Zero to $1B: How a Lincoln Financial Ensemble Found a New Independent Path with SagePoint

A conversation with Louis Diamond and Shane Morrow, Managing Partner and CEO of IronBridge Wealth Counsel.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is Zero to a Billion Dollars: How a Lincoln Financial Ensemble Found a New Independent Path With SagePoint. It's a conversation with Shane Morrow, Managing Partner and CEO of IronBridge Wealth Council. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

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There's something to be said about the power of mindset. That is, it can literally make or break you. I'm struck by how many successful advisors and leaders who are guests on this show share how they're motivated by mindset, and certainly Shane Morrow is a perfect example. Coming from the institutional world, Shane started out in the financial planning business at Lincoln Financial with zero, no clients, no assets under management. That was in 2016.

Today, Shane's the CEO and Managing Partner of billion dollar independent firm, IronBridge Wealth Council. So how did Shane achieve such amazing success in such a short amount of time? In speaking with him, Shane credits having an optimistic attitude and a growth mindset with an eye on the long term, as well as teaming up with the right group of experienced partners. An ensemble practice with offices across the country, the core teams started together in 2004 and are motivated by filling gaps that they saw in the financial services industry.

With that in mind, their vision was to serve as advocates for their clients, what they called champions of their financial wellbeing. Yet it was a vision they were unable to fully realize while at insurance-based independent broker dealer, Lincoln Financial, and that's what propelled them into exploration. It was a process that resulted in the team, which was managing some $800 million at the time to move their independent firm IronBridge Wealth Council to SagePoint Financial, an independent broker dealer under the Advisor Group umbrella of firms.

That was in June of 2022, and IronBridge kicked off 2023 with over $1 billion in assets under management. Sure, you're likely saying that mindset alone can't power that kind of growth, and no doubt you're right, but it does power the vision and the execution path that one takes to achieve their goals. And that's what Shane talks about in this conversation with my partner Louis Diamond.

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Shane shares how he turned his own career path around from law enforcement to protecting the wellbeing of his client's financial lives. He then takes us through his own process of entering the world of financial advice without a book of business and what he feels were the most significant steps toward growth. He discusses what prompted the team to consider leaving Lincoln Financial as one of the most significant groups within the firm, conducting due diligence and what they learned through that process and why they opted to stay in the independent broker dealer model with SagePoint.

He talks about building an ensemble practice focused on recruiting like-minded advisors and why he's excited to create a place where other advisors can grow and thrive. Shane is a young, ambitious and future focused guy, driven by optimistic energy, and he has actionable advice to share so let's get to it.

Louis Diamond:

Shane, thanks for joining us today.

Shane Morrow:

Thank you so much for having me. I'm excited.

Louis Diamond:

Very good. Why don't we kick off and tell us about yourself and why you became an advisor in the first place?

Shane Morrow:

Yeah, let's start at square one. So I went to Amherst College as an economics major and grew up in a law enforcement household and had a dichotomy of do I go into law enforcement or do I go into finance? And the easy answer was finance because I applied to the CIA and didn't get selected. So went into finance and took a job right out of college in South Florida at a customized tamp per se. We did investment consulting and advisory for independent and high-end advisors throughout the country.

Louis Diamond:

So doesn't anyone who joins the CIA have to say that they're not in the CIA?

Shane Morrow:

If you're in the CIA. I can say I applied and didn't get hired, so I think that's okay.

Louis Diamond:

All right. We'll keep an eye on you.

Shane Morrow:

If I get a knock on my door, I may think otherwise, but.

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Louis Diamond:

Why'd you join Lincoln Financial initially? That was the first, I guess, major firm that you had a long stint at. Why Lincoln?

Shane Morrow:

Yeah, that was the first firm on the advisory side. So the first 10 years of my career, I was on the investment consulting side and our clients were New York Life, Lincoln Financial, MetLife, a number of the independent broker dealers, and really I got to see the industry from the bird seat per se, and work with a lot of these top financial advisors throughout the country. So I was very fortunate on the first 9 or 10 years of my career.

After that, I spent two years in New York City at Eagle Strategies, which is the RIA of New York Life and helped them roll out Envestnet and worked as a portfolio specialist with some of their advisors. I did a quick stint on the institutional fixed income side with a firm here in Austin working with the pensions and endowments and large liability driven investment needs.

And then when I went out the entrepreneur route to kind of set out the shingle, in essence in the advisory world, I landed at Lincoln for a multitude of reasons. One, I realized going from an institutional or in a role where you didn't have a clientele, I needed to have the scale and resources to grow quickly. And also I wanted to go and partner and launch in a more on an ensemble fashion to begin with. And I knew a lot of the high end and Lincoln advisors, I'd worked with them and their clients, and it seemed like a very natural fit because their technology stack was very similar to what I knew, which was eMoney and Envestnet.

So there's a lot of intersecting Venn diagrams per se, of why Lincoln. It was really the need to launch without starting at square one and having the resources there. It was two, having that network of advisors that I could do joint work with right away and scale very effectively and very efficiently from day one.

Louis Diamond:

So you really started at zero assets.

Shane Morrow:

Zero assets.

Louis Diamond:

Wow.

Shane Morrow:

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No assets, no clients. Left a institutional job making a pretty good salary and bonus and with a lot of smart people to take the entrepreneurial leap. Choice is, do you go out there and start your own RIA and put out your shingle, which is easy enough to do and hire outside consulting firm like RIA in a Box or whatever it may be for compliance? But I kind of made the strategic decision that to do really good work for my clients who I was going to start working with or wanted to work with, I needed to provide the resources, more robust resources to deliver on that. It made the most sense initially from a business standpoint, from an advisory standpoint to plug into a partner. And then more importantly, because I knew a lot of the top end advisors, it gave me a leverage point to start the ensemble concept.

Louis Diamond:

Interesting. So in joining Lincoln, you partnered with other advisors, I think almost immediately-

Shane Morrow:

Immediately, yeah.

Louis Diamond:

Built what we call an ensemble. What was the main reasons to partner with other advisors rather than just trying to figure it out on your own?

Shane Morrow:

Yeah, it's we wanted to do great work and we also have to be honest with ourselves to say, "Can I do great work with a multitude of clients? Can I wear all these different hats and do it in a way that is deserving of what the client should receive?" So the decision was twofold. From a business standpoint, I could leverage my expertise on the investment management side and running a business to help them improve their practices in essence, give them more bandwidth to do great work with their client markets. So there was a revenue stream there from in essence a partnership standpoint that allowed them to do great work and more focused in their specialty.

And then also realized that when we come across a multitude of clients, if you're not the best expert for that particular client niche or that technical expertise needed, you should probably find a partner that can deliver on that. So it was a decision from day one to say, "We want to have a best-in-breed ensemble practice and advisory delivery," the end product per se. We wanted to have best in breed. So how do you do that? You can try to learn as much as the top estate planning advisor in six months, but if we're being honest with ourselves, it's much easier and much better answer to partner with those people and scale in a more ensemble fashion.

Louis Diamond:

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And you're using the word ensemble, I know that's a major part of IronBridge's strategy today. So just to take any confusion out, can you just explain what you mean by ensemble practice?

Shane Morrow:

Yeah, that's a great point because it's becoming more of a used term, and frankly, I find people use it in varied fashions and mean different things by it. So what do we mean by ensemble? We look at it as more of a law firm or say accounting firm model where we have multiple offices, multiple client profiles and multiple technical expertise.

So our job from a firm standpoint at advisor level is to really refine and drive deeper into a specific client marketplace, client profile where there's an affinity group, whether it's a profession, whether it's a certain company, whether it's a ... whatever it may be, maybe it's a specific niche location or a certain client need. And then have a firm that has a similar P&L from a staffing and scaling standpoint, but has partners and advisors that have different client expertise and technical expertise.

So that when I meet a client that has a specific need in a client profile of one of my colleague advisors, I can pull them in and say, "You know what? You're a great fit. It's not for me, but for my partner Tom here who has an expertise working with people just like yourself." So we look at it from a business standpoint, running a single P&L for overhead, for employee, for benefits. So there's a single P&L from that standpoint. Advisors have specific client niches and technical expertise from an advisor standpoint, but we have an overarching executive leadership and direction of the firm. So there's not separate silos from a cultural standpoint within IronBridge.

Louis Diamond:

Got it. So in simple terms, it's a team-based approach where instead of I have my brand, I'm doing my thing and might share compliance or share technology, it's much more bringing in the best and the brightest expertise across a firm to deliver a better outcome for clients.

Shane Morrow:

Correct. Our clients are hiring IronBridge to deliver advisory services. They're not hiring Shane or Jim or David or Mindy, et cetera.

Louis Diamond:

Interesting. Makes sense to me. Can you describe IronBridge today in terms of the team size and assets and any other metrics that might give our listeners a bit better perspective of what you built?

Shane Morrow:

Sure. So as we stand today, we have 32 people, total headcount, 5 partners, 14 advisors, and the remainder are technical and administrative staff. We've grown over the last year pretty significantly,

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almost doubling in size in terms of total headcount. And call it AUM/AUA is just about $1 billion of assets under management. The vast majority of that is managed on a discretionary basis through Envestnet. And we have a full comprehensive type focus to the practice between heavy emphasis on financial planning for almost all of our clients, investment management and a deep expertise on the risk management side as well.

Louis Diamond:

Very interesting. And congratulations. Over $1 billion, and I know you guys did a transition recently, so congrats on what you built.

Shane Morrow:

Yes, that was a fun one.

Louis Diamond:

So you're a young guy and certainly very young in your advisor career, saying you started at zero in 2016. So I'm curious, what's been your strategy for growth? How did you get from zero to where you are today?

Shane Morrow:

Yeah, there's a great book I read early in my career called Blue Ocean Strategy, and I've always kind of looked at that as a little bit of a guiding star in terms of strategy. How do you go from zero in 2016 to $1 billion of AUM today? A lot of it is not competing, so the essence of Blue Ocean Strategy is there's red oceans where everyone's competing with themselves, cutting themselves up, competing on commoditization of price or product or whatever it may be. We've always wanted to kind of swim in that blue ocean, which is a differentiated business model.

I wouldn't say we're reinventing the financial advisory space, but we want to think about it differently. And I think that innovation and that focus on progressive evolution of what an advisory firm is and the mission behind what we're driving, that vision statement is part of the success of the firm.

I think the industry is starved for culture to a certain degree. It's an overused term. I think it's an under-delivered value prop. And I think the success has really come from the realization that the firm is more important than the individual. It's from the realization that individually we can be successful, but together we can really scale and deliver a massive amount of value in a short period of time. I would attest that to the vision of the partners and the advisors that really have had a growth mindset as opposed to a fixed mindset, meaning your success is not my failure and your success should be our success. And I think that mindset has allowed us to not just ... the classic one plus one equals four analogy.

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Louis Diamond:

Interesting. I like it very much. Let's talk about your time at Lincoln. What were the best parts of being affiliated with Lincoln Financial for all those years? And maybe also just for perspective, if you can just briefly sum up who Lincoln Financial is. 'Cause I know they have different lines of business. So the Lincoln that you were a part of, if you can explain what that looked like and then what did you benefit from by being on the platform?

Shane Morrow:

Yeah, so Lincoln is an insurance broker dealer. They're an independent insurance broker dealer. They have obviously a distribution arm for their insurance products, which they do a great job on. And then they have two different broker dealers, LFS, Lincoln Financial Services and LFA, Lincoln Financial Advisors. We were affiliated with LFA. What I liked about it is I knew those advisors for 15, 16 years from my prior career, and I thought they did some of the best financial planning in the industry and a culture that was really emphasized financial planning first.

If you go back, even wind the clock back, a lot of them were Cigna advisors and Cigna merged into Lincoln. And the culture from Cigna to Lincoln was what attracted me. And I think that was a very large value prop, which was, it wasn't necessarily about product, it was about culture and putting the client first. That resonated with me, and I had the nice perspective to seeing advisors from wirehouses to independent broker dealers to independent RIAs. I always thought that focus on financial planning and really being craftsmen of the planning process was great and appealing for me at the time.

The other part of it was, even though they're affiliated with ... it's an insurance broker dealer, there was no production requirements. So that allowed me for someone, as you mentioned, going from zero, it allowed me to scale without having to be beholden to any corporate mandates or product requirements or anything like that to really build our little part of the world, our ensemble, in the way we wanted to without influence.

Louis Diamond:

So a couple follow up questions. So you mentioned that Lincoln as a whole was excellent with financial planning. The advisors really benefited from more as well. How specifically did Lincoln enable your planning process or provide additional resources for your financial planning?

Shane Morrow:

Well, I think there's a lot of intellectual capital there. They had a lot of good resources for IP, meaning state planning experts, tax planning experts, general financial planning experts. So I think that culture was very helpful and formative for many advisors to really provide the resources because there's a lot to

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do in a day-to-day of advisors world and staying up on tax code and estate planning strategies and all that fun stuff is difficult to wear a lot of hats.

So I think Lincoln did a good job of providing those resources and they did have a planning department that really helped advisors, especially as they started out. Craft, what does it mean to actually deliver financial planning? What does financial planning mean? I think it's the industry has a much, in my candid opinion, a very watered down expectation or deliverable of what financial planning is. And usually it's, "Hey, I put some numbers into a machine, I spit out this a hundred-page report and look at me, I'm actually doing financial planning.

And really, we look at financial planning as a verb and not necessarily as a noun of something you deliver. It's an experience, it's a process, it's never ending in terms of how we look at financial planning. So Lincoln I think provided that not just a culture of excellence on the planning side, but there's some nice resources from an intellectual capital standpoint.

Louis Diamond:

Interesting. Oftentimes we hear insurance broker dealer, you already addressed this, but you think about proprietary products and requirements to sell certain products and to be more of a life insurance salesman rather than a financial advisor. What was the good and the bad of being affiliated with an insurance based broker dealer? What did you gain from that and then what were some of the downsides?

Shane Morrow:

It's a great question because I think oftentimes in the RIA space or the planning world, insurance has a very almost pejorative term. It has a place. Just like investments have a place, everything has a place and it's really driven by the client need. So I think getting a more intimate understanding of risk management products and where they fit, where they don't fit, the nuance of them is helpful just as is on the investment side or the tax planning side, et cetera.

So I think the benefit there is you do have a risk mindset as a firm, which is most insurance companies are not known for taking wild, speculative risk. So you're typically in a more conservatively minded culture, which I think is a good thing, all things being equal. I think that is a benefit. Additionally, as you mentioned, without product requirements, you can kind of absorb it and apply it where it fits.

I know obviously some other insurance BDs, I worked for one at one point in New York Life, and I was a part of Eagle, not as an advisor, but on the home office side. So I did see more of where there are core requirements and as you mentioned, production requirements and things like that. So I would give ... it was nice not to have those.

I think your follow-up question was the downside of that. Sometimes the investment management side, especially when it's a publicly traded company and you can read 10Ks and read earnings reports and what gets reported on is insurance, annuities and retirement plans. So I think the downside is sometimes the broker dealer or the investment management side cannot always take as much of a precedent, especially in this quickly evolving world from a technology standpoint. And just from a scope of what the advisory side looks like.

Louis Diamond:

That is a common refrain we hear, that their attention's split or their investment's split, so the wealth management side isn't as emphasized. Can you just maybe unpack that a little bit more? How in practice did the fact that they're focused on insurance and annuities, et cetera, but maybe less so on wealth management, how did that impact your business?

Shane Morrow:

That's difficult to specifically answer because a lot of these decisions are made in corporate boards and in meetings that really don't get socialized specifically. But I would just say in any firm, right, there's a limited resources, everyone has limited, finite resources. I don't care if it's Merrill Lynch or Morgan Stanley or Lincoln Financial or LPL or Advisor Group. And so it's a matter of where do you prioritize those resources and where's the profit margin's driven by?

And ultimately how does it impact it? I think to a certain degree sometimes ... and this is me extrapolating, so take it for a grain of salt, but if I'm making capital investments in my firm, let's just look at our firm as a case example. If I'm making capital investments in IronBridge, I'm looking at where our profit margins, where our margins are, where our earnings are coming from, where profit margins are, where the core competency of the firm is, and that's where I'm going to apply a vast amount of resources in terms of the technology buildout, the deliverables, prioritization, et cetera.

So while I can't say this specifically, again because I'm not a part of those corporate decisions, but my guess is if we're looking to spend a dollar, a little prioritization of where that dollar is spent is on where your earnings are being driven from, which is true from any firm. Follow the money, if you look at where earnings are derived from, you would assume that's where the prioritization would be placed from a growth standpoint.

Louis Diamond:

Yeah, that makes good sense. So you mentioned some really good things about being on the Lincoln platform, the risk mindset, the planning culture. When did things start to change in your view? And what was your initial motivators for considering looking around?

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Yeah, I think just like in any relationship, people grow. I don't care if it's a personal relationship with friends or a partner or child, relationships grow and evolve. And I think our growth was an evolution. I think what started to try to change, and it's not saying they changed or anything, it's just we've changed at who we are as a firm from me affiliating from day one at zero to more siloed advisors to slowly basically cobbling together and growing our ensemble to more and more scale within that ensemble.

And I think part of the also stress points where we are geographically diverse, meaning we have offices in Phoenix, New Mexico, Texas, Florida, Connecticut, Illinois, Pennsylvania, New York City now, Virginia and Maryland, and that's as of today. Now, I think that type of growth and that and the way we've done it, not just in one geographic location was a friction point for let's to say some traditional firms in terms of their internal management models or distribution models, et cetera. So once we started to cross the threshold and start to see the flywheel spin on our ensemble growth, I think we started to hit a little bit of friction points in terms of the direction of IronBridge and kind of structure within Lincoln.

Louis Diamond:

That makes sense. So I guess you kind of had a governor on your growth, or each time you tried to do something different with the business, you started to feel like there was friction or even maybe a sense of incongruence between what you wanted to do and what the broker dealer or the platform would allow you to do.

Shane Morrow:

Yeah, and sometimes you have the incumbent legacy hindrance. I mean, you've built a firm and for 30 years, it's been working fine. The industry has evolved very quickly in the last, I would say, 5 to 10 years, not just from a product standpoint or advice standpoint, but from a business structure standpoint. And I think the world, let's call it solo or maybe a partner advisor to this leap to more of an ensemble practice mindset, I think is challenging for some firms that have been successful in providing advisory services for the last 30 years.

Louis Diamond:

We want to spend a lot of time talking about your due diligence process that culminated in you moving the group to SagePoint Financial, so changing group broker dealer in your platform. But before that, I'm curious, was there anything in hindsight that Lincoln could have done differently that would've retained you and would've maybe taken away the motivation to make a change?

Shane Morrow:

In hindsight, you can always go back and look at, "Well, if I did this and maybe we wouldn't have left." I would just say making a decision was not an easy one. Two of my partners were there for 20 plus years, so it was not a decision we took lightly. And there's a lot of friendships we had from an advisor standpoint, from home office standpoint. So that was a tough decision without a doubt.

I don't know, because I don't know if anything they would've done would've been in conflict with their business model. So we just came to the piece that our business model had evolved, and if we wanted to continue to evolve and push on our vision over the next 5 to 10 years of what we think we can become, it probably just was not a fit with their current business model. And that's okay. We just kind of grew apart and we accepted that and realized that we got to get to work on funding that partner who was a good fit for the next 10 years of our firm.

Louis Diamond:

Great segue. So in considering alternatives, what were your criteria or what were you looking for in a new broker dealer?

Shane Morrow:

Yeah, it was pretty ... I drove a lot of that, I would say initial diligence, and it was a fun let's call it year, year and a half process. I had some table stakes. In any change, we wanted to make it as little disruption to our client relationships as possible, and for our staff. We realized that our change was not running from something, it was running to something. So we wanted to see, as much as we liked some of our systems, we want to keep them in place. So we were looking for a similar broker dealer relationship. We wanted the same technology, we wanted independent ownership of our tech stack, and meaning that from Redtail, our CRM system to our financial planning software with eMoney, and partnered with a firm that provided scale on the more, let's just say institutional things like our investment platform and things like that.

So we were not looking to change our custodian relationship. We wanted to keep the same custodian, we wanted to keep the same financial planning software, same investment, but allow us the independence to be able to own that from the CRM and from the planning side. That narrowed down the list pretty significantly, given that criteria set.

Louis Diamond:

I would imagine. I could think of a handful of firms that have those inputs. How about beyond that? So I get that you wanted to be running towards something versus running away from something and you got your initial criteria that screened out a lot of people. What was the, I guess the main things you're looking for that would be enough of an improvement from Lincoln to have justified the big leap?

Shane Morrow:

Sure. So there's, let's say the qualitative side of that question, which is we wanted a partner that shared the same vision that we did for the long-term success of the ensemble practice, and shared and were willing to support our relatively ambitious growth aspirations for the next 5, 10 plus years and to continue to scale. And we wanted someone that looked at us as a partner and not necessarily an advisor as a part of their firm, or a distribution mechanism for their profit margin. So that's more of the qualitative side. I would say, we needed a partner that shared our vision and was willing to support that with resources, intellectual capital, et cetera.

The other part of it was there's a financial decision. No one wants to say it's about money or anything like that, but there is a financial decision because if we are looking to scale, it came down to profit margins, meaning if it financially made more sense for us and for our clients and we could pass on some of those savings to our clients, there's a mutually beneficial opportunity for a change there. And it drove profit margin where we could redirect that to staffing, we could hire more people, we could put more resources into coaching and training and community events at our own corporate events and things like that. So it was, I would say a dual decision or a dual factor of qualitatively the right partner, quantitatively, financially made sense where we could redirect that in an R&D fashion or redirect those additional margin into our company for our future growth.

Louis Diamond:

Very interesting. Did you ever consider starting your own RIA? Certainly you could have kept Fidelity as custodian, picked all your own technology and would've had probably a higher profit margin than you would by affiliating with the broker dealer. So was that option seriously considered and why didn't you go that route?

Shane Morrow:

We do have a hybrid. So we did start our own RIA, I just use it for some financial planning fees right now. So we do have an RIA set in a classic, you would call it a hybrid model. We do not use it for our investment management at this ... And to your point of that, why not? As you said, it's easy enough just to plug into IWS at Fidelity and off to the races and have a separate relationship with investment.

I really like investment for the platform side of the trading and investment management allowed us to scale very effectively, and I know how to use it pretty effectively. The separate part of that is compliance and oversight. It's an ever-changing world from a regulatory standpoint. As we grow and add additional advisors, going back to that ensemble mindset, I don't want to be experts in the new marketing rule, SEC Marketing Rule or whatever changes are making sure ADVs are up to par as we've continued to scale with advisors growing.

So we've looked at a partner saying, how do we focus our time, almost 100% of what we do best, which is financial planning and investment management and risk management and running a financial advisory firm, and how do we outsource or partner for some of those areas that we don't want to do? And especially as we continue to scale with additional advisors, how much of your time and effort is spent on doing operational or compliance aspects and not really driving that to those resources to the client experience?

Louis Diamond:

Makes sense. So it's knowing yourself, knowing what you wanted to handle, what you didn't. And with anything, there's trade-offs. But for you, you found SagePoint, which let's spend some time talking about, as the right partner. So can you describe who SagePoint is and what they offer you?

Shane Morrow:

Sure. SagePoint is a broker dealer out of Phoenix, Arizona. They're a part of Advisor Group. Advisor Group has now I believe eight broker dealers as they just recently purchased one out of Long Island. And getting to your prior question about diligence, kind of got narrowed down between Commonwealth and SagePoint at Advisor Group, and we knew some folks at SagePoint and other folks at different broker dealers at Advisor Group.

And part of it came down to culture. We did our home office due diligence visits and we kicked the tires down there. We met with the CEO, had a great experience. Some of the key management folks at Advisor Group came in as well and got to understand the vision and the outlook for Advisor Group as a whole. And specifically within SagePoint, it was about culture because there's numerous broker dealers as a part of Advisor Group, and for us, it was a culture fit that we really just felt like home.

Louis Diamond:

So now you've moved over in June of 2022, so it's a relatively fresh relationship, but so far, what is it that SagePoint's done differently than Lincoln that's helped you achieve your personal and professional goals?

Shane Morrow:

Yeah, I think first and foremost, they looked at us as a single entity as opposed to a group of 14 separate advisors. So I give them a lot of credit, and that was part of our criteria is that they looked at us as one entity with $1 billion AUM, 32 total people, 14 advisors and not 14 separate offices throughout the country that are tangentially connected. So that has ... definitely have delivered on that aspect of our wish list per se.

They've also put resources to help us grow. So they have an ensemble practice study group that is across all their broker dealers, which they included us in. I went up to a study group session in Dallas a few months ago. That's been great. They have internal resources for M&A or succession with their internal team, which has been very helpful just most recently with a situation we're working on right now. And I found them to be very helpful to say, "We're looking at you as an entity, how do we best support that growth? And you tell us within the resources we have, how we can best position them."

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Louis Diamond:

I like that. Very interesting. And the ownership of a broker dealer is oftentimes an important part of an advisor's decision-making. So what I mean by that is there's publicly traded broker dealers, Lincoln, LPL Financial, Raymond James, et cetera. There's privately held broker dealers, Commonwealth, Cambridge, et cetera, et cetera. And then private equity backed ones as well, which is a growing rank. That's the Advisor Group BD, SagePoint being one of them, Cetera Financial and many others. As you were going through your due diligence, did you have any thoughts about the ownership structure of a broker dealer and SagePoint being private equity backed?

Shane Morrow:

That was an explicit question I asked Greg Cornick when we did our due diligence trip in Phoenix a year and a half ago or so was explicitly that question to your point, Louis, because ultimately that drives some of the corporate decision-making. So I wanted to make sure in two years we're not going to see a massive amount of change from a cultural standpoint because of separate business decisions behind the scenes that we're not a part of.

At the end of the day, we did talk to ... or somewhat to LPL and the Ray Jays, and like you said, everyone's got some driving motivation behind them. If you're a publicly traded company, at the end of the day you're beholden to shareholders and short-term profitability. So we did the idea of private company. And in all reality, if you're going to scale, to a certain degree you need the resources to put money into technology, to put money into acquisition, to put money into training and resources. So it's par for the course a little bit if you want to continue to scale in a more and more consolidated world.

So yeah, we wanted to understand the relationship they had with their private equity backing the runway and the expectation of what that exit point is. We had some pretty, I'd say I would say more deep and they were very transparent with the conversations of internally with the vision of Advisory group as a whole. And for us, it's a business decision. Anywhere you're going to have a business risk, the issue is if you don't understand those risks.

So we are okay with it because ultimately you got to take business risks in some way. And for us, we felt after those intimate conversations, and I appreciate the transparency they provided, that it provided that private equity back and provided them the resources to continue to put money and resources into technology into a better client and advisor experience. And ultimately the future no one can know. And so who knows in 10 years? The world could be 180 degrees different and we'll deal with it at that point.

Louis Diamond:

Yeah, and I think one of the concerns some advisors have about a private equity backed broker dealer is that the private equity sponsors have a finite holding period before they need to find liquidity. So do you have concerns about that, of a new owner of some capacity and not really knowing who that is?

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Shane Morrow:

I have no idea the long-term internal discussions at Advisor Group. So this is my speculation with that as a caveat. My guess is given the size of Advisor Group, you would look at more of a IPO exit as opposed to being purchased by another private equity shop. And in that case, you kind of look at the LPLs and the Ray Jays as you mentioned, and you kind of get a little bit of the understanding of the playbook. And at some point we'll deal with that. From our firm's standpoint. Again, I would venture that it would be the probability of more on a public offering step as opposed to handed off to another or bought by another private equity firm.

Louis Diamond:

Understood. And look, like we said, there's not going to be a perfect ownership style. You can't control the future. All you can do is make the best possible decision for your business. And it seems like SagePoint is that right partner. They've helped you, they've met your criteria, and it's been a good move. So speaking of whether it was a good move or not, what was your experience with the transition? I know it's a lot of work, but what was it like and what percent of your business did you move over?

Shane Morrow:

Yeah, I'll start with the good numbers. Some of it's hard to quantify, but I would say 95% plus of the clients that we wanted and the relationships we wanted came over. And that other 5%, there were some extenuating circumstances, whether it's a guardianship, a product for one reason or another that couldn't transfer. So we have pretty good relationships with our clients and when we kind of conveyed the rationale and reasoning why and the benefit to them and the fact that we're having the same custodian, same technology platforms, same planning software, it was a back office change. They understood it's a business decision and ultimately it's going to benefit them as it will benefit us and the future of our firm. So I would say 95% plus of the clients that we wanted to transition did and the other 5%, there were some business extenuating circumstances of why it didn't or hasn't yet is a better way to put it.

But change is tough. To sugar coat any type of transition is I think doing clients and advisors a disservice. There's a business term called the Stockdale Paradox. There's an Admiral in Hanoi Hilton, and Jim Collins in his business books made it more popular, calling it the Stockdale Paradox. Meaning, you have to deal with the brunt reality of your situation, that this is going to be tough, but have the long-term optimism that you're going to get through it.

That's how we looked at it. We were not myopic or Pollyanna about the transition. It's not fun, especially on the scale of our size that we did transition with a number of accounts and advisors at the same time. But you get through it. And we have amazing staff. They did an amazing job, and I give them the yeoman's credit for all the logistics to make sure this was successful. But you got to prepare, you got to be realistic, and you got to understand that this is not fun, but the long-term optimism has to win out that it's going to be better for the long-term vision of the company.

Louis Diamond:

Well said. Yep. If you don't see the vision of how it's going to be that much better than staying put, you stay put because it is a disruption. I really liked what you said too about the messaging to clients was about consistency. It was like a move is a big deal for everyone, for clients and for the advisor, but it's certainly a bigger deal for the advisor. There's more work, more change, and you're just more in it.

Versus a client, they look at it as a disruption, they don't really see all the benefits. So I think stressing to them that there is consistency, we're still your team, your fees aren't going to go up. We're keeping X, Y, and Z. And to really minimize or downplay the transition as we're changing back offices, I like that. 'Cause I think it seems more digestible to a client.

Shane Morrow:

Yeah, and at the end of the day, their fees obviously case by case, but on average their fees did go down. That was part of the decision set. Is this in the best interest for our clients? And if that's not a yes, then you shouldn't change. So that was a unequivocal yes. And we just had to explain to them that it's not fun in that, but the long-term benefit is it's benefiting them as well financially.

Louis Diamond:

Excellent. So let's talk about IronBridge as a force in the market for recruiting like-minded advisors. What's the IronBridge value proposition as you're going out and trying to attract advisors to your firm?

Shane Morrow:

Yeah, it's an interesting one. It's something that we think deeply on and I'm sensitive because everyone, especially you look at their websites, everyone has the best of this and the great this. And so we have to really be introspective to say, "Where are we really different? Where is our value proposition and differentiation?" Because there's a lot of window dressing out there.

I would say really three things. If we're sitting down with the ... well, there's two aspects. There's, what is that ideal advisor that is a fit for us? And we can go into that, but once that we identified that, what are the value prop for that advisor? And I think there's three things.

The first is culture, and I think that's an overused term, but what I mean by that is we have a focus on innovation. We have a focus on collaboration. We have a focus on intellectual rigor and provided resources to make sure we're doing great financial advisory and financial planning work, not just checking a box. We have a focus on coaching and providing industry experts to help advisors within the firm grow and scale and mature and be successful. We have a growth mindset versus a fixed mindset, meaning your success is our success. We want to facilitate, we want to empower and augment the advisor in everywhere shape if possible because that drives the long term success of the firm.

And we have a multi-generational focus from a culture standpoint. We have, call it G1, which two of my partners are just turning 60. We have kind of G2, which is if you call it kind of G2, I guess it'd be folks in that 40 to 50 range. Two, myself and my other partner's 40. My other partner's 50. And then we have kind of our next generation. We just have brought in three new advisors who are under 30. Two are already CFPs, ones on the process of getting it. And we want to make sure we can cultivate that next generation.

So it's not just hitting on the industry buzz lines of multi-generation or culture, but it's actually delivering on that from a business structure standpoint and making sure our business model and vision is specifically driven towards that multi-generational impact on our colleagues, first, our clients and our community.

The second is advisor resources. So I came from the institutional investment world. I want to make sure that whether we outsource to a third party manager or fund strategist, whatever it may be, that we're running an institutional level advisory investment management process. I came from that world. I want to make sure in the advisory space that our clients are getting institutional type investment management, that our other advisors have the resources from an estate, tax planning, investment so that if they're going to survey client, they have the best resources possible from an industry and intellectual standpoint.

Finally is business efficiency. There's a lot of talk in terms of valuations and metric, but I find most advisors don't look at deep dive and even have the information on how you should run an advisory firm as a business owner. So there's the practical and technical side of, how do I be a good advisor? There's also, how do I be a good business owner as an advisor? And we want to make sure we're providing resources and efficiencies there so that they can improve their profit margins. They can continue to scale because we want to take someone that's looking for that next leg of growth in their own practice that wants to double their practice in the next three to five years. Someone who's hungry, that wants the culture of the ensemble and the resources, but just wants to do great work with their client but doesn't have the infrastructure to scale.

Louis Diamond:

Interesting. Two follow-ups on that. So when an advisor affiliates with IronBridge, are they selling their business or are they still independent and are they taking your brand? I'm trying to understand, what are they giving up?

Shane Morrow:

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So yes on brand. I find there's a lot of great firms out there. There's OSJ models, there's the tangential kind of plugins, run your own brand plug into resources model, and there's a lot of good firms out there. We're just not one of them. And we kind of got to know what we do well and stick in our lane, which is, it's the same brand. We're one firm, we're one P&L. So staff, if someone has a staff, we can run them through our staff, they get the benefits, the 401k, but advisors own their own book.

They're entrepreneurs. They want to run their client and handle their meetings a certain way, more power to them. We want to provide all the resources for best practices for them to improve and to get better and to be industry leaders in that space. But they don't sell their back practice if they don't want to.

Now, for folks that are looking to monetize or for succession, we have a process where they can go through and integrate and then have internal succession either through the classic sell and be gone, which I don't find as successful, but more so almost a sell and stay type model for advisors that are looking for the next 3 to 10 years to monetize and kind of fade out, kind of retire.

But we want to make sure the entrepreneur's mindset is retained. Advisors own their own clients. If we're not a fit and they want to go out and start their own firm, more power to them. That's their clients and we want to make sure we help them to do that. So yeah, that's how we've restructured IronBridge.

Louis Diamond:

Interesting. Yeah, so you have like the look and feel of being part of a firm instead of you just running on your own, but you still own your book. I like it. It kind of fits in between the couple different business models out there, the full on acquisition kind of roll up strategy and then the OSJ kind of loose confederation of advisors. You sit right in the middle.

Shane Morrow:

The Blue Ocean strategy is saying, "Okay, how do we do things a little differently? Where's the value proposition?" And we don't want to compete on payouts or X, Y, Z, so let's compete on culture, let's make it about the client, let's make it about helping advisors be the best advisor possible. And for the people that have a similar vision, then we're a great fit. And we like to say that we don't think there's other ... we're the best option if that profile is a fit. We're just not a fit for everyone.

Louis Diamond:

Excellent. A couple more questions for you. So now you're more than six months into the move, what's one thing you've seen as the biggest benefit of being on this new platform?

Shane Morrow:

Yeah, I say go back to the fact that we're looked at as a single entity, provides us more scope, more flexibility. Having that hybrid model. While I've used it just for planning fees right now, having that flexibility is always nice to have. Having a partnership with a home office and them looking at us as a future of the industry, I think is very helpful from a purely selfish standpoint.

Cost-wise it's been beneficial. So I don't want to downplay the financials because that's a component of it, and I don't want to sugarcoat it or gloss over it. The financials have been a benefit, and the way we've looked at that is we can redirect those revenues into our growth so that that's helped us to continue to scale and put resources into the culture, into the advisor resources. And it's allowed us ... then I would say the biggest difference is our firm growth potential is significantly more now on this trajectory than it was prior just because we're not dealing with friction points along the way and we could just work on executing on the business plan as opposed to trying to convince why the business plan makes sense.

Louis Diamond:

Makes sense. What's an initiative or maybe an element of that business plan that you're extra excited about and can highlight for us?

Shane Morrow:

Yeah, I would say that's twofold to that. I think one is I came from the institutional world and I'm excited about our institutional investment management potential. Basically bridging that gap between, I would say more the retail private wealth advisor who deals with called small foundation, ultra-high net worth in a roundabout fashion where we can deliver institutional type deliverables and also do so in a unique fee structure.

We've had some success with smaller institutions, under $20 million, and some ultra-high net worth where we've moved to a cap fee schedule where we're basically saying because of scale, because of efficiencies, we can actually charge and look at you as a small family office or an entity and look at us as a partnership. So continue to build out and push on unique pricing models and service models is exciting for me.

The other aspect I would say on the other end of the spectrum is our next generation advisors I'm super excited by, I think we have some really great talent. We're putting a lot of time and effort into making sure that they're trained the proper way. They have the resources. They're not just saying, "Hey, call 100 of your closest friends and family and try to be successful in this industry." We want to cultivate the right type of advisor because they're the future of our firm, they're the future of the industry. And I think it's where the industry needs to go if we want to be taken as a profession and not just a loose affiliation of salespeople. So I would say the next generation advisor kind of development is really exciting for our firm and for the industry.

Louis Diamond:

Excellent. So let's do a couple more quick questions. So we're really asking all of our guests in 2023 two questions just to understand a little bit more about success habits. So one of them is reading, you mentioned the book Blue Ocean Strategy. The other question is around your morning routine. We just really want to understand and study what makes the best advisors tick. So first on the book side, aside from Blue Ocean Strategy, is there a book you'd recommend or one maybe you read recently that you'd like to highlight?

Shane Morrow:

Yeah, I would put out there and encourage everyone to read. There's a book by Benoit Mandelbrot, so if you get nerdy and you understand kind of fractal geometry, he wrote a great book for financial advisors and folks in investment manager world called Misbehavior of Markets. I would highly encourage that. It's a really great read to understand the volatility and the math behind some of the gyrations of the market.

And on the personal side or say cultural side came across and I read the book and I heard him on Ted Talk and I thought it was just awesome. Sebastian Junger wrote a book called Tribe, which gets to our culture, kind of the reason why we find it important because we need a tribe. That book was really good at understanding and diving into that.

Louis Diamond:

Very good. Thank you for sharing that. And then how about good morning routine? I know offline you said you have a 15-month-year-old, so it's probably a little up in the air.

Shane Morrow:

There's the ideal and then there's the execution. So I'll tell you the ideal, and I would say recently now he is sleeping better, that’s probably happened 60% of the time, but ideally, and it was really good before, but wake up at 5:00 AM, 5:15 AM, I'm a morning person, that's when if I don't get a workout in then it's probably not happening. So wake up 5:00 AM, 5:15 AM, drink some coffee, read, get pumped for the day, work out, and then now my target is be done by 7:00 AM, then I take over, my wife does her routine, works out, does her thing, make them breakfast, get showered, and then hopefully in the office by 8:30 AM.

Louis Diamond:

All right, sounds like a successful morning. Last question for you, any parting words of advice for those considering change?

Shane Morrow:

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Yeah, be honest with yourself on why, because I think that helps narrow down the options out there. I know your firm does an amazing job helping folks kind of narrow, answer that question of if they are ready, where's the best fit? But I think you need to be honest with yourself before you engage a firm like yourselves. Because if you need to be honest of, why am I running from something? Am I running to something? What is my prioritization? What are my table stakes? And I think you need to do that introspectively as you are considering a change. And also acknowledge that there will be some friction points and just making sure that the purpose is bigger than the challenge.

Louis Diamond:

Tremendous. Well, we do have a assessment process we take advisors through, 'cause we completely agree that you need to have kind of your North Star and the introspection before going out and taking meetings. If you don't have that clarity, it's really not going to be the best use of time. So thank you for sharing all your wisdom today, your journey, your story, some books that I definitely wrote down and looking forward to tracking your success, Shane. Thanks again.

Shane Morrow:

Thank you so much for having me. This has been awesome.

Mindy Diamond:

Shane shared a lot of great advice, but I think it was this that was most relatable. Be honest with yourself about your why. Recognize whether you are running to something or from something, and ultimately ensure the purpose is bigger than the challenge. 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 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. 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.

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