Action! Magazine

Spring & Summer 2023

ACTIONABLE CONTENT FOR
WEALTH MANAGEMENT LEADERS

Page 21

Tech Coach

Her playbook for advisor adoption

Sheila Epps
Application Support Analyst at Sage Rutty

LIVES WELL LIVED

Remembering Gavin Spitzner & Ken Golding

Page 80

RELATIONSHIP MANAGEMENT

How to convey your firm’s value

Page 54

CULTURE & STRATEGY

Five habits of effective client listeners

Page 13

Publisher
AdvisorEngine

Editor
Suleman Din

Assistant Editor
Julie Lahti

Designer
Jogo Branding

Project Manager
Erica Ellis

Compliance
Beth Haddock

Senior Contributors
Charles Paikert

Special Contributors
Marie Swift, Matt Ackermann, Greg Elliott, Paul Samuelson, Kelly Waltrich

Founder
Craig Ramsey

Action this day

Editor's note

SULEMAN DIN

Welcome to the latest issue of *Action!* magazine. Though we entered 2023 with gloomy prognostications from several major economic institutions, I am relieved those predictions haven't entirely panned out.

But there are still a number of challenges for advisory firms seeking new growth in this uncertain market.

Talent acquisition is at the top of every firm's agenda, and many firms are competing to fill positions with the right people across all roles. This will be a recurring hurdle – as noted in Schwab's latest RIA benchmarking report; most firms will need to add at least six staffers over the next five years.

In this issue, we have two articles dedicated to the topic of hiring, approaching it from different angles: The practical strategies and incentives wealth management firms are employing to attract new talent, as well as the ways firms can ensure cultural fit with every new hire – and how to resolve issues when they arise.

Of course, the challenge for all firms is not only to recruit but also to have strategies to manage these human and capital resources. The RIA business was once a cottage industry – now it collectively employs over 920,000 people, almost half in investment advisory roles, according to the Investment Adviser Association.

That means for any principal at a growing firm (the same IAA report notes most SEC-registered advisers employ 50 or fewer people), there are multiple considerations involved in its average daily operations – human resources, technology, compliance, and marketing – just to name a few.

This issue of Action! also includes a template for recruiting a Chief Financial Officer, an executive role with oversight that can help a firm's sustainability. We have an article on the budget strategies firms are taking to remain competitive in this market and a feature on how leaders can build an advisory firm that lives on after their departure.

We also have a specific set of recommendations from a legal expert on how compliance officers can help their firms manage the ever-changing requirements set forth by regulators, a ready-made template to help a firm plan its marketing budget, a breakdown of all the points that should be considered when evaluating technology during an M&A deal, tips on finding tax alpha for clients and a discussion with one outspoken advisortech CEO on what advisory firms should (and shouldn't) be doing in this time.

Reaching prospects and taking care of your client base are always priorities, so we have included some helpful articles on how your industry peers are honing their relationship management and why some firms are increasing spending for outreach at this time.

There's even more in this issue to explore, including a special section with the dean of advisortech, Joel Bruckenstein, on the hot-button tech issues advisors should be paying attention to right now, including the current hype (or prompt?) about artificial intelligence tools.

Finally, we remember two special people who left us earlier this year.

Ken Golding was a pioneer in advisortech, and we recall his impact on all of us here at AdvisorEngine. You'll also find some lasting inspiration from Gavin Spitzner, who, as always, was looking ahead and encouraging us all to see the best potential of technology and take the most optimistic perspective on the evolution of wealth management.

And so we will, Gavin.

Best,
Suleman Din

Action! Spring & Summer 2023

Contents

Contributors

AARON KLEIN

Klein co-founded Riskalyze in 2011, growing the company to serve tens of thousands of financial advisors and twice being named as one of the world's top 10 most innovative companies in finance by *Fast Company* magazine. He also co-founded Hope Takes Root, an initiative to serve orphans and vulnerable kids in Ethiopia, and serves on the board of Invest in Others, an organization that supports financial advisors who give back to their communities. InvestmentNews has honored him as one of the industry's top 40 under 40 executives.

BETH HADDOCK

Beth Haddock serves as Chief Legal Officer of AdvisorEngine. She develops and leads our corporate legal strategy and serves as a member of the executive management team. Beth has been dedicated to regulation and financial services for 20+ years: as a litigator, a legislative aide on Capitol Hill and lead corporate attorney and compliance officer at global and early-stage financial services and fintech companies including AXA Financial, Brown Brothers Harriman and Guggenheim Investments. Beth is active in the legal and regulatory compliance field as an author, speaker, trustee and Chair of NSCP Fintech and Blockchain Forum.

CHARLES PAIKERT

Charles has been writing about the financial advisory industry since 2004. Charles has been an editor for InvestmentNews and Financial Planning and currently contributes to *Family Wealth Report*, RIABiz and Barron's. He has also written about the industry for *The New York Times* and Reuters and has moderated panels at numerous industry conferences, including Schwab IMPACT and Invest. Charles is the co-author of Madness: *The Ten Most Memorable NCAA Basketball Finals*.

CRAIG RAMSEY

As Chief Operating Officer (COO) for AdvisorEngine, Craig translates vision into action – ensuring alignment and driving operational excellence across the company. He leads the executive management committee and helps the team measure success to stay on track. Craig is a business builder with a background in corporate strategy, investment banking and consulting. He has prior experience at Bank of America, Merrill Lynch, Accenture and UBS. Craig graduated from Vanderbilt University and completed coursework at London School of Economics and Peking University in Beijing.

GREG ELLIOTT

Greg is a senior consultant on F2 Strategy's Consulting Services team where he serves as a subject matter expert in the implementation and daily operation of portfolio account and performance reporting technologies. Greg's passion for WealthTech grew organically from his experiences as a senior operations analyst at Stratos Wealth Partners. There, Greg oversaw the firm's vendor relationship with Orion Advisor Tech and managed the day-to-day operational maintenance and support for the firm. He also aided in the firm's vision of creating elegant client/advisor experiences and goals of building efficiencies through innovative technology solutions. Along with the technical skills to help F2 Strategy clients with their WealthTech needs, Greg also possesses a passion for helping clients achieve their objectives through a well-crafted and implemented strategic plan. He lives in Cleveland.

MARIE SWIFT

Marie Swift is President and CEO of Impact Communications, a full-service PR and marketing communications firm that works solely within the financial services industry. A prolific writer, Marie's articles have been published by Barron's, MarketWatch, Forbes, WealthManagement.com, NAPFA Advisor, RIA Intel, Financial Planning, Financial Advisor, ThinkAdvisor.com, Morningstar Advisor, Executive Roundtable Journal, and more. She has been quoted in respected publications such as The Wall Street Journal, RIABiz.com, and Investment Advisor magazine. Marie is in demand as a speaker at conferences for financial services professionals including TD Ameritrade LINC, Pershing Insite, Fidelity's Inside Track, Schwab Regional Advisor Symposiums, the Financial Planning Association, the National Association of Personal Financial Advisors, the Alliance of Comprehensive Planners, InvestmentNews' Women To Watch, Financial Planning's Women Advisors Forum, Bob Veres' Insider's Forum, Jolt! Marketing Conference, Securities America, United Planners, Transamerica, Cetera, and other independent advisor and broker/dealer conferences.

MATT ACKERMANN

Matt Ackermann has worked for various wealth management media outlets to create content that really stands apart. For the past eight years, he was director of multimedia at InvestmentNews, where he was honored with 15 ASPBE awards for digital content creation, including work on Practice Makeover, a reality series about helping financial advisors jumpstart their business and a documentary on impact investing that debuted at the United Nations. Before working at InvestmentNews, Matt worked at Financial Planning, American Banker, and the New Jersey Law Journal, where he was honored with the New Jersey Press Association's "Rookie of the Year" Award in 1997.

MEGHAN RICHTER

Meghan has been the driving force behind countless successful product launches, rebrands, and mergers and acquisitions in a career spanning the insurance, technology, and financial services industries. Alongside Kelly Waltrich as Director of Marketing at Orion Advisor Solutions, Meghan helped accelerate Orion's growth and ultimately transform the marketing department into a fully functioning demand generation engine. Her exceptional ability to build connections inspired interdepartmental alignment at Orion, where she rallied the marketing, sales, product, and executive teams around common goals that increased inbound functionality and enhanced brand penetration during her tenure. She and Kelly are co-founders of wealth management marketing firm Intention.ly, where they continue to leverage the power of content and communications to create thoughtful, client-first blueprints that propel pipeline velocity, improve customer satisfaction, and consistently deliver a seamless brand experience.

STEPHEN DOVER

Stephen is Franklin Templeton's Chief Market Strategist and Head of the Franklin Templeton Investment Institute, and a member of Franklin Resources' executive committee. Prior to his current role, Stephen served as Executive Vice President, Head of Equities for Franklin Templeton. He has also served as Chief Investment Officer of the firm's Emerging Markets Equity group and local asset management teams. Previously, he was a founder and chief investment officer of Bradesco Templeton Asset Management in Sao Paulo, Brazil. Prior to joining Franklin Templeton in 1997, Stephen was a portfolio manager with Vanguard where he co-managed an equity income strategy. He also worked for Towers Perrin Consulting (now Willis Towers Watson) in New York, London and San Francisco. Stephen holds a B.A., with honors, from Lewis and Clark College and an M.B.A. in finance from The Wharton School of the University of Pennsylvania. He is a Chartered Financial Analyst charterholder. He is on the Board of Trustees of Lewis and Clark College and Law School.

In this issue of Action! Magazine

Wealth management leaders from...

Abacus Wealth Partners

Americana Partners

Anchor Capital Advisors

Beacon Pointe Advisors

Birke Consulting

Blue Chip Partners

BNY Mellon Pershing

Bogart Wealth

Bordeaux Wealth Advisors

Botoff Consulting

Byrnes Consulting

Centura Wealth Advisory

Cerulli Associates

ClientWise

Diamond Consultants

F2 Strategy

Franklin Templeton

Gratus Capital

GYL Financial Synergies

Indigo Marketing Agency

Integrated Partners

Intention.ly

J. H. McLaughlin & Co.

Keen Wealth Advisors

Legacy Financial

Leitner Sarch

LifeYield

Mercer Advisors

Riskalyze

Sage Rutty & Co

Savant Wealth Management

Signature Estate and Investment Advisors

Source Financial Advisors

Succession Resource Group

The Colony Group

The Ensemble Practice

The Rudin Group

The Sustainable Business

Ullmann Wealth Partners

Vestia Personal Wealth Advisors

Wealthspire Advisors

Wealthstream Advisors

XY Planning Network

Dive in: **How financial advisors can find new client pools in 2023**

CHARLES PAIKERT

You're looking for growth and considering a new segment of the market or a new geographical location to add a new pool of clients.

Now what?

Three factors are critical: who you want to target, how you will reach them and the tools you can use to accomplish that goal.

Who

Whether it's a new segment or a new office in a new city, hyper-focus on the target market you're identifying.

"You want to be ultra-focused," said advisor practice consultant Mike Byrnes. "Get to know that group better than anyone else. Understand their behavior and learn as much as you can about them."

WHETHER IT'S A NEW SEGMENT OR A NEW OFFICE IN A NEW CITY, HYPER-FOCUS ON THE TARGET MARKET YOU'RE IDENTIFYING.

Psychographic research methodology, which can identify psychological characteristics including personality, lifestyle, social status, activities, interests, opinions and attitudes, is "super important," according to Byrnes. "It will help you peel back the onion."

But don't view the segment as a statistical abstract, Byrnes cautions. "Construct an ideal client profile," he said. "The more you humanize the group you're targeting, the more successful you will be."

And don't stray too far from your comfort zone, advises Michelle Smith, founder and CEO of Source Financial Advisors and Wife2CFO.com. Those firms target divorced women who need financial advice and education.

Look for your "next natural market," Smith said. In her case, she's beginning to target the children of her current clients, a generation that grew up with divorced parents and is looking for advice on navigating their financial paths.

"Your next natural market is usually what's right in front of you," Smith explained. "It's going to be something you like to do and are great at. My specialty is divorce, but I wouldn't be good at working with people who are divorcing if I wasn't comfortable with conflict."

How

The fundamentals are well established: get as many referrals as possible, cultivate centers of influence and get in front of qualified prospects.

But that's just the beginning.

Beacon Pointe Advisors is a fast-growing RIA that has opened up more than a dozen new offices in the last few years.

If you're going into a new market, conduct "an in-depth analysis of the skill set and capacities of the advisors in your new office," said Kevin DiSano, Beacon Pointe's chief growth officer. "What are their strengths? How do they add new clients? Are they able to provide what the local market needs?"

Once prospects have been identified, advisors need to establish consistency and process. "There has to be a cadence of outreach and follow-up in different mediums," DiSano said. "Have there been follow-up emails, phone calls and in-person meetings?"

THE FUNDAMENTALS ARE WELL ESTABLISHED: GET AS MANY REFERRALS AS POSSIBLE, CULTIVATE CENTERS OF INFLUENCE AND GET IN FRONT OF QUALIFIED PROSPECTS.

Don't assume that accountants and attorneys who may be considered centers of influence will be helpful, DiSano cautioned. "Not every CIO makes referrals part of their business," he explained. "You could be wasting your time. Ask about the last few referrals they made. If there's no answer, they probably don't make any."

Firms trying to establish themselves in a new market should introduce themselves to local business journalists to gain exposure, said fintech and marketing expert April Rudin. "Let them know your areas of expertise and that you're available to talk to them or write an article as a subject matter expert," Rudin said.

Newcomers in a de novo market can also volunteer for local charities and philanthropic organizations to make connections. They can also make strategic alliances with local groups that can provide introductions to prospects.

For example, an advisor targeting widows could offer to give educational seminars to grief counseling groups, Brynes said. Similarly, an advisor targeting small business owners could discuss financial planning strategies with local business organizations.

Advisory firms can also expand their client base through acquisitions.

Savant Wealth Management has been buying firms steadily for years, and its CEO Brent Brodeski noted, "our number one organic growth strategy is inorganic."

A larger RIA with more capital and internal resources can greatly accelerate the growth rate of a smaller local firm, according to Brodeski. By employing a dedicated business development and marketing team and using sophisticated data and digital software to generate leads, Savant has increased growth in new markets by as much as 400 percent, Brodeski claimed.

"It's about increasing the volume of at-bats; that's where the magic is," he said. "Most advisors are good at closing with prospects one on one. The problem is without sophisticated marketing resources to dial up leads; there aren't enough opportunities to do that."

Tools

→ Start with your website.

"Conduct an audit," Rudin says. "Has your site been updated? Does it reflect what your advisors are doing now and convey your unique value proposition? Are your headshots outdated? Do you still have a picture of a lighthouse on there? If so, take it off!"

If you're introducing yourself to a new market or segment, "your website needs to match the story you're telling your clients," notes Beacon Pointe's DiSano. "After you meet someone, the first thing they're going to do is Google your firm. If your website doesn't match your conversation, you're in trouble. It's a subtle credibility check."

→ Use LinkedIn.

"If you're looking at a new market with no lead sources, you have to do smart marketing and sales to find them," Brynes said. "You can't compete with Merrill Lynch for brand awareness, so you have to be really targeted. LinkedIn can be a very effective way to reach the professionals you're looking for."

Rudin agreed. "LinkedIn is a B-to-B [business to business] market," she said. "It's a direct hit to a professional audience and is a much better way of targeting ideal clients than B-to-C [business to consumer]."

→ Consider events, digital strategies and testimonials.

Seminars, introductory lunches, dinners, and other in-person events are popular and helpful when opening a new office or targeting a new segment.

"You can target the demographic you're looking for with seminars and educational events," says DiSano. "But be as specific as possible. Talking about changes in the tax code may be too broad. How do the new changes affect small business owners? How do they impact corporate executives? You want to deliver specific information to a specific audience of qualified prospects."

Webinars can be a great way to promote your firm's subject matter expertise. Savant uses them extensively when entering a new market, Brodeski says.

Google search ads using keywords can be expensive but very effective when used judiciously. Banner ads should do more than just describe the firm. "Digital ads should be a call to action, directing the reader to do something," Brynes said.

And thanks to a new SEC rule, advisors can now use testimonials from clients. Rudin said they could be a "game changer" that helps firms introduce themselves to a new market, but they must be used carefully.

"Controlling your message is critical, and you want to be sure the testimonial conveys how you want the firm to be seen," she said.

Advisors: Listen up! Here are the five habits of effective client listeners

CHARLES PAIKERT

It's easy to take listening for granted. We do it all the time and don't think about it.

But when financial advisors talk with clients, especially in anxiety-producing times, they must up their game and make optimal listening part of their professional skill set.

Szifra Birke

CEO, Birke Consulting

"There's listening casually and listening carefully," says Szifra Birke, an industry consultant specializing in behavioral issues impacting advisors and clients. "There's a big difference."

For example, advisors at Vestia in Nashville, Tennessee, are taught to make sure they hear what clients want to say—which may be quite different from what they actually are saying.

Lauren Oschman

CEO, Vestia Personal Wealth Advisors

"One of the biggest mistakes advisors make is not recognizing the question behind the question," says Lauren Oschman, Vestia's CEO. "At a recent portfolio review meeting, a client asked if there was a point when the market goes so low that she should stop investing. But she wasn't just asking a technical question about the market. We realized she was deeply concerned about her financial status as she saw her portfolio decline."

Indrika Arnold

Senior wealth advisor, The Colony Group

Advisors can be too quick to take what a client says at face value, agrees Indrika Arnold, senior wealth advisor at the Boston-based RIA The Colony Group. "We can jump to conclusions too quickly," Arnold says. "An awful lot of the time, something is deeper than what comes out of the client's mouth. It's our job to listen more closely and ask probing questions to find out what's going on."

"ON A FUNDAMENTAL LEVEL, ADVISORS SIMPLY NEED TO LISTEN MORE."

When preparing for "values meetings" with clients, Vestia advisors are encouraged to keep track of the ratio of how much talking and how much they're listening.

"It's not complicated," Oschman says. "We want advisors to do more listening than talking, but that can be easier said than done."

One of the reasons is the very nature of a financial planner's job, according to Birke, CEO of Birke Consulting in Lowell, Mass.

"Advisors want to jump in and fix things; that's what they do," Birke says. "Sometimes they need just to step back, restrain themselves, and let the client keep talking."

Advisors should even try to remain silent when the client is finished speaking. "Being comfortable with silence is a great tool," Oschman says. "When someone is finished speaking, it doesn't necessarily mean that's all they have to say. The silence may prompt clients to say something important they otherwise wouldn't have, especially if an advisor rushes in to fill that gap."

It's also critical to remember that the point of a conversation with a client is to know their priorities. To impress clients, too many advisors take too much time at meetings discussing financial concepts – like asset allocation or standard deviation – when they should be listening to the client's concerns about issues impacting their lives, like retirement or health care costs.

At Colony's "discovery meetings" with clients, advisors are encouraged to continually "re-confirm" what the client is saying. "We want to understand what is really important to them," Arnold says. "We'll say things like 'Did we hear you correctly?' to ensure everything is right."

"THE SILENCE MAY PROMPT CLIENTS TO SAY SOMETHING IMPORTANT THEY OTHERWISE WOULDN'T HAVE, ESPECIALLY IF AN ADVISOR RUSHES IN TO FILL THAT GAP."

"Another way to make sure you understand what the client is saying is to write down what they've said and review your notes before subsequent conversations", says Katie Cress, a consultant at Indigo Marketing Agency. "It's a basic exercise that will help advisors concentrate and reflect," Cress says.

Other techniques advisors can use include role-playing, where advisors put themselves in the client's shoes, and 'mirroring,' where the advisor takes cues from the client and 'mirrors' their pace and style.

For example, advisors can intentionally mirror a client's verbal pacing, coming closer to their speed to help them feel comfortable. "Being in sync with someone can increase trust and comfort and help settle nervous systems so clients can make a good decision," Birke explains. "That's pretty important sometimes; we're making decisions about our financial futures!"

Being able to read body language is also a critical part of listening. "Observing body language is the subtext of what the client is really saying," says Spencer Sherman, founding partner and CEO of California-based Abacus Wealth Partners. "You're 'hearing' what's underneath the words the client is saying."

According to Birke, listening isn't just an interpersonal affair between two people. It's also important for advisors to cultivate an intrapersonal awareness of what makes them tick, what they respond to well and what triggers their stress and anxiety.

"It's a matter of 'know thyself,'" she explains. "The more an advisor knows how he or she functions under stress, the better shot they have at being aware of the signals someone else is sending, whether verbal or non-verbal."

"ANOTHER WAY TO MAKE SURE YOU UNDERSTAND WHAT THE CLIENT IS SAYING IS TO WRITE DOWN WHAT THEY'VE SAID AND REVIEW YOUR NOTES BEFORE SUBSEQUENT CONVERSATIONS."

The Zen Path to Better Listening

Improving listening skills is a cornerstone of the annual "Mindful Advisor Retreat" at the Green Gulch Zen Center in Marin County, California.

Overseen by Spencer Sherman, the founding CEO of Santa Monica-based wealth management firm Abacus Wealth, the retreat is de-

Spencer Sherman, Founding CEO, Abacus Wealth

"ADVISORS WANT TO LEAN IN WITH ANSWERS BUT NEED TO STEP BACK AND ASK QUESTIONS SO CLIENTS CAN ARRIVE AT THEIR OWN SOLUTIONS."

signed to help advisors "enrich communication skills, emotional intelligence, and ability to connect deeply with clients."

Spencer, the author of *The Cure for Money Madness* and a regular guest teacher at Spirit Rock Meditation Center, draws on Buddhist principles of mindfulness, present awareness, compassion and equanimity to help advisors hear their clients more clearly.

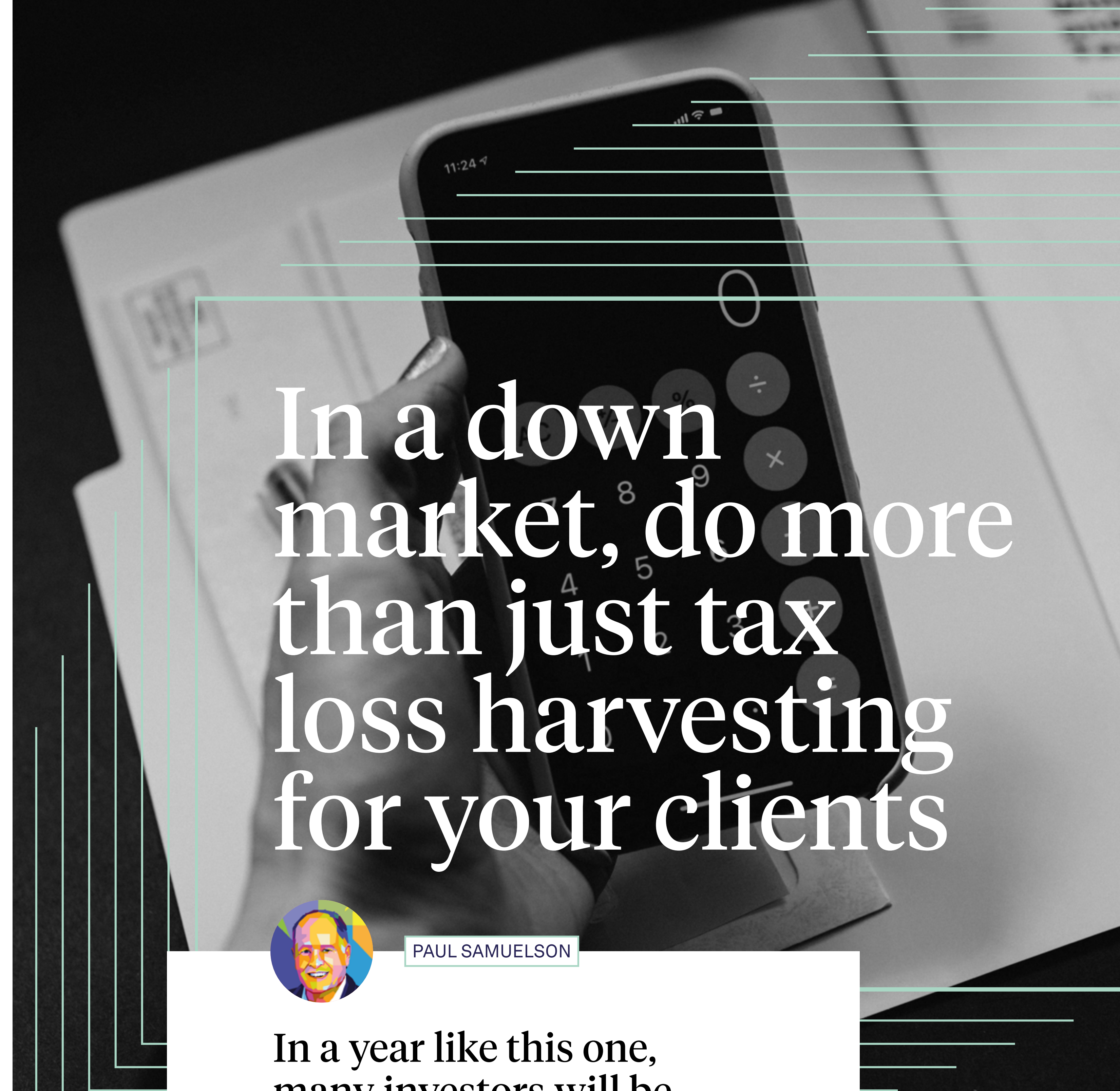
Cell phones, laptops and iPads are put under lock and key as Sherman incorporates guided meditation, talks and role-playing exercises to help advisors "let go of their own agendas so they can be fully present when they are listening to their clients."

Instead of demonstrating to clients how much they know about financial strategies, the markets and financial planning, advisors should hold back, Sherman says.

"Advisors want to lean in with answers but need to step back and ask questions so clients can arrive at their own solutions," he says. "Curiosity, compassion and mindfulness allow clients to affirm their wisdom. Let clients guide the meeting and if you're talking with a couple, encourage them to talk with each other rather than with you."

Echoing the Zen classic *Zen Mind, Beginner's Mind*, advisors need to let go of assumptions and approach listening to clients "from a place of not knowing," Spencer says. "Let go of categories and remember how unique each client is. Listen as if it's the first time you've ever heard anyone say what they're saying."

To learn more about the next Mindful Advisor Retreat visit https://www.spencer-sherman.com/upcoming-events or contact him directly at spencer@abacuswealth.com]



In a down market, do more than just tax loss harvesting for your clients

PAUL SAMUELSON

In a year like this one, many investors will be looking to use tax harvesting to squeeze some good from generally dismal returns.

I have mixed feelings about tax harvesting that I'll explain. In short:

- It's limited in its scope to save taxes.
- It's acknowledging that some of your investments weren't, perhaps, wise.
- It's not nearly as effective for long-term tax alpha as asset location.

INVESTORS TEND TO ASK ABOUT TAX HARVESTING AS THE END OF THE TAX YEAR APPROACHES. BUT I RECOMMEND THAT ADVISORS USE TAX HARVESTING THROUGHOUT THE YEAR. THEY COULD POTENTIALLY SAVE THEIR CLIENTS MORE.

Don't stop with tax harvesting

After you've balanced gains against losses, you can only deduct up to $3,000 in capital gains from your tax bill in one year, with the option to spread losses over up to three tax years. When tax-loss harvesting, it's incumbent on an advisor to take a multi-account approach that examines the potential for harvesting gains and losses across all nonqualified accounts in a household when spouses file jointly.

Then, advisors need to follow up on any tax harvesting by multi-account rebalancing to ensure that the investor's (or investors') portfolio remains true to their risk tolerance, timeline, and investment and retirement goals.

I also recommend advisors with clients who are inclined toward philanthropy to let them know about opportunities to sell investments that have increased in value to create a charitable gift account. The donation is a tax deduction, and they don't pay capital gains taxes. Or they can donate the investments outright to a favorite charitable organization.

Investors tend to ask about tax harvesting as the end of the tax year approaches. But I recommend that advisors use tax harvesting throughout the year. They could potentially save their clients more.

If tax harvesting is lemonade, remember that it still came from lemons

Let's acknowledge that if you're harvesting losses, you're, well, harvesting losses. And the ability to harvest losses tends to dwindle over time when portfolios are well managed and taking advantage of other ways to limit investors' taxes. Start with asset location, the single most effective way to achieve tax alpha for your clients.

Asset location describes the practice of placing investments in brokerage or tax-qualified accounts to minimize tax exposure. For example, investors place untaxed municipal bonds in taxable accounts and mutual funds with high turnovers in tax-advantaged accounts like individual retirement accounts (IRAs) or 401(k)s.

When you apply asset location to portfolio management, opportunities for tax harvesting decline over time, but after-tax returns are much higher. Clients get to keep more of what they've saved and invested.

WHEN YOU APPLY ASSET LOCATION TO PORTFOLIO MANAGEMENT, OPPORTUNITIES FOR TAX HARVESTING DECLINE OVER TIME, BUT AFTER-TAX RETURNS ARE MUCH HIGHER.

Use this opportunity to pull clients back from obsessing over investing

The rumbling (or should I say, "crumbling"?) on Wall Street this year presents advisors with an opportunity to drill their clients on what time has proven to be the best strategy for success:

- Invest for the long term in a diversified portfolio of stocks, bonds and low-cost mutual funds and exchange-traded funds (ETFs).
- Maximize the benefits provided by tax-qualified accounts, including 401(k)s, IRAs, Roth IRAs and health savings accounts (HSAs).
- Periodically rebalance to stay true to an investor's risk tolerance, timeline and goals.

And please, advise your clients that when they are investing for the long term, they don't need to – and shouldn't – be checking CNBC or Bloomberg or their account values daily. Long-term investing demands patience and, if necessary, finding an activity to replace stock trading. A long walk outdoors without devices is always a good choice.

LONG-TERM INVESTING DEMANDS PATIENCE AND, IF NECESSARY, FINDING AN ACTIVITY TO REPLACE STOCK TRADING. A LONG WALK OUTDOORS WITHOUT DEVICES IS ALWAYS A GOOD CHOICE.

Paul Samuelson is chief investment officer and co-founder of LifeYield

5 Keys to Generating Tax Alpha for Clients

Taxes are an investor's highest cost and perhaps the most controllable lever to pull to improve outcomes. It's tricky, though, to evaluate what investor activities — buys, sales, trades, transitions, new accounts, product purchases — mean in terms of taxes today, tomorrow, and even years later.

"Tax alpha" can be defined as the value created by the effective tax management of investments over time. Here are five suggestions from LifeYield how financial planners should consider to generate tax alpha:

Asset Location Optimization

Reduce tax drag across your client's household portfolio by leveraging the tax benefits of each account type available to your clients. Invest for the long term by locating assets generating the highest potential taxes in the most tax-advantaged accounts.

Tax-Smart Withdrawals

Execute multi-account withdrawals while minimizing taxes through asset location and tax harvesting. These withdrawals can be for a car purchase, a vacation, or an unexpected expense – and they are often just that: unexpected. Advisors need an efficient method for generating cash from a portfolio of accounts.

Tax Harvesting

Scan multiple accounts to identify opportunities to harvest losses, defer gains, or identify highly appreciated positions for things like gift-giving. The key here is to examine all relevant accounts in each household to avoid things like wash sales.

Multi-Account Rebalancing & Transitions

Execute rebalancing and/or transition assets for a single account or across a client's entire household portfolio. Asset location and tax harvesting are crucial to an effective rebalance across multiple accounts and must be included in the process for the best outcome.

Retirement Income Sourcing

Consider all investments, sources of income, expenses, Roth conversions, required minimum distributions (RMDs), federal and state taxes, and more. Model multiple income sourcing strategies over time. Select the best path forward for your client.

Power Forward: Sheila Epps

CHARLES PAIKERT

Sheila Epps, applications support analyst for Sage Rutty & Co. in Rochester, NY, is at the center of technology change at her firm.

"I fell in love with tech and basketball at the same time," Epps recalls. "My mom took us to a rec center in Elmira, NY, when I was 5 or 6 and I took a computer class where I fell in love with that big 'ole IBM machine with the floppy discs. I saw that data can make life easier, and I still want to work with whatever data can do that."

After attending high school in Poughkeepsie, NY, in the state's Hudson Valley region, Epps graduated from DeVry University with a degree in business administration and information systems. She honed her organizational skills in her eight years as an executive administrative assistant at IBM Global Services. Epps also taught IBM employees how to use Excel, PowerPoint, Lotus 1-2-3 and other software applications.

"I was fortunate to have that experience at IBM," Epps says. "I was able to both learn and teach."

Epps further refined her tech skills as an operations administrator for VWR International, a commercial equipment and supply company in Suwanee, Georgia. She created reporting databases and did data analysis.

After her husband passed away, Epps moved to Rochester in 2009 to be closer to family. She signed on with a temp agency and was sent to Sage Rutty, a financial advisory firm with nearly century-old roots in the community.

After telling the RIA how they could optimize their software, Epps' part-time gig quickly turned into a full-time position.

Thirteen years later, the partnership is still going strong.

"I'm a tech person and not an advisor, but I'm in awe of how our advisors protect our clients," Epps says. "I love the people and the commitment at Sage Rutty. It's a genuine family. That's why I have stayed for so long."

At Sage Rutty, Epps has been, among other duties, the technology team lead, website manager, reporting coordinator and coordinator for the firm's onboarding training and continuing education for employees. She is the CRM database administrator. In other words, Epps is an essential member of the team.

"I love how CRM technology has grown and evolved over the years," Epps says. "I think we were one of the first firms to migrate to the cloud, and while it was a hard transition, it was worthwhile."

"The tools we're being given have a lot of intuitive changes, so we don't need to train the team," Epps says.

> “WHEN ADVISORS FAIL TO ADJUST TO CHANGING TECHNOLOGY, IT ACTUALLY COSTS MORE MONEY TO HIRE PEOPLE TO HELP THEM THAN TO USE THE TECHNOLOGY.”

From her experience working with advisors and technology over the years, Epps has some key pieces of advice for any firm.

Managing integrations, she says, is key to the success of any advisor technology. When asked to weigh in on new technology plans at Sage, Epps always leans in on that point.

“I always force it on them,” Epps says. “I tell them, ‘Let's look at the technology we already have, and let's look at what it integrates with and let's try those before we go outside.’”

“Being able to integrate your software creates a smooth process for clients and yourself,” she continues. “There are so many opportunities to utilize technologies to be more efficient, even small things like auto self-scheduling software that links to your calendar or a CRM that integrates with your clearing platform. You want the ability to create efficient processes.”

Advisors need to move beyond the tendency sometimes to resist technology, Epps says, because the outcome is always better than the alternative.

“When advisors fail to adjust to changing technology, it actually costs more money to hire people to help them than to use the technology.”

To that end, Epps says every firm needs a technology champion, whether that is an advisor or a technology specialist like herself.

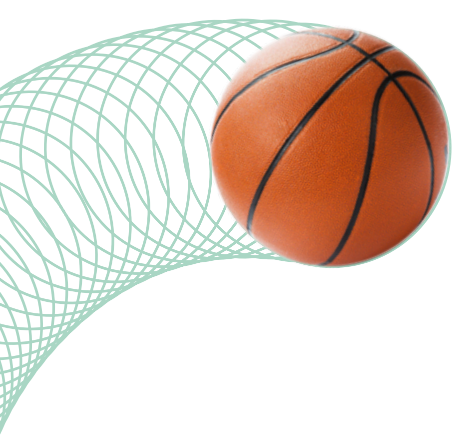
Before approaching advisors about a new technology, Epps says she takes the time to learn everything about it. Then she presents how it would be beneficial to their practice.

“Advisors are hesitant to try something new until they see someone else use it, and if they do take on new technology, they need to be guided and not just provided videos or paper documents to learn how to use the software,” she says.

Most Valuable Software

(PERCENT OF RIAS USING THESE TECH TOOLS)

SOURCE: 2022 T3/INSIDE INFORMATION SURVEY

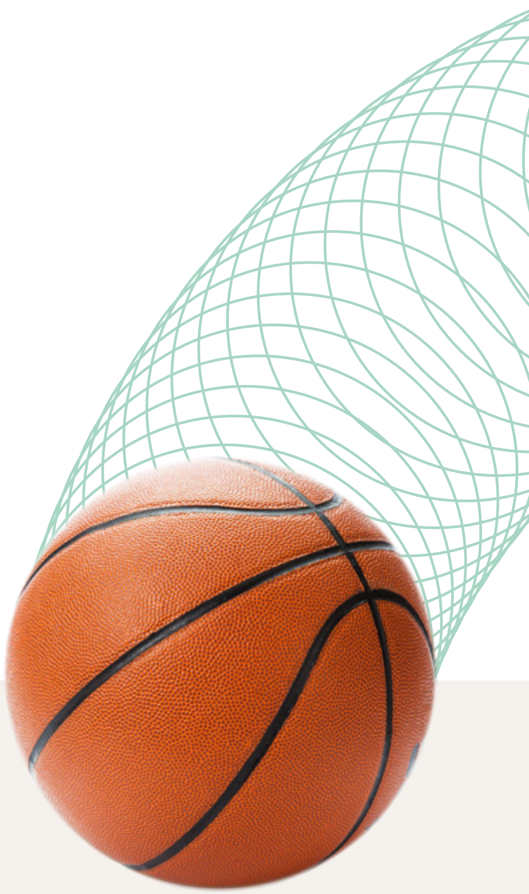


By having someone at the firm dedicated to technology – the beating heart of it, she says – a firm understands how to select technology that will work best for its employees and its underlying tech stack.

It also gives the firm a resource to stay on top of its technology, Epps adds. “That's important because there's always something new. Maybe the software added a new feature. If no one is working with that company, how will you improve your processes using the new features?”

Epps says there are several new technologies her firm is examining as it plans where it can improve. As part of a new initiative looking to the near future, she says, technology has become a wider discussion at the firm.

“People need to understand technology always changes and learn to accept that,” Epps says. “That is the biggest hurdle in my job – every time there's a change, I have to come in and tell people it's going to be OK.” ■



Sheila’s playbook on advisors & tech

‘KNOW YOUR AUDIENCE’

“The first thing I do is recognize what their personalities are before I ever speak to them or work with them. Then I go in and say, ‘These three advisors are using these tools well and they have been for years, so what's your hesitation?’ I dig there to really get them to open up. Whatever that hesitation is, I will show them why it's not an issue to transition.”

‘LISTEN FOR PROBLEMS’

“I ask advisors, what are their issues? What would make their life easier? I had a team come to me, asking, ‘I scheduled my doctor's appointments online, I scheduled my airline tickets online, how come we don't have an automated scheduler?’ So I researched what was available, what could integrate, how it would work, and my suggestions on what we should purchase.”

‘MAKE THE BUSINESS CASE’

Competition drives advisors and they don’t want to lose business to another firm. This is where RIA tech advocates can make a strong business case for adopting a new tool, Epps says. Be prepared to prove how it will not hurt client satisfaction rates.

‘BOTTOM-LINE FOCUS’

“When I show technology to advisors, I present it as time is money. I always have to show advisors how it saves them time and how that equates to dollars. That’s when they're more likely to purchase. Advisors approach the use of all potential technology from the perspective of ROI, Epps says, that is straightforward: “I gotta make money; I don't want to lose money.”

‘SHOW AND HELP’

After the purchase decision, firms have to provide guidance. If you want advisors to accept new technology, it has to be as painless as possible to add to the practice, Epps says. Walk through implementation, she advises, don’t leave advisors with instructions and expect them to master new tools without hands-on help. Be an expert, be patient and be reassuring.

CHARLES PAIKERT

The RIA recruiting crisis

FINDING GOOD PEOPLE IS NEVER EASY. **FOR RIAs, NOW IT'S EVEN MORE CHALLENGING.**

"It's more difficult to hire good talent now," says James Hering, chief operating officer for Bordeaux Wealth Advisors in Menlo Park, California. "There's a shortage of experienced advisors."

A rapidly aging workforce, a lack of young advisors to take their place and an imbalance of supply and demand has resulted in a seller's market fueled by intense competition from financial service giants.

Over one-third of financial advisors are expected to retire within the next ten years, according to a recent study by Cerulli Associates. Fidelity Investments aims to make around 28,000 hires in the next two years and Vanguard and Charles Schwab aren't far behind. Five years ago, an advisor may have had three or four firms competing to add them to their roster. Today that number may be as high as 20 or more, according to executive search firm Diamond Consultants.

So how can RIAs recruit in this environment?

Not surprisingly, they'll have to pay up – and pay more. **Advisory firms now have to pay a premium of 15% to 20% above last year's compensation packages to remain competitive**, according to "Pulse of the Industry 2022," a mid-year survey of U.S. RIAs conducted by The Ensemble Practice, an industry consulting firm.

COMPENSATION PACKAGES ANNUAL GROWTH

15%–20%

"Someone you could hire for $100,000 last year now can get $115,000 or $120,000," says Ensemble CEO Philip Palaveev. "The cost of talent has increased quite a bit."

For senior-level positions, RIAs may have to up the ante even more. According to the firm's president Matt Cooper, Beacon Pointe Advisors has had to double its base compensation rate for some positions in the past two years. "Hiring firms now have to bear more risk upfront," Cooper says.

At a minimum, compensation has to be competitive, so compare your offers to industry benchmarks found in surveys issued by Charles Schwab, Fidelity, Botoff Consulting and others.

Cash compensation can also be used to outbid the competition if you have sufficient capital resources. "If you hire the best, you can pay them more," says Jason Fertitta, chief executive of Americana Partners in Houston. "It's a smart move – one high-quality hire can do the work of two average advisors."

If your upfront offer is limited, there's always incentive compensation. Gratus Capital in Atlanta, for example, offers advisors and business development specialists an incentive compensation plan based on a percentage of AUM billing and revenue. "It aligns the firm's interests with the advisor and has been very successful," says Meredith Michael, director of human capital at Gratus.

COMPENSATION IS JUST THE STARTING POINT. EQUITY IS FAST BECOMING TABLE STAKES IN THE COMPETITION FOR TOP TALENT.

"Firms who want the best candidates have to offer ownership," says industry consultant Jamie McLaughlin. "That's been the big change. Field studies have shown that equity is a cultural determinant at high-performing firms."

In a cutthroat marketplace where "too many firms are chasing too few advisors," veteran executive recruiter Danny Sarch agrees. "If you can prove the value of your equity is appreciating," Sarch says, "that's your ace in the hole."

Since the outbreak of the Covid-19 pandemic, job candidates are increasingly insisting on a reasonable work-life balance and flexibility when it comes to working at home or in the office.

"That's something we didn't see pre-Covid," says Michael. "Gratus fully transitioned to remote work and now advisors come in an average of two

LAYING OUT A CAREER PATH FOR CANDIDATES HAS ALSO BECOME A CRITICAL RECRUITING TOOL.

days a week. When hiring, we make a point of asking people what's important to them and family usually comes first, followed by a flexible schedule. We try to accommodate those priorities and it's been incredibly attractive to job candidates."

Benefits packages are also becoming more competitive.

Advisory firms offer candidates perks, including Netflix subscriptions, DoorDash accounts, gym memberships and massage therapy. "Broader benefits are part of the heightened expectations [job candidates] have for employment packages," says Eric Sontag, COO for New York-based Wealthspire Advisors.

Laying out a career path for candidates has also become a critical recruiting tool.

"Advisors want to see that the firm is growing and a path for how they can grow with it," says Hering. "It's an important piece of your value proposition."

And while the importance of corporate culture has come close to being an industry cliché, it is a factor in recruiting industry executives say.

"Hiring is all about aligning expectations and fit," says Hering. "People want to enjoy working with their colleagues and their clients. We want to create an environment where people want to be and we encourage candidates to talk with people on staff to see what our culture is like."

MERGERS AND ACQUISITIONS CAN ALSO BE A HIGHLY EFFECTIVE RECRUITING STRATEGY.

"The single most important rationale for achieving scale in our industry is an increased ability to acquire and retain top talent," according to Wealthspire's Sontag.

Acquiring proven talent has been a primary motivation for M&A deals at Savant Wealth Management, says CEO Brent Brodeski. Opening a new office with new advisors is "too hard and too much work," Brodeski says. But buying an RIA with experienced and productive advisors is "how I get the best people," he explains.

"The best way to grow is organic," Brodeski says, "and the number one organic growth strategy is inorganic. Savant grows faster when it buys more firms and adds experienced advisors."

Consider an Intern Program

Internship programs can be a rich resource for recruiting.

Every year the firm New York-based Wealthstream Advisors surveys colleges with financial planning programs that also attract students from the east coast. Wealthstream then decides which schools to visit and sends out descriptions of job openings and internships. When executives visit the campus, they attend financial planning classes, teach, talk to students about the firm, the RIA business and life in New York City and conduct interviews.

Back in the office, the Wealthstream advisors select the best candidates, ask them to write up a case study and fly them to New York to make a presentation. After being interviewed by people in the firm, finalists are given "third-party assessments," including a personality test and tests for numerical reasoning and critical thinking.

"We want to make sure we don't miss anything," says Michael Kimmel, senior advisor in charge of recruiting for Wealthstream. "You're looking for the right balance between technical knowledge and soft skills."

The process has worked well, says Wealthstream president Michael Goodman. "You have to be willing to commit to it and develop HR skills, but it's been very rewarding."

Katherine George, who graduated from Virginia Tech in 2017 and is now a senior advisor at Wealthstream, says she was impressed by Wealthstream's rigorous interviewing process. "The process was very robotic and impersonal at other firms, where you just filled out some forms," she says. "Wealthstream took the time to learn about me and explained their culture and what it was like to live in New York City. It felt like they were making an investment that benefitted both of us."

Intern programs have been a successful recruiting tool for another New York-based firm with a similar name – Wealthspire. This past year Wealthspire hosted 16 interns, its largest class ever.

"We utilize a mix of campus and online recruiting to hire interns," says Zach Gering, a managing director at the firm that heads recruiting. "Some of our offices have strong relationships with universities in their region, while others cast a wider net using online platforms."

Wealthspire trains its interns as if they were full-time employees, starting with education and learning the firm's processes and technology. Once the training period is over, each intern reports to a team daily. The team is responsible for assigning the intern work, including preparing for a client meeting, updating a financial plan, or working on a proposal.

The interns work on two projects at different points during the program. One is a group research project where they explore topics like equity compensation or divorce law. The other is an individual capstone project that involves a hypothetical prospect's financial situation. They analyze the prospect's situation from a planning and investment standpoint and then present their conclusions to a group.

"Our goal is to hire many interns, but each office has different staffing needs," Gering says. "Overall, we expect Wealthspire to hire between six to eight of our interns. We frequently hear from our interns that they find the overall experience incredibly valuable regardless of whether they receive a full-time offer." ■

"SOME OF OUR OFFICES HAVE STRONG RELATIONSHIPS WITH UNIVERSITIES IN THEIR REGION, WHILE OTHERS CAST A WIDER NET USING ONLINE PLATFORMS."

Zach Gering
Managing Director,
Wealthspire

Martine Lellis: Tips to solve your talent crunch

MATT ACKERMANN

Financial advisors today must tackle a myriad challenges in their daily practice.

Most juggle many roles in order to succeed in this industry; asset manager, financial planner, psychologist and marketer. But there is one challenge that has risen through the ranks – hiring and retaining talent.

Every business wants to attract and retain the best employees, but this is often easier said than done.

"HAVE A CLEAR CAREER TRAJECTORY TO ATTRACT AND RETAIN TALENT."

Martine Lellis

Chief Talent & Administrative Officer, Mercer Advisors

While attending this year's MarketCounsel Summit event, I caught up with Martine Lellis, Chief Talent & Administrative Officer at Mercer Advisors. **She shared some insight on how best to hire and retain talent at your firm.**

What are some of the biggest challenges facing advisors right now?

MARTINE LELLIS: There's a shortage of talent in our business, and we have a hard time gaining access to it. What we see happening right now is that we're just trading talent around. There's a whole pool of talent, but it's a very small pool of talent. Secondly, advisors are so used to focusing on serving their clients. That's the primary reason that they exist in this business. That's the reason why they want to work in this business. They are thinking about how to get talent to help support them, but that's always second on their plate. They aren't necessarily trained HR professionals going out there and looking for the talent; they're always thinking about their clients first. So I'd say those are probably the top two issues that we have.

AND SO MAKING SURE THEY'VE DONE THEIR RESEARCH, AND THEY UNDERSTAND WHAT'S IMPORTANT ABOUT THE ORGANIZATION THAT YOU ARE RUNNING THAT MAKES THEM WANT TO JOIN THAT ORGANIZATION. THAT'S REALLY CRITICAL.

How do you find people that are the right cultural fit for your firm?

LELLIS: This is incredibly important because we all have a culture that exists in our organization. It all comes down to that interview process and making sure that you ask the right questions, but that's really hard, especially in this more virtual environment. It's very different to get to the heart of what a person thinks about culture or how they're going to be on a day-to-day basis. And then just really making certain that you have really good open-ended questions. You know, none of these yes, no questions, what we call a closed-ended question where they can just say yes or no. You have to have people talking in complete sentences, showing the true heart of what they are and why they're motivated to actually come to work for you. And so making sure they've done their research, and they understand what's important about the organization that you are running that makes them want to join that organization. That's really critical. You want to know that they want to be there and that they want to join the culture that you have actually built.

What happens when it turns out they are not the right fit?

LELLIS: The issue of cutting ties with an organization or cutting ties with an employee and making sure that you do this in a graceful way is a really good question. Because sometimes we do get to that point. We've either made a mishire, maybe an employee is in the wrong role, and we don't have another role for the employee, or there's maybe performance issues that are occurring with the employee and I think it really all comes down to doing this gracefully. And the way that you do that is by making sure that the employee has choices, and that is probably the key thing that I think you have to create for the employee.

NOW, IT'S IMPORTANT TO UNDERSTAND THAT SOME EMPLOYEES CAN BE REHABBED AND CAN ACTUALLY IMPROVE. AND I THINK IT'S IMPORTANT TO KEEP AN OPEN MIND ABOUT THAT AS WELL.

If you leave an employee without a choice, then the employee has it in their mind that the company did something to them. But if you put the power back to the employee, and an example that I'll give you is saying, okay, look, we are going to have to go down the path of putting you on a performance improvement plan because you're not meeting certain standards and here's clearly what those standards are. Here's clearly how you have not met them. And here's clearly what you would have to do. And it's going to be really difficult and the employee should have a clear understanding of why that's going to be difficult, or Option B would be to allow for a graceful transition at an exit. Most of the time when the employee is given the grace of that choice, and time to really contemplate and think about it, they will come back with a choice and choose one of those options. Now, it's important to understand that some employees can be rehabbed and can actually improve. And I think it's important to keep an open mind about that as well.

I THINK WHAT'S MOST IMPORTANT IS THAT YOU HAVE A VERY CLEAR CAREER PATH AND TRAJECTORY IN ORDER TO ATTRACT AND RETAIN TALENT.

What's the best way to attract top talent to your RIA?

LELLIS: Well, I think what's most important is that you have a very clear career path and trajectory in order to attract and retain talent. So you're asking me about what can you do today? And I think today is making certain, you know, exactly how to explain to an employee when they come on board what they can anticipate their progress will be. I think one of the hardest things that we have in our industry is that it is sometimes a long career path to grow someone from an entry-level position into becoming an advisor. And I mean a trusted advisor, someone who can sit in front of a client who will trust them with their money, making those important decisions about their money. That can take a lot of time. But what an employee will want to see is what incremental steps can I take along the way. Do you have promotions that I can move into, other roles that I can progress upon, and I think when you can show that and you can show that very clearly, and this career progression, I think that makes it much more attractive than an organization that can't show them.

SULEMAN DIN

How wealth management firms can cut costs **but stay competitive**

Market uncertainty and interest hikes are impacting the bottom line of businesses. There are ways to slim down without making drastic cuts, several RIA leaders advise. And there are some key areas, they say, where every practice should invest even more right now.

In a very public fashion, layoffs and belt-tightening are spreading across corporate America.

Though the U.S. economy hasn't suffered the harsh recession that many market watchers predicted, big names in tech and finance, including Salesforce, Google and Goldman Sachs, have announced mass layoffs and dozens of other companies expect to follow suit.

Meanwhile, the Wall Street Journal reported that capital spending by S&P 500 companies in 2023 will slow to an estimated 6%, compared to a 20% increase in 2022.

In the independent wealth management space, though, RIA firms are bucking these trends. Many are aggressively recruiting and increasing marketing spending while being selective about where and how they cut costs.

(According to the latest Charles Schwab benchmarking report, most RIA firms will need to add at least six staffers over the next five years, while different studies put the average advisory firm spending anywhere from 1% to 7% of revenue on marketing expenses.)

"There's a balance to be struck between spending prudently and cutting back to the point of hurting your competitiveness," said Mike Wren, CEO of Legacy Financial, an RIA based in Leawood, Kansas.

Wren and others advised that even while being cautious about markets, there are strategies to find that right balance. The greater risk, they said, is missing out on growth opportunities.

"It's a discussion around, is this cost pure overhead or is this an investment? It is hard sometimes to see a difference," Wren said. "We remind ourselves that we're not G.E., we're not Honeywell, we're not trying to just pay out a big dividend. We're supposed to be growing the company; that's our responsibility."

> "THERE'S A BALANCE TO BE STRUCK BETWEEN SPENDING PRUDENTLY AND CUTTING BACK TO THE POINT OF HURTING YOUR COMPETITIVENESS."
>
> Mike Wren,
> CEO, Legacy Financial

Take stock

Any advisory firm looking for ways to manage costs should first do a detailed assessment of the overall financial health of their business, said Alyssa Phillips, vice president of operations at Centura Wealth Advisory in Los Angeles.

"You need to understand your numbers," Phillips said. "Having just a basic P&L statement doesn't really give you the insight you need to understand the nuances of your practice."

“I'M NOT GOING TO LAUNCH EIGHT INITIATIVES NEXT YEAR BECAUSE THERE IS A LOT GOING ON – I'M GOING TO LAUNCH MY TOP TWO AND THEN SEE WHERE THINGS ARE GOING. IT'S LESS ABOUT CUTTING THE COST FOR NOT DOING THE INITIATIVE; **IT'S ABOUT WHEN WE DO THE INITIATIVE.**”

Alyssa Phillips, Vice President of Operations, Centura Wealth Advisory

While RIAs don't have the cost of goods sold in the same way that a product company would, Phillips said growing advisory firms have fixed and variable expenses, regardless of the economic environment, and they can dive deeper into both.

“If you just have noted your marketing budget as $200,000 last year, that doesn't really help. Break it down by campaign, so you can see the cost and the ROI; it's black and white. The same applies to some of your fixed expenses.

“I'm not going to launch eight initiatives next year because there is a lot going on – I'm going to launch my top two and then see where things are going,” Phillips added. “It's less about cutting the cost for not doing the initiative; it's about when we do the initiative.”

Even advisory firms that aren't experiencing tightened cash flows will likely want to examine their expense profile as inflation impacts the economy, said James Bogart, CEO of Bogart Wealth in McLean, Va.

“We've seen almost every vendor this year raise their prices by an average of 20-plus percent,” Bogart noted. **“So I'm looking at everything and asking myself, is that still something I need as part of my strategic value proposition and growth initiatives? If so, then that quantifies to what I would describe as a meaningful number.”**

Create Dialogue

With a detailed grasp of your firm's financials, the next step firms should take is to set up a dialogue about operations to arrive at actions to take, Wren said.

“Anytime you are juggling the question of spending versus ROI, that discussion gets tougher when you go through a tough market,” he said.

At Legacy, Wren explains that dialogue is open to everyone in the firm. “If you see something in terms of a process that you ask yourself, ‘I don't know why we do this, I don't even understand what we're doing,’ you have to bring it to someone's attention.”

Phillips added questioning processes is a great way to find tweaks that can reduce costs or save time without making drastic cuts: “Can you twist here and change something there so that you're not hemorrhaging anything, you're not cutting something off prematurely?”

Human resource experts agree – adding more employees to this dialogue can bring new ideas to approaching cost saving, and studies show it can also create wider staff buy-in and prevent potential blowback.

Another benefit to that dialogue is that it helps firms sort expenses between temporary and permanent, Phillips said. There will be cases where spending can be paused rather than cut entirely: “Are you thinking about potential cost reductions or savings that can be budgeted for because of the forecast for the market for the next year and beyond?”

Bogart said that's currently his approach to new office space.

“We've outgrown the existing suite that we're in and so now we're looking at getting even a bigger one,” he said. “I'm stalling it a little bit intentionally because I would like to see a bit more clarity before I commit to a new 10-year obligation that obviously carries with it an economic impact.”

Tools That Help

Wren said firms looking for savings should also rely on technology tools.

“We think about technology as a cost reduction when it comes to time and efficiency,” he said. “We could spend $5,000, $10,000, or $15,000 on a solution that gives us back office support rather than hiring somebody for the role. That's huge when you don't know where margins are going to be in a market that is in a bad mood.”

A well-built CRM, for instance, can organize and leverage all the data needed to customize and deliver tailored experiences for each client of a firm and help that firm stay on top of client workflow with activity trackers.

A WELL-BUILT CRM, FOR INSTANCE, CAN ORGANIZE AND LEVERAGE ALL THE DATA NEEDED TO CUSTOMIZE AND DELIVER TAILORED EXPERIENCES FOR EACH CLIENT OF A FIRM AND HELP THAT FIRM STAY ON TOP OF CLIENT WORKFLOW WITH ACTIVITY TRACKERS.

> "IF A FIRM PRINCIPAL IS MORE TRADITIONAL OR THEY HAVEN'T EXPERIENCED THE TYPE OF MOVEMENT WE SEE IN THE TECHNOLOGY SPACE, THAT'S WHERE A LOT OF THE HAND-HOLDING NEEDS TO COME IN TO IMPLEMENT CHANGE AND TO IMPLEMENT NEW TECHNOLOGIES."
>
> Alyssa Phillips

Also, a wealth management platform can simplify and eliminate the need for advisors to do tasks such as onboarding, account updates, trades or even simple notifications through automation and data sharing.

Again, Schwab's annual RIA Benchmarking Study noted tech-savvy firms reported spending 12.5% less time on operational tasks than their peers, and top-performing firms spent almost 20% less time.

Bogart suggested leadership should take the initiative with firm technology. "I'm always looking for more and more ways to leverage technology to make my staff more efficient," he said.

One way Bogart's firm has saved thousands of dollars is by employing more virtual events for clients and prospects.

"We were spending $150,000 a year pre-pandemic on live events, dinner seminars and lunches. That went away because of the pandemic, and admittedly I'm not willing to bring it back," he said. "I like the fact that I can scale so much faster, I can do it at a lower cost, but most importantly, I can report the content and get it out to a much larger audience than what I was getting when I was doing the live events."

Any new technological tool will ultimately mean a new cost and some will be big ticket items – Phillips said it is up to operations and technology-savvy staff inside firms to help skeptical leadership see their benefit.

"Fintech is moving so quickly and the speed of the change is very scary for a lot of folks," Phillips said. "If a firm principal is more traditional or they haven't experienced the type of movement we see in the technology space, that's where a lot of the hand-holding needs to come in to implement change and to implement new technologies.

"It's important to understand what their idea of success is and what their goals are and then that's how you can figure out how to frame that conversation with them," she added. "Emphasize you're doing it in steps. Garner buy-in early on; make sure you're connecting it to what their definition of success is. Having those individual conversations is really helpful."

Human Capital

Advisory firms should actually increase their budget for staffing and training at this time, the executives said.

A prime recruit will give you the ability to add strategic depth and pad your competitiveness in an uncertain market, noted Robert Steinberg, founder and CEO of Blue Chip Partners in Farmington Hills, Mich.

"We're trying to hire the super technically proficient people that are going to give great advice," he said, noting his firm created a deferred compensation plan for one recent hire they felt could one day assume a leadership role.

Consulting firm Gartner reports top talent can directly impact business outcomes by being 20% faster at successfully performing roles and contributing to the firm.

To keep existing employees motivated and fulfilled, Steinberg's budgeting for them to attend training seminars and educational conferences. "You're trying to keep a good culture at the firm, but at the same time, you have to protect your assets in human capital. That's our business. You're only as good as your employees."

Bogart said he has lowered the number of people his firm will recruit in 2023 from earlier estimates, but his RIA is also spending more on employee retention. In addition to more training, the firm has been offering enhanced compensation programs, adding profit-sharing programs, more paid time off and work-from-home policies.

"It costs so much to bring on a new hire, so all firms need to focus on retaining what you have because it's hard to find those key critical employees right now," he said.

Steinberg added that a recruiting push allows firms to review existing employees and potentially make budget tweaks through either shifting roles or addressing non-performance.

"As revenues are growing, incomes are growing, firms might accommodate certain employees that maybe aren't exactly what they should be," Steinberg said. "All of a sudden, when you're looking at making cuts, you're really trying to evaluate the employees. Then you might ask, is this the right person for the role? If not, maybe this is the time we need to be looking at making some adjustments."

Essential Outreach

The other area of the business to consider increasing spending when adjusting budgets is marketing and outreach, especially in an uneven economy, said Legacy's Wren.

"When the market is down like this, this is when you see opportunities because every potential client you meet, they're open to maybe taking a look at something else," Wren said.

(One study of 670 wealth management clients by market data firm YCharts found that almost 22% had switched advisors since the pandemic.)

"It's a great time to make sure your proposal software makes sense, that your website and marketing materials look good, and your brand is synced up with everything," Wren advised. "If you wait until things are good and you have a little bit extra cash flow, you'll have missed your best opportunities. You almost have to think like Warren Buffett."

> "IT COSTS SO MUCH TO BRING ON A NEW HIRE, SO ALL FIRMS NEED TO FOCUS ON RETAINING WHAT YOU HAVE BECAUSE IT'S HARD TO FIND THOSE KEY CRITICAL EMPLOYEES RIGHT NOW."

James Bogart,
CEO, Bogart Wealth

"WHILE THE MARKETS ARE NOT IN OUR CONTROL, THE ACTIONS WE TAKE ARE."

In market uncertainty, both clients and prospects are looking for someone who can provide reassurance and authority, Bogart noted.

"Investors want that guiding light that generates some level of confidence," he said. "I personally think these environments create tremendous opportunities for planning and providing understanding that while the markets are not in our control, the actions we take are."

Steinberg agreed. "The firms that end up emerging out of market turbulence the strongest are the ones that reinvest in marketing during that time. They're doubling down instead of cutting back. There are a lot of firms who might say, how can I really kind of really define how much I'm getting from this marketing expense, that's an easy one to cut back on. But it's the wrong time."

Market Reminder

Phillips acknowledged it's easier for firms that operated through previous down markets to take a longer view on cutting costs and spending. But a focus on client service during instability is a good place to build your firm's approach, she said.

"You're not just putting out fires when they call you with their concerns; you're reaching out to them ahead of time and letting them know, this is our strategy, we're going to remain true to it," she said. "That proactive outreach to clients before they start freaking out is key and something that a lot of newer firms and newer advisors may not think to do because they're trying to figure things out.

"So you have to pause for a second and understand that your clients, whatever freak out you're feeling, they're probably feeling that ten times as much."

Wren added that to get through a tough market, young firms have to take a page from the advice they give to clients and make sure a longer perspective is part of their planning.

"When you are building your firm, are you doing it in a way that takes into account five years from now, ten years from now? You can't really plan the next two, three, four or five years if you're worried that you should be bringing in assets all the time. If this is your first time through the cycle, it's a good reminder that you cannot rely on the markets." ■

So you need to hire a Chief Financial Officer

MEGHAN RICHTER

Once your firm reaches a certain level of revenue and operational complexity, you may need to hire a Chief Financial Officer to ensure the financial stability and continued growth of your business.

The CFO should provide guidance and support to your senior management team, especially when it comes to making important business decisions, managing financial risks and developing financial plans.

In addition, the CFO role is responsible for maintaining strong relationships with banks, investors and other financial stakeholders and ensuring your firm remains in compliance with all financial regulations and laws.

If you believe your firm needs the oversight and expertise of a CFO, use this job description in your search.

[Job Title]

Chief Financial Officer (CFO)

SUMMARY/OBJECTIVE

The Chief Financial Officer (CFO) will oversee the financial management of the entire organization. In this role, he or she will be responsible for managing financial operations, preparing reports, analyzing data and developing strategic financial plans in alignment with the firm's business goals. This position will also identify and mitigate any potential financial risks, ensure compliance with regulations and stay up-to-date on industry trends. As a critical member of our senior management team, the CFO will provide valuable financial insights and guidance to help drive the success of the organization.

ESSENTIAL FUNCTIONS

- Develop and implement financial strategies that align with the organization's goals and objectives
- Oversee all financial operations, including accounting, budgeting, and financial reporting
- Manage financial risks and ensure the organization's financial stability
- Develop and maintain relationships with banks, investors, and other financial stakeholders
- Prepare and present financial reports to the board of directors and senior management team
- Collaborate with the CEO and other senior leaders to make critical business decisions
- Ensure compliance with all financial regulations and laws
- Stay current with industry trends and developments to continuously improve financial processes and systems
- Manage and motivate the finance team to achieve their goals and deliver high-quality work

POSITION TYPE/EXPECTED HOURS OF WORK

- This is a full-time position. Workdays and hours are Monday through Friday, 8 hours a day, 40 hours per week.

REQUIRED EDUCATION AND EXPERIENCE

- Bachelor's degree in finance, accounting, or a related field
- Master's degree in business administration (MBA) preferred
- At least 10 years of experience in financial management, with a proven track record of success

PREFERRED SKILLS AND QUALIFICATIONS

- Experience with [technology platforms your firm uses regularly]
- Familiarity with [technology platforms your firm uses occasionally]
- Ability to communicate effectively using [your firm's communication platform(s), i.e. Slack, Teams, Zoom]
- Proficiency with [your firm's project management system here]

COMPETENCIES

- Strong leadership, communication, and interpersonal skills
- Excellent problem-solving and decision-making capabilities
- Ability to work under pressure and meet tight deadlines
- Strong analytical and strategic thinking skills

How wealth managers are tackling portfolio management in a market downturn

CHARLES PAIKERT

There hasn't been much good news lately to share about the market, and the economic outlooks for 2023 aren't much rosier.

The International Monetary Fund is just one of many institutions with unpleasant predictions – its latest World Economic Outlook report pegs global growth will cool to just 2.7%. "The worst is yet to come, and for many people, 2023 will feel like a recession," the IMF report stated.

Investment leaders at advisory firms across the country say they are busy acting for their clients in the current market climate and preparing for additional challenges this year.

"One market factor advisors have been reacting to and say will continue to persist in 2023 is the threat of continued increases in interest rates, either due to inflation continuing or outright increases from the Fed," said Stephen Kolano, managing director of investments at Integrated Partners, a national hybrid RIA firm.

Another is the potential for a recession and slowdown in the overall economy due to inflationary pressures. (A Bloomberg survey of 42 economists put the probability of a recession over the next year at 60%.)

"Many of the best performing sectors in the past few years are very sensitive to a slowdown in growth and increasing interest rates, and as a result, those sectors may not perform well going forward," Kolano said. "So, positioning client portfolios going forward becomes much more challenging and uncertain given the transition that is taking place in the global economy."

Kolano said his firm is choosing to be shorter duration in its fixed income portfolios as they are less sensitive to changes in interest rates.

"We prefer inflation-sensitive asset classes to defend against further inflation and inflation expectations increases. We also are increasing exposure to inflation-sensitive fixed income, such as TIPS. In growth-oriented portfolios, we are looking to more defensive areas of the economy such as energy, health care, and consumer staples where prices are more easily passed through to the end consumer and there is less elasticity of demand."

Wealth managers and their clients will also be mindful of the impact of the midterm elections and a divided government on their portfolio management strategies.

"Markets historically do reasonably well during periods of gridlock in Washington, said Gerald Goldberg, chief executive officer of GYL Financial Synergies in West Hartford, Connecticut. "But the inflation rate and the Federal Reserve's policy response will be far more impactful to investors' portfolios in 2023."

Kolano agreed.

"Investors should expect the political landscape in the U.S. to bear little impact on longer-term portfolio returns," he said. Nonetheless, investors should "remain aware" of two developments that intersect with politics, Kolano added: whether Congress lifts the debt ceiling to fund the government next year and whether political pressure will influence the Federal Reserve Board's fiscal policies regarding inflation.

"The bigger issue investors may want to pay attention to that could impact their portfolio returns would be the geopolitical landscape in 2023 and beyond," Kolano said. Rising tensions resulting from Russia's

A BLOOMBERG SURVEY OF 42 ECONOMISTS PUT THE PROBABILITY OF A RECESSION OVER THE NEXT YEAR AT **60%**.

“MARKET DOWNTURNS ARE AN EXCELLENT OPPORTUNITY TO REVIEW WITH CLIENTS WHETHER THEIR PERSONAL CIRCUMSTANCES CONTINUE TO WARRANT THEIR EXISTING PORTFOLIO STRATEGY.”

Gene Balas,
Investment Strategist,
Signature Estate and Investment Advisors

war with Ukraine and China's goal to annex Taiwan "have the potential to impact longer-term portfolio returns," he warned.

At Anchor Capital Advisors in Boston, one portfolio action for clients has been tax loss harvesting, said Stephen J. Cavagnaro, the firm's director of private clients.

"Given the amount of different, yet very similar investment options in the market today, advisors should be able to arrange taxable portfolios in such a way as to offset gains and potentially create loss carryforwards," he said.

Cavagnaro added it is worth going through the exercise with clients on converting traditional IRA assets into Roth assets, "assuming they can pay the taxes outside of the retirement accounts for maximum benefit. While assets values are depressed, this offers a unique way to grow assets tax-free throughout their life and beyond."

The firm isn't drastically revising expectations on equities over ten years, Cavagnaro said. "But in the short-term, there will almost certainly be additional challenges. On the bright side, fixed-income rates of returns have been dramatically revised to the upside from this point and may continue to have some room to run. It's been a long time since you could count on your bond portfolio to contribute meaningfully."

Gene Balas, an investment strategist at Signature Estate and Investment Advisors, a national RIA, argued that if a firm has clients in their respective proper strategies, managing expectations can be more important than managing portfolios in challenging environments.

"Messaging to clients is essential – whether during one-on-one client meetings or through broad communication channels – that bear markets are, in fact, natural and normal, and, at least in the past, they have occurred much more frequently than they have in recent years," Balas said.

Counseling clients during market downturns can reinforce the original reasons why they are in a particular strategy, Balas added.

"Clients may need a reminder that to achieve gains during up markets, one will likely experience losses during down markets; it is nearly impossible to have it both ways. That said, market downturns are an excellent opportunity to review with clients whether their personal circumstances continue to warrant their existing portfolio strategy."

Of course, it's not only clients who might be feeling anxious. For advisory firms who have not operated through a sustained down market, the investment experts offered their lessons learned from experience.

"Markets respond to investors' perceptions of fundamentals, as well as to their fears," Balas said, offering patience as his advice.

"Each bear market is different, caused by unique factors and ends with their eventual resolution. The horrendous plunge in the markets that began in October 2007 suddenly reversed in March 2009, when the Fed and the U.S. federal government announced monetary and fiscal stimulus. As investors' optimism solidified, a great bull market began – months before the recession was even over. Waiting for the economy to rebound would have caused an investor to lose out on the considerable gains that followed for years afterward."

As for the impact of the midterm elections, Balas noted that a divided government has historically meant stability in the markets.

"Divided government may help prevent actions by either party that can introduce uncertainty, whether it be about the Treasury's borrowing needs, tax law changes that can unfavorably affect corporations or their customers, or introducing new and potentially more onerous regulations," he said.

"Investors may find that there is no need to change portfolio positioning – assuming that it is otherwise suitable – in response to the election results," Balas counseled.

For Kolano, disciplined planning is key.

Understanding clients' near-term needs and goals and structuring their overall portfolio and financial plans so they don't have to sell when assets are down is a strong defense and can enable clients to take advantage of shorter-term dislocations in the market that may persist for a couple of years.

Kolano added that firms should grasp the dynamics of why markets may decline to anticipate how portfolios may behave as part of a disciplined risk management process and work to develop portfolios to be resilient across multiple time horizons. "Keeping clients focused on long-term goals and perspectives is also crucial to keep them invested and able to take advantage of opportunistic moments in markets through dollar cost averaging and consistent discipline," he said.

Cavagnaro's advice to young firms is that they should take the opportunity now to understand clients' risk profiles fully.

"When risky portfolios are going up, nobody says a word, but when that turns around, conversations become quite a bit harder," he said. "Helping clients work out achievable goals and then building a portfolio to meet, or slightly exceed those goals, with the least amount of risk creates a better long-term solution for both the advisor and investor." ■

“FIRMS SHOULD GRASP THE DYNAMICS OF WHY MARKETS MAY DECLINE TO ANTICIPATE HOW PORTFOLIOS MAY BEHAVE AS PART OF A DISCIPLINED RISK MANAGEMENT PROCESS AND WORK TO DEVELOP PORTFOLIOS TO BE RESILIENT ACROSS MULTIPLE TIME HORIZONS.”

Stephen Kolano,
Managing Director of Investments,
Integrated Partners

STEPHEN DOVER

SULEMAN DIN

Think like a Chief Market Strategist

With inflation and central bank rate hikes conspiring to undermine stocks, bonds, real estate and many commodities; investors are peering into 2023 with trepidation, concerned that more of the same could be in store.

More than ever, it is essential to be informed on the markets and share your outlook with clients. But it takes a disciplined approach to keep up-to-date.

Who better to give us tips on staying informed than Stephen Dover, Chief Market Strategist of Franklin Templeton, a global investment manager with $1.4 trillion assets under management.[1] Stephen has dedicated nearly 40 years to developing and maintaining top knowledge and insights from the market. We found the keys to his success hidden in an intentional day of healthy habits, a regimented schedule, and a continual search for knowledge. We hope this guide sparks ideas for staying informed in 2023. Let's get started!

Stephen H. Dover, CFA, Chief Market Strategist, Franklin Templeton Investments:

When I spoke to the team at AdvisorEngine about outlining my method for keeping up-to-date on the markets, I thought back to my current role as well as my previous role as the Chief Investment Officer of Equities at Franklin Templeton. We all live in a world with constant change and the need to be continually updated on the markets. I try to avoid what I consider "noise" to focus on longer-term trends that will impact the markets most. For that reason, I rarely watch television, although I regularly appear on Bloomberg and CNBC. Below are the "chunks" of my day and how I weave my knowledge gathering into each aspect. Knowledge of the markets develops over time. Being a consistent reader of, for example, the *Wall Street Journal*, *Financial Times* and *The Economist* builds a deep understanding of markets. It reduces the likelihood of jumping on the latest investment trend.

> "I TRY TO AVOID WHAT I CONSIDER "NOISE" TO FOCUS ON LONGER-TERM TRENDS THAT WILL IMPACT THE MARKETS MOST."
>
> Stephen Dover

1 As of November 30, 2022

5:30 a.m. – 7:45 a.m. Getting informed and in shape for the day

"I ACTIVELY LOOK FOR VIEWS THAT COUNTER OR CHALLENGE MY VIEWS. THIS HELPS ME CREATE A STRONGER POSITION OR ALLOWS ME TO REALIGN MY VIEWS."

5:30 a.m. is when I get the least interruptions. The minute my feet hit the floor, I open a small journal on my nightstand and jot a few notes of gratitude. About 15 years ago, I started the habit and found it puts the right spin on the day.

Next is a brief scroll-through email. Leading a global team in a global organization necessitates a quick scan to see if there are any urgent items. After that, I grab my first cup of coffee and Jasper my Cavapoo and do a quick scan of the news – namely the *New York Times*, *Wall Street Journal* and the *Financial Times* – and a quick look at sell-side reports. I am looking for major global events or emerging trends that might impact the markets.

By 6:30 a.m., I am out the door and on my way for my daily swim of 3500 yards. I started swimming as an adult but quickly became a "Masters Swimmer." I love the sport and being on a swimming team. The repetitive motion, and zero ability for technology to interrupt, quickly became my moving meditation. I am at the office by 8:00 a.m. with wet hair and fresh indentions from my goggles.

8:00 a.m. - 6:00 p.m. Working and sharpening my views

Most of my day is dedicated to talking about Franklin Templeton's view on the markets, whether in the form of media interviews, client meetings or investment-team meetings. However, I leave several pockets of time to continue the development of my investment thesis and outlook. I split my time between the Institute analysts, our Specialist Investment Managers' outlooks and external research. I skim most sell-side research but focus on a few research leaders to read full reports, namely: Dr. Ed Yardeni of Yardeni Research, Inc.; Johnathan Golub from Credit Suisse; Greg Valliere's "Morning Bullets;" Chatham House-International Affairs Think Tank; Ian Bremmer's Eurasia Group; Project Syndicate; Koyfin; Institute for International Economics and McKinsey Global Institute.

I actively look for views that counter or challenge my views. This helps me create a stronger position or allows me to realign my views. I integrate each piece of information into my broader longer-term thinking. I produce a newsletter to process what I read and articulate my views. Let me know if you find my newsletter on LinkedIn helpful.

6:00 p.m. – 10:00 p.m. The wind-down

Of course, every day isn't 8:00 a.m. to 6:00 p.m. Some days start at 5:30 a.m. and don't end until 9:00 p.m., given the need to work with colleagues in Europe and the Asia Pacific. But when I can maintain a somewhat normal business day, I like to drive home and stay informed through the NPR1 app and *Economist* podcasts. Although informative, I find their format entertaining for the evening drive. The latest *Economist* podcast series I enjoyed was "The Prince," about China's Xi Jinping. On the weekends, I indulge in the complete *Economist* publication as well as books, autobiographies and historical accounts, which are my favorite. If you wanted my top choices from the past year, my list would be:– "How the World Really Works," by Vaclav Smil; "We Don't Know Ourselves," by Fintan O'Toole (highly recommended); "The Song of the Cell," by Siddhartha Mukherjee; and "The Watermen," by Michael Loynd. I also found great value in the following books: "A Monetary and Fiscal History of the United States, 1961–2021," by Alan S. Blinder;" Slouching Toward Utopia, An Economic History of the Twentieth Century," by J. Bradford DeLong; and "The Lords of Easy Money," by Christopher Leonard.

As you can see from my list of books, I find general non-fiction more helpful than most investment books to get a broader perspective of the world and what's important. Staying informed and on top of the markets is a dedicated practice I have developed for over 40 years. I weave it into every aspect of my life to create a mosaic of views and data I can pull from in many different situations. As a continual learner and relentlessly curious person, I look for new sources and ways to process information. Your role as a financial advisor is critical in keeping investors informed, one in which I know you take great pride. In the new year, I wish you continued curiosity and excitement in these changing times that offer opportunities for us all.

"STAYING INFORMED AND ON TOP OF THE MARKETS IS A DEDICATED PRACTICE I HAVE DEVELOPED FOR OVER 40 YEARS. I WEAVE IT INTO EVERY ASPECT OF MY LIFE TO CREATE A MOSAIC OF VIEWS AND DATA I CAN PULL FROM IN MANY DIFFERENT SITUATIONS."

What factors will determine financial advisor success in 2023?

SULEMAN DIN

The outlook for this year is murky. What challenges will independent investment advisory firms face?

Veteran industry observer and AdvisorEngine's Head of Sales George Tamer says there are lessons for younger firms to draw from those that went through the 2008 financial crisis.

In the following conversation, Tamer outlines how firms are preparing to make tough business decisions, if necessary, and what RIAs can do to grow their client lists in this time.

The following Q&A has been edited for clarity.

HOW ARE ADVISORY FIRMS PREPARING TO OPERATE THEIR PRACTICE IN A TOUGHER MARKET?

GEORGE TAMER: "Top-performing financial advisory firms should prepare for three different scenarios in a down market: Baseline Revenue declining, Expense Growth / Revenue and Expense Growth. Firms planning this way can pivot very quickly. For example, if revenue isn't growing as expected, the firm moves to the scenario where it works off a revenue base of 10% less than baseline."

WHAT ELEMENTS GO INTO THINKING UP THESE SCENARIOS?

TAMER: "You start with three revenue projections. A low case, a base case, and a best case. What is your revenue goal for the quarter of the year based on your existing asset base? What do you want to grow by? Is that new clients, is that referrals or adding to existing business from existing clients?"

"From the revenue base, you consider the same three expense cases. A low expense case, a base expense case, and a best expense case. Each quarter you have a baseline of what expenses will be, and it's fixed versus variable costs. Fixed costs are items such as rent; overhead you have little control over to pare back on. Variable costs include your travel budget, marketing budget and human resources like bonuses or if you want to add an additional hire. Essentially what you're doing then is, as the revenue starts to become clearer, you're pivoting to whatever expense scenario that you think is going to suit your business."

"It might be the case where revenue is down versus forecast and you go to that lower expense scenario where you're paring back expenses, such as travel to trade shows. The challenge for RIA firms is that to grow in a down market, you're going to have to spend more even though you're facing these kinds of headwinds with your clients to ensure that organic growth is happening and that momentum is there. It will be more challenging as a firm because that revenue isn't there. But for those willing to do this, market downturns historically have been tremendous growth opportunities.

"In the past down markets, like 2008 and 2020, I've seen in larger, full-service firms the advisor base isn't prepared to deal with the influx of client calls asking for information. That's a tremendous opportunity for the independent RIA. But you need to be in the market to do so. You need to be marketing; you need to be on social media posting your economic commentary, letting your clients know you're here through all this volatility."

"TOP-PERFORMING FINANCIAL ADVISORY FIRMS SHOULD PREPARE FOR THREE DIFFERENT SCENARIOS IN A DOWN MARKET: BASELINE REVENUE DECLINING, EXPENSE GROWTH / REVENUE AND EXPENSE GROWTH."

George Tamer

"THERE WILL BE OPPORTUNITIES TO SCOOP UP TALENT THAT YOU MAY NOT HAVE BEEN ABLE TO EVEN SIX MONTHS AGO –NOT ONLY IN ADVISOR-FACING ROLES BUT FOR OTHER CRITICAL ROLES IN YOUR FIRM, IN OPERATIONS, TECHNOLOGY AND ADMINISTRATION."

George Tamer

DO FIRMS NEED TO DETERMINE THEN WHICH DECISIONS THEY CAN PUT OFF AND WHICH NEED TO BE ACTED UPON?

TAMER: "It's always challenging to have those trade-off choices. But when I think back to 2008, it was an eye-opening experience for advisors. Many learned to invest in technology to run an efficient business from that period. There's been a 15-plus-year-run of advisors heavily investing in infrastructure since, and they're running very efficient shops now that will allow them to weather this storm like never before."

WHAT ABOUT TALENT ACQUISITION? IS IT A GOOD TIME TO CHECK OUT OTHER FIRMS FOR NEW HIRES?

TAMER: "There will be firms cutting back on expenses; often, human capital is the first expense to cut as a variable cost. If you are following headlines, you know Amazon's been laying off employees and Apple's been laying off people. Many big banks and broker-dealers are freezing hiring too. There will be opportunities to scoop up talent that you may not have been able to even six months ago —not only in advisor-facing roles but for other critical roles in your firm, in operations, technology and administration."

THERE'S A FINE BALANCING ACT BETWEEN BEING COST-EFFECTIVE AND SPENDING ON RESOURCES.

TAMER: "Again, you don't dial back on your outreach and marketing in a time like this. You double down and be out there when other firms aren't doing that. "

WHAT'S EXACTLY IN THAT OUTREACH?

TAMER: "If you've done a good job communicating, your clients know you've planned for this market. I'm not giving investment advice, just strategies; in my opinion, I have seen work well in this type of environment. You've allocated their portfolios to withstand ups and downs like this based on their goals. This can't be the first time that clients hear from you. For prospects, it's just about having an appropriate outlook. It doesn't have to be perfect, but you should be able to give reasonable guidance. For example, you could say in rising interest rate environments, you will expect higher volatility and lower returns, and there are things you can do to weather the storm. That level of commentary can back you up. There's been a lot of emphasis on moving the client discussion away from performance to life planning."

WHAT OTHER CLIENT CHANGES WILL CHALLENGE ADVISORS?

TAMER: "You've seen the studies about the billions that will change hands in generational wealth transfer. AdvisorEngine CEO Rich Cancro had a good point – a lot of times, what that means is that the one client that you were managing $1,000,000 for, now you're managing $333,000 for three members of the next generation. You're doing three times the work for the same fee. It's an expense challenge to manage those assets over three individuals instead of one, but you can capture new business through that transfer of assets.

"Those same studies show that most Gen X and Gen Y clients who inherited money are not sticking with their parents' advisors. There is a tremendous opportunity to capture that business from your competition. But you will need tools and technology to manage those clients efficiently and profitably. The next-Gen investor is looking for different things around communication and technology, so having the savvy and the technology to do that will be necessary."

"MOST GEN X AND GEN Y CLIENTS WHO INHERITED MONEY ARE NOT STICKING WITH THEIR PARENTS' ADVISORS. THERE IS A TREMENDOUS OPPORTUNITY TO CAPTURE THAT BUSINESS FROM YOUR COMPETITION."

CANCRO HAS ALSO SPOKEN ABOUT HYPER CHANGE. WHAT DO YOU SEE CHANGING QUICKLY IF WE EXPERIENCE A MARKET OF PROLONGED DIMINISHED RETURNS?

TAMER: "Just as the pandemic accelerated trends around virtual meetings, you'll see this market accelerate the democratization of finance, specifically around alternative investments and digital currencies. With that democratization will come demand for more investor education, so informing your clients about the changes you're going to make to the portfolio will go a long way to continue capturing new clients and new assets. Investors will find this information, and they aren't always going to be right. You will be asked about alternatives and cryptocurrencies and should be prepared to have those conversations.

"Advisors should learn more about blockchain —they can pick one use case, like non-fungible tokens (NFTs). The use case for NFTs isn't art; it's the digitization of important documents, like titles or medical records. You will need to be able to accept transactions in that way. It's the next evolution of paperless transactions, even from existing ones. Today, when I send documents to my advisor, it's still me scanning them as a PDF and sending them, such as a copy of my driver's license or birth certificate or things from my estate plan. It's a copy; it's not digitized. An NFT is a digitized document that can't be changed, that can't be altered, it is secure. That's the next wave in finance."

Conveying your financial advisory firm's value

CHARLIE PAIKERT

Before conveying your firm's value to clients and the market, you must determine exactly what that value is.

"Why did you want to be a planner in the first place?" says Arlene Moss, executive business coach of the XY Planning Network. "What's your passion? What do you enjoy doing? What gets you out of bed in the morning? What are you good at?"

There are things you know more about than your competition. Lean into that subject matter expertise and determine who needs that help.

Vestia Personal Wealth Advisors in Nashville, for example, specializes in providing advice to specialty physicians, who make up 90% of its clientele. The firm helps doctors negotiate employment contracts, buy insurance and choose whether to buy into surgery centers.

"It's so much easier to show value when you have a specialty," says Vestia CEO Lauren Oschman.

> "Share your expertise, not your resume."

Arlene Moss,

Executive Business Coach, XY Planning Network

Patrick Kilbane, partner and general counsel for Jacksonville Beach, Florida-based Ullmann Wealth Partners, which specializes in high-net-worth women considering or going through a divorce, agrees.

Kilbane is an attorney who handled divorce cases before joining Ullmann. Now he is also a certified divorce financial analyst who acts as an "ombudsman" for women embarking on divorce cases, advising them and referring them to other professionals. "We've found that we're meeting a significant unmet need in the market," Kilbane says.

Target markets can range from demographic segments to professional groups to clients in different life stages, such as new parents or retirees.

Your ideal client and area of expertise can also be super specific: one advisor targeted divorced, entrepreneurial women who owned dogs. Her office had a play area for dogs; she incorporated canine care needs in her recommendations, hired a professional photographer to take pictures of clients and their dogs and held client events at a local dog park.

After some soul-searching and identifying your optimal niche and ideal client, meet with your team for a brainstorming session to ensure everyone is on the same page.

"Get everyone in a room with a whiteboard," says David Grau, Jr., president and CEO of Succession Resource Group, a valuation firm based in Portland, Oregon. "Make sure there's alignment. Confirm who you're targeting and why. Standardize the basic services. Ask, 'How do we make the client experience they value unique?'"

And do some research.

"I'm a big believer in doing client research to determine value," says industry consultant Mike Byrnes. "You can do surveys, use focus groups and an advisory group of your best clients. Ask them what they value about your work and what they value most."

Vestia's physician clients told advisors that what they valued most was the time the firm saved them. "We discovered that it wasn't a financial benefit they valued," says Oschman. "Doctors are very busy and time is their most valuable resource. They want to spend the time they're not working with their families."

> Target markets can range from demographic segments to professional groups to clients in different life stages, such as new parents or retirees.

The next step is critical: write down a value proposition. Make sure to download our Action! checklist for a complete guide to crafting your value proposition.

Don't stop at the written word, though. Webb says it's essential to take the time to practice describing your value out loud. "An actor wouldn't go before an audience without rehearsing," she notes. "Practice saying the firm's value before others until you're comfortable and the words flow naturally."

And eliminate the jargon! "Avoid advisor-speak and talk to clients in a language they can easily understand," says Lisa Crafford, director of wealth solutions, BNY Mellon Pershing.

Now you're ready to let people know what you can do for them. According to experts, the best way to do that is to tell clients and prospects stories about how your expertise can benefit them.

"We're very big on storytelling," says business coach Moss. "Describe how you helped someone in a similar situation. Share your expertise, not your resume."

"Stories sell," says Vestia CEO Oschman. "We try to share stories that draw parallel pain points with other doctors."

Referrals from clients and professional associates familiar with your practice are, of course, the best endorsement of your value. And advisors get a huge break this month [November 2022]: new SEC marketing rules allow firms to use testimonials from clients praising their work.

"Advisors should start using testimonials," says Webb. "Check with compliance to ensure you're following the rules, but a story from a client about how you've helped them with a particular problem can be extremely effective and persuasive."

Workshops, seminars, webinars and Zoom calls also offer advisors an opportunity to display their expertise and value to a targeted audience.

Vestia gives talks to groups in their field, such as a local organization of women cardiologists and the local chapter of the American College of Cardiology. The advisor specializing in female business owners with dogs told dog owners how care for their pets could be incorporated into an estate plan. Ullmann Wealth offers a free Zoom consultation with Kilbane to women considering a divorce and a copy of his book, "Move Forward Confidently: A Women's Guide to Navigating HNW Divorce."

Consultant Mike Byrnes also stresses the importance of an obvious but often overlooked way to communicate value — the firm's website.

"The firm's website is the first impression people have of the firm and what it can offer them," Byrnes says. "If people are going to research where they will buy a car for $40,000, they're certainly going to go online before they give an advisor $1 million to manage. It's crucial to make sure your value is clearly articulated."

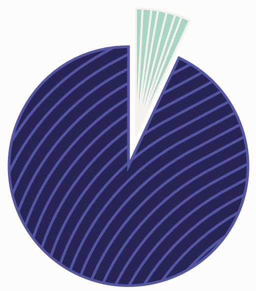
Why it pays for financial advisors to up their marketing spend right now

KELLY WALTRICH

Putting dollars into marketing is hard to embrace for many financial advisors-turned-business owners.

> TRYING TO WEAR THE TWO OR THREE HATS OF OWNER, LEAD ADVISOR, AND MARKETING MANAGER CAN OVERWHELM EVEN A MOTIVATED HIGH-ACHIEVER.

With so many outlets for sharing your voice and services at a wide array of price points, and an emphasis on being authentically "you" on social media, it can feel both accessible and personally demanding simultaneously. Trying to wear the two or three hats of owner, lead advisor, and marketing manager can overwhelm even a motivated high-achiever. Even for those who delegate the task to a professional, feeling the pressure to produce quality customer campaigns in a bull market is hard enough.



1%~7%

The average advisory firm spends anywhere from 1% to 7% of revenue on marketing expenses

The average advisory firm spends anywhere from 1% to 7% of revenue on marketing expenses, according to a wide range of industry experts. Bracing for the upcoming year, many advisors will consider pulling back on that marketing spend to secure tighter revenue stability. Still, the truth is, when done right, marketing is the most cost-effective way to grow your business. Here's how to define and allocate your marketing dollars thoughtfully heading into the new year:

First, identify growth goals

Begin with mapping your upcoming fiscal year goals, whether your focus is on adding overall AUM or increasing the number of clients served. Reflecting on past performance, service fees, overhead expenses, current client care and talent demands is vital to your success.

Now consider this – the growth you've experienced over the last five years will not be the trigger for the next five. Economic pressures aside, advisors who want to capture next generation clients are ramping up investments in both technology and marketing. With trillions of assets in play over the next decade, these firms are also doubling down on their accessibility, continuing to provide tailored advice, deepening client support in executing comprehensive financial plans, and building a relatable brand.

Deciding to invest 2% or 5% of your revenue on marketing is one way to do this, though it's probably not the best. Instead, we recommend advisors take a step back from setting a dollar amount until they've completed some groundwork. Setting aside the money question, how do you build a marketing budget?

Identify key channels

Depending on your niche, you'll need to consider who you are targeting and where you can find them. All marketing plans should be built upon the basics: who is your target audience, what do they care about, how do you offer a compelling solution, and where are they most likely to get their information? Where clients and prospective clients spend their time is where you need to be. Most consumers will be active on at least one of the leading social platforms: Facebook, LinkedIn, Twitter, Instagram, TikTok or YouTube.

Posting on social media is free. But creating excellent content could mean videos, which includes shooting and editing, transcribing, and closed captioning. You could run animated videos or create interesting images for your posts. Those might require a consultant, a gig worker, or an in-house marketing manager. Advertising on these platforms can also range in cost, but worth considering if that's a route you think makes sense for your audience. Especially if your organic follower numbers are low, paid social ads guarantee distribution of your content to exactly whom you're targeting. We recommend starting paid advertising with a single channel and closely monitoring performance before moving on to another.

ALL MARKETING PLANS SHOULD BE BUILT UPON THE BASICS: WHO IS YOUR TARGET AUDIENCE, WHAT DO THEY CARE ABOUT, HOW DO YOU OFFER A COMPELLING SOLUTION, AND WHERE ARE THEY MOST LIKELY TO GET THEIR INFORMATION?

Internal and external branding

Additionally, look at all your communication and branding channels. These include your website and client communications such as emails, texts, direct mail, branded letterhead, onboarding toolkits and templates. It's essential to polish your client-facing marketing and branding elements. The first rule of marketing is to ensure your 'house' is in order before heavily targeting new clients. You always want to surprise and delight clients, and when introducing new clients to the firm, what they see inside should reflect the brand they fell in love with on social media.

Publishing a website that appeals to clients and prospects is of the utmost importance. If your website is outdated, not searchable or leaves out information that allows consumers to vet you, then you need to address and update it immediately. The website is where you want to drive all of your promotional traffic. If they like a LinkedIn post and click through to a poor website, you will probably lose this prospect. With so many options available at every price point, and the impact your site has on current and prospective clients, you can't afford to ignore this element.

Email marketing is another must-have. Your customer relationship manager (CRM) should sync with at least one or several popular email marketing platforms. Ensure your emails look and feel like your website and social marketing. If they don't, consider hiring someone to craft messages and create templates and graphics. That type of marketing support can be low-cost and yet highly effective. While you can get fancier with more tailored, dynamic messages based on client experience journeys, it does not have to be something you bite off this year. You can always revisit and optimize in the future. The great thing about email marketing and CRM databases is that most offer set-it-and-forget-it options. You can pre-set emails to be sent at specific intervals, when certain instances occur, or at different times of the year.

Who's going to do all this work?

Probably NOT you. Most advisors focus on financial planning, client relationships, and business operations. Marketing is just one more to-do every day, and to do it well requires dedicated time and resources. Plus, marketing without any measurement or insights into what is working is like throwing your money away. Marketing is a science and an art – just like financial planning.

Outsource this, not that

Your brand is you and the talented team (if you have one) that comprises your firm. What you offer is expertise, but what makes you unique is how you do it and how you connect your services with clients' goals. You cannot have a consultant decide what your unique value is. They can certainly make recommendations, but ultimately who your firm is at its core, well, that's entirely your domain. You can't outsource that.

But creating content, designing graphics, paid advertising, website development, email marketing, and analytics – can be easily outsourced. You can pay someone by the hour, retain a full agency team, or hire a single employee on a salary. A great rule of thumb may be that for every 150 clients, you add one marketing manager (or outsource one). If you speak at events or host a podcast, you might have an even lower threshold for bringing on marketing support.

Return on investment

The best approach is to determine your most pressing marketing needs and assess possible costs. A marketing salary could range from $50,000 to $250,000+ with benefits, whereas an outsourced consultant might charge $75-$150/hour or a retainer of $2,000 - $10,000+ per month. Bringing in a consultant at the start can help you navigate the goals and objectives while keeping your budget in mind.

Measuring the impact of your marketing can be complicated. There are some simplified equations for breaking down the benefit of your investments. Your Return on Investment (ROI) should include an aggregated view of all your time and monetary expenses in achieving your goals. This includes your time (your hourly rate), salary or contractor or agency fees, paid advertising fees, and any marketing technology platform fees. If your goal was to increase AUM or gain new clients, these goals are easily quantified and factored into your ROI equation.

MARKETING IS JUST ONE MORE TO-DO EVERY DAY, AND TO DO IT WELL REQUIRES DEDICATED TIME AND RESOURCES.

A recent Kitces study suggests it costs an average of $3,119 to acquire one new client (Client Acquisition Cost). However, the most important metric for advisors is Client Lifetime Value - the long-term view of acquiring, maintaining and growing revenues from this client relationship rather than immediately justifying or recouping the initial investment. Additionally, Kitces' team found that spending more on marketing up front, and relying less on owners/advisors to independently run marketing activities, can produce stronger results.

The amount you dedicate to your marketing budget should be unique to your firm. And while the U.S. Small Business Administration reports that B2C firms are spending 9.6% on marketing activities - higher than what we typically hear for RIAs - you shouldn't blindly follow the industry average because average just means you're somewhere in the middle of the pack. What your firm is hoping to accomplish will require thoughtful investments in the right marketing areas.

REMEMBER, ALL SUCCESSFUL MARKETING STARTS WITH A STRONG VISION FROM THE LEADERSHIP WITHIN YOUR FIRM.

Finalizing the budget

Remember, all successful marketing starts with a strong vision from the leadership within your firm. Nail that, and everything else is secondary. You will win clients because of your clear brand messaging, and those clients will be perfectly suited for your firm. Assessing what works could be as simple as looking at your current client roster: are they who you want to work with? Who are your best clients, and how can you attract more like them?

While great marketing does require spending money, the payoff is more capacity to serve your clients and the ability to attract only the right clients from the outset, which will soon far outweigh the costs.

Your 2023 marketing budget template

To help you keep track of your marketing spending for the year, we put together a 2023 marketing budget template that you can use. For a digital version, including the template in Microsoft Excel format, visit: https://tinyurl.com/3wn3p5sw. ■

2023 Marketing Budget

Category	Total Budget	YTD Spend	Remaining	Over/Under	Q1	Q2	Q3	Q4	Notes
Social Media									
Paid Advertising									
Organic Social									
Digital Advertising									
Google Ads									
Display Ads									
Events and Conferences									
Attendance/Sponsorship Fees									
Travel Expenses									
Promotional Materials									
Marketing Tools									
CRM									
Email Marketing Platform									
Graphic Design Suite									
Marketing Resources									
In-House Expenses									
Agency Fees									
Additional Spend									
Client Experience									
Gifts									
Outings									
Education (seminars, etc)									
Total									

SULEMAN DIN

Aaron Klein: What advisors should stop doing in 2023

With a challenging market ahead, Riskalyze CEO Aaron Klein says there are key actions advisors can take to be competitive – and some they should avoid.

WHAT ARE YOU THINKING ABOUT AS WE HEAD INTO 2023?

AARON KLEIN: "It's a very challenging macroeconomic environment. I have heard more than one CEO tell me that they were going to trim their staff and retrench in a big way. Our industry is not immune from the

“OVER THE YEARS, WE LEARNED THAT, COUNTERINTUITIVELY, RISK IS ONE OF THE MOST POWERFUL WAYS TO DRIVE GROWTH.”

broader problems of the economy, which I think are deep-seated. Yes, the market is an indicator there, but if you dig into it, it's interest-rate driven, breaking corporate earnings in a big way. It’s causing revenue misses and creating a cycle of layoffs, hiring freezes and job losses. We should be clear this is what the Federal Reserve is trying to do to get inflation under control. Our duty and responsibility are to ensure that we can be sustainable and serve our clients well.

“Over the years, we learned that, counterintuitively, risk is one of the most powerful ways to drive growth. These are times when financial advisors are needed more than ever. We must allow people to stop being frozen in fear and understand who they are and how much risk they can handle, get that aligned with their investment portfolio and get them on a good path to the future. And that's a long-term path, not reacting in the short-term to whatever they might see lurking out there.”

INTERESTINGLY, SEVERAL ADVISORS I’VE SPOKEN TO SAY THE BIGGEST STRATEGIC CHALLENGE FOR THEIR PRACTICE THEY EXPECT IN 2023 ISN’T LOSING CLIENTS; IT IS FINDING TALENT AND MAKING SURE THEIR TALENT DOESN’T GO TO ANOTHER FIRM.

KLEIN: “It doesn't help that there's massive inflation in the cost of that talent, either. I'm biased as the CEO of a technology company, but that's the benefit that great technology delivers. If you needed 30% more human power before, you can get away with 15% now and let software be a cost-effective way to bridge the gap. I look at any firm that might still be spending three to five hours preparing for a client review and say, ‘You know, you’ve got to get your technology stack in order so that it can come down to three to five minutes to prepare for client reviews.’ Realistically it might be 30 or 40 minutes if the client has a lot of complexity. But seriously, the days of building individual PowerPoint presentations and stitching them together by hand for clients are over. You can leverage tools with a live data feed of your client's holdings. Then you can pop it up and say, ‘Okay, great, the clients’ risk score is 45, here's the analytics all updated; I'm ready to go to meet with them and remind them of the decision we made six months ago and why it's so critical that we stay the course.’”

PUT YOURSELF IN A FINANCIAL ADVISOR’S SHOES. WHAT ARE THE THINGS CRITICAL FOR THEM TO DO TO BE SUSTAINABLE IN 2023?

KLEIN: “First and foremost, particularly if you're a multi-advisor shop, you need to create a consistent client experience across your firm. You need a firm with a unified value proposition, message, and client experience. To start the growth flywheel spinning, you've got to accelerate [your engagement] of prospects, so they go from new client to satisfied, engaged, and retained. Even the best firms say retention gets a lot easier when you are telling the story consistently. They can look back and see the points made and know that it makes sense to continue the course that they're on. That's going to be a sticking point because of the attitude right now; the client will be very much a free agent. Everyone is kicking the tires and reevaluating where they're going. If you have promised your clients that your job is to produce great returns for them, that's probably true. If you have helped clients see risk ahead of time, it helps them to understand the relationship between risk and reward and the dynamics of markets.

“Secondly, how do we get our clients not to see days, weeks or even months, but how do we get them to see decades? We do that by counterintuitively helping them understand the short-term risks because we, as humans, react to risk in the short term. Get them to step back and say the people who do the best don't respond to risk in the short-term; they understand their risk. They get this is normal, allowing them to harness their confirmation bias and say, ‘I made the right decision; I need to stick to the right decision.’

“The third leg of the stool is how you put the compliance analytics in place to ensure that all your advisors are doing that and are on top of how they're setting expectations with clients and serving clients. Because if you've got pockets where the account is supposed to be invested like a Risk 35 and it is invested like a Risk 72, this will create problems in an environment like this.”

“IF YOU'RE A MULTI-ADVISOR SHOP, YOU NEED TO CREATE A CONSISTENT CLIENT EXPERIENCE ACROSS YOUR FIRM. YOU NEED A FIRM WITH A UNIFIED VALUE PROPOSITION, MESSAGE, AND CLIENT EXPERIENCE.”

IF WE SETTLE INTO A PROLONGED RECESSION, HOW DOES THE INDUSTRY CHANGE? OUT OF THE FINANCIAL CRISIS IN 2008, WE SAW ROBO-ADVISORS TAKE OFF. DURING THE PANDEMIC, REMOTE BECAME ACCEPTED.

KLEIN: "I look at those two epochs in time and think about how replacing advisors with robos didn't work out, and then we get to the pandemic and how we did ten years of digital innovation in one year. So, the method we're engaging with clients has changed, but I would argue that this event demonstrates how badly investors need their financial advisors. I'm bullish on the future and financial advisors. As tough as the macroeconomic environment could be in 2023, great financial advisors will soar because many more people will realize they need their help."

> "THE STOCK MARKET IS LIKELY TO CONTINUE GOING UP OVER THE LONG RUN. IN THE MEANTIME, WHAT ARE WE GOING TO DO RIGHT NOW?"

I SUGGEST WE CYCLED THROUGH PRODUCT INNOVATION TO PLATFORM INNOVATION, THEN THROUGH CLIENT CONNECTION INNOVATION, AND NOW WE'RE AT A POINT OF UNDERSTANDING INNOVATION.

KLEIN: "That's a great point! You may have invented the catchphrase for 2023, the understanding innovation!"

IT'S JUST THAT I'VE JUST HEARD SEVERAL MARKET STRATEGISTS DISCUSS HOW TRADITIONAL MEANS OF INVESTING WON'T BE AS EFFECTIVE IN THE NEW MARKET WE'RE GOING TO EXPERIENCE.

KLEIN: "We haven't had a market or an economy like this for 40-plus years. Someone jokingly asked me about when I first invested in stocks. It was 1999. My strategy was to buy tech stocks, hold them for a little while and sell them. It was a super sophisticated strategy, you know. It's not going to be that easy now. You used to throw clients into index funds and watch it ride. It's going to be a little bit more complicated now. The stock market is likely to continue going up over the long run. In the meantime, what are we going to do right now? How are we going to protect our clients right now? How will we show them other solutions to help solve their problems right now? But I've always seen great financial advisors open to that part of the work. That's where that understanding innovation will take place, cutting through all the noise of today."

Compliance Officers:

BETH HADDOCK

What you should expect in 2023, and how to prepare

Under Chair Gary Gensler, the Securities and Exchange Commission has become a much more outspoken regulatory body. Whether it's new rules about marketing, oversight for outsourced services, or increased scrutiny of digital assets and cybersecurity, there's plenty of activity – and that means more requirements for firms to meet. For chief compliance officers, there are a number of steps to take to keep up with the SEC, says Beth Haddock, chief compliance strategist at AdvisorEngine. As a veteran investment industry legal expert, Haddock offers suggestions on where fellow compliance officers can focus efforts this year.

+760

THE SEC LOGGED OVER 760 ENFORCEMENT CASES IN 2022, A 9% INCREASE.

Follow Gensler

HADDOCK: 2022 was one of the busiest regulatory years that we've seen in enforcement and in new rule pronouncements. We saw lots of new rules with short, 30-day comment periods, and increased enforcement cases, up almost nine percent from 2021. I recommend you follow the SEC's public relations releases and the social presence of SEC chair Gensler. His commentaries about the news releases that come out are good fodder for your compliance training and a shortcut to keep you updated on what the SEC is focusing on.

Back To Basics

HADDOCK: Basics are still super important. Get an independent review because if you haven't had someone take a look at your basics lately, that's a really important gap to fill. Make sure you refresh and you don't keep doing what you were doing without a critical analysis of your controls.

A Best Practice

HADDOCK: A core roadmap for your compliance program is the regulator's roadmap. So rather than being too insular and focused on the day-to-day, pause and say, 'I'm going to summarize my annual testing into a Chief Compliance Officer report.' There are some proposals about making it a requirement. Those haven't passed, but it is certainly a best practice to do so, and arguably an expectation. If you haven't been audited by the SEC or a state regulator in some time, I would expect they would look for some sort of annual report.

> "Our industry's regulator and the leadership at the SEC really does have a prosecutor and an enforcement orientation and you want to keep that in mind as you're doing your day-to-day."
>
> Beth Haddock,
> Chief Compliance Strategist, AdvisorEngine

What Goes In

HADDOCK: Document your annual review from your advisor's perspective. Tell your story as a narrative on your control environment and culture. Start with an executive summary that says upfront if you have an adequate program or not. (Obviously if you have concerns about your program not being adequate, get help and get the program in line.) I'm going to assume you have an executive summary and it tells good news. Itemize some gaps, but note they are on the lower end of priority or risks, or that they are gaps that were discovered and remediated. You'll also want to cover in your executive summary what laws apply to you and what is not applicable, and highlight any changes to the compliance program. You should always have changes – you never want to have an annual report that says there are no changes to the compliance program, because that in and of itself could be a red flag as regulatory expectations are always evolving.

Next, you want to give an overview of your compliance controls. You're going to cover your risk assessments. If you don't, you want to make sure you get outside help to complete a risk assessment. You're also going to give an overview of your independent testing, what you found, what are the improvements. And give a brief overview of what you anticipate or predict in the coming year. Even if your forecast isn't 100% accurate, you can show that you did some strategic work. You had a good faith effort to make sure you are resourced correctly. Finally, use lots of exhibits. If you have an exam two years from now, you don't want to have to look for all of the different bits and pieces that were referenced. This process is going to set the stage for great results for your next exam.

What Should be On Your Roadmap

HADDOCK: There are several priorities:

- If you're engaged in digital assets in any way, make sure you've got internal controls that describe how you're managing risks with digital assets.
- The same with environmental, social and governance (ESG) offerings.
- Operational resiliency should be included on your roadmap too. Think of any kind of information security work that you do through your CISO, or any kind of oversight that you do for your vendors. You want to make sure resiliency and identification theft is covered.
- There's also off-channel communications that may violate SEC requirements for review and archiving. Separate personal from business communications, because arguably the business is going to have better cyber controls. So no texting, no emailing, no communicating on any kind of apps that are on personal devices. That might mean including in your roadmap an inventory of devices, maybe even budgeting for more additional devices if you don't already. Offer training and even more surveillance to everyone who's involved in the firm.
- Don't forget the basics too – such as insider trading which is commonly part of a compliance program and training. Make sure that you're covering risks tailored for your business. If your firm recommends individual securities where you have access to material nonpublic information, you're really just going to focus on access to MNPI in personal networking.
- The last thing on the list is commingled products. Regulators have really focused on mutual funds and private funds. You need to understand what the cost structure is and when you're talking about a track record for performance, be careful that you do so in the right way.

New Marketing Rule

HADDOCK: Some advice for compliance officers: Be skeptical about any performance hypotheticals and projections. Keep resources and any kind of backup for a projection. It'll be very difficult to build that down the line during a routine exam or during a for cause exam. If you don't understand how the calculations are made, you probably do need to go one level deeper to make sure that the disclosures are accurate. You don't need to be doing others' work, but you certainly need to enhance due diligence under this new marketing rule. The marketing rule is really about making sure that firms under an audit or an independent review can show that they were trying to be fair and balanced, which on the other hand makes it easy for regulators to see if there's a material omission.

Vendor Oversight

HADDOCK: You should already have a due diligence questionnaire and conduct initial and annual reviews. Part of the due diligence should be a vendor risk assessment: risk rank your vendors, some might be less risky and support a three year review instead of an annual review. The risk scale can be based on your firm's preference; for example, what information they have access to and what type of systems vulnerabilities exist. Regulators also want an independent review of your record keepers, which is new and should be included in this process.

REG BI

HADDOCK: Even if you aren't a broker dealer, when you think about your obligations, number one, you want to make sure that you're documenting evidence not just to support the product and the actual investment, but any recommendations too. You need to have a reasonable basis for recommendations. If there is a release of new products at a firm level, you want to categorize the higher risk products centrally – don't leave it to the incentive-based reps to decide whether a product is high-risk. Risk tolerance isn't just for an account at the client level, it needs to be at the specific recommendation level. Also, I'd recommend that you have a new product committee and annual training that covers product features so you help ensure recommendations are grounded in an accurate understanding of the products. If your workload is such that you don't have enough time to pause and tackle all this work, get outside help.

Create A Business Case

HADDOCK: To compliance officers: Assume your annual report is primarily for your management and regulator (SEC) to review. For management – show why you've done a great job, why you're a great business leader, how you're helping the firm. A slide deck is recommended to help tell that story. The deck can show what the program is, how you have managed it strategically and tactically for the year. This is another chance to manage your performance review. Tell your story as the head of the compliance program, and use it not just to show how the SEC is focused on enforcement, use it to demonstrate the ROI for the compliance program. Keep it simple. Also give a regular update, whether it's an all-hands or a staff meeting. You can give a five-minute overview, then either have your own office hours or recommend people see you with different questions. Adopt SEC Chair Gensler's stance – use the annual report as a little bit of your own PR to show what a great job you did and how challenging your job is.

SEC Year in Review

Resource guide for investment advisers

INVESTMENT ADVISER BASICS

→ 2022 Examination Priorities Report (SEC.gov) [www.sec.gov/files/2022-exam-priorities.pdf]

Marketing and Business Development:
→ Risk Alert: Examinations Focused on the New Investment Adviser Marketing Rule [www.sec.gov/files/exams-risk-alert-marketing-rule.pdf]

Errors:
→ SEC.gov | Assessing Materiality: Focusing on the Reasonable Investor When Evaluating Errors [www.sec.gov/news/statement/munter-statement-assessing-materiality-030922]
→ SEC.gov | Statement on Request for Comment on Certain Information Providers Acting as Investment Advisers [www.sec.gov/news/statement/crenshaw-statement-request-comment-certain-information-providers-061522]

Fixed Income/Munis:
→ RiskAlert: Recent Observations from Municipal Advisor Examinations [www.sec.gov/municipal-advisor-risk-alert-2022.pdf]

Standard of Conduct:
→ 5/17/22 SEC.gov | "Investor Protection in a Digital Age," Remarks Before the 2022 NASAA Spring Meeting & Public Policy Symposium (Best Interest) [www.sec.gov/news/speech/gensler-remarks-nasaa-spring-meeting-051722]

Advisory Fraud/Fiduciary Breach:
→ 3/23/22 SEC.gov | Statement on Jury's Verdict in Trial of Ambassador Advisors, LLC, Bernard I. Bostwick, Robert E. Kauffman, and Adrian E. Young [www.sec.gov/news/statement/grewal-ambassador-202203230]
→ 7/1/22 SEC.gov | Chief Compliance Officer Liability: Statement on In the Matter of Hamilton Investment Counsel LLC and Jeffrey Kirkpatrick [www.sec.gov/news/statement/peirce-statement-hamilton-investment-counsel-070122]
→ 7/12/22 SEC.gov | Statement on Decision in Jury Trial of Dean McDermott and McDermott Investment Advisors[www.sec.gov/news/statement/statement-decision-jury-trial-dean-mcdermott-and-mcdermott-investment-advisors]

ESG Investing:
→ SEC.gov | Statement on Proposed Rule Requiring Enhanced Disclosure by Certain Investment Advisers and Investment Companies on ESG Investment Practices [www.sec.gov/news/statement/crenshaw-statement-esg-investment-practices-052522]

INFORMATION SECURITY AND OPERATIONAL RESILIENCY

→ Risk Alert: Investment Adviser MNPI Compliance Issues (April 2022) [www.sec.gov/files/code-ethics-risk-alert.pdf]

Cybersecurity:
→ SEC.gov | Statement on Cybersecurity Risk Management Proposal for Investment Advisers, Registered Investment Companies, and Business Development Companies [www.sec.gov/news/statement/crenshaw-cybersecurity-20220209]
→ SEC.gov | Statement on Cybersecurity Risk Management for Investment Advisers, Registered Investment Companies, and Business Development Companies (Lee) [www.sec.gov/news/statement/lee-cyber-20220209]
→ SEC.gov | Statement on Cybersecurity Reforms in the Investment Management Industry (Gensler) [www.sec.gov/news/statement/gensler-statement-cybersecurity-reforms-020922]
→ SEC.gov | Statement on Cybersecurity Risk Management for Investment Advisers, Registered Investment Companies, and Business Development Companies March 2022 (Pierce) [www.sec.gov/news/statement/peirce-statement-cybersecurity-risk-management-020922]

PRIVATE FUNDS

→ Risk Alert: Observations from Examinations of Private Fund Advisers January 27, 2022 [www.sec.gov/files/private-fund-risk-alert-pt-2.pdf]
→ SEC.gov | Statement on Amendments to Form PF to Require Current Reporting and Amend Reporting Requirements for Large Private Equity Advisers and Large Liquidity Fund Advisers (Crenshaw) [www.sec.gov/news/statement/crenshaw-pf-20220126]
→ SEC.gov | Statement on Proposed Amendments to Form PF (Lee) [www.sec.gov/news/statement/lee-form-pf-20220126]
→ SEC.gov | Statement on Proposed Amendments to Form PF to Require Current Reporting and Amend Reporting Requirements for Large Private Equity Advisers and Large Liquidity Fund Advisers (Pierce) [www.sec.gov/news/statement/peirce-form-pf-20220122]
→ SEC.gov | Statement on Form PF (Gensler) [www.sec.gov/news/statement/gensler-form-pf-20220126]
→ SEC.gov | Statement on Proposed Rules for Private Fund Advisers (Lee) [www.sec.gov/news/statement/lee-private-fund-20220209]
→ SEC.gov | Private Fund Advisers Proposal – Statement in Support of Accountability Enhancing Updates (Crenshaw) [www.sec.gov/news/statement/crenshaw-private-fund-20220209]
→ SEC.gov | Statement on Proposed Private Fund Advisers; Documentation of Investment Adviser Compliance Reviews Rulemaking (Pierce) [www.sec.gov/news/statement/peirce-statement-proposed-private-fund-advisers-020922]
→ SEC.gov | Statement on Private Fund Advisers Proposal January 2022 (Gensler) [www.sec.gov/news/statement/gensler-statement-private-fund-advisers-proposal-020922]

Mergers and acquisitions: 14 critical RIA technology considerations

GREG ELLIOTT

It is widely known that large, well-capitalized RIA firms have been busy acquiring smaller RIAs at a record pace.

When RIA aggregators acquire smaller firms, everyone on both sides of the deal wants the smoothest transition possible.

During the M&A process, firms review financials and other aspects of the business to ensure a good fit; **however, a major headache often occurs post-deal – integrating the selling firm into the buying firm's technology infrastructure.** Technology teams often encounter many hurdles in the process simply because the right questions were not asked, and vital information was not uncovered during the due diligence process.

I'VE OUTLINED A ROADMAP TO GUIDE BUYING FIRMS THROUGH TECHNOLOGY CONSIDERATIONS.

I've outlined a roadmap to guide buying firms through technology considerations. This analysis addresses how a larger, buying firm should evaluate not only the selling firm's technology, but also their own technology and capabilities to ensure each M&A deal is integrated successfully. This framework can also benefit small, selling firms in understanding what buyers are considering during the M&A process and what expectations they should anticipate.

What is your current infrastructure and technology strategy?

Before you begin, assess your current technology capabilities with the expectation that you may need to transfer data from various sources and vendors into your technology infrastructure. For example, client records from CRM or historical transactional data from portfolio accounting systems may need to be converted. **These questions can help in identifying any weaknesses that can hinder a smooth transition and ensure that your team is positioned for success.**

- → Does your technology team possess the technical skillset necessary to migrate and merge data with your systems or will you need outside help?
- → Does your technology team have the bandwidth to support data conversion projects, or will your IT staff be overwhelmed with carrying out these tasks?
- → Does your firm have sophisticated technology tools to assist in handling complex data migration projects?
- → Do any of your current vendor software resources assist with vendor-to-vendor conversions?
- → Do you have project managers on staff to help guide and set expectations for project completion?

Gathering facts - What technology concerns exist?

Do your due diligence on the selling firm's tech stack, available data records, and approach to conducting day-to-day business operations. This will uncover any major differences in business processes and preferences. Now is the time to be open and address all technology concerns. **Acquisition deals should be partnerships where both parties feel confident and excited about the merger.**

- → Identify all technology tools and vendor partners the selling firm is currently using (review current contracts with vendors to identify opt-out clauses).
- → Review the firm data that will need to be converted into your firm. How accessible is extraction of the current data and is it compatible within the new business structure?
- → Will the acquisition fit into your firm's technology strategy, or will it create new complexities and challenges that will cause issues integrating into your systems?
- → Ask for samples of deliverables. Are there any characteristics of these client-facing deliverables that will not be available to the selling firm once integrated into your tech stack?
- → Dig into the firm's client digital experience. How will the client experience change once it is a part of your firm?
- → Will there be hurt feelings and frustrations from the selling firm over having to give up certain technology tools or capabilities?

What strengths does the selling firm offer?

While you as the buying firm possess your own technology strategy, take time to consider any strengths that the selling firm has developed. You may be impressed with a specific workflow process that the firm excels at a or software tool superior to one in your own tech stack. If so, consider how you can potentially incorporate these strengths into your firm post-merger.

- → What does the selling firm do well that you can incorporate into your firm's technology strategy?
- → Are there any specific tools in your current tech stack that don't seem to be highly regarded among advisors and staff?
- → What unique characteristics does the selling firm possess that have contributed to its success and how can you leverage these strengths?

Bringing two systems together will never be totally painless but understanding up front where challenges may arise can help firms plan and prepare to limit that pain. It will also help after the merger is finalized, because you'll know how and where to provide support with guidance and training on the new technology processes. ■

This article originally appeared in F2 Strategy Insights. F2 Strategy Co-Founder and CEO Doug Fritz is a member of the Action! Leaders Group. Greg Elliott is a manager at F2 Strategy.

MARIE SWIFT

Creating an enduring financial advisory firm

Building “enterprise value” is a term we often hear in advisor study groups, at RIA conferences, and via industry publications.

Most, if not all, IARs and RIAs are, after all, entrepreneurial spirits and small business owners who grapple with the daily demands of serving clients well, recruiting and retaining quality team members, and managing their own work/life goals. And, oh yes, also building enterprise value.

But suppose we shift the conversation to creating an “enduring firm” – one that will live on without the founder (or founding team) when a planned or possibly forced exit due to personal issues, disability, or death occurs – versus building enterprise value. In that case, a significant mental shift might occur. While building enterprise value focuses on the financial aspects (and that’s all well and good), creating an enduring firm could be seen as a more purpose-driven, exciting motivation – a life and legacy goal that pays off in more ways than just financial rewards.

How, then, do advisory teams create an enduring firm?

Plan now to make yourself less relevant

“One of the biggest challenges for any successful advisor or team is finding time beyond the day-to-day operations to plan out and execute the activities that will most positively impact the enterprise value of the business,” says Ray Sclafani, CEO of ClientWise.

Sclafani founded ClientWise in January 2006 to provide professional development programs and business coaching services in a collaborative community environment for entrepreneurial advisors.

“Of course, you want to maximize the financial aspects, thinking ahead to the future when you as founder (or stakeholder partner) exit. But it would help if you thought about how your business will survive and thrive without you. It’s a harsh but essential reality – the less dependent on you personally, the more valuable your business. So the question is, what actions can you undertake, and what steps can you implement to help achieve that aim?

“We encourage advisors to consider three main value drivers: sustainability, operational, and financial drivers. They’re the levers at your disposal – the tools with which you can directly impact the future value of your business today.”

Sclafani lays out the main value drivers in a blog post, 10 Essential Drivers of Enterprise Value. He also asks some interesting questions to get advisors thinking ahead:

- What actions can you take to better anchor your vision for the firm’s future and begin to institutionalize strategy, policies, processes and decision-making?
- What profitability goals do you have for your firm over the next three years? What will key client, team and leadership results be required to achieve those goals?
- Do you have the capacity and working capital necessary to support those objectives? If not, what steps can you undertake to address any gaps?

“ONE OF THE BIGGEST CHALLENGES FOR ANY SUCCESSFUL ADVISOR OR TEAM IS FINDING TIME BEYOND THE DAY-TO-DAY OPERATIONS TO PLAN OUT AND EXECUTE THE ACTIVITIES THAT WILL MOST POSITIVELY IMPACT THE ENTERPRISE VALUE OF THE BUSINESS.”

Ray Sclafani
CEO,
ClientWise

“THE FIRST STAGE FOR AN ENTREPRENEUR IN ANY INDUSTRY IS TO GET TO WHERE YOUR COMPANY OR FIRM OR INSTITUTION IS SELF-MANAGING.”

Bill Keen,
CEO,
Keen Wealth Advisors

Double down on niche marketing

“The first stage for an entrepreneur in any industry is to get to where your company or firm or institution is self-managing – which means that you don't have to be there for it to operate,” says Bill Keen, CEO of Keen Wealth Advisors. “The next level, once that's in place, is having a self-multiplying firm – that means not only can the firm exist while you're away on your one-month sabbatical or tending to other business, but it also actually multiplies without you present.”

“Think of Warren Buffet. He owns many companies that will operate without him. He's not making day-to-day decisions about the businesses. In our industry, however, it's difficult for advisors to remove themselves from the day-to-day. In fact, they may not want to get out of the day-to-day. Maybe they enjoy being in client meetings or leadership roles such as president or CEO, which is great. But at some point, an enduring firm would have those leaders be able to walk away. It's like looking down with a 30,000-foot view saying, ‘What do I want? What is best for the clients? And what is best for the team?’ All of it is available if you put the right team in place with the right mindset.”

Keen’s firm, which specializes in working with engineers and other corporate employees nearing and in retirement, has grown from zero client assets to about $800 million in AUM over the past eight years. Engineers understand that something big and long-lasting doesn’t grow overnight. It takes years of planning, preparation and attention to detail. It requires incorporating mathematic, geographic and budgetary limits that must be measured and re-measured. And it requires being flexible and open to change as the project evolves.

“At Keen Wealth Advisors, we understand that, like any engineering project, building a secure retirement is a big and long-lasting task. A mistake made at any stage of the process can endanger the retirement plan's structural integrity. That is why, inspired by the approach taken by our engineering clients, we apply a similar discipline as we help engineers and our other great clients achieve their retirement dreams. Having a focused niche and specialization makes it ideal for the right-fit clients; it also makes it more likely that Keen Wealth will self-multiply, long into the future, without having my constant personal attention. In addition, we have built out layers of leadership – including elevating my long-time work colleague and friend Matt Wilson to the position of president – to ensure that firm can self-manage into the future.”

“The aspect I think about is from a human capital perspective,” adds Wilson. “An enduring firm will be able to attract, train, and maintain talent. It’s not dependent upon one person or some small group of people, but it's also growing and fostering the environment for people to grow into future leaders.”

Get the right people on board and create a path for growth

“There’s a mindset to it – and it's not easy,” says Keen Wealth’s Matt Wilson. “We talk about this; our core values are being reliable and consistent, humbly confident, compassionate, and constantly growing and learning. That last one we talk about a lot because it's about being growth-minded and seeing obstacles as opportunities.

“Building an enduring firm, you're going to hit a ton of obstacles and you have to think of those as opportunities to grow. I talk about that with the team. If something's frustrating, well, that's an opportunity for us to grow and get better. We can improve this process; we can fix it, and we can make it better. So instead of getting frustrated about it or throwing in the towel, or just saying we're not going to do it, how do we actually make it better?”

Create a business people are eager to buy

Advisors should focus on creating a business someone else would want to own – even if they aren’t ready to sell or transition right now. A sale-ready business gives any privately-held business more options – and it becomes much more fun.

“You must first make the transition from being a solopreneur to becoming an owner of a privately-held business,” says Josh Patrick, author of *The Sale Ready Company*. “Once you’ve filled the four buckets of profitability, systematized your business so somebody else can come in and run it, and aligned your values – and this is where long-term sustainability gets to be really fun – you are no longer doing anything except your unique abilities. You've hired managers to do all the stuff you're not good at and don’t enjoy anyway. You can focus on creating a community of stakeholders who love what you do and enjoy the fruits of your labors outside the business.”

“YOU MUST FIRST MAKE THE TRANSITION FROM BEING A SOLOPRENEUR TO BECOMING AN OWNER OF A PRIVATELY-HELD BUSINESS.”

Josh Patrick,
Author
The Sale Ready Company

IN LOVING MEMORY OF

Gavin Spitzner

1965–2023

Gavin: The role of client confidence in wealth management's future

Gavin Spitzner spent years helping advisors understand how to use technology better to improve their practice. What mattered most, he said, was that they used their tools and skills to ultimately make sense of a client's life goals to guide them.

Spitzner passed away on January 30th, 2023, after a battle with acute myeloid leukemia, a blood and bone marrow cancer. He decided to be public about his health, and in a Twitter post, his family said he wanted all his friends, family and colleagues to know he died in peace without any regrets.

In an interview before he disclosed his illness, Spitzner spoke about practice management, client experience, and preparing for the future of technology and advisors.

The following transcript is an edited excerpt from that discussion.

HOW DO YOU KNOW, AS AN ADVISOR, YOU'RE GETTING IT RIGHT FROM THE CLIENT'S PERSPECTIVE?

GAVIN SPITZNER: I think about the end client constantly. I try to put myself in their shoes and say, 'What's going to make me feel like I'm on the right track and optimizing my assets?' Whether I've got $500 or $500 million, everyone is where they are and wants to do the responsible thing for their families, their loved ones and make the most of their situation.

I look at it as, I want that confidence, and I want my advisor to give me that confidence that I'm doing the smartest things I can with the wealth that I do have, and [my advisor] answers questions and comes to me with ideas before they become problems. For me, this is what we're talking about [when we talk about] what engagement is because I know you, and I've worked with people in your situation, and I've got expertise. I can help you anticipate issues, optimize for what you have and where you're going and always feel like you're doing the right things.

WHAT MAKES UP THAT CONFIDENCE?

SPITZNER: For, let's say, for a wealthy family, I boil it down to, I want to be able to spend without guilt, right? There's so much focus on accumulation – and not that that's not important – but there's a lot of people that because they've become such good savers, they're really the worst spenders. They may die really, really, wealthy and their heirs can hash it out and figure it out because a lot of these people don't even have wills. But that ability to give me the confidence and really coach me to use those assets to achieve the things that matter – and that could be spending on experiences with my loved ones, giving to causes that I care about – I look at that and say that, as a consumer, as an investor, that's the kind of relationship I want with an advisor.

What [then] are you doing to deliver that experience? It's not enough just to [show that] I can hit a benchmark; I can show you a probability of hitting a long-term goal. That's all wonderful, but if my goal is 25 years away, my probability of success isn't going to change all that much day-to-day, let's face it. Within those 25 years, things are happening in my life, things are happening in my head, things are happening out in the world and my advisor needs to be constantly pulling those things together and making sense of it for me.

HOW, THEN, CAN FIRMS PREPARE FOR THE FUTURE OF WEALTH MANAGEMENT?

SPITZNER: What I encourage them to do is go through an exercise of, what if you were starting from scratch right now, not beholden to all kinds of legacy practices? Think about the consumer and what they want to do on a self-service basis. What's best handled by the advisor? I think that that's where a lot of firms don't really grasp how dramatic that change has been. Where it ends up being a win-win is there's a better

> "THINK CLEANLY ABOUT TECHNOLOGY AND HUMANITY AND WHAT THAT COMBINATION SHOULD LOOK LIKE GOING FORWARD."

client experience if I control much more of my plan and how I go through a fact-finding process and a planning process. [As a client] I want to do that, and I want to own that. I want my advisor to have the time to interpret that and help me go deeper. Because oftentimes – there's some good research around goal planning – if just asked, 'What are your goals?' the client is going to be very superficial. They don't even know what's possible. An advisor that can bring those insights and say, 'Here are folks somewhere in your cohort; these are the types of things that you could open your mind to.' "Oh, I hadn't thought about this, but I would like to be able to help my adult children take my family on a vacation every two years and think about how I fund that most effectively."'

Think cleanly about technology and humanity and what that combination should look like going forward. It can be a win-win: A better client experience because they want to do a whole lot more for themselves with digital technology, and freeing up capacity, so advisors have time to grow their business, think about their clients, come up with ideas, and frankly just even to [continue] professional development. This is where this industry is constantly evolving, whether it's tax laws, new capabilities, you name it, and that often – all things being equal – gets tossed aside and they don't have enough time to do that. I think that's the right combination: Think about those two parts, human and technology, in a current way, and let that drive your strategy.

IN LOVING MEMORY OF

Ken Golding

1960–2023

Remembering Ken, a dear friend and CRM pioneer

We are saddened by the passing of Junxure co-founder Ken Golding. He was a friend to many of us and deeply cared for our clients.

One of Ken's defining legacies will be his pioneering work developing independent advisor technology.

Before fintech even entered the lexicon, Ken worked to develop a CRM specifically for financial advisors.

In 2001, he joined his friend and Junxure co-founder Greg Friedman, who told *CityWire* he wanted software to help scale his RIA firm's growth.

"Within a year or two, his software transformed my business and other people wanted to buy it," Friedman told the publication. "Junxure was successful and we had a good run, but the best thing I got out of it was a best friend."

So many of us here at AdvisorEngine can say the same about Ken.

"Friend, mentor, partner, genius, family – Ken is all of these for our AdvisorEngine family," said Kathy Crowley in business development. "He even cheered us on both professionally and personally."

"Ken loved helping people solve problems," said Eric Engberg, onboarding manager.

"Ken had a way of making you feel like he genuinely cared about you," he said. "Any time he came to visit, he would always check in and see how you were doing."

Ken loved programming with a very contagious enthusiasm, noted Doug Cox, senior software developer. "This enthusiasm and encouragement motivated me to begin programming, and I haven't looked back since."

> "HE TRULY HAD THE HEART OF A SERVANT AND LOVED TO WATCH THOSE HE LED AND MENTORED BLOSSOM INTO LEADERS."

"I have still not met anyone who could turn concept into code as quickly as he could," added Jesse Levier. "It was routine to hang up the phone in the evening with Ken after discussing a problem that felt like it would take days to solve, only to have him call me first thing in the morning to hop online so I could see that it was done."

Motivating Ken's drive was serving clients, noted Elliot Lochansky, data operations engineer.

"If a client called in and couldn't do something in the software, Ken would sometimes work all night and release a new custom version for them to review the next day."

Even when Ken was hard at work, he'd have fun too.

Sue Dooling, technical support manager, recalled Ken's wry sense of humor.

"One time, he helped me with a script," Dooling said. "As soon as I executed it, he yelled, 'WAIT!' Of course, I freaked out a bit, and then he said, 'Just kidding!'"

Even after AdvisorEngine acquired Junxure, Ken stayed in touch. For many, the relationship extended far beyond work.

Duane Burnett, technical operations manager, recalled how Ken was a mentor to him in work and in life as well.

"Early in my career, I mentioned to Ken that my tenth wedding anniversary was coming up," Burnett said. "When he asked what I had planned, I told him a special trip was not in the budget at that time. Two hours later, Ken called back with reservations for a weekend seaside at the Hilton in Nags Head, N.C., and told me to go celebrate the occasion. His generosity has stuck with me for years. For Ken, it was just who he was."

"I knew Ken since I was 12 years old," said Billy Rueckert, training specialist. "We attended church together, and we quickly established a bond. Ken introduced me to Junxure, pushed me to develop my skills, and encouraged me to take a leap of faith. Ken was always there for us, our clients, and all who knew him. He truly had the heart of a servant and loved to watch those he led and mentored blossom into leaders, experts in their crafts and amazing human beings."

AdvisorEngine CEO Rich Cancro noted how many AdvisorEngine employees have very fond memories and personal stories to share about Ken.

"Whether in work or life, you always want to be around good people, and Ken was that kind of guy," Cancro said.

"He will be remembered for his camaraderie and for his important contributions to fintech. Twenty years ago, he took on the challenge of building a CRM specifically to serve advisors, laying the foundation for advisor technology innovation."

Ken is survived by his wife, Shirley, and two sons, Chris and David.

Action! Leaders Group

The diverse collection of leaders in the wealth management technology space guiding Action! Magazine

AMIT DOGRA
tru Independence
PRESIDENT & CHIEF OPERATING OFFICER

FRANK PARÉ
PF Wealth Management Group
FOUNDER

RITU GUPTA
Bessemer Investment Management
CHIEF COMPLIANCE OFFICER

APRIL RUDIN
The Rudin Group
FOUNDER & CEO

MARIE SWIFT
Impact Communications
PRESIDENT AND CEO

SALLY CATES
Dynasty Financial Partners
MANAGING DIRECTOR, PR AND COMMUNICATIONS

BRIAN HAMBURGER
MarketCounsel | HamburgerLaw
PRESIDENT & CEO

MATT ACKERMANN
Integrated Partners
CHIEF CONTENT OFFICER

STEPHEN DOVER
Franklin Templeton
CHIEF MARKET STRATEGIST

DOUG FRITZ
F2 Strategy
CO-FOUNDER AND CEO

MEGHAN RICHTER
Intention.ly
CO-FOUNDER

SUZANNE SIRACUSE
Suzanne Siracuse Consulting
FOUNDER & CEO

Action! Items

Feeling inspired?
Take down notes here

Feeling inspired? Take down notes here

AdvisorEngine