



EPISODE TRANSCRIPT

The Growth Puzzle: UBS Breakaway Team Shares Their Path to 2x Growth in Year One

A conversation with John Klaas, Jr., CEO & Founder and David Millington, President & COO, Puzzle Wealth Solutions

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is the growth puzzle. UBS breakaway team shares their path to 2X growth in year one. It's a conversation with John Klass Jr., CEO and founder of Puzzle Wealth Solutions and David Millington, the firm's president and COO. I'm Mindy Diamond and this is Mindy Diamond on Independence.

Mindy Diamond:

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Mindy Diamond:

Life is a series of experiences. A continually changing image painted by the people we meet, the places we work, our daily activities. All of the pieces coming together to provide us with a foundation from which we develop and grow. And it's the same for an advisory business. It's a concept that's interesting to explore when you hear the stories of different advisory teams and how they came together and how their perspectives became complimentary forces motivated by similar goals. Take for example, the guests on this episode, John Klass Jr. was at Morgan Stanley when David Millington was looking for a new job. David's dad suggested he speak to John, who was his financial advisor to see if there were opportunities at Morgan. David was hired and became a part of John's growing team.

Mindy Diamond:

Fast forward four years to 2007, the team transitioned to a UBS private wealth management office in Chicago. Then over the next 14 years at UBS, they grew the business and expanded their offerings to high net worth and ultra high net worth clients, adding capabilities like estate planning and alternative investments, but they wanted to evolve further and they had a vision that couldn't be executed at UBS, including to become true fiduciaries to their clients. So they explored their options, decided they didn't want to build their own firm and became intrigued by what Gladstone Wealth Partners offered. With some 1.2 billion in assets under management, they opted to make the leap and build their independent practice, Puzzle Wealth Solutions in partnership with Gladstone. As of this recording, just shy of their one year anniversary, they're managing 2 billion in assets for their clients, nearly 2X growth and have even bigger plans for the future.



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Mindy Diamond:

So in the episode, John and David joined me to discuss their journey, why they opted for independence and the options they considered and how they achieved such extraordinary growth. John, as a tenured advisor also shares a unique perspective on retire in place programs and why it wasn't the path he chose for himself and his team. It's a story that exemplifies how all of the experiences came together, much like the pieces of a puzzle to create a clear image of the team's vision for the future. So let's get to it.

Mindy Diamond:

David and John, I am so grateful that you are making the time for me today and lots to unpack. So first of all, thank you so much for being here.

John Klaas:

Thank you for having us. We appreciate it.

Mindy Diamond:

Pleasure. All right. Let's start at the beginning. Tell us about yourselves and your backgrounds prior to launching Puzzle Wealth Solutions.

John Klaas:

This is John and I've been in the industry a little over 30 years. I'm a 55 year old father of three. And in my spare time, I'm passionate about gardening and being outdoors and child advocacy.

Mindy Diamond:

Love it. And what did you do before launching Puzzle Wealth? Where did you work?

John Klaas:

We spent 14 years at UBS prior to launching Puzzle Wealth.

Mindy Diamond:

Got it. Thank you. David, how about you?

David Millington:

First off Mindy, I just want to thank you again for having us on the podcast. It's surreal to be sitting here talking with you in this seat. It just feels like yesterday I discovered your podcast. So thank you.



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David Millington:

I've spent my whole life in Illinois. I'm 44. I come from a family of five. I'm married to my wife Lisa of 12 years with two boys who are 11 and 10. They're just my everything and my motivation. I attended the university of Illinois. I was an electrical engineer there for one day, switched over to the School of Finance when I realized that engineering was not for me. My first job was at Oldie Discount Stock Brokers in May of '99 during the internet bubble. In 2003, I had actually gone to become a trader. I switched back. My dad knew I was looking for a new job and his advisor was John at Morgan Stanley. So he introduced the two of us.

David Millington:

I actually went to Morgan Stanley and was interviewed and was hired there, but was kind of funny is that I did this without John knowing, because I really wanted to try to do this on my own. So I showed up for the first day and John saw me sitting there at the desk and he came up to me and he's like, "What are you doing here?" And bluntly, John said that I'd be making the biggest mistake in my career if I didn't join his team. So I did a little bit of research. I talked to John and Karoline. They explained what his stock option was to me. I had no clue what it was. And I quickly realized that it was a great opportunity. And amazingly enough, 19 years later, John was a 100% right. And I'm sitting here with him and the rest is history.

Mindy Diamond:

I love it. What a great story. So, John, let me ask you then what was it that made you become a financial advisor in the first place?

John Klaas:

My story's kind of bizarre and it's going to sound almost made up, but I was 20 years old, pushing a mail card at Allstate Insurance Company. Not tremendously satisfied with and unsure what I was going to do. And as a 20 year old, spring break came and I left to go to Florida with a friend, stopped at his brother's house and he had a brand new Porsche and he was in his twenties and I said, "What does your brother do?" And he told me. A couple months later I was helping another friend pack up his college dorm room to move back and his previous roommate showed up to help in a brand new Corvette. And I asked what he did and he was 23. And I said, "I need to do this." So literally, I rented the movie Wall Street, sat there with my buddies, had a couple of beers and said, "I think I can do this."

Mindy Diamond:

I love it. You said, "I want what they have." All right. So let's give our listeners some perspective. Tell us a little bit about what your business looked like prior to launching Puzzle Wealth.



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David Millington:

Sure. So at Morgan Stanley, we were able to build our business around corporate executives with the stock option plans that Karoline and John ran. We would execute the options over phone and fax and then discuss our other services. We were mostly dealing with executives at that point, very busy, smart driven, but what was unique is that they were willing to delegate the responsibility of running their finances to our team. In 2007, UBS was opening a private wealth management office in Chicago. So as the only one in the Midwest, our team saw that as a vertical move, we looked at that and said, we could expand our offerings to the ultra high net worth in the high net worth space. So we received specialized training on estate planning and an alternative investments there. Really enjoyed the experience. The office was full of rock stars, but I think the key too is we learned how to really focus in on the trust and estate planning there and alternative investments, as I just said, but we also started to understand what business owners were looking for there.

David Millington:

John and us, that business owners were different. They had little time in their lives for much of anything besides family and work. And so we were able to take what we did well and apply that in a way that gave them the best result for them. And that was more time. So things were going pretty well at UBS, but we knew our vision and value statement to our clients wanted to evolve. We wanted to own the relationship for investment management, estate planning attorneys, CPAs, mortgage brokers, the list goes on and on, but we couldn't execute that at a wire house. They had restrictions. So we just, how could we be the best advisors to our clients when we are restricted from providing some common sense advice to them? So we weren't. And we weren't true fiduciaries in our minds so that's why we decided to build Puzzle.

Mindy Diamond:

Love it. I want to back up on a couple of things. So your business at UBS before you left, was you were doing about 8.2 million on 1.2 billion. Is that right?

David Millington:

Yes.

Mindy Diamond:

Okay. Got it. And you mentioned, I think it was you David, that was talking that when you move from Morgan to UBS, you worried that it was a lateral. Now we hear that a lot. There are a lot of advisors that feel that all wire houses are created equal. So at the time that you guys moved from Morgan to UBS, how did you justify or reconcile or wrap your arms around the notion that UBS was something more than a lateral?



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David Millington:

It was really that vertical move, private wealth, versus in our opinion, Morgan Stanley was just more of, it just felt a little more retail to us and that UBS, private wealth brand just talked to us and it just seemed like something we wanted to evolve our business into. So that's why we felt like it was not lateral, that there was definitely enhancing our offerings to our clients.

Mindy Diamond:

Good. And it sounds like it worked really well for you for the 14 years you were there that until you came to a point where the business had further evolved, and as you said, David, you found yourself wanting to be able to do things or give advice that you couldn't, it sounds like it served you well for the time you were there. Is that fair to say?

David Millington:

Absolutely. We learned a lot from the other advisors in that office, downtown Chicago, but we also got some specialized training. So that was actually a big benefit of it.

Mindy Diamond:

I love it. And look, I think people get to exactly where they're meant to be at the exact right time. So it sounds like both your time at Morgan and time at UBS gave you the necessary tools and resources and pieces of the puzzle, no pun intended to bring you to where you are today.

John Klaas:

I agree. Both experiences were very good learning experiences, but ultimately with all of the learning, it's sometimes time to put things into action and we felt by building Puzzle, we could combine the best of what we learned at both organizations.

Mindy Diamond:

So I want to spend, obviously, the majority of our time together talking about what led you to launch Puzzle, but a couple of other questions first. So John, can you tell us a little bit about your team?

John Klaas:

Sure, absolutely. The first person that joined our team or helped me found the team was Karoline. Back in the early nineties, in the Dean Witter days before Dean Witter and Morgan Stanley came together, Karoline acted as my planned administrator for the corporate executive compensation plans that we were building. And we managed some plans for great companies like Motorola and Johnson Controls, Allstate Insurance Company. And Karoline was my right arm. I had ideas and things that I wanted to



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accomplish, and she was able to make them tangible and help administer those. As David said, David and I met a couple of years later, it was a great interview. He interviewed me more than I interviewed him and clearly showed me how intense and focused he was. And I wanted him to join our team. A couple, few months before David joined, Steve joined. He was in our training program and was one of the nicest, most polite and very intelligent people that I had met and asked him, would he join our team.

John Klaas:

Over the years, David and Steve formalized the processes that I had put together and the concepts that I had put together and they made my small practice into a scalable, larger practice. Since then, we've added Kathy as our operations head, Mark, as our head of trading, Nick, working with institutional 401k. My son, Alex joined us and he's working on his Masters in family wealth planning. So he's one of our wealth advisors. Bob David joined us from another team. He merged his business into ours and became one of our partners.

Mindy Diamond:

And did he do that, John, while you were independent or while you were still at UBS?

John Klaas:

He did it while we were still at UBS.

Mindy Diamond:

Interesting. Okay.

John Klaas:

And he's a tremendous person with a great personality. The theme that runs through our team is we genuinely care about our clients. We know who we work for. We know whose money it is and whether we're doing 8.2 million and having a billion dollars to manage, that doesn't make us special. It's not our money, it's our client's money. And all of us understand what our job is and who we work for. And that's perfect for being independent because we don't work for a management team or shareholders. We work solely for our clients and being independent allows us to do that.

Mindy Diamond:

All right. So let's pivot to that for a moment. So let's talk a bit about your path to independence, launching Puzzle Wealth in June of 2021. You left Morgan in 2007 and joined UBS. We talked a little bit about your joining UBS because they were opening the PWM office in Chicago and you helped launch it.



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So I guess one question, you were at UBS for about 14 years. What was it that was going on at UBS that motivated you to put your toe in the water of exploration to consider outside options?

John Klaas:

For me, the primary driver was the alpha program and it's a program that UBS and some of the other firms have put together these programs to help advisors retire. And I looked at the program and thought, okay, I'm in my mid fifties at that point and said, "How much longer am I going to do this? And at some point I need to be thinking about what my exit is, what my retirement is. We do this for clients. Why would I not do this for myself?" And I started looking into it and on the surface, it seemed like an okay program but as I started digging into it, I saw the huge disadvantages for my team. And Mindy, my team, I don't exist without them. And I can't take a program and take a deal that's going to disadvantage them.

John Klaas:

In essence, it asks them to sign on the dotted line that the clients that they're already working with that, in my case, the clients, in my opinion, they already have ownership of, that they have to sign on the dotted line that UBS owns them and they're responsible for the loan that UBS gives me for my buyout. Why would I do that to my team? And I went to them and said, "We've got to do something different. This is not fair to you guys." And as I mentioned before, David is very focused and he's relentless in looking into these things. And he started looking into it. And frankly, he drove the move for us to go into Puzzle. He started doing the research, we did it together as a team, but he drove that next move with his research and his focus on it.

Mindy Diamond:

Okay. So I want to zero in on that for a moment, because funny, I'm just in the process of finishing an article I'm writing just about that topic, the notion of these retire in place programs, Merrill CTP, UBS's alpha, Morgan Stanley's FAP, et cetera, and writing about the fact that there's no doubt, they're a great deal for a senior advisor, a way to monetize their life's work without having to make a change. But there is also no doubt, exactly what you said, that they can be a bad deal for the next generation, because it ties them up for the life of the agreement. It binds them and their clients to the firm. They lose optionality, and it's difficult to make a move at a time when you and the team have little to no control over the mandates and the things UBS will continue to put in place or ask you to do.

Mindy Diamond:

So the notion of these firms using these retire in place programs as a way of stemming the tide of attrition and asking more people to sign on has been a real driving force. And the driving force has largely come from the next generation. So people like David, who look at it and say, this may be a good



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deal for John if it were only John, but it isn't necessarily a good deal for the rest of us. So it becomes David's job and other next gens like him to do the research you're talking about to say, find me a better way. Does that sound right?

John Klaas:

Yes. As I said, I care for my team. They have been the reason that we've been successful. It's not the John show. This is our team. This is Puzzle. And it's unfair for us to do something or to me to ask them to do something that doesn't benefit them too. It can't be one sided. So they gladly pick up the torch and try to find better ways.

Mindy Diamond:

I love it. And I will make one other comment. What I find as an interested objective bystander or an educated third party about these programs is that senior advisors who either don't really have a strong next gen or don't have a next gen that they really care about or are invested in, those retire in place programs that are a very good deal for them because they don't have to worry about how it's going to impact anybody beyond them. But for senior advisors like you, that either have an ensemble practice, partners or team members or family members they care about, it can be a difficult sell.

John Klaas:

Yes.

David Millington:

And Mindy, I was going to add on, sorry to interrupt there, John, but I do want to give John the credit. He's the one who really looked at this from the perspective of the younger members of the team and said, "Hey, this is not a good deal for you guys." And then from John's side, it sounds like a good deal but when you do the research, you do realize that there are better multiples out there and they're more efficient in that they're long term capital gains instead of ordinary income. And that's just something that is just obvious that if you're willing to put in the work and set up your shop somewhere else, then those multiples and opportunities are there. But if you want to stay inside a wire house, then I do agree that it is a decent offering, but we just felt that we could find a better place to execute that out.

Mindy Diamond:

So, David, it sounds like John is saying that a lot of the responsibility or the onus of due diligence and research about what comes next fell on you. So how did you get educated about the waterfall of options and was the whole team part of the process? What did it look like?

David Millington:



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I think you're going to like this answer, Mindy. We started with Merchant who you had a podcast with them probably over a year ago or whenever it was. So we were introduced to Merchant by a recruiter. We actually hired them to be a consultant. We paid them a one time fee to help us launch our own RIA. And we were going to do that with the help of Fidelity. So the gentleman at Merchant were fantastic. They gave us a lot of education and they also had a lot of their vendors already in place. And in Fidelity, we worked with a gentleman named Hu O'Donnell who spent like six months with us. And we were really trying to build Puzzle at Fidelity with the help of Merchant, but it just dawned on us one day and we were trying to solve lending issues and we just were frustrated.

David Millington:

And we're like, "You know what? Maybe starting our own RIA is not the best thing for us." So we actually scrap that entire plan. We thank Merchant and Fidelity for their time. Very professional. I highly recommend them if you're trying to build your own RIA but it was not for us. So what happened is I then reached out to somebody at LPL who's a friend. His name's Bo Toth, he's a recruiter. And we just said, "Hey, listen, we're struggling with this. We need some help." And he put us in touch with Rob Hudson and we can get into that story in a bit. But to answer the second part of that question, I did a lot of the work, but it was a full collaboration. I think John and Steve and Bob kind of gave me a leash to run with some things. But at the end of the day, it was a full team effort.

David Millington:

And for anybody who's looking to do this, you need to run the exploration process like you've already launched your company. And here's what I mean by this. Whoever the CEO is going to be needs to start to act like a CEO, like have the vision, have your COO put together the pieces to operate it properly, have your CFO dig into the proforma, the chief investment officer look into how are we going to set up our investments, but then you need to have one person that kind of organizes it because it can get scattered quickly. So that would be my advice to anybody out there is really run that exploration process like you're running a company.

Mindy Diamond:

And we did not work with you to launch Puzzle. But one of the things I would say is that what's so important in the process is the clearer you, the stakeholders, the CEO, the CIO, all members of the team are about what they're looking to solve for and what the drivers are and what it's going to look like, what they want build with the end in mind, what they want the firm to look for, the clearer you can be about that upfront the more time you'll save, the more efficient the due diligence process can be and the more likely you are to land on the right solution. So it sounds like after a period of time, so after engaging Merchant deciding that you didn't want to build your own RIA, you were introduced to Rob Hudson at Gladstone. So tell us a little bit about what Gladstone is and what Rob Hudson said and why it may have solved for what you needed it to.



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John Klaas:

From my perspective, Gladstone is that corporate headquarters that can handle, help us with compliance and other administrative responsibilities. It's a highly regulated industry. They were out there and they could help us with those portions of the business while we built what we knew to be the right type of business for our clients. So we're building a client based solutions and with the comfort that if we need something in the background, Gladstone's there for us. And they shared a vision with us. They wanted to expand. We didn't just want to leave and get away and create Puzzle so we had an 8 million independent firm. We want to grow. Puzzle is not here to be small. Puzzle is here to grow and to help the other financial advisors in our industry. Gladstone's doing the same thing. They're trying to allow people to become independent and pool together and create efficiencies with scale. We want to be a solutions group on top of the Gladstone network.

Mindy Diamond:

Got it. So what was it that Rob Hudson said to you? Rob Hudson, being the CEO of Gladstone, which is a firm that falls under the LPL umbrella, what was it that Rob Hudson said to you on that call that made you feel like that was perhaps a better solution or a better path to take?

John Klaas:

I think he didn't try to sell it to us. He gave us honest answers about what the opportunities were out there and where people scored well and where people had work to do. It made sense. It was very direct and an honest conversation. That's what worked for me. I know that there are other details and David spent more time on that aspect of it and can probably elaborate. But for me, it was just the directness and it was very candid and he didn't try to sell us it. It was just an open conversation.

Mindy Diamond:

David, I'd love to hear what it was from you if you can get it more into the weeds of what it was that sold you, but I want to be clear in giving up or scrapping the notion of building your own RIA, you were instead opting to become part of Gladstone. So in a certain way, giving up some autonomy and control, how did you reconcile that?

John Klaas:

Because they're accomplishing the things that we didn't have previous experience in, and didn't want to tackle on the way out. We wanted to take care of our clients. When you leave, at least in our case, it's a battle between your former employer and the new entity. We wanted to focus on our clients and Gladstone has helped us with that. Yes, we pay, there's a revenue share arrangement, but we look at that and we understand our relationship with the folks at Gladstone. We have open communication and as it stands right now, we're comfortable, very comfortable with where we are and what the



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opportunities are ahead of us working together with them. The world could change, but as it stands right now, we're comfortable with our partners at Gladstone.

Mindy Diamond:

So that's the point. What you're saying is that, even though it meant giving up some revenue, some take home economy, it was worth it to you to partner with an organization that made the mistakes that you didn't want to make, that knew how to do things and that support you, that enable to really focus better, laser focus on the things you want to. Is that accurate?

John Klaas:

It is.

Mindy Diamond:

Okay. So David, John's saying you were more in the weeds with them. What was it that Gladstone was about that you felt you couldn't or didn't want to do on your own?

David Millington:

Yeah, it's a great question. There's a lot there. I think their vision and size really talked to us. Also, they were very willing to work with us and say, "Hey, listen, if things don't work out with us, we'll go our separate ways." And there are a lot of other solutions out there. I think we know most of the firms where they will help you launch. They will give you the tech stack. They will help with the transition, but then you might have a five year contract in place. And that was one thing. I thought Rob was really down to earth. We had many conversations on Saturday evenings, just me and him. And you could just tell the guy is driven and he's passionate about what they're doing. So from a big picture scale, the personality fit was there.

David Millington:

From the help with the compliance and operations as John alluded to, that was something that we just... There was one thing he pointed out to us that still sticks to our mind. He told us what he pays for compliance. And he said that, you guys, talking about our team, is a billion dollar team, are you really going to farm out your compliance to a third party for \$24,000 a year and jeopardize, if you make one mistake, it could jeopardize your entire company. And that just really sunk in. So I think that was really one of the primary drivers of what we were attracted to.

Mindy Diamond:



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So you guys opted for Gladstone's partnership model, which means you accept a bit of a lower payout, but Gladstone will help you recruit. And most importantly, if Gladstone has a liquidity event, you get to participate at the same multiple. So tell us a little bit about your thinking on that.

John Klaas:

So the liquidity event portion of it is a nice thing to have in our back pocket. We didn't make this move with the intention of then liquidating and having a liquidity event, but we're keenly aware that there are opportunities out there and Gladstone scale and what we were trying to do would be an enhancement to that number. And so participating in their, a higher multiple from them is an intriguing idea and certainly something for us to consider. It is not the end all be all for us. The economics work well with us, with the share, our sharing arrangement, but David and the team put together a proforma and we knew where we wanted to be and we knew how much money we wanted to allocate for any given space. And so the money that we allocated for the services that Gladstone is giving us, providing for us is consistent with the proforma that we put together. So the recruiting side of it, yes, we're doing our own recruiting. We certainly welcome any recruits that Gladstone introduces us to. We're looking forward to that. We know that they're passionate about that and that they want to do that. We haven't received any recruits yet, but as you know, it's our one year anniversary is June 11th. So I guess I don't expect a long line of recruits in the first few months of it, but we're looking for them in short order.

Mindy Diamond:

There is no question. The first year is all about getting your sea legs, figuring out how to be business owners, figuring out how to do what you need to do, making sure that you're taking good care of your existing clients, but maybe that's a good segue. So talk to us as you approach your one year anniversary, 11 months ago, tell us where you're at today, revenue and asset wise.

John Klaas:

I'll high level it, but in the first six months we approached a billion dollars of assets that we had from existing clients. Since then through our Puzzle Wealth Partners initiatives, we are now going to be launching, you'll see this in the next week or so, Puzzle Institutional Consulting Services, where we've partnered with another individual, Insight Financials, and now Puzzle as an organization, Puzzle Wealth Solutions and Puzzle Wealth Partners has exceeded \$2 billion in our first year.

Mindy Diamond:

That is extraordinary. So you doubled assets in less than a year.

John Klaas:

That's correct.



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Mindy Diamond:

Talk to us a little bit about that extraordinary feat. What do you think drove that? What's that about?

John Klaas:

What drove it is the move from UBS to establishing Puzzle Wealth Solutions was successful. The plan that David and the team put together and the way our operations team executed that was successful. And that gave me an opportunity to go out and step into the next phases of our growth of our business. We have several things, several initiatives that we are going to deliver to ourselves and to our clientele over the next couple of years. And one of them was to build out an institutional consulting services so we could get back to that area of expertise that we had in executive comp, and we can offer those services and we can service those people's needs. And so we set out to find some opportunities there and an old friend of ours from early in our UBS days, we were able to get in touch with him and came together to form a partnership through our Puzzle Wealth Partners division. And now we have exceeded \$2 billion, through those partnerships, \$2 billion in assets.

Mindy Diamond:

That's extraordinary and A; congratulations and B; I'm honored that you're sharing that here with me first. So let me ask you a question. Could you give us a couple of specific examples of things, whether it be from an investment perspective, from a services perspective, from a technology perspective, from a personal perspective that you are able to do now as an independent business owner that you couldn't do as employees of either Morgan or UBS?

John Klaas:

Yes. I'll give you one and then let David answer more. But one of them that sticks in my mind and it was a driving force for me to want to separate from UBS. As I've said, we care very much about our clients. We are our clients advocates. We don't work for the firm. We work for our clients. And I had a very important client who happens to be a friend, ask me for some help on some lending. And we went through a process. Our philosophy has always been getting multiple bids and try to service the client. Well, the UBS environment was not friendly to that. They wanted me to use UBS bank. So, after literally six months of due diligence, they turned down the opportunity for this person's loan. And I said, "Well, thankfully, I've done some other research and I can get them financing other places."

John Klaas:

And I was told by UBS compliance that if I tell the client that I'll be terminated. And I said, "My responsibility is to my clients, I'm going to tell them that." And I let my client know where they could get their financing done and they made their phone call and got it done. I didn't involve myself in the transaction. "This is a bank that looks like they may suit your needs." I couldn't do that without being



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under threat at UBS. When we came to Puzzle, I worked on that for the first six months, almost every day, creating, trying to find creative lending solutions that weren't inside of LPL and weren't inside of the environment that we had, but I'm free to do it. Nobody said, John don't work hard for your client. They said, "What are you trying to do? And how can we get it done?" So the response is, how can we help you get this done? Not the first response is, no, we don't do that here. It's a major difference.

Mindy Diamond:

So, and we hear that a lot. It's funny, lending seems to be the one example that almost every breakaway advisor I've interviewed talks about. The opportunity to essentially shop the street and create competition for price and service that serves not only the advisor well but obviously the client well. How about from a technology perspective, how does what you have access to as an independent compare to what you had access to at Morgan or UBS?

David Millington:

I'll answer that. I'm going to say that technology on the outside is the greatest advantage we have and the most frustrating because we have the entire universe to start to play around in and see what the best solution is for our clients. We do have to do it under the guidelines of our compliance so you can't just choose any software package out there. But at UBS or at Morgan Stanley, you're basically given the tech stack. Here is what you have to work with, hope you like it.

David Millington:

On the outside here at Puzzle, we've had solutions that we started with that we've had to pivot or scrape along the way. So we've gotten to a point where we think our clients really enjoy that experience. They really like everything we're offering, but we are also our worst enemy sometimes. We are trying to constantly improve how we interact as a team, how we interact with our clients. So by saying that we actually are looking at building workflows through our CRM, that we literally want to say, if a client needs to do a wire, these are the processes, this is who it goes to, everything's going to be automated. So we are building that right now from scratch. Chris Sagan on our team is leading that with Karoline. It is a daunting project, but when we are done, it is going to be an absolute game changer for any advisors that are partnered up with this.

Mindy Diamond:

That's a good point. Technology. I love your answer because that's also what we hear a lot that ultimately the technology in the independent space, having access to cutting edge technology and not being limited to legacy systems can be a game changer. But how hard is it to get there? How much of your time, how much of your energy, how much of your focus does it require and at what expense?



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John Klaas:

Mindy, before David answers, it took a lot of time. This is a key for your audience. If you're thinking about going independent and you want us maybe set up your own RIA, maybe you want to do a partner process with Gladstone, maybe you want to join us. We spent a lot of time, but it's in place so now we have a turnkey solution. And then I'll let David elaborate. It did take a lot of time, but we've built it. And technology's the great equalizer. And we can now service our clients the way we wanted to serve them.

Mindy Diamond:

Yeah. And I think that's the key. So everything we're talking about here is that being independent is about being willing to take a long term view of things, to being willing to forgo a big sexy checkup front, being willing to forgo the ease of plugging into and already built out infrastructure and forgoing it for really the goal of building something more akin to your own visions and something special in the long term. But it's not without its headaches along the way.

John Klaas:

Correct.

Mindy Diamond:

Got it.

David Millington:

Without a doubt. And Mindy, I have to say that you had asked the question of like, what was sacrificed to put this together and I'm going to boil it down as to the most important thing in life. Our families. Our families, our wives, our kids, our husbands, our spouses, they've all sacrificed with us. So it is not just a grind for your team building this out. It needs to be a full support mechanism in place. And so we're very thankful. We had wonderful families that allowed us to do this, but at the end of the day, it sounds silly to say, but that's been the ultimate sacrifice through all this.

Mindy Diamond:

I want to ask you one other question that I forgot to ask before, and it's an important one. Before you launched Puzzle Wealth, you were part of UBS. It was considered a non protocol move because UBS pulled out of the protocol some time ago. What was that like? And how scary was it to launch a firm without protocol protection?

David Millington:



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When we left Morgan Stanley to go to UBS, that was protocol to protocol. You could take the six pieces of information. It seemed like a cake walk in hindsight. With non protocol, we used the guidance of our attorneys. We just knew that things were going to be more difficult. We could take literally nothing with us. So that Friday morning when we left, our licenses were transferring. We had to look up all the client information on public websites. I think your listeners are probably pretty familiar with that story and how to execute it, but we really didn't worry about it all that much. What helped us was knowing that we had great relationships with our clients. So when we called them out of the blue on that weekend and said, "Hey, we left UBS and we started a company called Puzzle." After they got over a little bit of shock, we actually went back to them and said, "Okay, we have a secure portal. If you could do us a favor, please upload your statements, upload your financial plan, upload your performance reports we've sent you in the past, whatever you have, upload it." We gave them a template on where to find that information and how to do it. That was instrumental in getting the information that we needed to get everything back up and running as quickly as possible.

Mindy Diamond:

Okay. So scary and risky a little, certainly riskier and probably a little more anxiety provoking than the move from Morgan Stanley, but ultimately doable.

David Millington:

Absolutely. We had great counsel, great guidance. And at the end of the day after we launched, we had communication at times with UBS and it was professional and it was never confrontational. So if you do it the right way, it can be done in a matter that's not as intimidating and frightening.

John Klaas:

Mindy, we're not rule breakers. And we weren't when we were at UBS and they know that about us and we were not going to be rule breakers out here. So we weren't going to put ourselves in jeopardy of doing something outside of the guidance of our attorney.

Mindy Diamond:

Yeah. You did it the right way and it paid off. All right. So let's talk now a little bit about Puzzle Wealth. So how did you come up with its name? What's the significance?

David Millington:

This is my favorite part of everything. So I'm a little biased, but it's a long story. I'll cut through some of the initial headache we had. Long story short, we had picked a name. We all kind of collaborated and we came up with this name. It was a French word. We didn't know how to pronounce it at first. We didn't know the meaning, but when you looked it up, you're like, this is great. And so we spent about \$10,000



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on our marketing team at that time to build a logo, to brand, coloring, all that kind of stuff. And just one day I was just looking on the internet and I looked up the name and there was another team that existed out there with \$2 billion in AUM and it was trademarked. So we reached out to our attorney and they looked at it for about five minutes. They're like, "You got to scrap that name."

David Millington:

So we started all the way back at the beginning and we were struggling. And just one day I woke up and it was like 4:00 AM. I woke up with a name in my head, puzzle. P-U-Z-Z-L-E. It just seemed very unique to us, but it's very simple. And the idea came from COVID of all things. During COVID, our family did about a dozen jigsaw puzzles. We had sat around the kitchen table and there were like those thousand piece ones. And I made the comment to my boys. I go, "This is crazy that we take all these pieces that are really hard to distinguish, but you put them together and it forms this beautiful picture." And I turned to my wife and I'm like, "That'd be a cool name for a financial company someday." But I'd forgotten about that conversation. And I just woke up one day remembering that. And so I ran the idea by John and it was like, it's more of a Silicon valley type feel, not as traditional. I think clients understand what we do for them more. And then the thought is we do all these different things for our clients, trust and estate planning, working with their CPAs, investment management. We put it all together for our clients. We own that for them.

Mindy Diamond:

Got it. So talk to us then a little bit about how you spend your days. How does your daily schedule differ from your time at UBS or Morgan?

David Millington:

I would say that at Morgan and UBS, you kind of are an entrepreneur in a way you're just running that pseudo business under their walls. So here, I would say there's just more time spent on the business aspect, the financials, the marketing, things like that. So it's just very similar to what we had before. You're just running the metrics of the company is more of your day to day job now.

Mindy Diamond:

Is that fun for you or is that a hassle?

David Millington:

It's both. I think it's great because you get to control kind of your destiny with the company a little bit more, but there's days where you just have more responsibility. And so you just have a few more days, you're doing some extra work and extra stresses.



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Mindy Diamond:

Got it. And talk to me a little bit about what prospecting is like as an independent. I mean, there aren't too many people other than if they you know the name Puzzle Wealth. So how does that land on prospects?

John Klaas:

For me, it's the same as it was before you put yourself in situations where you find people with needs and then you solve them. We already have a natural network of clients and people that we know, and we interact with the people that we know in positive ways and when opportunities arise, we seize on them. So our prospecting efforts are the same. We just don't have to go back and get approval from somebody in management to do the prospecting. And we don't have to worry about somebody raising their hand and saying, I'm already calling that prospect, you can't do that. So we're more free to express ourselves and tailor our prospecting and our solutions to the specific market we're working in.

Mindy Diamond:

And how do the prospects or clients respond? Like, it's any questions about I've never heard of you or...

John Klaas:

You know, what's interesting? And David pointed this out, well, the other day. If you say to somebody, I'm a financial advisor at UBS or a financial advisor at Morgan Stanley, they have a predetermined notion of what you are. And lots of times they think you're just there to sell them an investment. If you tell them I'm the president of Puzzle Wealth or the CEO of Puzzle Wealth, they say, "What's Puzzle Wealth?" And then you can explain that we are a service and solutions business for wealthy families, and that's a natural conversation. And what they say is, "Can you help me?"

Mindy Diamond:

Got it. And what do you think that Puzzle will look like 5 and 10 years from now?

John Klaas:

For me, 5 billion. My initial goal when we launched was 5 billion in five years. As we've discussed earlier, we're having a very good first year launch. So I don't feel that goal is unattainable. So my macro goal is \$5 billion within the first five years. As I mentioned, I'm 55 and I'm blessed with the fact that I'm going to have my first grandchild here in October.

Mindy Diamond:

Ah, Congrats.



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John Klaas:

Nothing is more important to me than my family. So as that grows, my end goal is I want to be grandpa. I'm happy that I've had this wonderful career and I'm happy about the goals and the things that we're going to do. I'm passionate about doing it, but ultimately I only get one shot at being grandpa.

Mindy Diamond:

And so what do you think the end game looks like as you're 65 John and then 75, what happens to the firm?

John Klaas:

I think by 65 and 75, we will be a much larger and more mature firm and there will be a management team and advisors, an advisor team that's running the firm that may see me as a chairman or a consultant or an add on to the firm but my daily activities. I've got an incredible team. I've surrounded myself by people that are better than me. And I continue to try to do that. So for me, I'll be proud of what we've done and be enjoying watching Puzzle success.

Mindy Diamond:

And do you think ultimately at the end-end game, do you think ultimately Puzzle will be sold?

John Klaas:

We're open-minded people. We will entertain all opportunities and explore what we think is the best thing at the best time, but we're really focused on client solutions and growth right now. A liquidity event is always interesting to people. Any business owner would tell you that they're always going to be interested whether or not they do it. The team will get together and make that decision.

Mindy Diamond:

Yeah. Well, an optionality is the key. So I want to ask you one final question and I'd like to ask both of you from two different perspectives. So let's start with you John. As the senior advisor, is some of your ex colleagues from UBS and Morgan called to say, they're thinking of going independent, but were afraid of the unknown, particularly client portability, what would you just say to them? And then David, I'm going to ask you as the next gen advisor, what would you say to peers like you?

John Klaas:

I would say that there's risk in anything we do. There's risk in the decision to stay. There's risk in this decision to go. And I grew up down south and we had simple wisdom and simple logic, but they say that the sheep lived their life in fear of the wolf, but ultimately they get eaten by the shepherd. So take the



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risk, make the jump. If you are passionate about it and you want to do this for yourself, it's risk, you do it. Live your life. If you do it right once is enough.

Mindy Diamond:

Got it. Thank you. And how about you David from the next gen perspective?

David Millington:

Yeah, Mindy. I think if an advisor or a team is asking us that question, I think they've sort of made up their mind that they're really exploring, they've done due diligence. Because I will say five years ago, something like this was not even close to being on our radar. So if somebody's asking us those questions, then we're going to just help guide them and say, what are your fears? What are you struggling with? We can help give you those answers. But at the end of the day, it won't be easy, but it'll be so worth it. And you'll just really enjoy where you end up, but it'll take some hard work along the way.

Mindy Diamond:

Thank you. Guys, this has been delightful. Congratulations on your extraordinary success in such a short period of time. Can't wait to hear how you bring it from 2 billion to 5 billion and beyond. You are delightful guys and I wish you nothing but continued success.

John Klaas:

Thank you Mindy. Thanks for considering us and in reaching out. We appreciate it.

David Millington:

And Mindy, thank you so much. And I do want to add the vision for down the road. We do want to make this more of a national brand and we just want Puzzle someday to be more of a national footprint. So other states, Florida, Texas, Colorado, we're exploring that today and I think we'll be there. So that will be one of the ways we get to 5 billion. So thank you for allowing us to tell our story. And I think it'll just be a tremendous help to Puzzle and hopefully advisors thinking about making the switch.

Mindy Diamond:

Terrific. Thank you again.

John Klaas:

Take care.



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Mindy Diamond:

For many, the notion of building an independent firm is a bridge too far yet in an expanded landscape teams like Puzzle Wealth are able to find all the right pieces to provide the amount of independence they desire without starting from scratch and for John, David and their team, it's resulted in a very positive picture of the future.

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 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 9734768578, which is my cell or my email mdiamond@diamond-consultants.com. Please note that all requests are handled with complete discretion and confidentiality and keep in mind that our services are available without cost to the advisor. You can see our website for more information.

Mindy Diamond:

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