ROBERT HUDSON

A FINANCIAL ADVISOR'S GUIDE TO INDEPENDENCE

A Blueprint Towards Success

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A Financial Advisor's Guide to Independence:
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Robert Hudson
Gladstone Wealth Group
1400 US Highway Rt. 206 N., Suite 100
Bedminster, NJ 07921
(908) 719-1313
Gladstonewealth.com

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Dedication

To my wife Nicole, who has always believed in me . . .
you've made everything possible.

To Bianca and Alexa, everything is for you.

To the wealth managers who believe in themselves
and the unlimited possibility of growth . . .
I believe in you.

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Introduction

Writing Your Own Story

MY NAME IS Robert Hudson, and I am the president and founder of Gladstone Wealth Group. I've been in the practice of financial services for 14 years, but my passion for finance and investments goes back much farther than that.

When I was in the ninth grade, I took a business class in which we had a little competition to help us learn about the stock market. At the time, I really didn't understand how stocks work and didn't really even know what they were. The business teacher gave us a purse—an imaginary $100,000—to invest in different stocks. Every week we would bring in a newspaper and we would get to follow how our stocks were doing.

I was incredibly lucky with my stock picks and the impression I had early on from the market was, "Oh, okay, so when you invest in stocks, you can make money and your money can make money." That's where I got bitten by the bug. So as I started getting ready for college, I just naturally wanted to be in finance. I've always been something of a numbers guy but I've also always been a people person—what better way to put those two things together than to be a financial advisor? You get to follow numbers, you get to follow the market, and you get to have lots of interaction with people.

When I got into college I focused on economics and finance. I always wanted to get into this business and I always wanted to figure out how it worked. Even when I was too young to fully understand the markets, I was old enough to understand that a lot of people invest in the market and that many people rely on stocks and bonds and different investments when they retire. I thought it would be smart to be as close to that as possible—not to mention that I love watching the ups and downs. It's been my life now for 14 years.

Why did I decide to write my story? Actually, this book is less about me writing my story, and more about helping you write your story.

Chances are, if you're reading this book, you already share my passion for this world of finance. You may already be a financial advisor in some capacity, with a bank, or a wire house, or an independent practice. And wherever you are, I've been there. I've worked my way through the ranks and climbed to the top of my field in every position I've ever held.

Along the way, I've developed my own approach to wealth management and financial advising, and I now lead one of America's fastest growing firms. What I want to do with this book is share with you what I've learned and invite you to join me on this exciting journey.

I'll talk about this journey in more detail throughout the book, but by way of introduction, let me share a little bit of where I've been.

My first job out of college was in a call center—yes, you read that right, a call center. The time I spent there gave me a great background in the business. I worked hard, I learned a great deal, and within six months I was making six figures, which was unheard of for a call center job at the time.

Eventually I reached a point where I felt I had hit a wall and couldn't really grow anymore there. I started looking for a new challenge. I decided to take the knowledge that I had gained and the skills that I had learned over those years in the call center and move into the bank channel, where I would start trying to build my own business as a financial advisor.

I wanted ownership of my client relationships. Instead of just working with someone one day and then working with someone brand new the next day, I really wanted to be able to develop those relationships. That was something the call center lacked.

Coming from a wire-type call center background, I didn't even have my life and health insurance licenses because the products that we had were investment-based. When I got to the bank channel, I found it was not only investment-based but also insurance-based. In my first two months, I went through training to get all of my other licenses and then I hit the ground running.

My first year in production—and without being given a book of business—I did over $600,000 in revenue; my second year I did over $700,000. By my fifth year I was doing over $1 million in production and built some great relationships with the clients and bank employees. I had gotten to a point where I had won all the accolades I could win within the company—all the trips, all the top producer dinners.

From the time I started at the bank to the time I left, I never missed one top producer dinner. Even in my first full quarter being in the bank, I made that top producer dinner. Here I was, the new guy on the block straight from a call center, who didn't have a book of business, and right off the bat I hit every single top producer dinner. I was doing more in my first year than seasoned veterans had been doing over the course of decades.

It was a testament to the relationships that I was able to develop quickly and also to my work ethic. The combination of those things led me to continued success and building a solid practice. All the while, I was bringing on more and more clients, they were giving me more and more money, I was creating much deeper relationships, and I was getting more and more referrals. There's an old adage that says, "The harder you work, the luckier you get." This business is a lot of hard work but it's also a relationship business. No matter which silo you're in, or no matter which avenue you pick to join this business, it is purely a relationship business.

It is not about your ability to average eight, nine, ten percent a year for a client. No one can promise that. Performance is important but it's more about your honesty, your transparency, your trustworthiness, and the way that you can service a relationship. Because trying to bring a client on board is the easy part. All the hard stuff comes after they're here. You want to make sure they're happy, you want to make sure you're responsive to their phone calls, and you want to make sure you're setting realistic expectations.

After some years in the bank, I began again to get that urge to look for another new challenge. It wasn't necessarily about more money; it was about more progress. It was about more growth; it was about expanding and trying to be more well-rounded. I wanted to be able to do more for my clients and to spend more time with my clients. That was what caused me to really look at the independent route.

I could have left the bank channel and gone to a wire house for a sizable check up front but I decided that wasn't the best approach. I had already done that once, and after four days I returned the check and left. You will see that story later in this book. It's a pretty good one. The best approach was what was best for my clients and what was best for me and my family, emotionally and psychologically. I'd had a lot of success in the bank channel but I knew that I could do so much more for my clients and for my own practice. I felt that the bank was making what I considered mistakes in terms of running the business. I looked at their reasoning and decision-making, and I realized I am just not a corporate kind of thinker. To some extent I feel bad for the middle-level managers as they are in a tight spot. They hear great ideas time and time again from the advisors in the field, but they are never given the ability to implement them. I used to share so many ideas of ways of improving customer satisfaction while increasing the wallet share to form deeper relationships. But who was I?

I am a big-picture thinker. I know what I can accomplish, and I guess I've always just wanted to challenge myself, as clichéd as that sounds. Having a supportive family to support me in those endeavors, I trusted that I could go out and I could accomplish my goals.

I knew when I decided to leave the bank that I was certainly not leaving it for comfort. Comfort was in the bank. I was making a great living, but I really wanted to challenge myself. I wanted to take that next step, and I wanted to build something even bigger, as big as I possibly could. I've never looked at an exit strategy; I've never been one to set a goal of how much money I want to make. I just continue to push myself to the next level, and the next level, and the next level, all the while doing everything on behalf of my clients. Fortunately, in this business that's what makes it all possible.

The truth is I could have stayed in the call center and made a great living for the rest of my life. I could have stayed in the bank channel and made a great living for the rest of my life. But I opted to take one more step and move into the independent channel.

Now, being independent, I have the ability to do so many things that I was not able to do before for my clients and prospective clients. I've been able to change my business model to show advisors how to be successful on this side of the business. I take them through the different phases, and I share my experiences with them—including my pitfalls. I've been able to do acquisitions on other books of business, I've been able to recruit, and I've been able to create not only a real investment firm, but a culture.

If this Gladstone model had existed on the independent platform when I left the wire, or I left the bank channel, I would have joined it in a heartbeat. But it didn't—so I created it. I've created a model for advisors so that they don't have to go out, figure it out on their own, and ultimately struggle more and make less money and not be able to service their clients as much. I have created a model where I can sit on the same side of the table with an advisor and help them recruit, acquire another practice, or give them ideas to help grow their business.

That's really why I started Gladstone Wealth. Initially it was for me to have a place for my existing clients and then be able to grow. Since I brought the clients over, I've been able to take better care of them than I've ever been able to do before. I have access to more products, and I've been able to strengthen these relationships because I'm not running around trying to fit into someone else's corporate concepts.

It's only grown from there. Some advisors reached out to me. They liked the model that I had, and decided to join. I've now shaped the business model so that advisors can do exactly what I did, whether they're coming from a wire house, from a bank channel, or from another independent firm. I'm offering them a platform to which they can transition their book of business with ease and reap all the benefits without the struggle.

Every week I speak to so many different advisors who feel the same way I felt for years in those different channels. It took me a long time to make my decision to do this. I had my doubts. I doubted it the day that I resigned from the bank. I even doubted it weeks after I had made the leap, but after a month, two months, three months, things really started to change. This was me doing it all on my own. This was me taking all my own office space, buying my own furniture, spending a lot of money just to create a process for me and my clients, even when I didn't really know a year from then how many clients I would actually have. To put it mildly, it all worked out.

In my talks with advisors, I'm able to speak to them on a one-off basis, and I have a lot of conversations with lots of really good people across the country. Through this book I hope to be able to reach out to more and more people.

As advisors we all have the same exact struggle. We're different people, we have different personalities, we have different practices, we have different books of business, we have different types of clients, we have different specialties, but at the end of the day, we all have the same successes and we all have the same struggles because the places where we're housed are all relatively comparable. That's a very important point, and that is one of the driving factors in my writing this book.

What can you expect from reading this book? I hope you can learn from the example of one of your fellow advisors, who started off in a call center, has worked in every channel, and ended up independent with his own firm in a relatively short period of time.

I never dreamed that we would be doing what we're doing now. I just knew that it was possible.

As you read this book, I hope that you will try to put yourself in my shoes. I understand that a lot of advisors are afraid to make a move, but they're also nervous about staying where they are.

If you feel stagnant where you are, I hope this book will be an open window that gives you a gust of fresh air, and maybe some inspiration if you want to change your business model, change your plan, or change with the industry. Don't become a victim of the changes that are happening in the industry. It's so easy to get complacent where you are, especially if you're having moderate levels of success. Sometimes you get to a point where every single morning you wake up and you go into the same branch, or you go into the same office, and you speak with the same people, and you talk about the same stuff. I've been there. I've done that.

Don't be afraid to change it up. Don't be afraid to change your business model. Don't be afraid to continue to push yourself, and make yourself uncomfortable. You make yourself uncomfortable so that you can continue to grow. I want you to take that to heart and change your conversation and your mindset. Everyone can improve. Listen to other people. Network with other people. If you're going to stay where you are, there's no reason why every day you shouldn't be waking up and just going after your book—going after the business, bringing in more, working more hours.

If you're someone who's considering doing it on your own—if you've been in a bank or been in a wire and feel like you've become stagnant and tapped out—this book is for you. If you have a great core business of clients that you know will come with you and you want to have long-term relationships with them, this book is for you. If you're an idea person, and you can think of a hundred different ways of structuring your business, or you really want to get value out of your business, or you really want to own your practice, or you have kids that you might want to bring into the business down the road, or you never want to retire and you want to be in this business until the day you die, this book is for you. If you want to do acquisitions, or you want to do recruiting and build out your own practice, or you want to partner up with people on a bigger scale, or you want to roll up with a bunch of other independent firms and create a giant conglomerate that you could one day sell for hundreds of millions of dollars, this book is for you. There are so many great things on this side of the fence that I just want you to think about.

Maybe you're on the fence trying to make a decision. You have a book of business, but you don't want to go independent because you're not sure what that really means. Maybe you don't want to be floating all alone out on an island somewhere, but you're compelled to have your own business. You're already your own boss; your clients are your clients. To make it more formalized, you not only gain the benefits of being a business owner, but also the self-esteem of being a business owner and taking pride in what you have done, every day that you get up.

That's what I want to communicate with this book. If you're on the fence now, when you put this book down, I'd love for you to not be on the fence anymore. If you're really struggling in the day-to-day, whether it's the wire, or whether it's the bank channel, I hope that this book gives you that kick in the butt that you need.

One last thing before we dive in: Why is this the time for you to consider making a move? Here's why: Our industry is changing drastically as legislation and regulations change, and no one understands our business the way we understand our business.

Every single financial advisor in this industry looks at the changes that are coming down the pike. The institutions that you work for, and how those institutions implement these changes, will have an effect on your bottom line.

Right now, and over the next couple of years, our industry is getting picked apart, and we have to make decisions. We have to own our business now more so than ever. With all the different changes—whether it's compensation changes, product changes, or regulatory changes—advisors are going to have to grow their business 10 percent to 15 percent each year just to make the same sort of income. Or you're going to have to go out and get more clients to make the same amount of income. Ultimately, that means that the existing clients you have are probably going to get less service.

Now is the time to really dig deep. Now is not the time to be complacent. Being complacent is going to take a significant toll on your business.

You're going to have to make drastic changes. Those drastic changes mean reevaluating your existing business and making a significant push so that you can maintain it. Or they mean seriously considering the independent channel and taking more control over your relationships with your clients. There is no better time to be reflecting on your book of business than right now. This is the single greatest attack on our business that has ever existed and we're right in the middle of it. This conversation couldn't be more timely. So turn the page and let's get started on the path to you writing your own story.

Chapter 1

The Three Major Channels

AS A FINANCIAL ADVISOR, you have three main options in this business. You have the option of becoming a bank advisor, a wire-house advisor, or an independent advisor. Each of these three models has been very important to me—each is good in its own right. We'll take a look at the pros and cons of each model.

The bank channel

Let's start with the bank. The role of bank advisor is often appropriate for someone who is starting off in the business, someone who may not yet have a book of business. There are a lot of pros to being in a bank channel. There are existing clients in the bank. You get referrals from individuals in the bank. You build relationships. People come into the bank and they see you. They familiarize themselves with you. Over time, you become part of the bank. The clients who walk in on a daily basis to make deposits may one day be your investment clients.

A bank offers a lot of structure. You will have a lot of people telling you where to go and what to do. Some people will view that as a plus, others as a minus. There are people who need and want that amount of structure. If you're someone who is new to the business or has a smaller book of business, you might need some of that structure.

If you go into an existing bank, there may already be an existing book of investment business for you from an advisor who left. There may be some house clients where you can make some warm calls. You may be able to build some of those relationships and get more assets for those individuals.

In the bank you'll come into frequent contact with bank employees. If you develop strong relationships with them, and they're always thinking about you, they will start feeding your pipeline. They need to love to see you come in and hate to see you go. And once you build that relationship with these individuals, they'll start introducing you to their centers of influence and best relationships. You want to make sure that you're always taking care of the referrals that you get.

Another advantage to the bank is that you have a direct sales manager. Many advisors complain about their sales manager, but if you happen to have a good manager who has investment experience, that sales manager could be a tremendous value-add to your business.

Some managers say that they will help advisors to grow their practice, but this is heavily debated among advisors. Many advisors describe managers as being an insignificant value to their business. But if you do have a very good sales manager who works above you, that could be a tremendous value-add.

Another value-add of the bank channel is that if you do a certain amount of production within a bank platform, you may qualify for an assistant paid for by the bank. In a bank you may also have the benefit of working for an established, very reputable name.

Given all the consolidation in the industry right now, a lot of banks are creating their own models and their own processes for their financial advisors to follow. You may be with a bank that creates an amazing process, and if that's the case, you as an advisor will benefit.

So you can see that there are a lot of positives to working in the bank channel. It gives the advisors a place and the time to really build a solid book of business.

What about the downside? First of all, you're still working for a corporation. That means a lot of conference calls. There's also a lot of bank work that an advisor is expected to do. Technically, however, the advisor doesn't work for the bank; the advisor works for the investment arm of the bank. Advisors can potentially get bogged down doing bank tasks that have nothing to do with their existing clients and nothing to do with growing their practice.

I mentioned that your manager can be an advantage, but your existing manager can also be a disadvantage. Your manager might put too much on your plate, or exert a little too much pressure. Your hiring manager might have promised you a book of business, or certain branches. How many times have you heard your colleagues complain that this changed upon their being hired? Unfortunately these things need to be spelled out in writing. The existing manager might not really understand the business and what it entails. Conference calls can very easily go from "Hey guys, let me help you grow your business," to "All right. How much production did we do this month? How much new business? We have to manage money, and why aren't you guys doing call nights?"

You can find yourself in more of a dictatorship model than a partnership model, and that always has a negative effect. The business is stressful enough to navigate. It's not just the market; it's really creating financial planning. It's really being wealth managers—handling people's net worth, not just their investment accounts. That means digging deep into their lives and creating the best relationships possible. Almost always that has nothing to do with how many widgets are being sold. Sometimes you get caught up in that corporate process, which tends to be one of the most frustrating aspects of being in a bank.

The bank also limits you. You're very limited in terms of the products and solutions you can offer clients. The bank also has its own process; you cannot create your own process. The process is there. So even if you think that you can improve on something, or there's new software that you might want to buy, or there's something new that you want to do, the answer is usually no because the bank has its own way of doing things.

You may sometimes find that the bankers who are on the platform won't refer business to you because they don't believe in investments. Or maybe they have seen a high turnover in advisors. It may be that in the past year or two there have been five or six investment advisors who have sat in your seat and then left. That can leave a bad taste in the banker's mouth. The clients they left behind are also frustrated because they've had a bunch of new advisors over a 12-month period, and they want to know how you are any different from the last five guys who were here. Are you an advisor who has experienced this? Are you an investor who has experienced this? So that's an obstacle that you may have to overcome.

One of the biggest—and probably scariest—disadvantages of working in the bank channel is the issue of payouts. The bank always reserves the right to haircut an advisor's fees, and the bank always reserves the right to lower your payout. The bank also always reserves the right to change your position from a commission-based position into a salary-based position. With new rulings coming from the Department of Labor, I think that's a real fear right now for a lot of people. Even if nothing is instituted from any sort of Department of Labor ruling, the bank can and will do what it wants at their discretion.

It's difficult and stressful to build this business. Then you add another level of stress when you find yourself thinking, "I have no idea what my compensation's going to be next year. I have no idea what the bank expects of me next year." Now you're suffering, the bank suffers because you're suffering, and ultimately and most importantly, the clients are suffering because you're not able to give them the same amount of service. You might be worried about your job. You might be worried about what kind of products you have access to. You might even feel that in managing your book of business, you're not able to do everything for that client. You're not able to do full-fledged financial planning. You're not able to take care of their insurances. You're not able to take care of consulting for them. You're not able to educate their kids. You're not able to do all the things that every single client deserves, whether they have $25,000 with you or $25 million with you.

While there are certainly advantages to working in a bank, the culture of a bank can potentially become toxic for an advisor, no matter how well intended. So where else might you go? Let's talk about the wire.

The wire channel

As a wire-house advisor, you will have a little more freedom. There's not as much corporate nonsense and there's not as much bureaucracy in managing your practice. There may be certain quotas you will have to hit in terms of amount of assets that you have, so that creates some pressure. You have to manage your book of business. But you tend to have access to more products, and a wire house will tend to treat you like you're a little more self-sufficient. You get to build a brand leveraging some of the industry's best products—sometimes proprietary products, which can be good or bad. Depending on production, in some cases you get a fair amount of support, and you're able to focus a lot more on wealth management because you're not required to do any banking or to help out any bankers. That alone gives you more time to service and grow your existing practice, although this process is changing.

One disadvantage of the wire channel is the lock-up period. Wires tend to give the advisor a lot of money up front, and that money up front locks you in for seven years or even nine years. Over those years, if you're not doing a certain amount of production, they can change your payout. If you don't bring over a specific amount of assets, they can change your payout. If they settle lawsuits due to something they did years ago during the financial crisis and they need to make up for lost revenues, they can change your payout. If they just decide one day that they're going to change your payout, they can change your payout. So you're still at the mercy of working for an institution.

The name recognition of the wire house can sometimes be a benefit. I think sometimes the advisor gives a little more credence to that name than a client would. A lot of clients still have a bad taste in their mouths from the questionable practices that have been seen on Wall Street over the past 10 or so years.

Another advantage is that some of the wire houses have their own research departments, though opinions vary on how valuable they are. For every investor who thinks that a certain wire has great research, another feels that it doesn't.

Ultimately, in both the banking channel and the wire channel, an advisor can sometimes feel like a distribution center. They're there just to promote and present their institution's perspective instead of putting their own spin on things, when a client is really looking for their own financial advisor's point of view. And most importantly, the bank or wire house owns those client relationships and ultimately your business. How does that feel? Terrible . . . I know.

The independent channel

Now let's look at the advantages of the independent state. Some of the advantages are very clear. You will receive a higher payout on your existing practice so you don't have to continually focus on bringing in one new client after another. You can simply focus on your existing clients and doing more for them. It's much easier to strengthen a relationship and do more for an existing client than it is to go out and find the next one and create a whole new relationship. This point should not be taken lightly.

Having access to more products and services and being able to do everything for your client will feed that relationship. Ultimately it will be more profitable for the client and it will be more profitable for you as an advisor.

You can create your own business model. There's no one telling you on a daily basis that you can't do something. Obviously you still have to work, and it's still a very heavily regulated industry, as it should be, but you don't find a lot of corporate nonsense. There are no mandatory conference calls on how you're going to grow your book of business.

It's simply you, and your client, and your pitch. There are no quotas. You don't have to hit a certain amount of assets each month or do a certain amount of revenue each month. Your book of clients or your book of business is your book of business.

Another big advantage is that you own your practice. As an independent, you could sell your book of business tomorrow for a significant multiple on your trailing twelve—what your business has produced over the last twelve months. You can't do that in a wire, and you can't do that in a bank. The institutions get creative. They create these things called sunset provisions and they're effectively paying you back a small percentage over a couple of years with money from a book that you built. As an independent, you can structure any possible deal. You can structure deals that allow you to stay on as a ten percent equity owner in your own book of business for the rest of your life. You can get a pension off of your book of business for the next 40 years after you retire, while someone else is managing it. You can simply be as hands on or as hands-off as you want. So you have the ability to sell—the ability to take your existing book and create any sort of team around it that you want. Think about it: junior brokers, senior brokers, building at a platform, selling for a bigger multiple down the line, merging with other practices. If you can dream it up, you can do it.

For someone who's more entrepreneurial in his or her thinking, as most investment advisors are, the sky is the limit. One of the disadvantages, though, is that you have to stay well grounded. As I said earlier, one of the potential advantages in the bank is that you have someone telling you what to do. As an independent, there is no one telling you what to do. That can be difficult for some people, especially people who have a hundred different ideas on a daily basis. One idea is better than the next idea, and the next is even better that that. Before you know it, you're so overwhelmed with ideas that you're not even really managing your practice. In my opinion, it's a good problem to have, but it can be a disadvantage unless you have the discipline to create a practice and then implement what you have come up with.

Now, you can do the same thing that you've always done, and you can make more money than you've always done, and that's great. In fact, I see many advisors, when they leave a bank or a wire to go independent, still make more money even if they do 60 percent of what they were doing before. They get to have a great quality of life and they get to focus on their best clients. Their life is more about dinners, lunches, and golf outings with clients. It's about getting involved in their clients' lives, instead of sitting in a branch or sitting in a wire house answering phone calls. Those are all great advantages of being an independent advisor. If you just want to be a consultant to clients, if you want to work billable hours as an attorney would instead of charging for assets under management, you can also do that.

Our industry is changing rapidly, and I find that it is much easier to keep up with the changing industry when you're independent. When you're in a wire or a bank, you're at the mercy of whoever you're working for and how they're going to interpret the changes in the industry. Your institution is going to decide how industry changes will impact your business. As an independent I have so much more control over my business.

There are disadvantages, of course. One is the cost. As an independent you'll be responsible for things like office space, assistants, salaries, and health care—there are a lot of assorted costs. Our turnkey model for independent practice offers a way to defray those costs, and we'll talk more about that in later chapters. Because the payouts are so high in the independent channel, in most cases you can have those expenses and still double your income from the wire. It doesn't have to be a disadvantage; it's just the cost of doing business.

You can probably tell that I'm a fan of being independent. For me personally, being in the independent space, I have been able to take all of the things that the banks and the wires seemed to be doing wrong—at least in my opinion—and let those go. I've been able to create my own model and create my own process. The reason why

I love being independent so much is while I have my existing client base, my role has expanded to be a champion for the individual financial advisor on going independent. I explain to them all the benefits, I help them realize those benefits, and I am potentially working with these advisors in some way down the road, even if it's just sharing ideas from time to time.

I'm an idea guy and I'm a hard worker. I also like sharing my ideas—sometimes I'm guilty of having too many ideas!—but I'm able to create the model I want. I'm able to create the profits that I want. I'm able to surround myself with the people whom I want to be surrounded by. I'm able to work as hard as I want. I'm able to do what I want without anyone telling me how to operate. That freedom, aside from all the other benefits—the money, the responsibility, the lack of conference calls—is why I'm such a fan of being independent. I love that freedom of being able to do what I want to do when I want to do it. I love being able to grow the way I want to grow, to put deals together for acquisitions, to do acquisitions for other advisors in the office, and to help them grow as well. It's incredibly fulfilling. I don't see that ever changing.

I've been in all three channels. I've done all three and I'm happiest where I am now. I will also say that I've never heard of someone leaving a bank or a wire to go independent and ever going back. I can't say it's never happened, but I've never heard of it.

With my own experiences of getting through the initial hurdles of going independent to building what is now a finely tuned machine, I know that I can help advisors achieve greater success, freedom, income, and ultimately more value in their existing business. As advisors, we give advice to our clients all the time about long-term strategic financial planning. If a financial advisor were advising another financial advisor on long-term strategic career planning, I would be hard pressed to believe that advisor would not counsel the other advisor to go independent. But sometimes we don't take our own advice.

Where do you want to be?

The financial services industry is consolidating. It's consolidating because companies, banks and wires are all trying to become more profitable. They have P&Ls that they have to grow. Your book, and you as an advisor, are part of the institution's P&L, which is why sometimes you feel that you're treated like a number. The industry itself has demonized our business. It's changing, and we're getting hit from all angles. It's changing on a daily basis.

Every day, you read some new article about some new firm doing this because of that. And in light of that, this next thing is happening. You hear it all the time: "This is how the firm is interpreting the Department of Labor regulations." "This is what this firm thinks is going to happen, so they're not going to pay their advisors this anymore." "This is what's happening, we're lowering our payouts in anticipation and you can't get paid on this product." "If a client's only $50,000, you cannot get paid on that client anymore because we need to keep all these different fees. We want you focused on the larger client."

The industry is changing. They're taking our books from us. They're taking our clients from us. They're taking our profits from us. It's happening right in front of our eyes. Every time there's another one of these changes, we're often too quick to brush it off. We may complain about it, but we don't do anything about it. That's got to stop. We need to think about our practices. If the industry's changing, then we need to look at who we are. Each of us needs to dig deep and figure out where we want to be in five years or ten years. Where do you want to be? What do you want your business to look like?

If your answer is, "I want to be exactly where I am right now because everything is great and it will continue to get better," stay exactly where you are and keep doing what you're doing. If the answer is, "The industry is changing and I need more control. I want to be in the driver's seat. I don't want someone else dictating to me what to sell my clients, how to position anything on my clients, changing my compensation on my clients, soliciting my clients," then you need to be in the present. You need to seriously consider the independent channel. Because if you don't take control of your own book and your own process, the ramification is that in 10 to 15 years you probably won't be in this business. You will be in a totally different business. Or maybe the same business, but in a different model and a different position. That's going to be forced on you. You have to take control now and create your own ramifications.

It should be obvious that the banks care more about their bottom line than anything else. It's time that bank-based advisors really take a look at their book of business and understand that there could potentially be more risk in staying where they are than in going independent and clients not coming to them. Why? Because the banks are certainly not moving to a service model. If the bank doesn't have a service model, even if you leave some clients behind when you go, it won't be too long before they join you, because they're not going to be getting service. This is a people business. It will always be a people business. Our business just doesn't work on a salary basis. And as I saw early on in my career, investors really don't want to be dealing with a call center. This is the solution the big banks and wires have created for their mass-affluent clientele.

Consider the average salaried advisor, or the average individual working in any salaried position. Clients have cell phones. Say it's 5:05 on a Friday afternoon and you're heading down to the shore with your family, and a client calls you on your phone. Even if they have $20 million with you, if you get paid a nine–to–five salary and your salary doesn't kick in, are you really willing to answer that call? Are you going give that person service? Is the average advisor going to give that person great service? Or will the average person just say, "You know what? It can wait until Monday morning." I'm not judging how anyone runs their practice, but to me, that behavior's just not right. This business is a pay-for-consulting business. It's a pay-for-asset business. People pay to have their investments managed. That's the way it should be. You shouldn't be paying a third party to pay the advisor. You should be paying the advisor directly. The salary model does not work in this business but some companies have gone that route and some others are seriously considering it.

All of that being said, the independent channel is not for everybody. There are people who thrive in the bank channel. I did so myself. It was a significant part of my career.

If you're in the bank channel, and you know that in the long run that's where you want to be, then embrace it. If you feel like things are changing, but you believe in it and you think that things are going to come around, then get more involved. Be proactive. Don't just sit there. Don't let it come to you. Help change things. Work with your manager. Work with the branch manager. Create relationships. Make the people in your branches your family. Invite them to your home. Take them to ballgames. Really get them involved. Really go at it together. They need to understand who you are, what you do, what makes you tick, and how investments actually work.

Many bank employees are afraid of the term investments. They may not want to make referrals. In general, some people are afraid of investments. If the word investment was a good word—if the term investment meant you're going to make money, it's going to be liquid, and you're going to retire at 40—if it had all those connotations, every single bank-based advisor would have a line out the door of people waiting to buy a mutual fund because they heard that you make money with mutual funds. It's not like that. It's the exact opposite. Investments are scary. People think you lose money.

Granted, the market right now might be different than in 2007 or 2008. But the average person who works in a bank, who refers to the investment advisor, needs to be comfortable with what you're positioning. If you're just in there expecting to get referrals, then you're hurting your own practice. You're hurting your book of business. That mentality won't work on the independent side because you really have to drive the business to yourself.

Banks are creating their own investing philosophies, their own models, and their own processes, which advisors will basically be following. Some banks are a little more ahead than others. If you believe in their process and what they're doing, then take that process and tell everyone about it. Tell everyone you know. Become that process. Be engulfed in that process. Buy the company t-shirt and wear it everywhere you go. Really take ownership in it. Be part of that practice. Don't be an outsider. If you can't, if you don't agree with the philosophies and the models, you just don't see how it works for you and your clients, then clearly you might need to consider something else.

If you're staying in the bank, stay focused on their models. Stay focused on their processes and stay positive about what they provide. Understand what it is and get behind the metrics. Understand the method behind the madness. Hold your manager accountable for things. Meet with your manager on a frequent basis, so you know what senior level management is thinking and the direction the firm is taking. Instead of just sitting on the sideline and allowing yourself to become a victim of circumstance, get involved. You might find that if you were discouraged before, that might actually light a new fire and just get some wind at your back, so that you can continue to prosper with your career in a bank channel.

Maybe you decide that the bank channel's really going to be it for you, in the short term and the long term. You're getting the referrals, and you're working with your manager, but you just want to fine tune something. Don't necessarily look to go independent. The independent channel isn't for everyone, and what might be good for someone else, might not necessarily be good for you. But do this: take a hard look at your practice. Really go at it with an independent mindset, staying within the parameters of the bank you're in. As long as you're there for a specific reason, and you know what that reason is, and you can effectively communicate that reason to yourself, then you're set. If you can't, then wake up.

The same thing goes for the wire. Know the reason that you're there and you choose to be there.

When you don't have that reason in mind, or you're just not sure what you're doing, or you wake up in the morning and you dread going into work, whether you're making a good living or not, then for your clients' sake and for your own sake, it's probably time for a change.

Chapter 2

My Humble Beginnings

AFTER MY HIGH SCHOOL business class piqued my interest in finance, I went on to study finance and economics in college. I got some sales experience through college but never worked as an intern at any of the larger firms, as some of my classmates did. Some of them decided to get into the business; some of them decided not to go into the business. Some of them got into the business and failed out in a very short period of time.

What I did was post my resume online about a week after I graduated from college. Within a day—less than 24 hours after I posted it—one of the first vice presidents in the Merrill Lynch Short Hills office reached out to me. He introduced himself and simply said, "Tell me about yourself." I asked him if he wanted to know about me personally or professionally, and he said both. I started to go into my personal life story and explained my professional experience. I talked about what I had done and my relative lack of real-life experience in the field.

He invited me in for an interview, which took place about a week after our first conversation. One of his heads of business development for that office was also there, and we had a really nice conversation. He took me through the whole protocol. He described their requirements to start working there as an advisor and what the one-year and two-year goals were for how much in assets that you had to bring in. He did a very good job of counseling me not to have unrealistic expectations. He explained that the success rate in the business is only about four percent—that some people can make it work and some people can't. Then he said, "Before we dig into details and what's really expected, we have to do two things. We have a personality test and we have a math test that we give to all of our new hires who don't have books of business."

So I took the personality test, and I took the math test. I thought I had done better on the personality test than on the math test. But about a week later, when we got the results, it turned out that I had actually failed the personality test. When he called to tell me, I actually thought he was joking. Not that I'm high on myself, but I think I'm a pretty charismatic individual, so I didn't know what to make of that.

A couple of days later, I went back in. He told me that I had done fine on the math test, so I didn't have to take that again, but he said, "Take this personality test one more time. We've been doing this for a long time. It doesn't necessarily mean that much, but take it. Take it and see what happens," so I did. And I failed that test again.

I thought the test was pretty simple. It was just multiple choice questions with no right or wrong answers. I think it was a standard test. The questions were things like, "What do you do in certain social settings?" and "If this were to happen at a get together, how would you react?" and "When trying to conduct business, what do you think is appropriate? What do you think wouldn't be appropriate?"

I'm not sure what they were looking for, maybe a certain personality type. Maybe I was inconsistent in my answers because I was thinking about it too much. In answering the questions, I thought I showed that I'm a pretty outgoing person. I like people. I like meeting new people. I like discussing different things and different cultures. I never could figure out why this test came to the conclusion that I didn't have a personality.

That's what I asked him, only half-joking. "What does this mean? Does this mean that I don't have a personality?" I know he was thinking, no one ever fails this. I said, “Does this mean that I don’t have the personality for the job? Is this is how my career is going to start off as a financial advisor? I understand there are going to be high highs and low lows, but this is pretty low.”

He said, “Look, don’t worry about it. Come in for another interview. I’m going to bring in another one of my counterparts here who runs the entire territory. I think you’re a good kid. Clearly I believe you have a personality. I’ve enjoyed the conversations that we’ve had, but I want you to meet one of the complex managers, and I want to see what the best fit is.”

They called me in for the meeting and we sat down. The million dollar question was this: “How are you going to build a practice? How are you going to get people to invest?” I didn’t have a good answer. I had a buddy who worked at another firm and I knew he was working 12-, 13-, 14-hour days. Not that he hated his job, but he didn’t really feel any of the fruits of his labor making 300, 400, or 500 phone calls a day. That’s a very tough way to get business. I gave them that answer.

I didn’t have any rich family. I didn’t have a rich uncle I could lean on and even if I had, I didn’t even really know what I was going to be doing with anyone’s money, so I really shouldn’t be investing someone’s money. Not really knowing whether or not I was going to have some sort of training, I was honest with them, as honest as I possibly could have been.

His exact words were, “I’m not saying no, but I’m saying not right now, and here’s what I’d like you to do.” He gave me the name and number for one of the managers at the financial advisory center, which was Merrill Lynch’s call center.

I called over there, and learned that they had a platform where newer advisors could get their Series 7 and their Series 66 licenses. There would be training and there was a process to learning about investments and different structures. It was a place where Merrill Lynch transferred clients who didn’t want to work with their advisors anymore, or clients whose advisors didn’t want to work with them anymore, or clients whose accounts were smaller, or those who didn't really need or want a financial advisor. That's where I ended up going.

When I went there, it wasn't necessarily begrudgingly. I was just a little disappointed that I had to go through that process because I'm pretty ambitious and I like a good challenge.

I had already begun to feel that maybe the business really wasn't for me, but I was going to give this a shot anyway. So I started in the call center. They had three different rungs—or cores, as they were called—as you worked your way up the ladder. Core one advisors dealt with the smaller accounts that didn't really need much service, but were called occasionally just to check up on things. Core two was the next level, and then core three, the premier-type advisors who could answer any questions or work with any client.

For my first month I did some on-the-job training with some of the core three premier advisors, just listening to their calls. I really looked up to those people because they were in the role that I wanted to be in. The thing that really stuck out to me was that I knew in my own mind I could do everything they were doing. I just wanted to be the best at doing this even though it was in a call center atmosphere. Based on the metrics—based on how advisors were scored and promoted—I knew it would be a game of numbers or time. Instead of working from 9:00 to 5:00 I was going to make sure that as soon as the office opened up, I was there, and I wouldn't leave until the office closed.

Normally, there were two different shifts. One shift worked from 8:30 in the morning to 4:30 in the afternoon to handle the clients on the East Coast, and then another shift worked from 2:00 in the afternoon to 10:00 at night to handle the clients on the West Coast. I was only actually paid a salary from 8:30 in the morning until 4:30 at night, but there were many other metrics: gathering new assets, strengthening relationships, making clients feel okay about being in a call center and not having a dedicated financial advisor, and increasing revenue numbers. I just knew that if I took more calls than everyone else, by default, I would fall into more opportunities than everyone else. I would have more conversations than anybody else. I knew that was the way that I could figure out the system and grow as fast as I could.

When I first got there, the average time it would take to advance from one core to another core was anywhere from eight months to about a year. After obtaining my licenses, within my first seven months I went from core one, through core two, to core three. I became a premier advisor, and then I was there for about three and a half years. I focused on the higher net worth clients that were there, bringing in new assets and revenues. I was always a top performer in that segment of about 500 financial advisors, between the New Jersey and the Florida office.

Eventually I reached a point where I felt that there was so much more that I could do. There were more meaningful relationships that I could develop. Not that there's anything wrong with working in a call center, and I think that they had a great process and great platform, but for me it started to get a little repetitive. I had already mastered the process. At that point, I was looking to take my knowledge and my level of expertise to go out there, take that next step, and start building out my own practice as an actual advisor.

I started to consider which direction to go. At that point, I knew everything about almost any mutual fund that was used in the mainstream. On all of the bigger names, I knew all of the portfolio manager's names; I knew the one-, three-, five-, and ten-year track records. I was basically a walking encyclopedia, just from the repetition—from the 40 or so phone calls that I had received every single day for years.

There had been a thousand, maybe two thousand problems, or accounts that I'd had to fix in such a short period of time: helping people grow their net worth, preserving people's retirement accounts, talking to people about cash flow analysis. I was the go-to for a lot of different individuals' issues. It really was the best training that I ever had. It was eye-opening for me because what I thought was initially a negative—going to a call center—ultimately ended up becoming the greatest thing that ever happened to me in this business. I would never have had the level of success that I have now, had it not been for that first simple conversation. Maybe failing the personality test actually worked out for me in the long run.

When you look back, there are certain moments in life that you're so grateful for. That first crisis that referred me to the call center was certainly one of those for me.

But I finally got to a point where I wanted that next challenge. I was waking up in the morning and going to a place that I respected, but I just felt that I couldn't make any more progress there. I wasn't growing. I wasn't challenging myself. I decided I needed to take it to the next level. With the knowledge I had, the number of conversations that I'd had, and the way that I understand people and investments, I knew that all I needed was the opportunity to sit down and have a conversation with somebody. I knew what I was talking about. I knew that I could gain their trust, maybe not necessarily because of my age, but because of my knowledge of the industry.

I realized that with the work ethic that I had, I needed to put myself into a position that was relatively uncapped, where I could make as much progress as I wanted, or make as much money as I wanted, or be as successful as I wanted to be. I wanted something that I had total control over, and that's something that you don't get in a call center.

The biggest reason I decided to leave the call center was that I had gotten to a point where I felt like I had already done it all. I had the success. I had the accolades. I won the awards. But I'd also had an impact on clients and I knew that being in a call center, those clients were essentially shared. They weren't my clients. Those clients belonged to the call center.

When I got to that point, I knew that the next phase would be building my own practice, having my own clients, and taking care of my own clients. I can't say that I was disengaged, but I was restless. When you feel like you're doing something that doesn't allow you to grow or make any sort of progress, that's when you have to make a change, and ultimately that's what I did.

So I started shopping around. I talked with an advisor who had left the call center and gone to PNC Bank, one of the largest banks in the country. When he explained to me the culture, the process and the platform, I was really intrigued. He told me that it was a great platform, that because it's a bank so you get referrals from the branches. They had already laid the groundwork and they were looking to recruit.

Around that time, there was a little bit of a shake-up at Merrill, so I went and talked to PNC. I went in for a couple of interviews and I spoke with some of the bankers. In my interview with one of the managers, she asked me point blank why I thought I could leave a call center, come into a bank, and actually get people to trust me with their investments or trust me with their life savings. How did I think I could actually sell? My answer was very easy: It's a relationship business. There are certain things that people look for in an advisor, and there are certain frustrations that people have with advisors, and being in the call center, I was able to see all of that.

I was the shoulder that people could lean on when they were disappointed that they had lost their advisor. I was the shoulder they could lean on when they were disappointed that they had lost money because the market had gone down. I could really understand what they were looking for. I got to hear their voices, and I also got the benefit of repetition. When people would call and I'd look at their portfolio, I already knew right off the bat what the problem was going to be or what the good news was going to be. When there was a certain pitch in their voice or when they would pause a certain way, or they just took a certain tone, I knew right away where to go with the conversation. I knew what they were looking for even when they weren't able to really describe to me what they were looking for.

That was such an advantage of being in the call center. That's what I told that bank manager, when she asked me what made me think that I could have any success in the bank channel, since I only had call center experience. I corrected her. I said, "I think it would be the opposite. If I could sell on the phone, and if I could bring in new assets on the phone, and if I could get people to stay and really do some holistic planning, all on the phone, and they trust me on the phone, I can do it face-to-face. If I can look at them and actually see the way they're reacting to what I'm saying, I think that would be an even bigger advantage." We had a really great conversation, and she ended up hiring me.

It took me about two months to get through all the training. I also had to get some other licenses because at the call center, they didn't have us licensed in everything. So I got my life and health licenses, and then I just hit the ground running.

Chapter 3

Taking My Success to the Bank

ONE OF THE BIGGEST things I learned working in the call center is that advisors put too much emphasis on the performance of the client's account. When it comes to actually investing money, and working with individuals and companies who put their trust in you to invest their money, do they care about the performance of the account? Yes, of course, everyone cares about the performance of their account. But it's not the only thing they care about.

From my experience, most clients aren't thinking, "I need my advisor to average eight or nine percent each year or I'm not going to be happy." And I think most advisors make the mistake of thinking it's all about underlying performance and that's all we should be concerned about.

But clients leave advisors who might be doing a very good job managing their portfolio if they don't feel a connection between themselves and the advisor. If they do have that connection, and if you're not just someone who can help make their investments grow, you can build upon that connection and relationship. In the grand scheme of things, when you talk about wealth management, investments are just a piece of the puzzle. My argument is that it's a small piece of the puzzle. It's there to fill a void, but there are so many other things that people need help with, not just their mutual fund and ETF portfolio.

That was the understanding I took into the banking channel. I knew that I could take every single negative that a client had described to me in terms of their previous experiences with wealth managers, or investment advisors, or brokers, and avoid making those mistakes.

One of the biggest things that people are looking for is ongoing service. It's so easy to say that and it makes sense when you say it. It should be common sense. It means realistically gauging your clients, asking, "Mr. Client, Mrs. Client, how often would you like to be contacted? How involved in this process do you want to be?", and living up to the expectation you set.

So being in that call center, the best training I had wasn't necessarily learning the products—and I knew a lot about all the different products—it was really understanding that human emotion. In the 30, 40, or 50 phone calls that I had every day for years, 80 percent of the time the callers were not saying, "I'm not happy about how the account's performing," even though some of the accounts we inherited were underperforming. That wasn't the biggest gripe. The biggest gripe that people had was they didn't feel like they really had a true relationship with an advisor.

There are exceptions to everything, but if you can connect on that level, and you can make that relationship more like family than a professional relationship, that's when you can build a practice.

That was one of my fundamental principles. I knew that if I took simple principles just like that, I could be successful in this business. Because now I had not only the vital product knowledge, but I also had the understanding that if I were going to make an impact—if I were going to be successful in this business—I needed to give 110 percent to every single person with whom I come in contact.

That 110 percent doesn't mean trying to get them a 10 percent return on their portfolio. It means being <u>the everything</u>. I want to be the everything to this particular person. When it's anything financially related, even if it's something I don't know or I can't help them with, I want to be their go-to person. Whether it's investments, or insurance, or health insurance, or banking questions, or lending questions, €or educating their children on investing, I want to be their go-to. I want to be indispensable to this person. Because if I become indispensable to this person, then none of my clients will ever end up in a call center reaching out for help from strangers that they don't know.

That philosophy really worked for me. It helped me get to the point where I could tell myself, "You know what? I can do this. I know I can build these relationships." I wanted that for myself, so I was ready for that next step.

So I moved into the bank channel and began my training. I was visiting the branches with some of the senior advisors, basically just sitting in and listening to conversations because I needed to learn about the bank platform, bank products, and even bank clients. Although I was very strong in the managed money avenue and the mutual funds avenue, I had never been in a bank before and I didn't really understand the bank platform at first. I knew I needed to make sure that I understood the process well before I could really get in there and focus on my strengths. What I found interesting was that although the bank client tends to be a little different from a wire-house client, they are all looking for the same connection and the same go-to. The difference is that the bank client tends to invest in different products. They tend to prefer more conservative products. So I started to learn those conservative types of products.

In the bank channel, we dove deep into guaranteed retirement income-producing products, like single premium immediate annuities, fixed annuities, and variable annuities and a whole slew of other more conservative types of accounts. I didn't have a lot of knowledge in some of those products, so it took me a little while to get acclimated. I would travel around with some of the more senior advisors and they'd be explaining these products. I would look at the product, and I would understand its benefits and its disadvantages, and start figuring out how to implement other sort of products in a client's portfolio. I picked it up relatively quickly because I already had a base for investing but in my first couple of conversations with clients, when I explained products, I was uncomfortable because it felt like I was doing something new. Over time, with practice and study, you end up incorporating them just like everything else that you know. In a way, though, I almost had to learn a new way of investing if I wanted to be successful in the banking channel.

It didn't happen overnight. I actually went into it incredibly confident. I firmly believed what I had told the hiring manager, which was that I knew I could work well with clients face-to-face. But to be quite frank, my first few client meetings were incredibly intimidating, and I was nervous. Honestly, as I was sitting there in front of those prospective clients—and I still remember two of them quite well—I felt bad for them. I felt bad that they had taken the time to come into the bank to listen to me basically just stuttering and blabbering, not even knowing where we were going with the conversation. So it was a little nerve-racking initially.

I'd had sales experience in college—when I was obviously younger—and even a little bit in high school, but it was nothing like this. This wasn't really sales; it was more about planning. It's similar to sales in the way that you're trying to connect with people. You're trying to be as open and honest as possible; in a way, you're selling yourself to see if this person can work with you. If they like your personality, if they like your approach, if they like what you're saying and the way that you present certain things, then in that regard, it's sales. I had always considered myself pretty good at that piece, but the transition from the call center to sitting down face-to-face was a challenge.

I bet those first few clients still talk about me to this day when they drive by the bank, "Man, you know when I went into that bank years ago, remember that kid that we spoke to who had no idea what he was talking about?" I just remember it being pretty bad. I remember being there with one of the more senior guys for whom I was basically writing lead chair. I was following him around and sitting in on his appointments. When it was time for me to start taking my own appointments, he came with me to the first couple of appointments.

And after those first few appointments, he looked at me and said, "What was that? What are you even talking about? You just ruined that person's whole day. They came in here thinking they were going to have a nice conversation, maybe talk about investing, and what are you even doing?" He was right. I was learning something new, I was trying to figure out the process, and I just needed to go back to the way it was before, to just say simply, "Hey, tell me your story. Let's sit down. Tell me about yourself. What do you have planned for today?" I needed to build rapport with a client for a half hour or 45 minutes so that they would get comfortable with me. I couldn't just jump into what I might think is a great product, which they might not think is a great product. I'd had that understanding in the call center, and I needed to get back to it. Whenever you go into something that's brand new—even if it's just in a brand new setting—that might mess with you a little bit psychologically.

So I went into those initial meetings confident, but I really did ruin the days for a couple of people who were my first contacts. It's funny now, but I wasn't laughing about it at the time.

Fortunately my mentor and the advisor whom I was shadowing never went easy on me. On the one hand, it was, "What is wrong with you? What are you doing?" but it was also, "Calm down, relax, and think about this because you can do it. I don't know what you're doing now, but I know you can do this." Needless to say, it was an eye-opening experience for sure.

Building a bank-based practice

Despite those first few meetings, it didn't take me too long to get comfortable in the bank channel. One key that I picked up early was that if you're in the bank, you need very strong relationships with branch managers. That was obvious even when I was going through the interviewing process. I interviewed with the manager on the banking side, I interviewed with the manager on the investment side, and I interviewed with one of the managing directors who covered a lot of territory. The one consistent message was that you have to have very good relationships with the bank. When I understood the difference between the banking arm and the investment arm, I quickly and humbly realized that I was just a guest in the bank's house. As an investment advisor in a bank, you have to understand that it's banking first. It's not all about you. That's how I went about it. I was humble and gracious. Eventually, people in the bank came to refer me their long-term relationships because they trusted me.

It took time to build that trust. It took a lot of explaining, it took a lot of coaching, it took friendship. It took getting them in on meetings so they could hear the kind of conversations I was talking about. It took getting on personal levels with individuals at the bank to know that I would have a consistent referral source. I knew that if they trusted me and they knew who I was, they would be much more comfortable referring me to the next client. I also knew that I didn't have a book of business and I didn't want to have to rely on someone else to refer me business because I didn't know how soon it would take for them to start to feel comfortable with me.

When I started at PNC I took with me the same sort of work ethic that I had in the call center, where I had come in at nine o'clock in the morning and left at ten o'clock at night. You couldn't work that long in the bank, but I would make sure that every morning I got there between eight o'clock and eight-thirty, around the time that someone from the branch first arrived.

I became very friendly with all the different branch managers. They all had certain goals that they had to achieve. I was there to help them and helping them actually helped me in the long run.

What I did was work with the branches and stay every single night for call nights. I would get there as early as I could in the morning to prepare for the day. I would spend the whole day coaching, building rapport with the branch managers and the individuals who worked in the branch, and then I would start collecting leads for our call nights. We would do call nights every night and we wouldn't leave until we had three or four appointments for the next day. That was it. Over about a four-year period, we never missed a call night—Monday through Friday, with the exception of holidays and weekends. That's the truth. No exaggeration. It's hard to believe but that was the case. The idea behind it was simply this: We were going to use all the time in the day to really build something out. I had a lot of buy-ins from individuals at the bank. The key to banking is to have those relationships. They need to love to see you walk in the door. They need to love to see you come in and hate to see you go. That's the motto that you have to live by. You have to have those kinds of relationships to succeed in the bank.

When you've been successful in building those relationships, they're willing to stay with you on call nights. They're willing to work together. You gameify it. You make it fun. You make it so that it's not a chore. You make it so they want to do it. You show them products. You show them profits. You get them excited about the conversations that you're going to be having with these clients. Then they'll stay and they'll make those calls and they'll be just as excited when they refer because they know the conversation you're going to have. When I worked with them, they knew some of the products that we were offering and they knew some of the things that we could do better than what the clients were currently doing. That was really the key—that and a lot of hard work creating those call sheets.

By spending every single night just dialing and dialing and dialing, over the course of about five years, I was able to build a book of business from zero to about $140 million. That's a very, very big number in a very, very short period of time.

I can't say that my success in the bank was the fastest that the bank had ever seen, but I can say that from the time I started to the time I left, I was at every single top producer quarterly dinner. I hit every single spring trip that the bank had for bringing in new relationships and bringing in new assets. Out of the 1,200 advisors who were bank-wide, I hit every one of those different trips. From day one, I was also on every single annual trip for top producers. I think that was relatively unheard of. There were very good senior advisors, great financial advisors, who had been in the banking channel for 20 or 30 years who weren't getting those accolades.

I was also recognized by executive management for something called the advisory council to management group. That was a handful of advisors from across the country who went to corporate headquarters every three to six months to help the senior executives take a pulse on what was going on with advisors. What were the strengths of our platforms? What would we change about our platform? It was nice to be heard. That room was filled with individuals who had good client relationships and had built good practices.

That group also took into account people who could think outside the box a little bit. During those meetings as we were all talking, I could express my opinion on things that I would change. I could suggest changes that would be beneficial for the bank, would be beneficial for the clients, would be beneficial for the individuals who work in the bank channel, and ultimately be beneficial to our overall investment platform. Although our ideas were heard, implementation tended to be something different. That became a frustration, expressing all these good ideas, having everyone be in agreement that they were good ideas, and then they wouldn't get implemented. But it was nice to get out of the office from time to time. Besides, Pittsburgh is a beautiful city.

After a few years, I began to think maybe I should find a way to implement some of these ideas myself. Maybe if I had my own firm I could implement some of these strategies that I thought would be really great opportunities for the clients and for everyone else involved. That was when I first started thinking about my long-term strategic plans. I started asking myself where I wanted to be in 5 years, 10 years, or 20 years. I was thinking about what the ultimate end game would be.

In total, I spent about six years in the bank. When I was there I had a pretty good mentor who really broke things down for me. He understood how ambitious I was. He took the time to get to know me, and for the first two or three months, he really explained the bank process to me. Like the executive who first suggested I go to the call center, he was another individual who helped to set me on the right course. I owe him a lot and I respect him a lot. Thanks to his mentorship, I didn't make a lot of the mistakes that other people new to a bank might have made. Without his guidance, I might not have had a long career in a bank channel. He was paying it forward, because I know that he had some pretty good mentors himself in the past.

Close to the end of my tenure at PNC, when I had been there for about four and a half or so years, I started to think about that next step. Around that time, some of the other banking institutions and wire houses were heavily recruiting advisors who were really good producers. They were offering those advisors a lot of money up front to join them. The industry is now changing away from that, but that's what was happening then. And I was a relatively young advisor. I had a very good practice, I was very comfortable, and I started to fall into that sense of repetition again. It was getting to be the same old thing.

Chapter 4

Stepping Onto the Wire

THERE WERE A LOT of changes in the banking channel after the financial crisis. That meant that after 2008, a lot of the banks tightened up. Congress passed financial reform and they passed the Dodd-Frank bill. In my opinion, the banks were getting squeezed by the government; some would say rightfully so. Everyone has their own opinions about what put us in that situation, but the bottom line is this: A bank is not a non-profit organization. Just like any other company, it has to make money. Everyone has to make money.

The banks started looking at their other sources of income. To make up for lost banking revenues they were going into their other lines of business—the mortgage departments, the investment departments, the merchant service departments—and they were squeezing all of those various departments. I started to feel a little bit of a squeeze myself, in terms of being somewhat limited in what I could offer and in terms of the bank's focus. It seemed like there was less of a focus on the investment arm than there was on other products and services that might have been more profitable to the bank.

With that being the case, I started to feel there was potential for becoming a victim of circumstance, and that's something I never want to be. I think that is one of the largest tragedies in life. That made me start to think about what my next step might look like.

Being independent has always been an advisor's dream. Granted, there are exceptions, but most advisors given a choice, if they knew that they'd have all their clients, would want to be independent. Why? Because you have all of the benefits and it's just you and the client. In reality, though, a lot of advisors are insecure about which clients would go with them and which clients wouldn't, about what kind of business they could build, and about what it really means to be independent. I know, because I had all those same insecurities and I talked myself out of going independent at that time.

All of those things were in the back of my mind, but even more than that, I was blinded by the money. Today I would consider it blood money: a big upfront check to go to a wire, to continue to do the business that you're doing, and to try and grow your practice over time. It's a great deal of money up front, but you're signing your life away for seven to nine years. In my heart I think I knew that I wasn't necessarily seeking a change for the right reason.

I thought that my clients would be okay no matter where we were, so I started looking around at different institutions. I wanted to find a place that had more products and services than what I could currently offer. I settled on the wire arm of another bank, Wells Fargo. I looked at their platform, products, and services. It was a great fit for my clients, and a lot of my clients already had accounts there, so it just made sense. They offered me a very comfortable package. It was more money than I could have ever dreamed of getting.

After about five years at PNC I finally decided to make the move. I resigned from PNC on Friday, December 7, and started at Wells Fargo the following Monday.

I spent four days there.

The day I got that big check from Wells Fargo I resigned and went back to PNC. How did that happen? It didn't take more than a day or two for me to realize that things were not as I had been promised. I had been told that I would get admin support. I had been told a lot of different things. I started to realize that leaving for that upfront check wasn't necessarily worth it. Sometimes the devil you know is better than the devil that you don't, and this was a classic example of that.

I had resigned on a Friday. By Tuesday of the following week I was getting very uneasy about the move. That very same day, ironically, I received a phone call from the CEO of PNC Investments. He was someone I had run into at some of our top producer dinners, and he was a standup guy—really well respected, articulate, intelligent, and incredibly nice. He was everything a CEO should be. He had a heart-to-heart with me, and it was very simple.

He said, "Rob, you are very well respected in this firm. I wish we could clone advisors like you. Your clients love you, your managers love you, the people in the branches love you. We couldn't ask for anything more. As someone who has been here a relatively short period of time, I can say you have exceeded all of our expectations. I don't know how to get you back. I don't have money to get you back. I know that other firms are probably giving you a lot of money upfront. Maybe that had something to do with your decision; maybe it didn't. But ultimately, I can't do that. What I can do is this: I promise that if you do come back in any way, shape, or form, I will support you. I will help support your business. We can give you extra resources if that's something that you need. But I just want you to know at the end of the day, even if you don't end up coming back, that you're very well respected and down the road if you ever need anything, don't hesitate to reach out."

His words really hit close to home. This was someone who was responsible, not only for about 1,200 advisors, but also for all of the different managers working directly with the bank. This was someone who had so much on his plate, and here I was, just one out of those 1,200 people, but he took the time to call me and give me as heartfelt a conversation as I have ever had in my life. When I hung up the phone I realized that where I had been and what I had been doing actually meant something. It had purpose. I wasn't just another number. I knew that in my new position, I would never get a call like that.

I hadn't been honest with myself about my reasons for making the move, and I had to admit to myself that I had made it for the wrong reason. I left one place where I did not agree with the direction of the firm to join another firm that was most likely doing the same thing because of an upfront check. I knew right then and there that I was going to go back to PNC.

The night before I resigned from PNC, I went to our holiday party. It was Thursday evening and I resigned Friday morning. The following Thursday, I went to a Wells Fargo holiday party. I resigned from Wells Fargo on Friday morning to go back to PNC. So I got to go to two holiday parties that year, which wasn't part of the plan, though I will say that Wells Fargo throws a hell of a holiday party.

I had a pretty interesting conversation with the manager who had hired me at Wells, but ultimately he respected my decision. But not really.

I returned to PNC and spent about a year before I started looking for the next step. I knew that next step would have to mean going independent. I spent the year focusing on my relationships and continuing to build a business. Then after about a year, the CEO who had brought me back left for another firm. Other changes started happening around the bank side as the industry started changing. Although I still had the utmost respect for PNC as a company, I decided that the time had come for me to go out there and try to take my business to the next level as an independent.

When I was finally leaving PNC, I almost made the same mistake a second time. I received a call from Morgan Stanley, and they offered me even more money than Wells Fargo had offered me. I still entertained the offer, just to hear it, I guess, but in the end I knew that it would be the wrong thing to do.

I had come to realize that my being independent would be the best thing for my clients. It would be the best thing for me and my family. Looking to the long term, I knew that I wanted to create something of my own. I like being an advisor. I like speaking to people. But I also like sharing my experiences. I like talking to advisors, I like coaching advisors, and I like giving them ideas.

At PNC I had trained eight different advisors who, to this day, are still very successful advisors. I believe most of them are still at PNC, and I love that. I love having advisors come on board, and then watching them become independent and build a practice. Months later, they're telling me that I have really changed their lives. That's the stuff that I love.

Over time and throughout my experiences, from the call center, to being at another bank channel, to the transitioning and the back and forth, I really came to understand this industry in and out. And as I matured, and as I gained that understanding, I really grew to have a tremendous love for the industry. It wasn't just about being an advisor. I love my clients and I would do anything for my clients. But I came to love the industry as a whole, because it offers so much opportunity for everybody: for investors, for clients, for everyone.

This is a very logical business, but sometimes people don't think or do things logically. This was around the time I started to tell myself I could create my own Wells Fargo. I could create my own PNC. I could create a model that would be better for investors and better for the advisor. If I could create that, everyone would win.

That was the crucial insight. Had I not left Wells Fargo to go back to PNC and given that big check back, as hard as it was to do, I wouldn't be here now. I'd still be in the middle of a contract, absolutely miserable, with all these great ideas, and all these great processes, and stuck because I had taken that blood money upfront. Don't make that mistake.

Chapter 5

Becoming Independent

I MADE MY DECISION to go independent about a year after my return to PNC. Although I really respected the company, I knew there was so much more that I could be doing and that I wanted to do. I also realized, after my brief fling with the big upfront check, that the next time that I left, it certainly wouldn't be for that. It would be for the opportunity to actually grow an organization and to implement what I had learned over the years about what to do and what not to do in building a successful practice. I decided that my expertise was best situated within the independent channel.

It didn't happen overnight; there was groundwork to be laid and research to be done. I spent the next 12 months or so researching the independent channel. I wanted to understand all of the ins and outs, and how it all worked. I also spent time shopping around to about 15 independent firms and models. I could have kept going, because the list goes on and on, but after five or six, I started to see common themes among the top firms. I realized that I needed to pick close to the largest 15. The smaller the broker-dealer I picked, the more potential headwinds I could face. I made the decision for myself and for my clients that if I were to go independent, it would have to be with one of the bigger names in the business, because I knew that the service would be better and I would have access to more product.

Every week or two, I was interviewing recruiters. I was interviewing regional managers at these various firms. One specific model really struck me, and that was the hybrid model. There were only a few broker-dealers that actually did it, and there was only one broker-dealer that I thought really executed on it. That's when I decided on LPL as my broker-dealer. I also decided to establish my own RIA. The industry has always been moving toward more of a pay-for-advice model, outside of the traditional brokerage business. Throughout all of the recent changes in our industry, there has been movement toward the hybrid or the RIA model.

Throughout my entire career, I've always valued my relationships with my clients. They have always been paramount. But there's nothing quite like striking up conversation with peers in your industry—sharing best practices, figuring out what other people do, and having an open door policy, even if it's with financial advisors who are at other firms or other broker-dealers, who would normally be competitors. This industry tends to bring out the best of the best in people.

Once I had concluded that the hybrid model was the way of the future for our industry and best for me and my clients, I looked at the broker-dealers offering that model. I settled on the one that seemed best not only from a service standpoint and a platform standpoint, but also in the flexibility of having the RIA and what you can do with the RIA.

It was time to make the leap. I had decided where I was going to go to build my practice. I had thought through my goals. I had determined what I wanted to achieve in the short term and in the long term. But I still had to actually make the decision. I still had to wrestle with all my uncertainties. I was a bank-based advisor who had built a practice in the bank channel, and I had no way of knowing for sure what my business would look like going independent. I didn't know how much money I would need to spend setting up an office and buying furniture and phones and dealing with landlords. There were so many unknowns. I knew a lot of people who were independent advisors. They were doing their own thing, and running nice practices, working when they wanted to work and so forth. I knew that I wanted to put something together that was a little bigger than that, and it was nerve-racking.

A lot of advisors struggle with that; it's the reason many of them do not go independent. It's all of that uncertainty: Will the clients come with me? Will I be able to get clients? Will I be able to market? Will I be able to effectively communicate my message? Will I be able to keep doing the business that I'm doing? Will I be able to figure out new products and new solutions? Will I be able to sustain the same lifestyle that I had before?

Before I set things in motion, I interviewed a lot of other independent advisors. It was always shocking to hear their stories and hear them knock on me a little bit when I would complain about conference calls and all of the corporate stuff I had to do that had nothing to do with the clients. They were things that had nothing to do with sharpening my pencil on new products and services. It was always about the minutiae and what you were doing to bring in more clients. What intrigued me with the independent advisors was that they had the freedom to do whatever they wanted, and I saw them living nice lifestyles. Being independent is not the same as being in a bank or a wire, but the rewards that you can reap are tenfold.

Even after I had decided where I wanted to go and how I was going to do it, it still took me a couple months to finally pull the trigger. I remember doing a lot of research online. I remember googling, "Should I go independent or not?" I literally googled that. I kept it that simple. Luckily these days, when you google things or put anything on a search engine, you'll find it all. I was able to find a network of different advisors who all appeared to be independent, just chatting and giving advice to people who were considering it.

On one message board, there was a post that really jumped out at me. One of the advisors who was on that message board, after giving a bunch of different reasons why you should be independent versus working for someone else, had said, "It's this simple. You go independent, and you don't look back, and it will be the greatest thing that you ever did." I took it to heart. That was when I knew I was ready. For some reason that simple statement hit very close to home and was the push I needed. About two weeks later, I resigned and I made my move to independence. Just as he said, I never looked back. And he was right: It was the greatest thing that has ever happened to me in my career. It was a defining moment for me professionally and personally.

It isn't just the process of being independent, managing an existing book of business and getting referrals from existing clients. It's being able to offer more products, more services, and better account service.

There are so many other avenues that are beneficial to clients. There are so many more avenues that you can pursue and do from this side that are fulfilling not only from a monetary standpoint but also fulfilling from a personal standpoint and from a business standpoint. You can really create your own enterprise here. That's just one of the biggest advantages.

There is nothing wrong with going independent purely to manage your client base. You give your clients better service and access to more products. You have a much better one-on-one relationship with them because you're not worried about a middle-level manager telling you that you have to bring in more accounts or a middle-level manager telling you that they need to see more revenue out of a book of business. It just comes down to your relationship with the client. From that standpoint alone, even if you're someone who doesn't have much of an entrepreneurial spirit, it's a much better atmosphere in which to conduct your existing business.

What I found in my transition from the bank channel to the independent channel was that not only did my relationships strengthen but also that my $200,000 clients became $1 million relationships. I'm able to do more for them from an insurance standpoint, from a financial planning standpoint, and from a product standpoint. In turn, the experience has been so much better for the client that they're much more likely to refer me to their friends, their families, and others.

When I was working in the bank, I received referrals from individuals in the bank. Prior to my going independent, out of all the people I had spoken to throughout my career, I had only received two outside referrals. In just my first six months of being independent, I received 15. I can't give you a reason for that. It may be that clients are really looking for an independent advisor. They don't necessarily want to invest their money in a bank that will position its own proprietary products. It could also be that when you show them access to more products and services, they gain a newfound respect for you. Maybe they're thinking now that you have access to so much more, they can give you more. You might hear something like, "I didn't give you all of my money before because I didn't think that you really had access to all of that. I happen to have another independent financial advisor but I'd like to move the money to you because now that you're independent I know that I can do it. Before, I knew that I was limited."

I can't be 100 percent sure why these referrals started to happen. People might just think it's neat to deal with an independent financial advisor. Maybe that resonates with them; I'm not sure. But like many other advisors, I've always been guilty of not asking for referrals. Even going independent I wasn't asking for referrals but somehow they just started falling into my lap, and since then I've been getting referrals from existing clients on a consistent basis.

That seems to be pretty consistent across the board. I'm not the only advisor who moved to the independent route channel and started to get referrals that they hadn't gotten before in the past.

Another benefit of going independent is being able to have your own DBA. You get to create your own brand and build brand recognition. It's all part of trying to build your own enterprise. When I was trying to choose a name I thought was one of the coolest things that I've done in this business because it allowed me to create my own identity. Initially it started off as a local brand, but as time went on, the name started to grow. When I would meet people at cocktail parties or social events, they would ask me where I worked.

I would say the name of my firm and they would say, "Oh, that's an investment office in Bedminster, right?" I can't really express the level of satisfaction that gave me. There was nothing financial in it, but there was that little bit of recognition. These were the little things that told me what I had created was actually starting to pick up some traction and gain something of a reputation. It felt great.

So I understand the uncertainty that any advisor would feel in making a move like this, but I can tell you from personal experience that all those little things happen. People start recognizing your name. People start giving you referrals. Revenues start coming in. You start growing out a business. You start doing a little bit of recruiting. You start focusing on acquisitions. All these different things start falling into place, eventually diminishing your natural fears and concerns. That year that I was looking at different independent broker-dealers and trying to decide to make the switch was a nerve-racking time, especially in the last couple of months before I finally left the bank. That was the absolute worst. But it got better—much better. And it didn't take long.

After about 30 days to 60 days, my nerves started to settle and things really started clicking. By the time six months had gone by, I totally forgot that I was even independent. It was just business as usual.

Since then I've worked to create an infrastructure for other advisors who might want to follow me into the independent channel. Having been through it myself, I can mitigate for them all the fears that I know. I can help them avoid mistakes and possible pitfalls. I can answer their questions, explain their potential costs, and help allay their fears.

When I went independent, I didn't have a safety net. It was essentially me against the world—at least that's what it felt like. It wasn't just the hard dollar cost but what it would be like to go forward. Although I was in the same industry, I was taking a different approach and steering into unchartered waters. It was nerve-racking.

Now I've created a process that offers other advisors the safety net that I didn't have. My goal is before they even come onboard, I've squashed all of their fears. The only question left in their mind is, "Okay, if I leave my current position, what are my assets going to look like in 90 days?"

That's not a question that I can answer with 100 percent certainty, but now, having done so much of this for so long, I can give them a pretty good idea of what to expect. I give them a platform where they can speak to a lot of their peers about their successes and failures. Ultimately, that gives them a much better sense of what the first 30 to 90 days look like.

Because I jumped into it myself, I understand this process from the ground up and that's how my company was really built. The company was really built to the advisor, for the advisor and for their clients. My goal has been to create a very good, comfortable, process-oriented place where advisors can continue to manage their clients' book of business, giving them better service than they've ever been able to give them before.

For me, all my fears and concerns turned within a very short time to excitement. It was that pride of ownership—owning my own practice and really feeling it. It was not being on conference calls, and not spending my time on little things and minutiae. It was spending 100 percent of my time focused on my existing clients and growing out my business. It was the opportunity to really strengthen my client relationships, trying to get a better idea of what I could do holistically, for each and every one of my clients. For any advisor, that's time much better time spent.

That's what I want to convey to other advisors about the idea of actually owning your business. You can have the ability to put together acquisitions to grow your business. You can have the ability to recruit, to do marketing campaigns to keep your pipeline full, to grow as fast as you want or maintain the existing relationships you have by working much more efficiently in fewer hours. It's exciting. When you're independent, you're energized to wake up in the morning and go into the office because it's all about you and your environment. You're really working for yourself and you feel it.

There's no longer any third party in the equation taking away your time and attention and not really benefiting your business.

A word about the wire

When I went independent, as I've described, I made my transition from the bank channel. I had already left the wire channel years before. But what if you are currently in a wire channel—why would you leave? Think about it—really think about it. If you are an advisor in the middle of a 10-year deal, or God forbid even considering a new 10-year or so contract, think twice. What can happen in those 10 years? What strategic direction will your firm be taking? Will that direction align with your practice and the way you manage your client assets? Can you even answer that question? Given the prevailing lack of transparency between firms and their advisors, I would bet you can't.

I firmly believe that locking up your practice for 10 years at a wire is a bigger risk now than it has ever been. And for those who leave for the large upfront incentives, I have one word: don't. If you're trying to get to the bottom line numbers, leverage someone like me to review a 10-year pro forma of your business. I'll show you what your break-even year is and how much better off you are in the remaining years leading up to 10.

Most importantly, you have to be independent to get a true valuation for your business, not just some 3-year nonsense sunset provision. When we have completed acquisitions with advisors, we have allowed them to stay in the business for as long as they want, which gives them the best of both worlds. We let them call the shots on what their sunset provision looks like. That's a real succession plan.

Chapter 6

Creating a Better Model

SO YOU'VE DECIDED to go independent. Let's talk about trying to navigate the landscape of independence.

Here's the beauty of independence: It's whatever you want it to be. You can create any sort of model that you think best for you. Remember, it's your practice and no one else's.

I knew what I wanted my model to look like and I knew what the end result would be. I wanted to create something that would provide an added benefit to advisors who wanted to go independent. If someone were to leverage me—to access our existing broker-dealer and our RIA, I wanted there to be a benefit in doing that rather than going directly to the actual broker-dealer.

To do that, I needed to understand all of the competition. So I've searched the competition, I continue to stay in contact with the competition, and I realize that the competition is getting less and less competitive. I know my landscape and my market. I knew that in creating my process, I had to provide a good answer to "Why Gladstone?" What would be the benefit to the advisor in affiliating with Gladstone and leveraging LPL, rather than going to another independent firm? LPL has created and mastered the hybrid model. For advisors who have both brokerage and fee-based assets, as do most advisors coming out of a bank channel or a wire house, the LPL hybrid model is the perfect plug-and-play. Granted, payout isn't everything, but when I look at all of the large independent broker-dealers, we don't have much competition from a pure payout standpoint.

When I looked to create these models, I looked at it two-fold. First would be a compliance-only model. I could give advisors an option to get a high independent payout, much higher than what they would get if they went directly to a lot of these companies. I would be responsible for putting more money in their pocket from day one but they could run their business on their own. Alternatively, I could use the margins that other companies were taking from advisors for expenses that I did not have. I could eat those expenses myself and pay for other products and services, so that an advisor could come over and have a turnkey model. Let me elaborate a bit.

When an advisor goes independent and someone offers them a 90 percent payout, it's not just simple math. A 90 percent payout doesn't net you 90 percent, as in "Well, if I do $100,000 in production, I make $90,000." It's not that simple. There are internal expenses. There are custodial fees. Not all broker-dealers are self-clearing, which means potentially more fees. There are charges that you may or may not know about. I pride myself on being as transparent as possible and an advocate for the advisor, especially if a competitor makes them an offer. If I tell the advisor that they are at X percent payout, they can rest assured that is what they're going to net. If they opt for the turnkey model, I can pay out to the advisor what they would be netting before they pay for an office or expenses, and then take care of the office and expenses for them.

Here's an example. On average, if an advisor does $100,000 in production and they're at a 90 percent payout they may have 20 percent in things like program fees, ticket charges, and insurances, which means they're now at a 70 percent payout. Then they have to pay for the office, and the desks, and all of those other business expenses. Whereas when they're leveraging me, since my margins are much better, I eat that 20 percent in fees. I provide the desk, the office, the internet, the phones, the paper, and put them at a 70 percent net payout. If I say, "Okay, Mr. Advisor, you do $100,000, I'm going to give you the 70 percent turnkey model," that advisor knows he's going to make $70,000 a year and not have to worry about anything. If that same advisor goes independent on his own and gets 90 percent, after his broker-dealer fees and RIA fees, he starts off around 70 percent, but once he pays for his office and his phones and his internet, if that costs him $35,000 a year, he's really only netting a 35 to 40 percent payout. It's all about what you keep.

It's that process and my margins that allow me to be more competitive. My competitors may put you at a 90 percent payout when you go independent. That sounds great. But if their program fees are 20 percent, then you're starting off around at about 70. And after you pay for all of your expenses, you're netting somewhere in the low 60s even if you're a big producer. I can come along and say, "Hey, wait a minute. Can we agree that your net payout is going to be in the low- to mid-60s? I can put you in the mid-70s. I'll pay you 20 percent more than if you did it all on your own, and I'll take care of the office space, the ticket charges, and everything else, so all you have to do is focus on your business." You will not only be making 20 percent more, but you also won't have to worry about anything.

You'll have much more time to focus on what you want to focus on. Maybe that's growing a business, or sharing ideas, or setting up acquisitions, or going out there prospecting, recruiting, and marketing. Maybe it's staying home and going fishing with your kids. It's an opportunity to be a business owner without all of the hassles of being a business owner.

What I have found is that a lot of the advisors who join me don't pick a compliance-only model. They don't pick the highest payout. They pick the turnkey model. Why? One of the reasons they were reluctant to go independent was that they knew they would have all of these expenses, and they didn't want to deal with them. They didn't want to fight with landlords, didn't want to sign leases, didn't want to hire assistants, didn't want to pay for office supplies. I knew that going into it. I knew that when I went independent, if there had been someone out there who offered me the model that I have created, I would have been all over it. I would still own my practice;

I wouldn't have a non-compete. It would just be me and my clients, but with someone else footing the bill.

These are the models I created. Initially, I expected that everyone would surely go for the higher payout under the compliance-only model. But advisors are smart enough to realize—because this is what they do, dollars and cents—that if someone else could take all of that burden off their shoulders, and ultimately give them a higher net payout then if they were to do it all on their own, they would be foolish to not take that option.

We have flexibility. This isn't a dictatorship. It's more unified independence, with me helping these advisors to grow their practices and maximize the benefit of their practices. We always keep the door open. If an advisor decides initially to start on a turnkey model and later finds their business growing hand over fist, to the point where he or she, based on their production and growth, would have a better margin simply leveraging me for compliance only, they can just switch over. It's that simple.

It doesn't have to be you against the world. Our model is something that I thought about for years before I went independent. I knew it would be a great model for any advisor. Had some of the larger firms embraced such a model years ago, they might not now be in a position where they're losing a lot of their top talent. I try to give advisors a wire-house-type model, but instead of giving them a 35 percent or 45 percent payout, depending on the amount of production that they do, I double that payout for them. I give them access to everything they had before, with a little more on the business development side, and I try to help them drive their business, but only if they want that.

Another advantage to this model is that there are no haircuts. Ask any advisor; they'll tell you haircuts are the bane of our business. I do not take haircuts; everything passes through to the advisor. So if that advisor goes from a 35 percent payout to a 70 percent payout, net, they're not just doubling their income. In some instances, advisors are tripling their numbers. That's why, even under our turnkey model, if you bring over 100 percent of your clients, you're not just doubling your income. In most instances, you're almost tripling your income. Even if you do half of the business you were doing before you joined us, you're almost doubling your income doing only 50 percent of your business.

That's a very important point. In this model there can't be any sort of conflict. There can't be any proprietary products. No one can force an advisor to do anything. What I like about the affiliation of our existing broker-dealer is that there's never an email and never a suggestion that we do more of any particular product. It is just us and our existing client base and I know that's not the case everywhere, even in some independent channels. Quite a few independent broker-dealers still have a push toward certain products. How can you call that independence?

The level of support and payout in our turnkey model alleviates almost every fear of going independent. As an advisor, your only remaining fear may be whether your clients will continue to work with you. Let me tell you something: Whether you are a $100,000 producer or a $2 million producer, clients want to work with people they know. They want to work with people to whom they've told their story. They don't want new. They want relationships. We all do. This is a relationship-driven business. People do not like changing their accountants, attorneys, or barbers and hair dressers. Why would you be any different?

If your clients are comfortable with you, and they value your relationship, and you're not just a transactional type of individual, your clients won't want to work with someone else. When they reach out to you, you'll have to explain that this is what I did and this is why I did it, but they'll stay with you. And if for some reason they need to think about it, well, you have the rest of your life to continue to try to court them.

Which option is best for you?

If you're an advisor considering going independent, which option would suit you better?

A compliance-only model is basically what the independent channel is all about, whether you go to Raymond James, Ameriprise, LPL, Commonwealth, or Cambridge. When you go independent, you're just plugging in there and they're holding your clients' money, sending out your clients' statements, and you're doing everything on your own.

Our compliance-only model is what I did when I left the bank. I found a broker-dealer. I bought my own furniture, I hired my own assistants, I paid for my own internet, I paid for my own space, and I signed my own leases. I was completely on my own, and what I found, especially in years one and two, when I was trying to figure it all out, I didn't have as much time to focus on what's really important. You can make a lot of expensive mistakes. Even though I had a good-sized book of business, in my first year or two, my payout was the same as when I left the bank. On paper it was higher, but I had to spend a lot of money doing a lot of different things and I was learning through trial and error. Furnishing an office could be up to $50,000. Everything gets very expensive when you don't have much experience.

When you look at it from that standpoint, for it to make sense for you to go compliance-only on your own and put more dollars in your pocket, you would really need to be doing north of $1.5 million to get the same sort of payout that I would give someone on a turnkey model.

Now in my compliance-only model, I still make sure that advisors get up and running as quickly as possible and I'm still here to help them with all the pitfalls. Being independent on your own, you normally don't have my infrastructure and scale there to help you out and to coach you. I don't pry into someone's business, but I can offer the benefit of my experience so that you avoid the same mistakes that I made when I went independent. I can say, "I did this, it was a mistake, and this is what it cost me."

So in my compliance-only model, depending on the mix of their business the advisor simply comes on board and leverages me for their payout, because they get a higher payout than if they go directly to the broker-dealer. That's a value-add, so right off the bat, I'm a positive for the advisor. I also offer more localized support on the compliance level. But they're doing everything on their own. They're hiring their own assistants, they're finding their own office space, and they're buying their own furniture. They're doing everything on their own. And when all is said and done, after spending everything they're going to spend, they probably end up with a payout somewhere in the 60s anyway.

That's why, I think, when advisors look at both models, a lot of them opt for the turnkey model. They decide that they would rather take a bit of a lower payout and not have to worry about doing all that additional work and spending all that money.

In my opinion, being independent on a compliance-only basis does not work for everyone. Being independent with the turnkey model works for almost everybody. I've adjusted the turnkey model over time as I've listened to advisors telling me what they want and what they need.

We've had tremendous success in advisors coming on board and bringing their books of business with them. An advisor doing $300,000 in production at a wire house joined us and in his first year was doing more production than he had done even in his best year at the wire house. We've had advisors come on board who are very large producers—we had one advisor who joined with about a $170 million book of business, and we helped transition that book of business within 45 days.

He's been one of the larger financial advisors in the industry and in his first year of being independent he's made more money than he ever had at his previous firm. His clients are very happy and they have brought him more money.

The message I want to drive home here is that not all independent platforms are equal. It's a big decision to make and you need to do your research. When you're talking to people you will want to figure out what your margins are. Margins are the most important thing on this side of the business. Margins will tell you what you can afford and what you can't afford. How are you going to run your practice?

It's easy for me to discuss margins because I'm taking care of a lot of things for advisors. When you're doing it on your own, you need to know every single percentage point and where it's going. You need to know every single cost and where it's going. If not, how can you effectively run a business?

When I'm talking with advisors who are considering going independent and they've looked at some of the competitors, I often find they haven't been made aware of some of the underlying fees and costs. Telling someone that they're getting a 90 percent payout to go independent can be very deceiving because there are a lot of other costs that they might potentially pay. That was one of the important lessons I learned when I first started looking at going independent. I wanted to get into the weeds with every single company that I spoke with, to try and figure out who had the best margins. And frankly if they do not allow you to leverage an existing RIA within the network, they are not really a competitor.

The bottom line is that I am where I am now for a reason. That means I'm able to provide things for advisors that I wouldn't be able to provide if I were with one of my competitors because the margins wouldn't be as significant.

Chapter 7

Getting Paid What You're Worth

THIS IS WHAT it's all about. Wherever you practice—in a bank, in a wire, or as an independent—your goal should always be to get paid what you're worth. And in order to understand how to get paid what you're worth, you really have to understand what you're worth. What I have found is that in bank channels, in wire channels, or even in any salaried position in finance, advisors often fail to realize how much their book of business and relationships actually produce. If you're an advisor who has a very mixed book of business, from fee-based business, to mutual funds, to life insurances, to guaranteed lifetime annuities, to any product out there, and you are under the umbrella of a bank or a wire, there are haircuts that come out of those commissions before they even hit your grid.

Let's say you are a producer in a bank or a wire house and you're doing around $500,000 in production. You move out of the bank or the wire and into the independent channel, where you're working for yourself, doing the same production with the same business mix, you may well find that you are actually a $600,000 or $650,000 producer because there are no haircuts. Everything flows directly to you.

We all want to get paid what we're worth, but in order to do that, we first need to understand what our actual business is worth. What sort of business do you have? What sort of revenue is it?

Understanding your business mix is critical in making the decision to go independent. If a payout doubles, in going from a wire house to the independent channel, that doesn't necessarily mean that your income doubles. In some cases, depending on your business mix, your income could actually triple. What does that mean for you? It means that even if you only continue to do half of the business that you were doing before, it can actually translate to more money in your pocket and a more profitable business.

This is something you have to look at in making your decision, once you've figured out that you ultimately want to make a change.

Keep your client relationships forever

One of my biggest reasons for going independent was the fact that I get to keep my client relationships for the duration. The only way my existing clients are going to leave me is if for some reason they don't see a value in our relationship any longer. That's completely different from losing clients because a company that I work for happens to do something that Wall Street doesn't agree with, or that the media doesn't agree with. I don't have to worry about losing clients because of the name brand that's on my business card. I know plenty of advisors who have experienced such losses in recent years as particular banks and financial institutions have fallen out of favor with the general public.

On the independent channel, it's all about building that business and keeping those relationships. No one can tell you what to sell or what not to sell. You can continue to grow with your client relationships. You're focused only on the client and only on your business, and not on a bureaucracy of another company telling you what to do and what not to do. You can stay in business for the rest of your life without Big Brother telling you what to do.

This opens up so many other doors. Maybe you want to continue to grow your business the way that you've always grown your business. Maybe you have kids and you want your kids to get into the business one day. Maybe you want your kids to manage your clients' kids and their grandkids, and create your own enterprise. The only place where you can truly do that is in the independent channel. You're the only one who's responsible for your clients' successes. Their relationship is with you and with no one else. You can create any model that you want. It's just you as the advisor, the client, and the overall investment landscape. Instead of having some limitations about what you can and can't do for a client, you have access to everything in helping clients navigate the world of investments and retirement.

Be your own boss

Being independent brings with it all the benefits of being self-employed and being a business owner. You don't have to worry about someone else checking the clock, or making sure you punch in and punch out, or making sure that you do call nights, or making sure that you're working on Saturdays. It all comes down to your relationship with your clients. On this side of the business, there's nothing else that actually matters.

There are tax benefits as well. Being a Schedule C rather than a W-2 carries with it a number of tax benefits, ultimately adding more to the bottom line of your practice.

If you're in a bank or wire channel, the bank or the wire takes the majority of the fees that come in. Technically, the bank owns the business and the bank owns the succession plan. You're at the mercy of whatever someone else decides to do with your book of business. In the independent channel, you have to have a succession plan for your assets, and you get to create that plan. You can be as creative as you want. This is to protect you, your family, and your clients. If you decide to go independent and transfer your book of business, you need a succession plan in the event that—God forbid—something should happen to you.

We can put in place succession plans that over a period of years will provide for your family to get paid off of your book of business. Or you decide to retire, you can have a successor work your existing book of business, provide you a pension for your retirement years, and allow you to sail off into the sunset. You can be as involved as you want or as hands-off as you want. As an independent you have all of the flexibility to create what you really want. It is and always will be a seller's market.

Payouts go up dramatically

No matter which model you choose, whether it's the compliance-only model where you take care of all of your own expenses, or the turnkey model, your payouts will go up drastically. The broker-dealer doesn't give you clients, but they also stay away from you and your client relationships. You never have to worry about someone else reaching out to your clients to try and sell them something. You never have to worry about a manager printing out your book of business and telling you that we're now going to cross-sell mortgages to existing clients, and we need you to stay late on a call night to do that because we want more on their investment management. We want mortgages, and we want bank accounts, and we want credit cards. As an independent, that's something that you'll never have to worry about.

When I was working in the bank, one of my biggest pet peeves was the constant expectation of cross-selling because the bank wanted to put more services in front of the clients. They would rely on the investment advisor—the person the clients really trusted—to position these products and services. It wasn't that there was any incentive to do it or not do it, but it was an expectation that was applied. I find that more and more of the individuals who work in the bank channels have felt that pressure and it seems to be creating fallout among the banks. That's an important consideration. There's a lot to be said for eliminating that level of bureaucracy from your practice.

Some will see this as an advantage, others as a drawback: In the independent channel, you are responsible for driving your own business. I don't judge one way or the other, but for me, the beauty of being independent is that you can do whatever it is that you want to do. If it means making more money and working less, so you can spend more time on a golf course or with your family, so be it. If it means coming over, transitioning your clients, and trying to grow as aggressively as possible, so be it. You hold those cards and you get to make the decisions.

I often hear, "I moved my clients over, or I have the same clients that I had before. How do I get new clients?" There are plenty of things that you can do in order to grow your business, if that's what you want to do. You can create your own strategic models for generating leads. You can create your own mentorship program: You could bring in junior advisors and train them to go out and find pieces of business to bring back in, similar to what the wire houses and the banks used to do. The banks and the wires are more focused now on bringing in people who have existing books of business, but for the independent advisor, building a platform where you're training new advisors to the business, where they're out there hunting for you and bringing in new assets, could be a very, very good business model. After all isn't that how the largest wire houses were built? You would be responsible for training these junior advisors, giving them some resources, and coaching them. That could prove to be a very fruitful relationship for both the advisor and the junior advisor. It would also be a great way of getting new clients.

Another way to gain new clients is to ask existing clients for referrals. When you're able to provide your clients with better service and access to more products, you might naturally be more likely to receive referrals, but you can certainly be more intentional about it. Make it a consistent practice to ask for referrals from anyone that you meet.

If you're interested in growing your business even more quickly, you can consider acquisitions or recruiting other experienced advisors.

In my experience, acquisitions can be great. They can also be daunting, stressful, and risky, depending on the structure of the deal. When one of the advisors in my office found a book of business in Florida that was for sale, we had to ask ourselves some tough questions. We created a list: we wanted to be in Florida; we wanted to buy a fee-based book of business, and we wanted a business that had been around for a while so that it had a name and a footprint. With this particular book of business we were considering, the firm was its own broker-dealer and its own RIA. It took numerous conversations over about a year and a half to finally close on the deal.

There were a lot of other firms chomping at the bit to purchase them. But at the end of the day, we were able to connect with them to give them what they wanted, not just from a monetary standpoint—from what I understand we weren't even the highest bidder—but in terms of understanding and honoring what made them tick. They were in the business for over 30 years. There were three brothers; their father had started the broker-dealer and passed it down to them. The three of them worked together for years. In flying back and forth between New Jersey and Florida, we came to understand who they were: their culture, the family, what made them tick and what didn't. We developed really good relationships with them before we purchased the book, and it worked out incredibly well.

Ultimately, it was their business. We wanted to keep their tradition alive, and they knew it. We did certain things like leave the name in place. You can't have an ego in this business, even though a lot of advisors do. Realistically, in order to work together with other independent advisors, or any advisor for that matter, you have to be able to compromise. We were able to compromise on a number of things. We let them keep their name. We left one of the advisors in place to continue working with new clients, since he wasn't as set on retiring as the other two brothers. We made sure that the clients knew the benefits of what was going on. It worked out to be a very good experience.

This happened to be one of our first acquisitions, so it ended up becoming probably more expensive, just like anything else that you're doing for the first time. The other acquisitions we've completed since then have gone through very smoothly. Just like anything else, it takes a little bit of practice. I think one of the biggest value-adds that I can be for any advisor who's affiliated with our firm, is that I can help them go out and find an acquisition, do the acquisition, and sit on the same side of the table with them without taking anything out of their pocket. That's one of the things I bring to the table. In this particular example, one of the advisors found it, and it just worked out very well for all of us. It was a benefit to me, because it was a book of business that someone else had found, and it was a benefit to the other advisor, since our scale and our leverage made it possible to put the deal together.

Another great way of growing on the independent side is building out a team by recruiting other advisors. You can create a family office atmosphere, where you as the financial advisor are working with an estate-planning attorney, with an accountant, maybe with some local banks, and you're packaging a team. You can put an actual team together that essentially becomes a one-stop shop. That is a tremendous way of growing your business, and ultimately, I think this is what the future's going to be.

Right now, there's a race to the bottom, with everyone talking about fees, fees, and more fees. There are a lot of clients who are leveraging third parties only because they're out there, whether it's a robo-advisor, or whether it's some of the larger online services. A client can open up an account and pay a quarter of a percent or a half a percent in fees, but they're not getting anything else.

In years where the market's doing great, they're happy. They're not paying much in fees; they're just riding the market out. When the market's flat or when the market's down, it's a different story. But when it comes to wealth management, when it comes to estate planning and taxes, and when it comes to insurances, there's so much more to managing money than just investing in the market. I think as an industry, we almost lose sight of that. Advisors start buying into that, and feel that they need to start decreasing their fees. As an advisor, I strongly advise against that.

There will always be a few people looking for the cheapest avenue. There will always be people looking for discount brokerage shops. Most people are willing to pay more for better service and for access to more services. In my opinion, it is much easier justifying a fee in the independent channel when you're taking care of the person's finances, you've set them up with an estate-planning attorney, you work with their accountant on an annual basis, you've taken care of their insurances, you've taken care of their financial planning, and you've taken care of their home and auto insurance. You've taken care of everything financially related, and you're charging them one percent on the assets.

At a bank the client may be paying more than that one percent, and all they're getting for it is a managed investment account.

I believe that with the changing industry we need to preserve our own books of business and preserve our own fees. Clients will still pay those fees, but they're going to expect more. You need to be able to really have a tough conversation with yourself and look at the fees you're required to charge, based on the bank or the wire house that you work for. What value is the client really getting? Yes, the client's getting you as a financial advisor. But if you can do so much more for them on the independent channel, then how can you justify the fee the bank charges? And there is more of a risk of attrition down the road.

When it comes down to more product and more service, clients are willing to pay more to get more, rather than join that race to the bottom. If a client opens an online account and they're leveraging a robo-advisor, then they have to find a professional for every other aspect of their financial life, which probably costs them more money in both the short run and the long run. God forbid they make a mistake of not having an appropriate estate plan, or a financial plan, or enough insurance, or the right insurance. We're talking about mistakes that can potentially cost people hundreds of thousands of dollars. It's not always the client's fault. Sometimes the advisor doesn't feel comfortable with that conversation or sometimes the advisor is in an atmosphere that doesn't give them access to really be able to do everything for their clients. That's a tough spot to be in as a fiduciary.

If you can take that family office mentality and give it to the mass-affluent client, your business will flourish. The banks and the wire houses, for the most part, don't really seem to want those clients because they want to focus on the mega-wealthy for the personal relationship and the call center for everyone else. As someone who worked in an investment call center, I can assure you it does not work. If you could take that core concept and not just give great service, reasonable pricing, and access to everything, but be the financial go-to for that one client, the clients will not only pay, but will also bring you more assets. But you have to be in a place where you can show a client that when they come to you, they get everything financially related. You will be their personal CFO. You will be their second set of eyeballs. You will be the one who quarterbacks the relationships with investment advisors, their accountant, and their attorney.

In this way, when you're going over reviews and giving your advice, you know their accountant and their attorney on a first-name basis. When you're talking to the client, making recommendations, they're getting everyone involved or you're able to explain to them that you've spoken to the accountant, you've spoken to the attorney, and this is the direction that we need to go with these accounts. That is powerful. That is something you can only really do on the independent side. It's all about doing more for your existing clients, rather than going out and trying to find new clients.

Facing your fears

I completely understand that there are fears associated with making a big change like this. I also understand that sometimes you just have to buckle down and face your fears. Once you make the actual transition, as you shift your business model slightly, what you'll notice is that more referrals will come. More leads will come. Clients want to continue to work with people they know and like. They don't want to start new relationships with new people. They don't want to tell their story 20 different times to 20 different people. When their advisor goes independent, if the client doesn't follow immediately, the client will have an experience of being left behind. Whether that client gets transferred to a call center, or whether they get seven other financial advisors who come and go over the next five years, at some point down the road, that client's going to seek out their original advisor. They're going to seek you out, as long as they valued your relationship with them.

And when they do seek you out, you will be able to offer them much more than you ever could before.

That's what's so important. Create a model for yourself such that you can give your clients access to everything, not just investment management. Focus on everything financially related. That's how referrals, leads, more assets, and growth happen organically. The independent side is quality over volume. It's not necessarily about how many new leads you receive or generate, although there are numerous ways of doing that. It's more about the quality of the relationships that you maintain.

If you're in a bank channel, you're not going to get five to ten referrals a month from someone on the platform. Understandably, the banks concentrate on banking-type products. I know from personal experience that you don't really receive that many referrals from the bank, and the referrals that sometimes get promised seldom actually come through. Even if they did—even if you were actually getting five to ten referrals a month—there's no guarantee that you're going to have relationships with these people moving forward. There is a guarantee that if you do business, you have to service those accounts. You can't neglect to service the accounts. And if you're busy servicing new relationships, then you're not servicing the existing relationships that have made you and your business what it is. Ultimately that becomes a tremendous disservice to your existing clients, and they will start feeling it. Then the whole business suffers.

I remember distinctly, when I was at the bank, there was a point where I was covering 12 different branches. I loved the opportunity. I loved the activity. I loved trying to grow something. It was great, and in truth, it was something that I had asked for. But after a couple of years I had gotten to the point where I would have five or six different appointments a day. I was putting 55,000 miles on my car each year, running here, there, and everywhere. I was building a book of business. But when I had to run lead on bank meetings, conference calls, and making sure that everyone else was doing their jobs, it took my eye off of the ball. What began to happen was that existing clients would call me on a Monday and I couldn't get back to them until a Wednesday.

There were a lot of different reasons for that. Sometimes there was turnover in the branches, so I would have to cover for other advisors. Sometimes I would have to be doing things that weren't investment related, that I was doing simply to score political points, or I was just taking care of things that my manager asked me to take care of, things that really had nothing to do with my existing clients and growing the book of business. I was being a team player, but more than anything else, I was being an employee of another organization.

I finally started to feel that flow working against me, and it was something that really clicked in my mind. I had more than one client tell me, "You know, Rob. I call you and you don't call me back. I know I don't have the biggest account. I'm sure you have clients with more money than I do, but I do expect to be serviced." It was great that clients felt comfortable enough with me that they could tell me that, but those conversations really helped me to realize that the bank was no longer the right place for me. I was growing my business, but if I was going to start sacrificing my existing clients for that growth, that would be a very poor business model. Any business that runs like that is doomed to fail in the end.

Service is key. In the independent side, it's all about the service. It's all about the relationship. It's all about being able to do more for existing clients, which is a much better business model than a constant go-go-go of looking for new relationships. In growing a practice on the independent side, there are many different avenues and many different things that you can do for a client. You can do the wealth management piece. You can do the insurance piece. You can do the auto and home insurance piece. You can do group health insurances, buy/sell agreements, taxes, or estate planning. There are so many avenues to wealth management that you often can't do in a bank or in a wire. Some banks don't allow their financial advisors to do insurance. Some banks require their investment advisors to refer insurance out and not get compensated for it. I think that's crazy. Some banks don't even allow their advisors to offer life insurance to their clients. All banks talk about the ability to do "holistic" planning for clients, but that is just simply not true. Period. And as an advisor, you know this.

I believe a financial advisor needs to be the hub and the go-to for everything, for every single one of the clients whose wealth management they are responsible for. For any institution to tell a financial advisor that they cannot offer a particular line item or a particular product to a client, if the advisor wants to go out and get those licenses, in my opinion is ludicrous. It hurts relationships. If you're with a company where you're not allowed to sell life insurance, but you do a financial plan and the financial plan says the client needs a million dollars of life insurance, what do you do with that client? Do you take one of your top clients and refer them to a third party that you don't even know? What's the first thing that third party's going to do? They're going to say, "Your financial advisor can't do life insurance? Your financial advisor can't have a Medicare conversation with you? Well, what else is he not doing for you? Let me take look at some of those statements. Let me take a look at those fees. Let me take a look at what you're doing. And I understand that you value your relationship with that advisor, Mr./Ms. Client, but if he can't do everything for you, I can. And we understand relationships, Mr. Client, but at the end of the day, your retirement and the handling of your net worth should be paramount." In the end you're opening the door for your competitors to come in. Obviously, that's not an effective way of growing a business.

Let's take a practical look at some simple math, using the typical payouts for a bank-based advisor or a wire-house advisor. We'll leave the haircuts out of the equation to keep it simple. If you're a bank-based or wire-based advisor who's doing $1 million a year in production at a 40 percent payout, your income is somewhere around

$400,000 a year. If you're an independent advisor, doing that same amount of production at a 75 percent payout, you're doing $750,000 a year. In that particular scenario, do you really feel that you need more clients or should you just focus on the existing ones that you have? That's number one.

Here's number two: Think about your existing mix, think about the firm that you're currently with, and think about any changes that have happened over the past couple years. Maybe there have been decreases in payouts, more haircuts, maybe even potential increases in payouts. How long do you think it's going to take you, at your current firm, to grow your book of business to go from $400,000 a year to $750,000 a year? How long do you think you'll need to stay at your firm to go from producing $1 million a year to $2 million a year? How long would you have to stay at your firm to double your income or double your book of business?

Right now you're doing numbers at the peak of the market and you operate under the assumption that at some point over the next five to ten years the market will have a significant pull-back. Even if you're on pace to double your existing book of business over the next ten years, that can easily be thwarted by a significant drop in the market or by any sort of corporate change your firm decides to implement. I firmly believe that good advisors run more of a risk in staying where they are and waiting to see what happens than in taking the initiative and going independent. Have you ever asked yourself, "How is it that I've grown my book 10 percent this year, but somehow my income has not changed?" I know I used to.

As an independent, you focus on the clients you already have, you talk mostly with them, you serve them better, and you can double your productivity without doubling your activity. In fact, in most cases, you can double your productivity while actually decreasing your activity. In any case, you have discretion over your activity and that's what's most important. You have total control over what you're doing.

Some of the wealthiest people in the country are CEOs and CFOs of Fortune 500 companies, or business owners. One of the biggest value-adds of becoming independent is that this client base is your book. It's your practice; it's your business, and you have the opportunity as well to build net worth from your existing book of business. That's something so many people gloss over when they think about going independent. They think, oh, I'm going to give up a big check to go to Morgan Stanley to get a higher payout as an independent. They totally miss the point that when you transfer your book independent, you now have something. You have a tangible asset. It has a value. You spend your life building that value so that down the road you can turn around and sell it if you want, or you can stay in the business forever.

Turn it into a corporation; be a minority stakeholder and let someone else run it. That piece, I believe, is reason alone enough to go independent and own your practice. That's what it's all about.

If I look at myself now—my income, growth, all those different things—when you get a valuation on your business and other people want to buy your practice, they throw out big numbers to do it. People don't even think about that, and it's probably the number one reason to go independent.

Look at your book of business and look at what's happened to you over time. A lot of advisors I speak with aren't even allowed to get paid on some client accounts. I'm sure a lot of clients don't know that. Imagine having a client who has an account that's worth \$100,000. The company that you're with is charging that client one percent, \$1,000 a year, to household that account. They've assigned a financial advisor on that account whose license is on the line if that client has any problem. The client probably speaks to that advisor once a quarter or once every four or five months, and that financial advisor, in a lot of instances, is not getting paid to manage that client's account. How does that work? How can you be okay with that as a financial advisor? How can you put your license on the line for an account that you are not even compensated on?

For most advisors, it doesn't matter. They'll service the client because that client's in the book of business and advisors do the right thing. But how is that fair? You go to a doctor and you pay the doctor $1,000 co-pay to do whatever it is the doctor does. The doctor has to service you, has to follow-up with you, and then has to give that $1,000 to a third party because he's not allowed to get paid to maintain your relationship? What sort of €process does that create? If that client calls at 5:05 on a Friday afternoon, if you're not getting paid, will you still answer that call? It's a big problem. Because whether a client has $100,000 or $10 million or $100 million, that client has entrusted you with their money, whether it's for investments, or for long-term growth, or for income, or just to be passed on to one of their beneficiaries, that client deserves service. It doesn't matter.

Creating call centers and pushing clients aside is just not fair. Here in the independent channel, your clients are yours. They will most likely come with you and you'll get more from existing clients versus seeking more clients.

Think about the short term and the long term. Break down what's important to you and how you see yourself in this business. If you feel like you're a victim and the business is changing on you, if your broker-dealer or your bank is making changes that you don't necessarily agree with, not just on your clients' behalf, but also for your and your family's future, then the only option you have is to do it on your own. You go independent and you don't look back.

This is about quality of life—for you and for your clients. You're helping your clients navigate through the process of investing. You won't have to worry about being terminated because the bank or wire that you work with just doesn't see a need for financial advisors anymore. You won't have to worry about transferring your clients to a call center, or about having limited clientele and not being able to focus on higher net worth clients. You won't have to worry about not being able to go after business owners who might have specific needs and buy-sell agreements and succession planning and group health insurance because the company that you're with doesn't support that kind of business. Take a hard look at where you are and really try to figure out where you want to be five years from now, ten years from now, 20 years from now.

If you can have an honest conversation with yourself and you really believe that you are in the best place for your clients and for your long-term success, don't leave. Stay where you are. If you have even a little bit of doubt, let's have a conversation.

Chapter 8

The Bottom Line

WHETHER YOU'RE in a bank, a wire house, or an independent channel, every year you need to take a look at the current state of your business. You need to figure out who you want to continue to work, who you want to be, and most importantly, what you want to do. Can you see yourself in your current position over the next year, three years, five years, or ten years?

Are you taking a wait-and-see approach? If that's the case, I would argue that there's more risk in staying where you are. There's more risk in just letting things happen to you than there is in actually understanding where the puck is going and following that. You could become more successful than you have ever imagined.

You need to understand that the industry is changing, and for a financial advisor, it's not necessarily changing for the better. What are your options? Do you want to go down with the ship? Or do you want to control your own destiny?

You cannot be all things to all people. When you're in an atmosphere that holds you responsible not only for managing your clients' assets and expectations, but also for corporate policies and tasks that have nothing to do with your clients, you need to make some decisions. When you are constantly trying to appease everyone—though the only people who should matter are your existing clients—you need to be able to act.

Why do you do what you do? That's the question that you need to ask yourself every year. If your answer each year is simply so that you can continue to build your practice and focus on your client relationships, then independence should be a serious consideration for you.

I know that you are great at your existing client relationships. How do I know that? You wouldn't have stayed in this business longer than six months if you weren't. That's a given. Throughout this book, I have tried to encourage advisors like you to really take a look at the direction the industry is going and to be honest with yourself about you see. If you haven't yet done that, open your eyes and try to take look at it objectively.

If you're committed to staying in this business for the long term, and you want to continue to be a value to your existing clients, and you want to grow your practice, then I would recommend considering the independent model. If you prefer a certain amount of structure, and work more effectively with someone telling you what to do or how to manage your book of business, there's nothing wrong with that and you need to consider that as well. What works best for you, and how do you work most effectively?

Most advisors know a lot of people in the industry—people at other wires, at other banks, and in the independent channel. How many times in your career have you heard of an advisor leaving a wire or a bank to go independent and subsequently leaving the independent channel to go back to the wire or the bank? I can't swear that it has never happened, but in my personal experience—and I have a lot of experience—I have never seen that happen.

Why? Because the list of potential benefits far outweighs the small amount of risk.

The industry is getting squeezed. The banks and the wires are changing their platforms almost weekly. The constant changes make it obvious that they're still trying to figure out what they want to do and what they want to be in the future. Fortunately for the banks and the wire houses, a lot of them have other lines of business to fall back on such as merchant services, deposits, mortgages, auto loans, credit cards, etc. As bank- or wire-based financial advisors, we don't. All we have is ourselves and our own business.

In a bank or a wire you may have the illusion of owning your existing business practice, but you really don't. As an independent advisor, you do, and that's a very important difference. You're a self-employed person; you work for yourself and your clients. You can create your own legacy, and you can build that legacy. You never have to retire unless you want to. You'll never be forced into retirement. You never have to worry about someone else changing your business down the road, because you have total control. I have walked through numerous pro-formas for advisors to show them what their practice looks like after ten years and for most it's an eye-opening experience.

The lifestyle difference between the independent channel and the other channels is night and day. I'm fortunate enough to get to see a lot of advisors as they leave the banks and the wires, and help them move to independence. The most common theme I hear as I meet with newly independent advisors to share ideas and build practices together, is how much their quality of life has improved. There are many advisors who are not only making significantly more money working the same amount of hours—or in some cases even fewer hours. The lifestyle is drastically different and it can be whatever you want it to be. That can be hard for advisors to comprehend. It was hard for me to comprehend when I was in the bank channel. I didn't really understand what that meant until I finally saw that in the independent space, you get to pave your own road and you get to pick your own destination.

When going independent, you can leverage support like ours, offering unified independence with built-in mentoring and support. We're there all along the way, right from the first step of making sure that assets transfer smoothly.

We had someone join us from a very prominent wealth management firm that was part of the protocol. We helped the advisor make the transition and within a very short period of time we were able to move about 90 percent of their assets. We've also had individuals leave banks to join us, and within a 45-day period they were able to bring over 90 percent of their assets. Over the course of the first year, they were able to do just as much production as they did the year that they left the bank.

Having people to work with—having that unified independence model where we're all in it together—is a value-add for everyone, whether you decide that you're going to build your practice on continuing to meet new clients, or whether you want to get involved in acquisitions of other books of businesses.

Some long-time advisors are retiring and selling their books of business. Others are getting squeezed out of the business, or just throwing up their hands and leaving because they don't like all of the recent changes. That means greater opportunities for investment advisors who are already independent. This is of zero benefit to a bank advisor or a wire-house advisor.

In my experience, I see a lot of advisors getting out of the business and not many advisors getting back into the business. What does that mean for you? It means that over the next 10 to 20 years, there will be huge opportunities to capitalize on the assets that are going to be in motion. But you have to put yourself into a model that will allow you to capitalize on those opportunities. We can help—whether it's financing a deal, transitioning a book of business, looking at a book of business, negotiating the sale of a book of business, developing a business, recruiting, or just putting everything together—we bring to the table a tremendous value-add without taking anything out of advisors' bottom lines.

To benefit from all these things, however, you have to be on the independent platform. Because if you're not on the independent platform, then you're at the risk of middle-level management at some bank telling you what you can and can't do—and it's mostly what you can't do.

In the last chapter I mentioned an acquisition we completed in Florida. Let me tell you a little more about just how that happened.

The advisor who set the acquisition in motion was someone I've known for about 10 years. I worked with him at a bank years ago. He later went to a wire, but he was looking to leave there. After he found out that I had gone independent, he had a couple of conversations with me. He told me that he really wanted to grow his practice by acquisition, by going out and buying other practices.

He left the wire, came on board with us, moved his book of business over, and then we started working together on a couple of different opportunities. We cast a fairly large net as we were looking for possible acquisitions. He happened to find one through SuccessionLink, one of our partners that focuses on the acquisition and succession planning of financial planning firms, and he brought it to my attention. Of course, anyone who's going to finance a deal is going to look at both our existing independent business and the business that we're buying. That's what ultimately makes the banks feel comfortable about financing a deal.

It worked out well for both of us. While he was the one who actually found the opportunity, he would not have been able to put the deal together without our relationship and existing business. And I would have never actually found that opportunity had it not been for his bringing it to my attention. The two of us worked together diligently over about a year and a half to make it happen. The prospective acquisition was a family firm based in Boca Raton, Florida, which was a place that we had always wanted to be, and they had a predominantly fee-based book of business. They owned their own broker-dealer and they owned their own RIA.

Now we have our own RIA and an affiliation with a broker-dealer so we didn't need any of those enterprises, but we found out very quickly what made these three brothers tick. We learned what they were looking for not just in terms of money, but in terms of their clients and their clients' needs.

This had been a family-run business for more than 30 years. The father had retired about 11 years earlier and given the business to his three sons. Each of the brothers was good at a specific role. One was the relationship manager, one was primarily the business manager, and one went out and secured new business. Through our conversations with them, and asking them many different questions, we made sure they understood that we understood it wasn't just about the bottom line and giving them top dollar.

An acquisition often involves so much more than the bottom line price. Granted, everyone's different. Some people selling their books of business do care only about the price. Personally, I'm not sure that's a book of business that you'd want to acquire. How do you walk away from your existing clients after 35 years if you don't really care about the individuals who are going to be taking over the actual practice?

That's one of the most important elements in an acquisition: a thorough understanding of the book you are trying to acquire. We were able to connect with these brothers on a personal level, mostly by phone, but also by traveling back and forth to Boca multiple times. We were able to figure out what they wanted. They didn't just want a fair price for their book of business—there were higher offers on the table while we were negotiating. They wanted to make sure that their employees remained employees of the firm. They wanted to make sure that the firm's name continued in Boca Raton, and that we would continue to market under the name and brand the name. That meant a lot to them. Most importantly, they wanted to make sure that our processes and our model would be a solid fit for their clients. That, at the end of the day, was what ultimately secured that business for us.

It was our first major acquisition, so we initially made a lot of mistakes along the way, but we will never make those mistakes again. And other advisors now in our office who are considering acquisitions won't make those mistakes because they have me helping them out, whether it's the legal documentation, or the blueprint for putting it together, or a checklist of what's involved. This one successful acquisition allowed us to create a model for future acquisitions, ours and those of other advisors who are affiliated with us. It was a big win for our organization.

We're consistently working on other acquisitions, all of which were identified by existing advisors who are part of our networks. Ultimately, they will benefit themselves from those acquisitions but

I am here not only to help make sure those acquisitions are done efficiently manner, but also to help with financing and structuring deals if need be.

Are you still wondering if going independent is right for you?

Let me tell you another story. One advisor who joined us was one of the biggest producers at one of the biggest financial institutions in the country. Through corporate bureaucracy, they were giving him a hard time managing a few specific clients, almost forcing him to transfer his existing clients to another arm of that financial institution. Essentially, they were trying to pull some of his relationships away. This is one of the largest-producing advisors in the country—the kind of guy any bank or wire house should want to keep. His clients just loved him. He had a great reputation, not only in his own firm, but in many other firms as well. He knew a lot of advisors. He was responsible for training new advisors when they joined the company and everyone looked up to him.

One day, corporate decided that he was going to have to give up some of his best clients, and he just wasn't having it. He had never considered going independent, but he knew me through some other people and reached out to me. We had an honest conversation about his existing book of business, his existing make-up, and what that could means on this side of the business—all of the benefits and any potential disadvantages. It was a candid and honest discussion. We addressed his concerns, and I also had him speak with other advisors here who could share what they had gone through before leaving their previous positions. I wanted him to get a feel for the experience of his peers in coming over to the independent side, and then six months, a year, two years, three years later.

Most advisors in his position don't leave banks or wire houses, simply because they are very comfortable with what they have. He had been very comfortable, but he felt that he did not want to be affiliated with an institution that was going to tell him that he could no longer work with certain clients, simply because the institution had changed its model. Along with talking to me about the independent channel, he also shopped around to other banks and to other wire houses. Ultimately he decided that the independent channel would be the best fit.

He made the decision to join us. Within a couple months' time he had moved the majority of his book of business over, and he did just as much production in his first year here as he did in his prior position. About eight months after he joined, he sent me a text message that was one of the nicest things I could have received as an advocate for an advisor. He wrote, "I don't think that I ever really took the time to thank you or really explain how much better you made my life for me and my family. I'll forever be grateful." I know I'm a big advocate for the independent side, but I was really touched by that affirmation.

I also think there's a lesson in his story. If the institutions are turning on the largest-producing advisors and making life more difficult for them, what are they going to do to the smaller-producing advisors? I think actions speak louder than words.

I believe that if every advisor had the choice, everyone would be independent, but 90 percent of those who are not independent don't really know what it could mean for them. Their thought process takes worst case scenarios, thinking they're not going to have any clients and they're going to be out there all alone on an island. Nothing could be further from the truth. It's all about paving your own road.

Chapter 9

Are You Ready for a Change?

THROUGHOUT THIS BOOK, I've shared my own experience of becoming an independent advisor. I hope that I've given you the incentive to consider making that change yourself. But I understand that you may still have fears and reservations. I'll never forget the 12 months prior to my actually making the move to go independent. As I reflected on my career—starting from scratch in a call center, building a record of successes at the bank, getting that upfront check from the wire and giving it back the next day—I felt like had done it all in a very short time.

When I was trying to figure out how to go independent, it took me about a year of reflection and research to finally decide to make the move. I know I'm not unique in that—I know there are a lot of other advisors out there in a similar place and thinking they may be ready for a change. Maybe you're one of those. If so, I want to emphasize that I've been where you are. I can help you think it through.

Maybe you still have questions. Maybe you still have some fears. All of that is perfectly understandable. But given what I have gone through, and what I see advisors go through on a monthly basis, I know that I can be an ally and advocate for you in setting realistic expectations and making sure that your transition to independence is as smooth as it can possibly be.

Let's take a look at some of those questions you might have.

Frequently asked questions

Will my clients come with me? How many clients can I expect to move? There's no hard-and-fast answer for this. The answer really depends on your existing relationships, how long you've been at your firm, and how you handle your existing clients in the transition. The point I'm trying to drive home is most likely your clients will follow you immediately. And for those who need to think about it or are not sure why you're leaving, you have the rest of your life to convince them and make them your clients again. It comes down to an honest conversation about you being able to do more for them for the rest of your life.

It's not fair to compare one advisor to another, but what I have done, through our network, is make opportunities for advisors who are considering joining us to speak with some of our existing advisors. It's a chance to pick their brains and learn about their experiences with retaining clients.

Here's another consideration as well. Maybe there are certain clients that you just don't want to work with anymore, for whatever reason. This is your opportunity to select the specific clients that you really want to work with.

How do I talk to my clients? Conversations with prospects, with clients, and with anyone close to you are actually very simple. It's as simple as saying, "Mr. and Mrs. Client, you've been clients of mine for a long time. I recently left my old firm and I became independent. I feel that there are a lot of changes happening in the industry. Service is my upmost priority to you. I feel like if I can't give you that service, then I am not worthy of your business. It took me a long time to make this decision, but I decided to go independent so that I can provide you better service. This is what it means for you."

And you tell them something like this: "What it means is that now it's just you, me, and the world of investments. I don't work for a bank; I simply work for you. And I will continue to work with you. I will give you everything just as I have in the past, and then some. I'll have access to more products and more services. But more importantly, I'll have access to more time, which I can devote to you because I want our relationship to last. I want you to be a client of mine for the rest of our lives. I want to manage your children's money and ultimately, I want my children to manage your children's money."

When you have such heartfelt conversations with clients, it's very different from simply telling them you're leaving one place to go to another place. This is a very personal relationship. The old adage of it's not personal, it's business, is the opposite in this field. It's not business, it's personal. In the end, you know your clients better than anyone else could, and you will know how to position this decision for them. It's a simple conversation about what it means to be independent. By making sure that when you go independent you're backed by some of the largest names in the independent channel, you will not only make your clients feel safe, but you will also be able to show them that you can now give them access to so much more than you ever could before. Your clients will understand and want to continue doing business with you.

<u>What can I do in making my change? What can't I do?</u> When you decide to make your move, you do need to take a good look at what you can and can't do. Those things will vary, depending on the firm that you are leaving, and whether or not you are part of that firm's protocol. I won't dwell on them here, because each individual's situation is unique, but I'm happy to have that discussion in a one-on-one conversation.

I will say this: Any time that you decide to make this move, you have to look carefully at your contracts and understand what the contract terms are. Those basically determine what you are allowed to do and what you are not allowed to do during the change; understanding that is part of doing your due diligence in preparation for the move.

I understand that when we start speaking about contracts, and about the ability to call clients or not call clients, solicit clients or not solicit clients, fear starts to build up. And it's easy to put a lot of emphasis on the negative, and sometimes that negative will slow you down in your decision-making process. Remember, I've been there: That was one of the things I kept kicking around back and forth.

Think about it objectively. Focus on what you want your future to be. Look at all of the potential benefits versus the risk that people may or may not come with you. Just with the knowledge you've accumulated so far in your career, you could go independent without even one client, and grow significantly throughout the years simply because of the products and processes that you have access to here. All you need is people to speak to; you don't even necessarily need an actual book of business.

What can I really expect? I know you already have the fears. Sometimes the fear takes up more space than logic. There's fear of change; there's fear of leaving and falling flat on your face. But then there's the reality, and the reality is that you just don't see it yet. You just don't see that happening. People will work with who they want to work with. Your existing clients are working with you because they trust you. They're working with you because you're doing something for them that they value. They're paying you a fee because they value you.

And whether you're doing that at a bank, at a wire, or on an independent channel, you are the name your clients know and they're going to want to continue to work with you. That's the reality. If you really take a look at advisors who have gone independent and not looked back, you'll find that they don't fall flat on their faces. They actually flourish.

So if you're even remotely thinking about becoming independent, you owe it to yourself and your family to have that conversation, and I would be happy to make that happen. A simple 30-minute conversation between you and me could potentially open doors that you never thought possible.

Where will my office be located? At Gladstone, one of our strengths is business development. We've done this many different times. We've helped advisors go compliance-only and open their own offices. We can help you open an office, work with a landlord, and get your lease set up. Ultimately, your office can be wherever you want it to be, depending on the size of your practice or how big you're trying to grow your practice. Your goals for how your practice will evolve over time will dictate what sort of office you should have. Maybe you want to focus on recruiting or on acquisitions. Maybe you want to put together a multi-family office. If you're sharing space with an accountant, with an attorney, with an insurance agent, and yourself as the advisor, you might need more space. You might have a local friend who happens to be a CPA or an attorney—maybe they have extra office space. Not only can your business flourish because you're now independent, but working in close proximity with a CPA could create some sort of working synergies.

One of the reasons I went independent myself was that I wanted to create that family office approach. I wanted to be the one-stop shop. I had a very good relationship with an estate-planning attorney. If a client came in to meet with me, I could bring him in to sit down and have a conversation with the client, going over all the various bullet points.

That's the approach that I've created. You can look at our website, www.gladstoneadvisors.com, to see the benefits of a client leveraging a family office. What I can do for you, as a value-add, is show you how to create that process. I can show you how to create that process and set up shop so that you are your clients' go-to for everything financially related. That's one of the answers to "how can I grow my business?"

In our business, the term family office has typically been reserved for ultra-high net worth people. Many of the country's wealthiest individuals don't have a financial advisor; they leverage a family office. It means that they have one point of contact for everything.

At Gladstone, we've essentially created a multi-family office. We have given the mass-affluent investor access to a lot of the same resources that the world's wealthiest individuals have and it has worked out very well for us.

What does the family office do for clients? In the family office, there are personal bankers. There are insurance producers. There are estate-planning attorneys. There are banks, financial planners, stockbrokers, and property casualty representatives. As a client's family office representative, I serve as the client's personal CFO. I have existing relationships with all of those different segments. Now if you have relationships with specific people you want me to work with, I'll certainly work with them. But when you come to me, I'm the one who works on your behalf with all of these different professionals that I just manage. I'm quarterbacking the whole process on your behalf.

Suppose you, as an advisor, decide to go independent and establish a family office. What does that look like for you? As an advisor, you have a client with, let's say $1 million, and you're charging 1 percent. That's $10,000 a year coming in. Well, that client was paying that same $10,000 before when you were at the wire, but all they were getting for that was you picking some mutual funds and ETFs for them. Now, you are not only still managing that account, but you are also making more money on that $10,000 because you're getting a bigger piece of that pie. You also have more time to pick up the phone and work with these other professionals to make sure that they're working on your client's behalf.

Normally, to be a part of a family office, you need $10 million plus an investible asset. But because the margins on the independent side are so strong, you don't need a $10 million client. You can give the same level of service to a $700,000 client or a $1 million client, because the margins are that much better.

When you're working as a financial advisor in that setting, when you're working with all these other professionals, you will inevitably fall into other business opportunities for yourself. Your clients are going to need insurance. They're going to need wills updated. They're going to need their taxes done. They're going to need many other things that you can now help provide for them, and in the end, get compensated on. It works out very well for everyone.

<u>What if I'm independent and something happens to me?</u> What happens to my clients? Because your client base is your own client base, the accounts would go dormant unless you have a succession

plan in place. That's a conversation we have early on with advisors who join us. No one likes to think about it, but things happen. So we ask them what they want done with their business in the event of death or disability. What do they want to happen? Most often it's set up so that the revenues that their book of business generates would go to their beneficiaries over a specific period of time. But because you are independent, you need to put something in writing, stating your wishes. It might be similar to a buy-sell agreement or something like that. When you pass away at a bank or wire what happens to your practice? It gets distributed among other advisors and there is no legacy left behind. What a horrible experience for your clients and your family.

It's great that advisors here own their business as an asset, but they do need to make sure that they take the appropriate steps to protect that asset. We're here to make sure that you take all the appropriate steps so that in the event of some unplanned circumstance, your family will actually receive a benefit from you from them owing your business. If you were to pass away while working for a financial institution, your clients would simply get dispersed among other advisors and there would really be nothing there for your family.

What's the difference between going independent through Gladstone versus going independent elsewhere? Not all independent channels are created equal. If you look at our hybrid RIA model versus our competitors, you will find that our margins are significantly better, whether it's payouts or program fees. Most advisors, once they do their due diligence, will find that our payouts are significantly better than our competitors'.

Does it matter whether I do a compliance-only model or a total turnkey model? If you become affiliated with Gladstone under a turnkey model you can at some point in the future switch to a compliance-only model. We'd have to discuss what sort of services that we have both agreed for Gladstone to take on and any sort of financial commitments that Gladstone has made, but I would welcome the conversation.

Is my practice big enough to go independent? Looking at margins and scale, the easy rule of thumb is that the larger the advisor is, the more compelling it is to go independent. But what you find now in existing banks and wire houses, if you happen to be an advisor doing $300,000 in revenue, your payout may be somewhere in the 20s. So it absolutely makes sense to go independent, because in most cases if you're able to do the same amount of revenue your income triples.

I've seen smaller advisors be successful in the independent channel; I've seen larger advisors be successful in the independent channel, and everything in between. Each advisor's situation is unique. I would welcome a conversation regardless of the outcome, and I can certainly give you realistic expectations.

What about having the big bank name behind me? In my experience, and probably yours as well, sometimes the firm you're affiliated with can do more damage to your reputation than good. In my experience there is not a huge emphasis on this as I have watched many advisors make this move. But this is also why in going independent it's good to pick one of the largest broker-dealers so if asked you can feel confident telling your clients about the size and scale of the company you're affiliated with.

When should I leave my firm and go independent? My immediate answer is: Yesterday. But joking aside, I do look at this on a case-by-case basis and I would welcome a phone call to give you my thoughts.

Chapter 10

Advice for New Advisors

MOST OF THIS BOOK has been addressed to established financial advisors who are looking ahead in their careers. But here I want to talk specifically to new advisors just coming into the industry.

So you're thinking about becoming a financial advisor? Why? If you've watched movies or TV over recent past years, you might understandably think it's all glitz and glamor. (Spoiler Alert: It's not.) If that's your motivation, don't do it. You will be disappointed.

But if you have considered it seriously and you still want to get into this business, I want to share a couple of pearls of wisdom that were handed to me when I was starting out. They have led me to more success than I ever thought I could have in this business.

Don't let the personality test get you down. I still have vivid memories of not passing the personality test at my first firm, but time has shown that it really didn't matter to my eventual success. Tests have nothing to do with it.

Become a student of the industry, but even more, become a student of people. Industry knowledge is important, of course, but understanding people and caring for people is essential. It's a balancing act between staying on top of what's going on, not just in the markets but also in the economy, along with understanding investments and how they work, and caring enough about individuals to spend with them the time it takes to service them well. Yes, it's good to acquire and maintain that initial client relationship. What's even more important is what the client experiences on a monthly basis. How often are you speaking to them? What do they want from you? What do they expect from you?

Crawl before you try to walk. When you graduate from college, you are likely to be ambitious. And for whatever reason, you are gung ho about getting into the world of finance. You see all these TV personalities, fictional and not, and it's easy to get caught up in the whole mysterious and seemingly glamorous world of investing. Here's my best advice: It's always going to be a mysterious world if you don't start on the ground floor to break into the industry.

When I was starting out I never thought I'd say this, but I would advise anyone looking to get into the industry to start in some sort of call center. My experience there turned out to be one of the best things that ever happened to me. Right now, as the industry is changing, a tremendous amount of capital and infrastructure are being put toward call centers at larger firms. As long as you're with a large reputable firm, you can expect there to be a pretty decent training center. You'll get the experience, the rapid dials, and the 30 to 40 phone calls a day, and you'll get to really break down investments so that you come to understand the differences among various investments and how they work. That's not something that you'll get if you're just kind of thrown into the business or you jump right into the business. You also get to learn the human side of the business which is every bit as important as the product knowledge.

You can always outsource third party investment management for clients, but you can never outsource yourself and your personal relationships. The call center does weed people out. You may discover that you don't really like the business; you may tell yourself, "You know what? This isn't an avenue that I want to explore." So instead of you wasting precious years of your life at the start of your career, a call center will do two things for you. One, it will test you to see if you really do belong in this business. Two, it will train you in ways that a lot of advisors who are now in their 60s never even had an opportunity to experience.

Had someone not taken the time to encourage me to go the call center route I certainly wouldn't have the level of success and accomplishments that I have now.

Spend two or three years in a call center so that you develop a thorough understanding of the human element of the business as well as the investment side. The key there is to get noticed by working as hard as you possibly can. What else is there to do in life, other than when you start out in a career if you're trying to build something? You have to work harder than everyone else and you have to get noticed for any sort of promotion. The faster you can get promoted, and the faster you can work your way up in a call center, the sooner that you'll be able to branch out and figure out what else you want to do in your next stage. Maybe it's not being a financial advisor. Maybe it's being an analyst; maybe it's being a portfolio manager; maybe it's creating your own hedge fund. Whatever it is, you will get there so much faster the harder you work.

Handle every objection. Working in a call center will help you learn to handle every single objection. If you leave to go to a bank channel or a wire, as you're meeting new prospects and you're trying to win business, you're going to have to be able to overcome every single conceivable objection out there. I've heard them all—they all stem from a couple of core places, but the call center will help you understand that better than I could ever explain in a book.

Know all the products. This is another advantage of working in a call center. It will help you get to know all the products. One of the biggest risks you run being young in the business, when you get out there trying to build your own practice, if you don't know the products, you're going to have a very difficult time. But if you're young and have the product knowledge, and have the ability to connect with clients on a personal basis, that's the secret sauce to really growing your practice. It's the main pathway to the career that you want to build.

Gain a foundation. I cannot stress this enough. Building a solid foundation will eventually enable you to branch off and do whatever you want to do within the financial services industry. You need to understand that the future of this business is not about being a stock broker. It's not even necessarily about being an investment advisor. It's more about being your clients' go-to for everything financially related. As margins compress and as the business continues to change, advisors are going to continue to have to justify their fees. The only way that you can truly justify a client's fees is not necessarily the fact that you can produce some sort of average return over time. It's really about how many services the client can receive working with one financial advisor as their personal point of contact, creating that family office-type approach. The client might pay a little more than if they do investing online themselves, but they can then get true wealth management, estate planning, insurance planning, and everything else in one place rather than doing everything a la carte and potentially making expensive mistakes.

As a new advisor coming into this business, if you ultimately want to become a financial advisor, you need to make every decision with that end goal in your mind, of creating something where you are that one-stop shop. That's the foundation that you build from. If your ultimate goal is to be independent—which for most financial advisors, it is—the road from the call center to the independent channel is long.

However, if you build the foundations and the appropriate channels, and you make the appropriate contacts, and you network with other advisors who are in the business, by the time you are ready to make that change, you will not only have a substantial book of business and a substantial financial foundation, but you will also have learned so much along the way that your odds of success will be close to 100 percent.

Don't let yourself be used. Just as in any business, along the way you'll meet a lot of different people. As you grow in this business and as you're building your practice make sure that you're not being used in any way, shape or form. It can come at you in many different ways. It could come in the form of a junior broker; it could come in the form of an associate. Everyone is looking to grow their business. Always put your business and your clients first. In this business that's all you have. All you have is your clients, your relationships and your ability to service those clients. Never take that for granted. Never sell yourself short and never give that up. Always be one hundred percent positive as to what you're getting into, your contracts, and what you're given. And always get everything in writing.

There is a tremendous drop-out rate in this business; I've heard that only four percent of advisors who get into the field actually make it. I believe that if you start off in a call center, use that as your launching pad, and then decide which career in the world of finance that you want to pursue, that drop-out rate changes significantly. Give yourself the best odds of success.

The biggest mistake a lot of newer advisors make is that when they first jump into the business, they go after friends and family. But after three months or six months, their friends and family are still here and they're not. Don't be that guy. Don't do that. Don't ever do that.

That is one way that a lot of companies actually build their brand. If you start working for a firm that makes you take out a piece of paper and write down 20 names of your closest friends, relatives, close family members, acquaintances, and these are the 20 people that they want you to go after, you might want to reconsider working there.

Maybe 96 percent of the people who join these firms fail out, but they're able to bring in three, four, five of their relationships as their direct clients. Clearly someone's winning, but it's not the new advisor coming into the business. It's good for people like myself because the bigger you are now, the larger you're going to get, and this is a business of scale. Make no mistake about it. The idea is you want to achieve as big a scale as you possibly can so you that you can invest back into your business and create your own processes. You can create your own new hire programs, where you're bringing in people every quarter and having them bring in new assets and building up their practices.

The younger ones tend to fall out as the more established enterprises tend to get bigger. That's the nature of this business. As you go into this, you want to make sure that you go into it with the understanding that you have to get to a certain scale to be able to make decisions for yourself rather than someone else making decisions for you on how to run your practice.

The business is changing. Five years, 10 years, or 20 years from now, the business is going to look different from the way it looks now, just like it looks different now from where it was 20 years ago. Technology is taking over in many ways and streamlining processes. That can be a significant advantage for newer advisors, as a lot of the larger advisors who are closer to retirement may not be able to embrace technology as easily as someone newer coming into the field.

You could potentially have that great idea. You might be the next Mark Zuckerberg of the investment field. Maybe you'll create processes and efficiencies that we lack now. It's a great opportunity for the younger investor but unless you have the product knowledge and the industry knowledge, it doesn't matter how good you are at generating ideas or how good you are at developing software. You need the solid foundation and focus that can only come from starting off with a reputable firm's call center and learning the ropes. Just don't stay there so long you get stuck.

Keep a mindset that says, "One day I'm going to be independent." Think about what that means. The word "independence" means "not being influenced or controlled by others, whether it's opinions or conduct, thinking and acting for oneself, or not being subject to another's authority or jurisdiction, being totally autonomous and free." Who doesn't want that? At the end of the day, that is the pay-off for all of the hard work and sacrifice that you put into this industry. Whether you're in a call center, or whether you're in a bank platform, or whether you're in a wire, that's the ultimate end game. Who doesn't want to be independent?

Conclusion

I WANT TO THANK YOU for taking the time to read this book. I've found it difficult to get all my thoughts out on paper, as this industry is ever-changing and I come up with new ideas on a daily basis.

Having this model and independent infrastructure allows you to be as creative as you want, so it becomes a challenge to put it all on paper. I completely understand that every advisor is different, and different people think differently. What might work for one advisor doesn't necessarily work for another. I hope that in reading the book, you have felt that I've been a value-add to you or your business. Maybe I've convinced you to go independent. Or maybe you've decided to stay where you are, continuing to work there and ultimately retiring from there. If that's the case, maybe you'd like to learn some best practices from someone who has had success in the bank channels. I watch a lot of advisors, and I speak to a lot of advisors, and I help them share their best practices, so that could be a value-add for you. If you think any of your friends or colleagues could benefit from reading this book, all I ask is that you pay it forward and feel free to pass the book along.

What next? In this book I've offered a general overview of my personal experiences in this field. I've shared the real-life experiences of advisors I've watched come over to the independent side of the business. I've tried to show what you might expect and not expect.

I hope you've come to have a sense of who I am and how I work. I would encourage anyone reading this book to either reach out to me directly. Visit our website (www.gladstoneadvisors.com/) for more information and don't be a stranger.

The nice thing about this business is that although in one way we are competing with each other, we're really all in the same sort of struggle. We all have the same hardships. Everyone's looking to grow their business. Sometimes a simple conversation with someone who might be in different place than you are right now, or who might be looking at the industry a little differently, can give you some insight. It might even be that breath of fresh air that you feel to kick it up a notch.

Now that you've read the book, I hope you have a feel for who I am, how I operate, and what I help advisors do on a daily basis, but there is only so much that you can get from reading a book. What's your next step? I would welcome a conversation with anyone, regardless of your production level. Let's just have a simple conversation. We can meet. We can speak on the phone. You never know. Having that conversation could lead to one of the best decisions that you might ever make. For me, what gave me the kick that I needed was reading a blog about people who had gone independent and never looked back. Maybe a conversation with someone who did that is exactly what you need if it's something that you've been considering.

So far, this has been the greatest journey that I've ever been on. I can't imagine that it would be any different for anyone else, but everyone does have a different story. Everyone has different goals that they want to achieve and everyone is driven by different things, but regardless of what drives you, I believe that if you're not making progress day-to-day it's difficult to achieve anything else. Whatever your goals, or whatever you aspire to be, I'd love to help you get there. I would love to be the one to help <u>you</u> write <u>your</u> own story.

About the Author

ROBERT HUDSON is the founder of Gladstone Wealth Group, a multi-family office that helps individuals and businesses piece together all aspects of their financial lives.

Recognizing that wealth management is more than just investments, Gladstone was created as a platform where investments, tax planning, and estate planning integrate together in a cost effective manner. Adamant that Gladstone Wealth Group be the one place to go for anything financially related, Rob created a firm that does just that. It's a place where individuals and businesses can receive independent transparent advice, and a home for financial advisors to provide the same for their clients. Rob is a graduate from Rutgers University, and a resident of Long Valley, NJ where he lives with his wife and two daughters. In his spare time he enjoys golf and watching his children dance competitively.

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