shy of 10,000 clients at this point. And that's grown, I think we started 2020 with that 1500 clients and we quadrupled last year and we're on track to triple again this year. So from a growth standpoint, we're really kind of blown the bar doors off. I think our offering more than most during the pandemic really resonated with our clients and prospects.

Louis Diamond:

The clients that you're bringing on to the firm are they clients that you're taking away from other wealth managers, say more of like the traditional full-service firms or is it mostly DIY wires or just people who for the first time are coming into some wealth?

Anders Jones:

It's mostly first-timers. So 75% of our clients have never worked with a financial advisor or in financial services before. And so going back to our original thesis of there's a huge market out here that needs help with very few good options, that's who we're servicing and we're seeing it empirically through the clients and prospects that we're getting.

Louis Diamond:

Definitely. I want to make a brief pivot to some of what I think are the more unique aspects of your business model. And you've highlighted some of them first, the idea of working with smaller clients. And then the second component is the subscription fee. So let's start with the types of clients you're working with, just reading the headlines. It seems like there is a race for traditional Wall Street institutions, be it Goldman or Morgan Stanley or B of a Merrill to go after this retail market. But I think it sounds like Facet was kind of there almost ahead of those organizations. And so as those types of firms bolster what they're doing on the retail side, does it concern you and how do you think you're going to differentiate versus those institutions going forward?

Anders Jones:

I think the two points you want to cover are very interlinked in that as far as I can tell any of the major firms that are going after the mass affluent market or overlapping a bit with our client base, they're still very much asset-based models. And so again, you go back to at least half of our client base would not be able to work with those firms. And the industry is really kind of got itself in a bit of a pickle because the asset-base model is so lucrative and it allows advisors to charge these extraordinary economic rents and consumers don't really understand how they're paying or what they're paying for.

Anders Jones:



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And in order to change it to a more consumer centric model, which would also open up a bigger market, you'd have to cannibalize the existing set of industry revenue streams. And from everything I can tell, having been part of this industry for the last six years, it doesn't seem like there's appetite to do that. And even if you look at some of the newer millennium or gen Z focused offerings that are out there from some of the larger incumbents, nothing is really changing other than just like a slick website and different marketing messaging, but the fundamental economics underlying everything and the fundamental business model are changing. So I guess that's a long-winded way of saying I'm not too worried about it.

Louis Diamond:

Right. And I would also add, it's not just asset-based, but also probably more product focused, whether it's cross selling, banking products, or securities back loans. And just to be clear, Facet doesn't do any sort of its own asset custody or product manufacturing. And assets I would assume are custodied with a combination of Schwab, Fidelity, Pershing, et cetera.

Anders Jones:

Yeah. Schwab, Fidelity and Apex are our three. Yeah, we don't do any product sales. The one asterisk on that is that we do view a great customer experience as helping clients implement aspects of their financial plan. For example, trust and estate is a big one where a lot of advisors say, hey, you need an estate plan.

Anders Jones:

And then it's kind of on you to go off and find an estate attorney and put all that into place, and then they charge a few thousand dollars and that's sad. We will facilitate that, we actually have a whole group of folks that do these sort of, we call them ancillary services so you can pay us more money and we will go and do your estate plan for you. I view that as a value added service, not as a product sale. And again, you're paying for a service that you know exactly what you're paying for exactly what you're getting. We do help our clients with insurance needs from time to time. And that's one that's really interesting because it's actually illegal to not take a commission. And so when that happens, what we do is we turn around and donate those commissions to financial literacy programs. So to the extent that there's any money changing hands as part the implementation services we are very upfront about that and we give it away.

Louis Diamond:

That's one of cooler things I've ever heard. Great answer. And I recall, I think the first time you and I had met was under the pretense of Facet was looking to purchase the, say bottom half, the bottom quarter,



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the bottom 10th of an advisor's book of business. I don't know if that strategy is still in force, but I thought it was fascinating. Can you elaborate on how that worked?

Anders Jones:

It looks great on paper, in reality it was much harder to execute. So the thesis was going back to the origin story around the DOL rule and 8 million households losing their advisor relationship. When we first got going, we said, well, okay, there's pretty clearly 8 million clients that advisors actually probably don't really want to service. So we should just go and figure out how we "buy those clients." And we walked into the market. And if you look again from an outsider standpoint, it's a lot of the headlines, and I'm sure you read the fake of all this in your day to day, but it seems to the layman like there's a very active MNA market in the advisor space, which is true. And so we thought, okay, we can go into a very liquid market and basically help facilitate transactions, someone, advisors are selling their practice.

Anders Jones:

And the buyer probably only wants the high net worth the million dollar plus clients. And we can carve out the other set of clients in transition mode, Facet felt like a win-win. The thing that we didn't really realize is that some of these transactions take five years to scope and for the advisors get comfortable with it and that sort of thing. Instead of have a startup come in and late stage in the deal and say, hey, we want to buy 200 year clients. That didn't really work in practice.

Anders Jones:

So I still in the back of my mind think that there's an opportunity there at some point and probably as the market consolidates more and more, and it might continue to be an opportunity there. But the flip side of all of that is that we started seeing just really strong organic growth in our own business and literally just people coming to our website and signing up. And so for us, we said, okay, there's a very clear signal here that we should double down on this, on our own demand gen channel, as opposed to trying to do inorganic growth. So we tried it for a couple of years, and then we put that one to bed.

Louis Diamond:

I thought it was very unique, but as any business person can attest to just because it's a good idea, it doesn't mean it's a good idea in practice. Clearly everything else you're doing has been working quite well. So I've read about Facet for a while, but I think most of the press has been around all the capital that's been raised. Most recently I believe you raised approximately \$60 million from private equity titan Warburg Pincus. Can you talk a little bit about that and just your viewpoint on taking capital. And I'm curious too, because you come from the Silicon Valley mindset of probably more venture capital rather than some of the later stage private equity that we see chasing the RIA market today?



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Anders Jones:

Yeah, for sure. So I think more than anything else, the fact that we've raised so much money and we will raise more money. That's really an indication of the company that we're trying to build. So this is not a lifestyle RIA. I mean, we're trying to build a significant meaningful generational business. We've talked about internally as the next great financial services company. We think about who's the last real standalone "startup" that achieved that status is probably Fidelity. And so there's a Fidelity size opportunity out there to build a company focused on this market with this need. And that's really what we're gunning for. And if we didn't see that enormous opportunity ahead of us, we wouldn't have raised that much money. That's where we are in the philosophy behind why we're building the company the way that they are. In terms of going with Warburg instead of traditional venture capital, that's definitely was a non-obvious choice for us.

Anders Jones:

And we'd raised like a \$4 million seed round. And that was from more traditional valley seed investors, a slow ventures, which is they've been in some really awesome technology companies over the last few years. They've led our seed round and we weren't really in fundraising mode. We were probably nine or so months away from raising a series A and got introduced to Warburg through a bank, through Silicon Valley bank and had a conversation with the team over there. And they basically said, look, we have this checklist of what we think the future of wealth management for the mass affluent market is going to be. And they have a pretty informed view on that, they were first money into the mutual fund store and then that rolled into financial engines. And then they just took a position in the new Edelman engines combo.

Anders Jones:

So they have a long history of investing in that very specific part of the market. And they said, look, we have 10 items on this checklist and you guys hit 10 out of 10. So it's a bit of an unnatural investment for us because you're so early stage. I think at that point we had like \$200,000 of revenue, but we would really like to lean in and see if we can be partners. And so that was in 2018 and we got a deal done. And then they subsequently did our series B as well. And they've been amazing partners. Couldn't ask for a better team to really help us in the growth phase that we've been in. And as we're gearing up to enter that hyperscale mode, right, because we're already in it having them as around the board table and having them as sounding boards has been really awesome.

Louis Diamond:

Yeah. It sounds that way. And a lot of advisors grapple with either in the face of a transition selling a portion of their practice, unlock liquidity, or at some point in their journey as a independent wealth manager taking chips off the table, or of course towards the end before retirement wanting to monetize



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the practice and monetizing one's life work. But the holdup is oftentimes feeling like you're selling your upside and capping your earning potential in the future. What would you say to folks like that? And how would you counsel my prospective advisor? Who's either thinking about private equity or an external investor, or maybe he's scared off by it for whatever?

Anders Jones:

Yeah, it's a good question. And I think it's important to just kind of underscored that like Facet is a different DNA than a traditional advisor. Like we started this company to build a massive brand with millions of clients and billions of dollars of revenues. So we're in a position where we have to go down the path that we're on, if we want to achieve that goal. But stepping back from that, I think that the real question that anyone who's thinking about taking outside capital has to ask is what's my end goal. The real reason to take outside capital is to either get liquidity and start phasing out in which case, yeah, you might be giving an upside, but money in the bank today is worth a lot. And especially in this market environment right now, which I know we've been saying for the last five years, the market has never been hotter, but at some point it will cool down.

Anders Jones:

Like it's definitely a seller's market. And so if you're thinking about taking chips off the table, then there's no better time now to do it. Or the other reason to take capital is to accelerate growth. And I think if that's the position that you're in, then you have to have a very clear understanding of how you're going to deploy that capital and how you're going to get a positive return on those dollars. Taking capital's always expensive, right? You're giving up ownership, you're getting diluted, and you have to make sure that you have a value creation machine, where for every dollar that you invest in growth, you're getting more than a dollar back over the long run. And so I think if you don't have a clear view of that, then I would say it's probably best to not take capital. But again, every situation is very unique in specific.

Louis Diamond:

It's really good advice. Yeah, I would agree the allure of the wealth management industry to external investors is its profitability and its scalability and the operating leverage. But I would agree with guys kind of took the opposite. It's we're going to build a huge company and then the revenue is going to follow and then we're going to build an even bigger company. And then we're going to pour gasoline on the fire and grow this even bigger. So it is a bit of a different playbook, but I completely agree with you. If you don't have a clear vision for what you're going to use the capital for and why an external investor is going to help you above and beyond just the check, because anyone can write a check, then you're probably better off just taking a bank loan or just riding it out and keeping full control of your company.

Anders Jones:



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Totally.

Louis Diamond:

I believe part of Facet's business is targeted at major employers. I guess, kind of debit the workplace wealth segment that some of the traditional wirehouses call it. Can you explain that segment of the business and what's the pitch at the employer level?

Anders Jones:

Yeah, I would call this a nascent part of our business is I start thinking out over the next couple of years. I get really excited about this market, but I wouldn't say that we have... I'd say we're playing around with a lot of different models here, but I don't know that we've landed on the one scalable offering or two or three scalable offerings that we're going to really invest in. But in general, I would say that financial wellness for employees is a huge focus point for companies right now. And there's been this evolution of the workplace providing a pension and sponsoring the 401(k) plan. And now there's the next iteration of that is around. Okay, how do we make sure that our employees actually have healthy financial lives? And I think that most solutions out there are fairly lacking.

Anders Jones:

I mean you can go on, there's the one company that's offering the sort of, here's your financial wellness score. You're a 64. It's like, okay, great. What do I do with that? So the tech first solutions, I don't know that they particularly get to the need of what both companies and employees are looking for. And at the same time, the traditional advisor model has worked really well for the C-suite, but it doesn't scale to the larger employee population. So I think that there's a huge opportunity there. And I think that the solution will look a lot like what we offer with our chassis of human based, full financial planning at a flat fee. How that plays out with what employers are looking for and how we interface with employers, I think we definitely some ideas there. I don't want to give anything away, but we're still working through what that looks like.

Louis Diamond:

It seems like a really interesting market because you get immediate distribution, access to tons and tons of employees. And if you're an employer and it's a race for talent right now, that seems like a really creative and innovative addition to benefit the program is we'll give you access to CFPs. It helps you, it helps your families, and it's a differentiator.

Anders Jones:

100%.



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Louis Diamond:

Amazing. So right now who do you say your main competitors are? Is it a robo-advisor type solution, like a Betterment or Wealthfront? Is it the retail network of Schwab and Fidelity? Is it a major wirehouse? Can it be like a local RIA or an independent or maybe all of the above?

Anders Jones:

Yeah, I would say, again, I'd point back to that stat of that 75% of our clients are brand new to financial services. So they're clearly not finding what they're looking for anywhere else. I think that being said, there are bits and pieces of our model that other folks are doing, but no one has kind of put it together in the same way that we have. So from a mass affluent focus, you could look at like Edelman engines, but they're way more expensive from a low cost standpoint you look at Vanguard, but they don't do real financial planning. From a subscription fee standpoint you can look at XYPN, but they've got a very different business model and they're focused on enabling independent individual advisors. So it's a little bit all over the place. Personal capital has done a nice job with the more tech enabled service and virtual advice piece.

Anders Jones:

So it's a little bit all over the place. I mean, the one thing I will say is that the nice thing about this market is that it's so fragmented and it's so big that the largest company by market share is Fidelity and they have 10% market share depending on how you count their assets. And so there's room for another Fidelity size company and there's still 80% of the market left after that. So I spend very little time thinking about competitors and competition more about how do we just deliver the best service we possibly can to our clients. That I think is how you win in the long run, not thinking too much about being responsive to competitive pressures.

Louis Diamond:

Right. And at the end of the day most advisors are doing something very similar than the person next to them. And it's mostly about the relationship, the brand you create and just executing. So that's a really interesting stat about the market share. So I don't want to talk about the pandemic. Everyone's very sick of hearing about quarantine and the work from home movement, but your entire workforce has been virtual since the inception of the company. And before recording, you mentioned that you're a bit of a COVID nomad yourself. Can you just walk us through your viewpoint on offices, on being in person, and maybe how it's changed or hasn't changed at all given the dynamics of the pandemic?

Anders Jones:

Yeah. So when we started the company, one of the core theses was this idea that talent is everywhere. So actually take a step back, after LiveRamp when I was doing early stage investing, I started investing



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outside of Silicon Valley. So I started looking at companies all over the country. Again, with this idea that talent is everywhere, innovation is everywhere. There are a lot of emerging tech hubs that aren't getting a huge amount of attention, but they have great startups and great ideas coming from them. And so that's actually what led me to Baltimore. I did three deals in Baltimore, invested in three companies there and then moved there in 2015 at the end of 2015, site on scene with the idea that we could create a fintech company there and really take a page out of our own playbook.

Anders Jones:

And so moved to Baltimore in 2015, recruited the founding team and really put the whole business plan together based on the talent that was available in Baltimore. And for the most part that ended up being a great thing for the company and there's great talent. There was a much lower cost structure. Our money went a lot farther and we were welcomed with open arms by the larger community there versus coming from San Francisco where there's like pitchforks in the streets for all the tech people. And so that was great. But at the same time, we also said, look, we don't want to be beholden to any one geography. And if you look at some of the headlines in industry now, like when Vanguard goes to open up a call center, they're very constrained with the local CFP labor force in whatever city they pick.

Anders Jones:

And so we had headquarters in Baltimore, but then about 60% of our team was distributed around the country. When the pandemic hit, we closed our office and there now we've been 100% distributed. At this point, we're in 42 different states from an employee standpoint. There isn't really any one center of gravity where it makes sense to open up headquarters again. I think we took a poll of our employees and said, what do you want to do? And the overwhelming majority was we want to do work from home forever and invest the money that we would spend in an office otherwise to occasional regional get and one big annual meeting once a year kind of thing. So that's where we're going. And I think that, I don't know, I have a hard time imagining at this point that a client wants to take time out of their workday and drive into their advisor's office and like deal with parking and sit in person when you can just hop on Zoom and do the exact same thing. So in general, I'm bearish on return to office for most professional services.

Louis Diamond:

Very interesting. And two follow-ups on that. So one is from a management standpoint, how do you keep the team connected and make sure your vision and your priorities are set across the organization when you don't have access to people in person?

Anders Jones:



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Yeah. I mean, again, this is another topic that we could do a whole separate podcast on, but being really intentional about recreating the positive elements of the office in a virtual environment. So first of all, the number one thing that holds a culture together is your mission. And I think if you asked any one of our 300 employees, everyone is very fired up about what we're doing and what our mission is. And so I think that that above all else is what keeps people really tune into the culture in the company. And we do a lot of things to reinforce that, we have a Slack channel called Dreams Made Possible where on a daily basis advisors are posting about goals that we helped our clients achieve. We have monthly calls that all hands calls, where we play call recordings and talk through specific client cases.

Anders Jones:

We do a lot of really cool surprise and delight stuff for our client. And they're very public about that internally when it happens. So that's a really key part. And then we have a whole team that's dedicated to creating virtual events, recreating the water cooler. And then we have a virtual water cooler, which is the persistent, a Google Hangout that people can drop into and kind of shoot the breeze. And then we have scheduled events around that where I'll drop in for half an hour here or there, and that sort of thing, and other executives as well. So we do a lot around that. And now that it seemed for a moment in time, we were going to be able to go back to in-person stuff, hopefully that won't get too disrupted, but we're starting to get smaller groups together in different cities around the country. Embarking on a cross country, whirlwind tour next week to go see folks in a bunch of different cities. And we'll keep reinforcing that more and more.

Louis Diamond:

Two more questions for you. These will be more forward-looking, the first one which I've been waiting to ask you is what's your prediction for this industry? If we had this conversation five years from now, or pick whatever point in time, what does the RIA channel look like? And do you think there's been a meaningful shift to more of the subscription based fee model that you all have adapted?

Anders Jones:

I think it has to, anyone in this industry believes in efficient markets, right? Or hopefully does. And if you just look at the way that the world is set up right now, clients are not getting value that's linked to the cost that they're paying. It's mismatched. And I talked about this a little bit earlier, but the entrenched interests are so deep that it's going to take a force to move this mountain of AUM based fees. But I think every single day consumer choice is increasing and transparency is increasing. And eventually you're just going to have a bunch of people wise up to what's going on in how advisors are charging and there's going to be a backlash against it. I don't know if that takes five years, it might take 10 years, but I think it will shift eventually. And I think when it happens, it will happen very quickly.

Anders Jones:



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There's that great quote in the sun also rises where one of the characters ask the other how did you go broke? And the response was gradually and then suddenly, and I think that we'll probably see a similar dynamic play out in the shift to how fees are charged. I also think there'll continue to be a lot of consolidation. I think that the current state of fragmentation in the market is unsustainable because I think that there's just too little differentiation between the services that are being provided. So I would be very long on consolidation and specialization as well.

Louis Diamond:

Very interesting. And last question for you, what's next for Facet? I'm curious to hear about your vision.

Anders Jones:

Yeah. I mean, we're very focused on growth right now, and I think we're at a point where we've kind of cracked the code on our service offering. We have very clear product market fit and we have a really strong customer acquisition engine. We're adding close to 200 new clients a week these days, and it's just more fuel on the fire for us.

Anders Jones:

There's a huge market opportunity for us. Like I said, there's about 38 million households and we're at 10,000. So that's priority number one. I think the other two would be continued focus on the employer market. I think you'll see more from us there in the coming quarters. And then also thinking about how do we take what we've learned from working with a client for \$2,600 a year and condense that down to more kind of bite sized chunks that we can make available to someone for \$250 a year. Because even though there's a big target market of 38 million households out there for our current offering, there's an even bigger market out there of folks who need help in bite size, bits and pieces. And we know enough now about what works and what doesn't, then we can really leverage that knowledge to help even more people.

Louis Diamond:

Yeah, really incredible. This episode it's so different than really any other one that we've done, just because of the way you're building the company. One of my main takeaways from this aside from just your viewpoints are fascinating, but it's what's possible when you have complete autonomy and independence, when you're not constrained to how you charge, how much you charge, what types of clients to work with, what your technology is. Obviously, it takes a lot and a lot of money to become the next Facet, but being able to imagine a future that's way different than what you have now, I think is a pretty cool thought exercise. So thank you so much Anders for joining us, sharing your wisdom, and giving us a look into your journey thus far.



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Anders Jones:

Yeah, thanks for having me. This was a fun conversation.

Mindy Diamond:

The future is wide open for firms like Facet that think with autonomy, that see a need and build around solving it, rather than trying to rebuild from an existing chassis. It will be exciting to see the next chapter in Facets lifecycle, so stay tuned.

Mindy Diamond:

I thank you for listening and I encourage you to visit our website diamond-consultants.com and click on the tools and resources link for valuable content. You'll also find a link to subscribe for regular updates to the series. And if you're not a recipient of our weekly email perspectives for advisors, click on the article's 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.

Mindy Diamond:

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 keep in mind that our services are available without cost to the advisor, please see our website for more information.

Mindy Diamond:

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