EPISODE TRANSCRIPT

Questions Every Advisor Should Ask Before Considering a Move: A Special Industry Update

A conversation with Louis Diamond.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is Questions Every Advisor Should Ask Before Considering a Move. It's a special industry update with my partner Louis Diamond. I'm Mindy Diamond, and this is Mindy Diamond on Independence. This podcast is available on our website diamond-consultants.com, as well as Apple Podcasts and other major podcast platforms. If you are not already a subscriber and want to be notified of new show releases, please subscribe right on your favorite podcast platform or on the episode page on our website. For Apple Podcast users, I'd be grateful if you'd give the show a review. Your input helps us to make the series better and alerts other advisors like you who may find the content to be relevant. And while you're at it, if you know others who are considering change or simply looking to learn more about the industry landscape, please feel free to share this episode or the series widely.

It's not unusual for advisors to jump into exploration mode without first slowing down and gaining clarity on what they're trying to solve for. Yet the problem is that these advisors often come away more confused than informed. That is diving into identifying solutions without a clear understanding of the problem sends most off on a less than strategic wild goose chase. So what is it that advisors need to be aware of before they start taking meetings or calls? What questions do you need to answer on your own and how can you ultimately be more strategic in the process? I've asked Louis to join me for the first of a special two-part series on the due diligence process itself. In this episode we will look at what you need to ask yourself before even considering a move. There's a lot to discuss, so let's get to it. Louis, as always, thanks very much for joining me.

Louis Diamond:

Of course. Excited to do this one.

Mindy Diamond:

Good. Okay, so I think I want to really back up the train, and we mentioned that most advisors actually hop into action, meaning begin to take meetings before they've really taken the time to get clarity about why they're taking meetings and what their goals are. So let's start at the very beginning. Why do you think advisors do that? What's the reason for taking a meeting if a manager or a recruiter calls?

Louis Diamond:

It's a good question. I think it's a couple of things. It's, one, sometimes it's just to be respectful, that you don't like disappointing people and someone's persistent and you want to give them some time to hear them out. And I think there's some benefit to that, to developing a relationship. The other one is sometimes it's overwhelming to think about change. So if you break down a project into its component parts, which might just be a single meeting, maybe you feel like it's an easier way to get started. I think there's good reason. It's not like it's done with any ill intentions, but we've seen getting the patient when it's too late almost that this type of approach can backfire because it's relatively inefficient. And

Questions Every Advisor Should Ask Before Considering a Move: A Special Industry Update

A conversation with Louis Diamond.

oftentimes you are shooting at something that doesn't really have a defined target and you miss the mark and what was an efficient way to jump into things, ends up being, I guess, causing rework and isn't the best way to go about it from our experience.

Mindy Diamond:

I would agree with that. Totally. And I'll say one other thing. I think that when advisors take meetings, it's often done in a knee-jerk fashion. They might have had a bad day and they happen to get a call on that bad day from either a manager from another firm or an outside recruiter who's representing another firm and tells a compelling story and the advisor says, why not take a meeting? Now, I want to make it clear, we are not suggesting that taking meetings is a bad thing. In fact, our whole approach is rooted in education. And a lot of times in order to get educated, you need to take a meeting in order to really understand what the competition is about and confirm or deny that in fact you are in the right place.

But I think what we're talking about today is the efficiency of the approach that if, as you said Louis, you begin to take those meetings without being really clear on what your goals are and what you're looking to solve for and the questions you most want answered, it can wind up being at best case rather inefficient, worst case winding up in the wrong place. So let me ask you a question then. So our approach advocates for the importance of before you take a meeting, any meeting, of asking yourself important questions, meaningful questions. What do you think is the importance of asking yourself these questions? Why do they matter?

Louis Diamond:

I think number one is because you really have to clarify what is motivating you to look around in the first place. If there isn't sufficient frustration or pain or you don't really know what you're solving for, then what's the point of even putting in the effort. So you need to understand what are the specific reasons you're looking? Number one, I think just to sell yourself and your team on why it's worth it to take time out of your busy day to even invest in a process. But I think also more importantly, rather than running away from something, you want to know what you're running to. So what's your vision for the future? What's your goals? And if you're going to go through the hard work and the hassle and the risk of a change, you have to understand what you're getting on the other side. Otherwise you're setting yourself up for a lot of hard work and a lot of sleepless nights for honestly not the best reasons. What do you think?

Mindy Diamond:

I definitely agree, and I think that there is a big difference between jumping into problem solving or identifying the firms or jumping in and taking a meeting and starting with your why. I think our whole focus in this episode is to help our listeners to think through what are the important questions you should ask yourself and how do the answers ultimately guide you or us if we're privileged enough to be counseling an advisor on where the best possible home might be.

Louis Diamond:

Yep. I think it's exactly right. I think to really help folks conceptualize what we mean by this, maybe it makes sense to share an example of a team that we represented, that in our view started, they started a little bit too quickly and then found through working with us and asking themselves these questions that they were actually down the completely wrong path and ended up finding in the end what was really their dream home. Does that work, if I share an example?

Mindy Diamond:

I love it. Go for it.

Louis Diamond:

I'm going to disguise the name just to protect these folks confidentiality. But it was a family team on the East Coast of about $800 million in assets. They were with one of the major brokerage firms. And this team, one of the younger members came to us firing off a bunch of questions about independence. Tell me the difference between Schwab versus LPL versus Dynasty. How much money can I get to sell the business? All the questions that people should be asking if they're interested in independence, but he really needed to pump the brakes and instead we slowed him down and said, what is it that you want? And is your team aligned? Is everyone on the same page?

And after really understanding what they were looking for, which was additional autonomy, more control, but also were very happy with a plug and play W2 environment, we realized that if they went independent, more than half the team wouldn't have been on board, and it would've been missing the mark for what ultimately ended up being the perfect fit, which was going to, in this case it was Raymond James. They got a very compelling recruiting deal, which was important for the first generation. It was going to be more in line with, I guess, accentuating their strengths, which was being financial advisors and just doing right by clients. There really wasn't a burning desire to have a CEO and to operate an independent business.

So because we slowed down, asked the right questions, and most importantly they asked the questions of themselves and each other, we were able to craft a much more strategic and well-thought-out plan that led to the right option in a shorter period of time.

Mindy Diamond:

I think that's exactly right. I'm going to want to ask you a little later on why they wound up at Raymond James. But I think it would be prudent, let's start off by listing what some of the questions are, and maybe as we run through them, we can talk about how the answers to those questions began to show us and more importantly them that they were headed down the wrong path.

Questions Every Advisor Should Ask Before Considering a Move: A Special Industry Update

A conversation with Louis Diamond.

Louis Diamond:

Works for me.

Mindy Diamond:

Okay, so the first question is, what's your why and your what? Maybe you can talk a little bit about what we mean by that and how and why that mattered or how that defined where this team ultimately wound up.

Louis Diamond:

Definitely. I think it's the Simon Sinek book, what's your why? Is where we plagiarize this question from, but I think it's really important just to get on paper or even just flesh out for yourself, think back to why you are a financial advisor. What gets you out of bed in the morning? Why do you do what you do? Because that can help to guide things. So in the case of this team, their why did not include running a business, it did not include acquiring businesses or building the largest possible company they could. It was all about doing right by clients, being a family team, preserving work-life balance while doing right by clients and having the ability to problem solve. So just with that kind of clarity that helped to I think solidify the fact that in their case, independence may not have been the right fit and it gave us a breadcrumb to follow for other recommendations.

Mindy Diamond:

I think one of the other things that we mean when we ask that question are what are the things you want to accomplish for clients now and in the future? Because a lot of times it speaks to, actually it leads into what we think of as the second question is, which is what are the specific limitations or frustrations that you're dealing with currently? So in the case of this East Coast team you're referring to, what were the specific limitations and frustrations and why then would a firm like Raymond James or might Raymond James as opposed to another, been the right choice?

Louis Diamond:

In the case of this group, the limitations or frustrations was death by a thousand cuts. It was compliance being over aggressive and making things very inefficient to get done. Their admin team was very frustrated and burnt out on trying to do stuff that was just impossible or the over document, it was the changing compensation program of their firm that rewarded certain behaviors that they didn't think was right for their business. And it was just the shifting culture of the firm they joined and they were at and loved, had really changed to something that was somewhat unrecognizable. So with those limitations or frustrations in mind, it was very clear from the way they spoke about it and also just their answers that perhaps another large brokerage firm was not going to be what they really wanted, because it was most important for them to find something that was different enough.

And while I made the case that not all the firms are the same, to them if they were going to do this, they wanted something that was going to be needle moving and wasn't in their view a lateral move to stay in channel.

Mindy Diamond:

But wouldn't independence have been needle moving?

Louis Diamond:

Definitely, yeah. Their answers certainly could have tracked the independence. So not like every question is going to be an obvious answer for where someone is going to fit best. I think it just narrows the scope a little bit for what they did not want.

Mindy Diamond:

Got it. Okay. I think one of the next questions that we ask is that it's as important for an advisor to think about the things that limit or frustrate them as it is the things that they love about their firm, the things that they rely on most, because it's critical to be able to replicate and/or better what you have now. And a lot of times I think you would agree with me, Louis, that advisors take for granted, they've worked for a big firm for so long, it's so automatic that they've got a tech department to deal with computer issues or they've got a parking garage that they can pull into. Or they have somebody who puts toner in the copy machine or a branch manager to rely on for exceptions, that they don't really realize how important those things are.

It's not only about talking about what bothers you, but it's talking about what you love or what you need to replicate. So in the case of the team, going back to this team, just using them as an example, what did they love? What was most important to replicate?

Louis Diamond:

Honestly there's a lot to replicate and a lot to like. So what they would not compromise on was the platform had to be equivalent or better to where they came from. And honestly they were at a firm with a great platform, so they were going to be pretty selective as to what made sense for them. They were looking for technology that was equivalent or better. They were looking for a brand that they and their clients would be excited about and would have trust in. They were looking for a culture that was much more about the advisor as the client and much more about empowering advisors and really being a culture of yes, rather than a culture of no. And they also enjoyed having colleagues around, that they could synergize with, they can speak to and they could go to for help. So this was one in particular where the things they really liked were certainly they could have found it in independence, but there were some answers they gave that led me to believe that perhaps independence wasn't going to be the right fit.

Questions Every Advisor Should Ask Before Considering a Move: A Special Industry Update

A conversation with Louis Diamond.

This is different than some teams would say what they love is their team. What they love is that they're left alone. What they love is technology. And some answers then would probably align better with other segments of the industry. I would say in general, most advisors, there's a lot to like about their firm, and this is a good one because it puts things in a positive light and ultimately to even consider a move, you have to figure out a way, not just to better things for the client, but also just to make sure everything you're doing can be replicated. So this is a good way just to think about your non-negotiables and work backwards to what's going to make sense for your business.

Mindy Diamond:

I think what you're saying aligns with everything we believe, that a move shouldn't be driven just by pushes. There needs to be an equal amount or greater of pulls. Pushes meaning the frustrations, the limitations, the thing that are driving you out the door. And the pulls meaning what you have passion for, what it is you're excited about. If there aren't an equal amount or greater amount of pulls, you probably shouldn't go. So it's as important to us to understand what you love and what's good and what you're excited about as it is what's frustrating you. But in the case again of this team we're using as an example, so as you think about the list of frustrations they shared with you and the list of what they loved, where did that leave them on par?

Louis Diamond:

I think overall they were in a pretty enviable position where they did not have to make a move. There was enough that was working for them. They were growing at 10 to 15% per year. There was multiple family members and a next generation in the business. Clients were relatively content. I think that was the first thing, was it wasn't like they were running out of a burning building and had to do something, which put them in the driver's seat and let them sit back and be more patient about what made sense for them. But it was clear from speaking with them and just the amount of time they invested in the education phase of our process, that clearly the frustrations were far outweighing the benefits. And again, if we can find something where we were still able to replicate what they liked and also figure out a way to make it better for clients and also alleviate their frustrations in the process, that there was sufficient motivation on their side to really figure out a plan here.

Mindy Diamond:

But I love the fact that, the analogy just used, they weren't running out of a burning building, because that to me speaks to empowerment. You're moving for the right reasons, you have agency over and it's your decision. So the next question we would often ask is about whether all the partners are on the same page. Does everyone feel equally about the frustrations and how they're limiting them? Does everyone feel equally motivated to move? Does everyone have the similar risk tolerances? So in the case of this team, were they all on the same page? And if they weren't, what was the plan to reconcile the differences?

Questions Every Advisor Should Ask Before Considering a Move: A Special Industry Update

A conversation with Louis Diamond.

Louis Diamond:

I think this was probably the most critical question they gained clarity on. It's like I said, it was a multi-generational team and the youngest partner was most interested in independence, at least initially. But what circled back around for him and what put him back on the path of not going independent, was that he had senior partners who had different sensibilities, shorter timeframes, and had some economic requirements that they had to fulfill. So oftentimes it's, I would say it's the, you see splits along the age demographics. Those with longer runways tend to be a little bit more interested in more independent options. Those with shorter runways tend to look for more safety and security and perhaps either a larger upfront transition deal or something where they can monetize the business, whether through a retirement plan or otherwise.

But family teams too. It's where we also might see more alignment where older advisors buck the trend and are thinking more about the next generation. In the case of this team though, it became clear that at least for the time being, we needed a more comfortable or familiar option, which was a W2 brokerage firm like Raymond James. But that I think the compromise position was within Raymond James you can go independent in the future. So the team was able to make a move to the right platform for now, but also have the option internally without having to transition again that the younger team can go independent when the note forgives. So this was I think a really important one, because this team if they didn't stop and slow down, they would've spent a whole bunch of time interviewing custodians and platform providers and looking at real estate and going through all the motions of going independent just to find that the critical elements of their team weren't on board because of their time horizon.

Mindy Diamond:

I love it.

Louis Diamond:

Mindy, let me pause there. We've talked a lot about this team, but you've worked with a lot of folks over the years as well. And I know you had a very telling example too of how slowing down and backing up the train can really help to put a due diligence process on the right path. So let me ask you to share your example and then I'll wrap up the list of questions and we'll relate it back to this team.

Mindy Diamond:

Of course. The team is a billion dollar team, just shy of a billion dollars in assets that had been at a wirehouse. Like your example, also happened to be in the northeast, a really high quality team. When I say team, it's a single advisor and his support staff. So essentially a vertical team. He had had a senior partner that retired years ago, so it was just him. And he was becoming increasingly frustrated with his firm. Actually, if you asked me, the frustrations were all very similar to what you described, overbearing compliance, feeling less agency over control and control over his business. He really wanted to grow and probably most importantly, he had a son and a daughter that were finishing college and he was hoping to build a legacy, a business where they could join him.

And when he was honest about it, he didn't necessarily believe that his firm would be the best place. While it was fabulous for him, and it allowed him to build an almost $900 or $950 million business, he didn't believe it would be the right home for his next generation. We began to talk about what was next. And the first thing he said to me when we started talking was, I want to be independent. And when I asked him why, because I just can't stand all of the minutia and the bureaucracy and I want to own something and I want to build equity and be able to pass that on to my children. So independence seemed obvious.

Louis Diamond:

So let me ask you some of these questions. Probably the important question that you asked him or he should have asked himself is, what do you want to be when you grow up? Do you see yourself as an employee or as an independent business owner? How would he have answered that?

Mindy Diamond:

That's the ironic part. When we first started talking, 100% it was team independent. I want to be a business owner. I'm excited about finding real estate and being able to self brand. I'm excited about being able to build equity and a legacy and pass that on to my children. He asked me a lot of questions about how you monetize a business in the long run. And when we talked about how independent businesses are valued and who buys independent businesses, you could hear his palpable excitement. So as we began the process, even in my hands, we began to talk about independent options.

Louis Diamond:

Got it. And was there any services that he wanted to offer clients? And oftentimes and probably more related to independence, where advisors are really passionate about offering tax preparation and bill pay and having far-flung outside business activities. Did he voice any of these as a breadcrumb that independence may have been right for him?

Mindy Diamond:

That question is where I began to say to myself, I'm not so sure. He may think he wants to be fully independent, but I'm not sure he really does. And as you ask me more of the other questions it'll become more obvious. But his answer to that question was, I'm really satisfied. I run a plain vanilla business. My clients are mass affluent, mostly people with between say a million and five million and what I have access to now and at any traditional firm would be good enough for me.

Louis Diamond:

Makes sense. I think the next question then is, how entrepreneurial do you want to be? Or maybe put another way, how much do you really want to be a business owner? Are you excited about being CEO, about managing vendors, about managing a team and hiring and HR and everything that goes into a business?

Mindy Diamond:

So again, where we began to see some daylight between what it really means to be an independent business owner and what he really wanted, he thought he was excited about being an entrepreneur, the notion of being a CEO, he felt like he was a CEO of his business within his wirehouse firm. And so that didn't scare him at all. That didn't daunt him. But as we began to talk and he began to ask questions about, so okay, other than managing my team, what are the other aspects of running an independent business that I'm not thinking about? And as you say, as we began to talk about hiring and firing and adding M&A and legal and compliance and risk and all the other myriad things that go into it, I could hear, he didn't say it, I don't even think he heard it himself, but he became just a little less excited.

Louis Diamond:

I think it's also like do you want to market yourself in a creative way and are you excited about creating your own brand and having your own website? I think it's one of those things where if you can flip a switch and own the business, a lot of people would sign up. And even with all the different models of independence out there, I think as you begin to understand more of what goes into it and a perfect bridge to the next question, the risk of it and what you're giving up from an opportunity cost as far as getting an upfront transition deal and just how the economics work, you really get a sense of how much someone wants it. And in this case, I think probably the next question was the ultimate, hey, I don't know if this is right for me. And again, backing up the train is critical. So that question is, how important is transition money? And if transition money is important, how much is impactful?

Mindy Diamond:

Right. So you are 1,000% right. It was this question where he had his aha moment. I was having my aha moment as we were talking through the other questions. And by the way I might add, when I say that he was convinced he wanted independence all the way through to this question, which is question eight, we had not taken a single meeting yet. So this was what we call armchair exploration, where he and I were talking on the phone and I was educating him, asking him questions, he was answering. We were talking about the options and what each thing meant. It was still pretty efficient. Maybe he had spent an hour with me on the phone to this point. And before I answer the next question, which really was the most pivotal, I will say that that question, how entrepreneurial do you want to be? Is the one that becomes often the deal breaker or the litmus test to whether or not somebody really wants independence.

So taking it away from this team we're talking about, I think you would agree with me that independence on its surface sounds really, really appealing to everyone. Who wouldn't want more control? Who wouldn't want better payout? Who wouldn't want to lose the bureaucracy and the hypervigilant compliance and whatnot? But as people begin to really understand what goes into running a business, that becomes the game changer. Do you agree with that?

Louis Diamond:

I completely agree. This question first and foremost is probably the biggest indicator of how much someone really wants to be independent. And you get to really, I think, focus on specific firms and models based upon the answers to the question. Sometimes people are a little embarrassed in saying, you know what, I really want to get paid in the move. But ultimately it's their choice and their prerogative. And there's a reason why there's so many different firms that are experiencing success right now. You just got to be honest with yourself, you're doing yourself and everyone a disservice if you hide your true intentions. And even though M&A multiples are sky-high, you can make more from a net payout basis. And like you said, there's a lot to like.

Ultimately you have to be really comfortable with probably a five-year payback period between what it takes to build an independent business and then having a positive ROI on the independent side, and it's not for everyone.

Mindy Diamond:

And just moving back a second, the question around how entrepreneurial do you want to be? It wasn't the game changer or the real litmus test for the team that I'm referring to, but it is a huge game changer or becomes where people have their aha moment. Maybe I really don't want to be independent for a lot of folks, because the notion of independence can be sexy and exciting. What's not to like about it? I get to have more control. I get to have better take home pay. I get to monetize my business at the end of the day, I get to see my name in lights. But as they begin to really understand really what's involved in running a business, for many people it becomes a bridge too far. And it's one of the reasons why models like Raymond James, regional firms like you mentioned for the team you were discussing, and why firms like Rockefeller and William Blair and J. P. Morgan Securities, or what's now J.P. Morgan Advisors, become a good middle ground.

Louis Diamond:

I think that's right. It's almost like the more you learn, the less attractive it becomes. In the beginning it's really, really interesting and compelling, but as you learn about the roles and responsibilities, you take on the amount of work it takes to establish the independent business in this example and then what it takes to run it. You just have to really have that burning desire in your stomach to take it on. Especially once you reconcile that you're not going to be taking a 300% plus recruitment deal from a major firm.

Mindy Diamond:

Questions Every Advisor Should Ask Before Considering a Move: A Special Industry Update

A conversation with Louis Diamond.

Absolutely. Well, so then that comes to, in this case, the most pivotal question. It was the biggest aha moment when we began to talk about how important transition money is and how much is important. So while there are models of independence these days that offer some transition money or some soft dollars if you will, to offset the cost of building a firm, we're not talking the kind of dollars that someone can get if they move from one traditional firm to another. And in this case, the advisor that I'm referring to, the team, they had never monetized, they'd been at one firm for the whole of their career, which was about 25 years. And the notion of a 40% check or something they might have gotten in the independent space just wasn't anywhere near enough no matter how exciting it was to build a business and sell it in the long term at capital gains.

So it wasn't just the question, how important is transition money, but it was how much transition money that became important. We decided 40% wasn't enough, 100% wasn't enough, even 200% wasn't enough. And it wasn't until we got to 300% that we began to say, I don't really want to be independent. I really want to de-risk this in the short term, and I've got a long runway and I can always monetize and be independent later on. So let me ask you a question, Louis, in that particular instance, the fact that somebody wanted 300%, a 300% or more deal, what did that do to the solution set?

Louis Diamond:

It's a great question. Whenever we're formally engaged with a team, we have our own assessment that we take advisors through it. It is some of these questions and many, many more. And we have a question, I think we actually have to change the question and we ask about, how would you rate on a scale of one to 10, the importance of upfront transition money, ongoing net payout, ownership of your business and equity in a larger entity? And most people just put 10 across the board. Of course, if that was out there, our job would be very easy and everyone would go to that firm. I think part two, it's education just on what are the different avenues you can go and what are the pros and cons of certain models? Because all else equal, to take the biggest deal, but you have to understand, I guess what types of firms the largest deals are attached to.

So to answer your question directly, if in this case this gentleman was looking for a 300% plus deal, it likely knocked out really every independent firm, probably 80% of W2 firms, and it was probably four or five firms that were left on the list. It's amazing how taking a second to back up without jumping to solutions really simplified the process. Instead of taking four or five, probably interesting and intellectually stimulating meetings with independent firms, we were really able to short circuit the entire process and get to the right couple of firms that ultimately led closer to his goals.

Mindy Diamond:

And in this particular instance, the advisor and his team landed at Rockefeller because part of what came out in some of the earlier questions I asked him was the fact that he didn't want to go to another big firm. And as I mentioned, a firm like Rockefeller these days is the perfect middle ground between the traditional wirehouse space and independence. Louis, why is that?

Questions Every Advisor Should Ask Before Considering a Move: A Special Industry Update

A conversation with Louis Diamond.

Louis Diamond:

It's got the best of everything. It's smaller and more of a boutique than the major brokerages, but it's still a full service firm where you're W2, you have colleagues around you and you don't have to build the firm from scratch. So for some, it's similar to Raymond James, it's a really compelling middle ground option. We have three more questions here. I'll just list what they are. Because I think we've driven home the point of how in both of these examples, going slowly and asking the right questions can lead someone more to the promised land. So the three questions are, how do you think about succession planning? What is your succession plan? So is it a family member? Is it a key team member? Do you need one and need to find a firm that has a large network of folks internally? Will you think about selling the business? Questions like that.

It's also about portability. How confident are you in portability? Are there certain products that aren't going to move whether alternative investments through feeder funds or proprietary models? Did you acquire a business or take over a book of clients? Were there a lot of referrals? Questions like that can help drive, just do I have enough confidence in what's going to come that there's going to be a positive ROI on the move and that it's worth it to go through the pain and the hassle? And then finally, what concerns you most about making the move? This probably links back to the portability question, but do you have real concerns about legal protocol versus non protocol? So maybe a firm that offers legal support is what you need. Are you under a Sunset program that will preclude you or a member of your team from moving? Are you worried that a key assistant won't come?

There's a million different answers to the question. And the point is being really clear upfront on what these are will help you avoid some landmines along the process. Even if these last couple of questions don't change the solution set, it helps create a more productive environment for due diligence so that us or whoever you work with as your chosen representation can help you better and arm you with more facts, but also so that there aren't any showstoppers that will preclude you from moving forward. Better to get this all out in the open now, to avoid honestly a lot of time when maybe, okay, I think only 50% of my business is portable, then maybe I shouldn't consider moving at all. Is there anything that we missed?

Mindy Diamond:

No, I think that that's exactly right. But I was going to ask you that question about how confident are you in client portability? So if someone said, I worry that only 50% of my book is portable. I think the first thing we would say is then are you sure that you believe it would still be worth making a move? Because moving is not meant to be an exercise in futility and go backward. It's meant to be accretive. But why would somebody think, who said their book was only 50% portable, why might they think about moving and what would we tell them about where they can think about moving if they believe that not the whole book is portable?

Louis Diamond:

Questions Every Advisor Should Ask Before Considering a Move: A Special Industry Update

A conversation with Louis Diamond.

We see that often with private bankers or bank based advisors who were referred a number of clients, and they may be only making a small percentage of what they could make at another firm. So in the case of a private banker, maybe it's a $3 billion book. Even if they move a billion of assets, because they're paid salary and bonus, they're likely still going to make more on that billion than they were in the three billion. We've seen it before with younger advisors who they have a large book of assets that aren't all that productive. There's three clients with mega concentrated stock positions, and they're not really paying the advisor that much money. So even though it might hurt the ego to move $100 million instead of $200 million, they're moving the most productive clients.

And for them because of what they can gain on the other side, it's worth it to shrink to grow or take a couple steps back to take a number of steps forward. But normally if someone's going to lose that much of their business, they have to be in a lot, a lot of pain in order to justify really losing that much of their business in the transition.

Mindy Diamond:

Louis, I'm excited about this episode because after 27 years of doing this, I know and we know that these questions and probably five or six others are without question the most important things that an advisor should be clear about as they begin the exploration process in order to make it the most productive and efficient. And so I'm excited that in our next episode we're going to take it a step further and discuss the questions you need to answer once you've identified that you want to make a change and where you want to go and are ready to take due diligence to the next level.

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.

Please note that all requests are handled with complete discretion and confidentiality, and keep in mind that our services are available without cost to the advisor. You can see our website for more information. And again, if you enjoyed this episode, please feel free to share it with a colleague who might benefit from its content. If you're listening on the Apple Podcast app, I'd be grateful if you gave it a star rating and a review. It will let other advisors know it's a show worth their time to listen to. This is Mindy Diamond on Independence.