Action! Magazine

FALL & WINTER 2024

ACTIONABLE CONTENT FOR WEALTH MANAGEMENT LEADERS

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Engaging the next generation

Attracting new clients

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7 ways to build a 7-figure firm

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Declutter your CRM

Page 18

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About AdvisorEngine®

AdvisorEngine powers financial advice that is personal, scientific, and beautiful. Its wealth management technology platform uses smart automation to modernize the advisor experience (AX), the business operations experience (BX), and the client experience (CX). Capabilities include CRM, prospect engagement tools, paperless client onboarding, account aggregation, goals-based financial planning tools, model portfolio tools, portfolio construction analytics, compliance tools, performance reporting, and fee billing. AdvisorEngine is a wholly owned subsidiary of Franklin Resources, Inc. [NYSE:BEN], a global investment management organization with subsidiaries operating as Franklin Templeton and serving clients in over 165 countries. Based in New York, NY, and Raleigh, NC, the AdvisorEngine team strives to fulfill six ideals through their work: camaraderie, clarity, curiosity, creativity, crushing it, and celebration. For more information, please visit www.advisorengine.com.

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Volume 04

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Editor's Note

SULEMAN DIN

Often we're confronted with challenges in our businesses. Maybe it's a growth hurdle that puts the firm under pressure, maybe it's a bottleneck in the back office causing service delays.

When you're caught in the day-to-day tasks of your practice, it can be easy to forget there are hundreds of other practitioners who've been exactly where you are, and can provide examples of what they did in those situations to help you out.

As we close another year of *Action!* magazine, I'm proud of the incredible assortment of practice management advice, tips and insights we've collected from across the industry, aimed at helping practitioners working at all levels within RIAs.

- We dive into one of the biggest trends impacting wealth management – the Great Wealth Transfer – and offer ways advisors can attract next-gen clients.
- Growth also remains a hurdle for many RIAs, and Limitless's Stephanie Bogan shares the seven steps she shares to help firms hit seven figures.
- How you can tap into the power of podcasting to make a name for your firm and develop new leads for your business.
- The steps young advisors can take to build up their businesses, and how they can actively shape the direction of their career trajectories.
- Why a new crop of alternative investments are gaining traction, and how best to use them in your practice.
- Leveraging AI tools in your practice, and understanding how they can best empower the financial planner.

Looking ahead to 2025, I'm especially excited to introduce a new feature into our content lineup – case studies of business challenges, using real-life scenarios.

We're sharing our first in this issue – a client experience dilemma that might be familiar: a survey reveals clients are disappointed, and leadership is blindsided by the negative feedback. How can they constructively respond?

As always, I am grateful for the contributions in this issue from experts who shared their insights on the big trends shaping wealth management and the changing practices worth adopting. And to the continued guidance and support from our *Action!* advisory group.

Don't forget to subscribe to *Action!* magazine and share this with your colleagues. And reach out to us with feedback or if you have a story to share.

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RICH CANCRO

A GUIDE FOR FINANCIAL ADVISORS

Embrace next-gen clients or risk irrelevance

The next generation of clients is your biggest business opportunity right now.

According to a report by Cerulli Associates, Baby Boomers in the United States alone are expected to transfer $68 trillion in assets to their heirs over the next 25 years. This shift presents both a challenge and an opportunity for financial advisors.

Catering to the next generation – millennials and Gen Z – isn't just a choice; it's a strategic imperative for long-term sustained growth. Adapting to the needs of these younger prospects is no longer optional. You need to make them clients now, instead of delaying.

THE WEALTH TRANSFER IS HAPPENING NOW

The reality is the generational wealth transfer has already begun. You cannot wait for another year or decade to make your client's children your new clients. Bringing them into family meetings isn't good enough either. And trying to make them a client after their parent's funeral is just too late.

You have to create your plan for how you're going to make them clients, now. Once the plan is created you then need to activate it – for some firms that means bringing in younger advisors who can connect with the next generation. For others it means upgrading their technology and planning approaches to offer modern options for next-gen clients who demand a seamless technology experience along with guidance from an advisor.

At AdvisorEngine, we studied the challenge. There's a distinct opportunity to grow, but only if your firm focuses on taking critical steps to secure the next generation of clients.

Historically, advisor practices have grown through referrals. To tackle the next-gen challenge, utilize the opportunity you already have — make a point of getting referrals from your client base that already trusts your advice. You already have a foot in the door. You're already trusted by their parents; leverage that familial bond to ask for the referral to their children.

Visualize, for a moment, an advisory firm today with $600 million in assets between 300 client relationships.

If the firm remains status quo and does not make a fulsome effort toward securing the next generation of clients, we estimate they will experience a 56% reduction in client assets due to client attrition. Now, if the same firm

> “This is the moment to rethink your firm’s entire approach to serving clients – in your people, your processes and your technology.”

Rich Cancro,
AdvisorEngine CEO & Founder

were to convert that current client base into a referral machine for winning next-generation clients, the future situation would change radically.

Despite this major opportunity, many advisors hesitate to adapt their approaches.

Traditional client engagement and wealth management methods have served advisors well, fostering stable and prosperous client relationships. The hardest time to change, though, is when things are going well.

A SCALABLE, CONNECTED SOLUTION

I believe one of the main reasons why there is a reluctance among advisors to change is fear. Advisory firms take immense pride in the service they offer their clients and they are concerned about not being able to deliver the same level of service to smaller relationships.

Firms have historically found it hard to scale and deliver their level of service with smaller relationships – particularly younger clients – because it is a lot of work to onboard a client, manage and maintain the client’s accounts, create reports, etc.

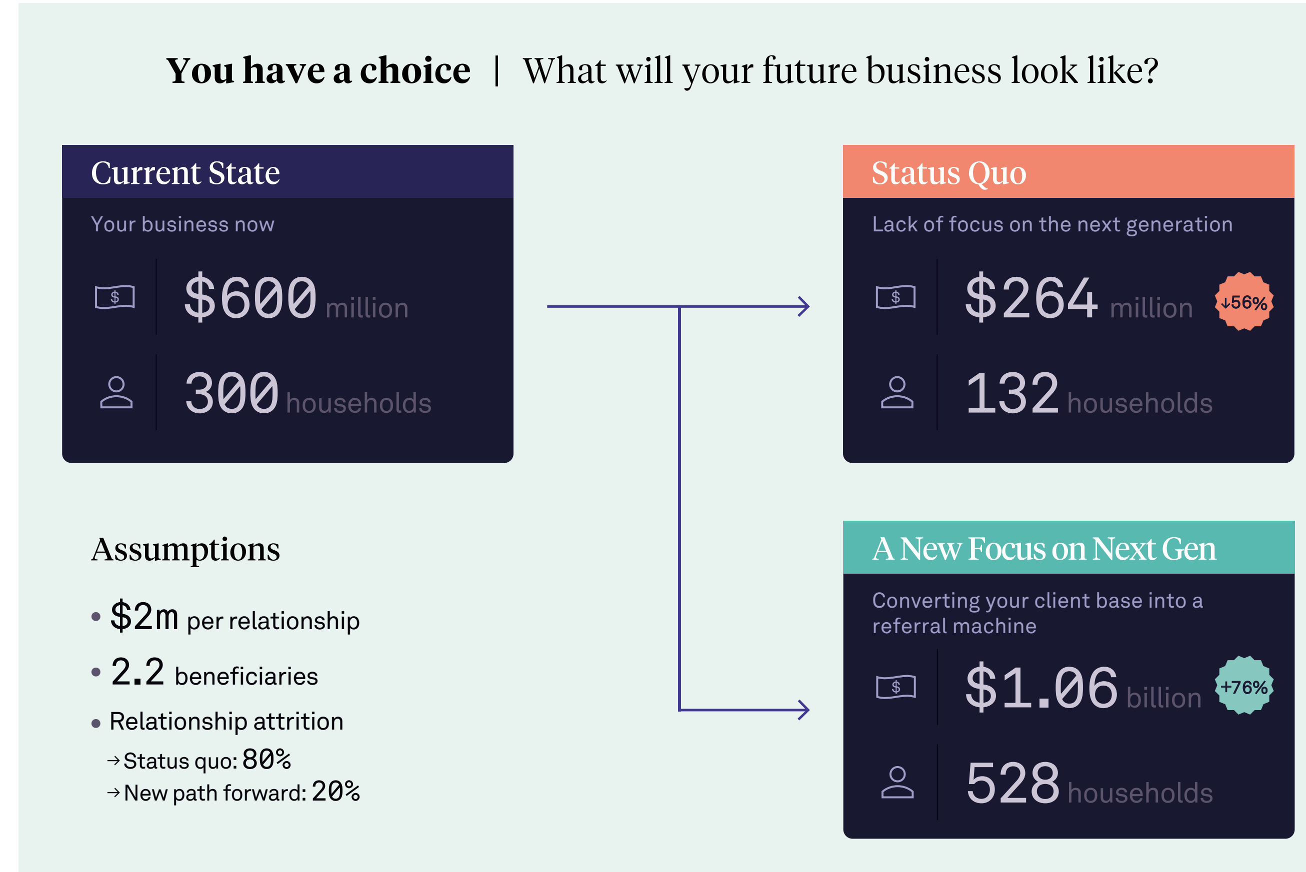
Candidly, the industry up until recently hasn’t provided a scalable, connected solution for serving the mass affluent or younger clients. The good news for firms is there are scalable platform options now.

For RIAs oriented toward offering goals-based planning, AdvisorEngine’s wealth management platform provides tools embedded into workflows that can help them serve smaller accounts much more easily.

Underneath our goals-based planning tool is a lot of science, but the actual engagement to start that process of an advisor and client working together on a plan is now simple and scalable, allowing them to streamline and connect the whole process to deliver consistent levels of service and advice to accounts of all sizes.

We’ve eliminated all the friction of why an advisor may not engage with some or all of their clients. There is no double-data entry, for instance. Data from a client’s plan is automatically incorporated into the advisor implementation process in the AdvisorEngine platform.

Each firm of course has their own approach to serving clients. But we understand the advisor that wants to focus on goals-based planning is trying to learn about a client’s needs to really connect with that client.



You're unpacking what’s important to that client. What's the lifestyle they want to have when they retire? What will be their core future spending needs? It could be for their children’s education. It could be around philanthropy and a cause that’s very important to them. It could be buying that second home, or having a special vacation that they want to plan for.

Think about the data you need to uncover about the participants, then, who are typically the two spouses. You have to uncover their income, when do they want to retire, what are their thoughts on expenses pre- and post-retirement, discover and then prioritize their goals. Additionally, you’re maintaining an ongoing discussion with your clients to make sure you’re correctly updating that information.

So we’ve removed the heavy lifting from the advisor who’s had to input the client’s information to build a plan. Our highly intuitive workflows make it simple for an advisor’s prospect or client to do it; they know how old they are, they know their date of birth, they know their income, they know their goals. This allows advisors and clients not to focus on data entry together but instead to focus on what's important – their goals and their life journey.

TINA POWELL

ADVISOR PLAYBOOK:

Engaging the next generation of clients

The 2024 Olympics offered a valuable lesson in the power of authentic engagement. Snoop Dogg's iconic commentary captivated a diverse audience, demonstrating the importance of relatability and connection in marketing.

The games also reinforced how different generations consume content. While older generations relied primarily on traditional television broadcasts, younger generations turned to live-streaming platforms and social media for real-time updates and behind-the-scenes content.

Just as NBC tailored its strategy to different demographics, advisors must adapt their approach to cater to the specific needs and preferences of each generation. By understanding the unique behaviors and communication styles of clients, advisors can build stronger relationships and deliver exceptional service. This is not a new concept but one that presents new considerations for serving the next-gen client base.

Let's take a closer look at next-gen clients and strategies to capture and maintain their attention.

GENERATIONAL MARKETING

For specific generational marketing tips, see Sidebar: Understanding the Next Generation of Investors. p.15

Every generation has unique preferences, values, and communication styles. This approach, known as generational marketing, is essential for building strong relationships and driving growth.

Consider the following questions throughout this article as we offer best practices for seeding future growth.

- What is your approach to client service for a new generation? Can you identify the specific demographics and preferences of your target audience?
- What offerings do you provide? Have you evaluated your current offerings and identified areas for improvement or expansion to better meet the needs of younger clients?
- How can technology help?

> “Every generation has unique preferences, values, and communication styles. This approach, known as generational marketing, is essential for building strong relationships and driving growth.”

Are you willing to explore digital tools and platforms that can streamline processes, enhance client engagement, and provide a personalized experience?

APPROACH: DON’T BE BLIND TO YOUR BLINDSPOTS

Many financial advisors are eager to serve the next generation but still need to improve. Despite their best intentions, a disconnect often exists between advisors’ perceptions of their client engagement efforts and the actual experiences their clients are having.

This disconnect can be attributed to a lack of strategic planning and a failure to understand the unique needs and preferences of younger generations. Advisors may struggle to connect with their target audience without a clear roadmap and a focus on personalization.

For a list of common blind spots and effective solutions, see Figure 1: A Roadmap to Effective Client Engagement.

OFFERINGS & TECHNOLOGY: THE POWER OF DIGITAL ENGAGEMENT

Effective client engagement also requires a strategic investment in digital offerings and platforms. While it may seem daunting, the benefits far outweigh the costs. To effectively engage with a new generation of clients, advisors must embrace digital tools and prioritize ensuring their online presence is modern, on-brand, and authentic. Plenty of ways exist to take advantage of these tools and capitalize on their impact compliantly.

Consider how these offerings and technologies can be integrated into your next-gen client interactions.

THE JOURNEY: CREATING MEMORABLE EXPERIENCES

At the end of the day, it all comes down to building an intentional journey that has a positive outcome. Consider the entire client journey and strive to create a memorable experience with these key strategies:

OFFERINGS

Personalized Financial Planning
Develop tailored investment plans aligning with clients' goals and risk tolerance.

Educational Resources
Provide access to educational content, such as articles, videos, or webinars, to help clients make informed financial decisions.

Online Tools
Provide clients with online tools to track their investments, set financial goals, and analyze portfolio performance.

Sustainable Investing Options
Incorporate sustainable and socially responsible investment options to cater to the values of younger generations.

TECHNOLOGY

Emerging Platforms
Explore new forms of content on existing social media platforms, such as YouTube Shorts, Instagram Reels, and TikTok, to reach younger audiences and engage with them in a more informal and interactive way.

Client Portals
Provide clients with secure access to their account information, investment performance, and personalized recommendations via a mobile app.

Automated Communication
Use email marketing and text messaging to send personalized updates, alerts, and invitations to events.

Virtual Meetings
Offer virtual meetings to accommodate clients with busy schedules or those who prefer remote interactions.

Interactive Tools
Provide clients with tools to visualize their financial goals, track progress, and make informed decisions.

Educational Content
Create engaging or entertaining content, such as podcasts, videos, or webinars, to educate clients on financial topics and demonstrate your expertise in a way that connects and speaks to them directly.

- **Leverage data analytics to better understand clients’ preferences, behaviors, and pain points.** This information can be used to personalize your communications and tailor your offerings to meet their specific needs. This can come in the form of an NPS survey that establishes a baseline to understand that online journey.
- **Consider every touchpoint in the client journey — from initial outreach to ongoing communication.** Ensure that each interaction is consistent, personalized, and valuable.
- **Be obsessed with creating value.** Focus on providing tangible value to your clients. This can involve offering educational resources, personalized advice, or innovative solutions to their financial challenges.
- **Track key metrics to assess the effectiveness of your client engagement efforts.** This can include client satisfaction ratings, referral rates, and return on investment. Use this data to identify areas for improvement and refine your strategy.

The most important thing is to understand where you are today and set a goal for where you want to be in the future. By focusing on the entire client journey and leveraging data-driven insights, you can create a memorable experience that fosters loyalty, drives referrals, and contributes to the long-term success of your practice.

Just as you do in your daily role as an advisor, it’s all about building genuine relationships and providing exceptional value — regardless of the generation.

FIGURE 1

A ROADMAP TO EFFECTIVE CLIENT ENGAGEMENT

AREA	BLINDSPOT	RESOLUTION	PLATFORMS
Ideal Client Persona	Lack of clarity on the specific needs and preferences of target clients.	Conduct an in-depth analysis of your current clients in your CRM. Perform market research to identify specific demographics, psychographics, and behaviors of your target clients. Create detailed customer personas.	CRM Platforms such as AdvisorEngine, HubSpot, and Salesforce.
Digital Presence	Outdated website, poor SEO, and limited content.	Modernize your website and optimize for search engines and mobile experience. Create engaging content regularly.	Google Analytics and Monster Insights.
Social Media	Inactive or poorly managed social media profiles.	Develop a consistent strategy, regularly post content, interact with followers, and consider paid advertising.	LinkedIn, Facebook, X, YouTube, Instagram, TikTok, and Reddit.
Marketing Strategy	Disconnected plan that doesn't align with business goals.	Create a comprehensive marketing strategy that outlines the target audience, messaging, and channels. Track KPIs and make data-driven adjustments.	HubSpot Marketing Hub and Google Dashboards.
Content Creation	Lack of engaging and relevant content.	Develop a content calendar, create high-quality content (e.g., blog posts, videos, infographics), and optimize for SEO.	Microsoft Excel, Google Sheets, and Monday.
Client Experience	Inconsistent or impersonal interactions.	Focus on personalization, build trust, and provide exceptional customer service. Utilize technology to streamline processes and enhance the client experience.	AdvisorEngine.
Analytics and Measurement	Lack of data-driven insights.	Track key performance indicators (KPIs), analyze data to identify trends, and make data-driven decisions.	Google Analytics, Website Performance Statistics.
Team Capabilities	Lack of in-house expertise or resources.	Consider outsourcing or hiring additional staff with the necessary skills.	Upwork, Fiverr, or marketing and growth agencies such as Intention.ly.
Budget Constraints	Limited financial resources.	Prioritize essential marketing activities and explore cost-effective strategies.	Microsoft Excel and Google Sheets.
Resistance to Change	Reluctance to adopt new technologies or strategies.	Foster a culture of innovation and encourage experimentation.	Slack.

Understanding the next generation of investors

The Great Wealth Transfer, the generational shift in almost $68 trillion in assets, presents a significant opportunity for financial advisors. As baby boomers pass their assets to younger generations, advisors who can effectively engage with these new clients will be well-positioned to capitalize on this trend.

The first step is to understand their unique preferences and behaviors. The generation set to inherit these assets is more digitally savvy, socially conscious, and values personalized experiences. While broad statistics (outlined below) can provide valuable insights, it's essential to conduct your own research to understand the specific preferences and needs of your target client base. This may involve surveying your existing clients or conducting market research to gather data on demographics, firmographics, psychographics, buying patterns, pain points, and goals.

The Growing Importance of Gen X
Often overlooked by financial advisors, this generation is emerging as a key demographic in the Great Wealth Transfer. Gen X is the least confident about their financial futures among all generations. This presents a unique opportunity for advisors to provide guidance and support, helping them increase their financial confidence.

The Rise of Gen Z
A diverse and tech-savvy generation, is also a growing market for financial advisors. This generation focuses on education and debt repayment, but many also save for retirement. As their spending power continues to grow, Gen Z will become an increasingly important segment for financial advisors to target.

The future is now: Seize the opportunity

Doing what you've always done won't translate to the next generation. The financial landscape is evolving, and so are the expectations of younger clients. To thrive, you need to be proactive, adaptable, and forward-thinking. Every interaction, every piece of advice, and every touchpoint is a chance to build trust and create value that resonates with your clients on a personal level.

Remember, success doesn't come from following the same old script. It comes from embracing new ideas, leveraging technology, and, most importantly, listening to the unique needs of your clients.

> "The most important thing is to understand where you are today and set a goal for where you want to be in the future."

CHARLES PAIKERT

How efficient advisors are using CRM to declutter their client management

"Advisors need client service to be as efficient as possible, and in the digital age they have the tools to do that," says Mike Byrnes, owner of Byrnes Consulting and a featured speaker on practice management at RIA conferences.

When it comes to interacting with clients, no tool is more important than Client Relationship Management (CRM) software. When used properly, CRMs help RIAs efficiently scale such critical tasks as inputting and analyzing client data, onboarding, managing client communications and scheduling client meetings and portfolio reviews.

Advisors should take advantage of their CRM's workflow templates to help unclutter client management, says Patrick Arnold, AdvisorEngine's product head. The AdvisorEngine CRM, for example, features a "service monitor" function that helps advisors perform and complete tasks efficiently, step-by-step, providing key information along the way.

"The service monitor automates each touch point and keeps track of recurring workflows," Arnold explains. "The software can create alerts for services such as financial plan reviews and make sure advisors are aware of a client's specific needs, such as when to take an RMD (Required Minimum Distribution)."

Advisors should also use CRM software to look for bottlenecks in client service, Brynes says. "You can identify where work flows are getting stuck and change responsibilities accordingly."

CUSTODIANS PROVIDE ANOTHER INDISPENSABLE CLIENT MANAGEMENT HUB

"The custodian platform is where everything happens," says Nicholas Zaccour, director of family office services for Coastal Bridge Advisors in Westport, Connecticut. "That's where the data is and that's where bottlenecks can happen. You're only as good as the efficiency of your custodian."

When evaluating which custodian to use, focus on the service team, Zaccour says. "They should be responsive, knowledgeable and able to teach you how to do stuff so you won't have to bug them. For peak efficiency, the less you have to call them the better."

SURVEYS CAN ALSO IMPROVE CLIENT SERVICE PROFICIENCY

"We make sure to survey all our clients after client meetings," says Eric Swensen, chief practice officer for San Francisco Bay Area-based Adero Partners. "We ask them about the meeting, how they would like to meet and how often they want to meet. We are also constantly asking our advisors what their hassles and frustrations are when interacting with clients so we can identify and solve problems."

> “The service monitor automates each touch point and keeps track of recurring workflows.”

Patrick Arnold
head of product,
AdvisorEngine

FOR SCHEDULING AND PREPARING FOR CLIENT MEETINGS, THE CALENDLY APP HAS BECOME EXTREMELY POPULAR

“The client is able to schedule the meeting at their convenience and we’re able to have a process where we can prepare for the meetings ten days before,” Swenson says.

Many wealth management CRM providers, including AdvisorEngine, are integrating Calendly into their software. “The workflow starts once the meeting is scheduled, and everything that needs to be done is automated and accounted", says Arnold.

Creating client service calendars also makes scheduling more efficient and transparent while also demonstrating ongoing advisor value. These calendars provide advisors more flexibility in determining what services to list and when to complete them, while also helping to manage client expectations.

Another time-saving client management tool taking the financial advisory industry by storm are note-taking/action item apps powered by artificial intelligence.

Software in these apps transcribe and summarize meeting notes with clients and then feed action items into CRM applications for implementation.

“It’s a massive scaling proposition,” Josh Brown, CEO of Ritholtz Wealth Management, said at a panel discussion on AI earlier this summer at the Museum of American Finance.

Note-taking/action item apps from companies like Jump, Zocks, Grain and Finmate AI have become the most popular “use case” in artificial intelligence among financial advisors to date, according to Brown.

When AI note-taking/action item apps are integrated into CRMs, “the service game will change dramatically,” Zaccour says. That day is not far off, according to Arnold, who says AdvisorEngine is currently in discussions with third-party note-taking app vendors.

More prosaically, Swenson recommends giving clients an email address for the team they’re working with instead of an individual advisor. “It really helps prevent action items from falling through the cracks if one advisor happens to miss an email,” he says.

On the other hand, advisors shouldn’t forget about the benefits of personalized customer service.

Byrnes recommends sending personal video emails as a way to make sure clients remember upcoming meetings and to humanize the advisor.

“You’re showing interest in the client personally, exhibiting empathy – and getting their attention,” he says. “Whatever you’re trying to communicate, it increases your chances of success.”

BERNICE NAPACH

Why your wealth management practice needs roles-based data

Developing a comprehensive strategy that aligns with your organization's goals.

Collecting and analyzing the right kinds of data can make a huge difference in the growth of your RIA firm, but many firms lack a clear data strategy.

The quality of their data may be questionable, their data sources overlapping and too few or too many people in the organization may have access to the data they need to fulfill their role in the firm.

"Having a data strategy is one of those processes you absolutely have to have to scale," says Craig Iskowitz, a business and technology strategy expert and founder and CEO of the Ezra Group. Iskowitz was one of several panelists participating in a recent discussion of roles-based data strategy hosted by AdvisorEngine.

A well-designed data strategy is more important now than ever given the growing use of artificial intelligence and other new technologies.

Whether it's managing client investment performance expectations, matching client needs with advisor expertise or developing a process to scale, data can play a crucial role, but only if the relevant data gets to the right person in the organization.

"Folks in your firm should know who to ask about how you store data, access data and get the most out of the data," says Justin Boatman, chief product officer at Nitrogen.

A CEO, for example, will want cost-to-serve metrics and other productivity benchmarks, while the head of client services will be more focused on response times and client retention rates, says Grant Speer, product manager at AdvisorEngine.

There are three major steps RIAs need to take to develop a data-centered practice with a roles-based data strategy: take stock of their current strategy, if they have one; build a plan to develop a meaningful and workable strategy; then execute it.

> "What gets measured, gets managed," Speer said. "Data is the lifeblood for the whole picture."

DEVELOP A DATA STRATEGY

First, RIAs need to be clear about the key objectives of their firm so that they can develop a data strategy that can help them achieve those goals. Then they need to ask about how they're handling the data they collect. Where are they getting the data from? What systems are feeding it? Is the same data coming from multiple sources?

The answers will help assess the quality of their data, which is "one of the biggest roadblocks" to an RIA's growth, said Iskowitz. "Insights to support critical initiatives rely on data. If your data isn't clean, if it isn't well organized, those initiatives are going to not go as well."

Who is in charge of the data and who has access to the data are two other important considerations for RIAs.

> "Folks in your firm should know who to ask about how you store data, access data and get the most out of the data."

Justin Boatman, chief product officer, Nitrogen

"Even if you have different leaders playing different roles with different kinds of data that they bring to the table, it makes sense to have a single point of ownership at an RIA," said fellow panelist Justin Boatman, chief product officer at Nitrogen. "Folks in your firm should know who to ask about how you store data, access data and get the most out of the data."

That person could be the chief compliance officer, the head of operations or the head of technology, Boatman said. "If you aren't sure who it should be, maybe it's best to ask who calls the shots with your technology systems."

UNDERSTAND INSIGHTS NEED

Once an RIA has carefully reviewed how it collects, uses and oversees its data and checks for any shortfalls, it's time to develop a comprehensive data strategy that aligns with the organization's goals.

First, understand what insights your firm needs, which derives from the kind of firm you're running, and how your business is structured, said Iskowitz. Then set priorities, making sure you have the necessary data to support those critically important areas first. Don't forget to include structured (CRM) and unstructured data (emails, texts, meeting notes).

"If you're an emerging or smaller firm, make sure you're just taking advantage of what technology you're already using and what those firms can offer you," Boatman said. "If you're in-between and you're scaling, don't be afraid to ask for help."

"You want to make sure you're feeding the system, the platform, the technology you're utilizing to run your business with the highest quality data," said AdvisorEngine's Speer.

The data an RIA collects can be used to measure how well your firm's operations stack up against its goals, and to assess what parts of the business are working and what parts aren't; what clients are most profitable; and which advisors are the best and the worst performers.

It's helpful to break down the data into the individual role level metrics for each category of staff: advisors, client service staffers and operations personnel, etc. to gauge their performance.

"What gets measured, gets managed," Speer said. "Data is the lifeblood for the whole picture."

GET EMPLOYEES ONBOARD

Once an RIA has built a data plan, it's time to execute, though perhaps not all at once. If clearly defined processes haven't been set up already, the data strategy will likely evolve in phases, according to Iskowitz.

Optimizing a data strategy requires buy-in by a firm's leadership, budgeting for the strategy, and employee training and communication, said Iskowitz. "If you don't explain to your employees, your advisors or admins or staff why you're doing this and why it's valuable, they may not be on board, and you need them to be on board," Iskowitz said.

A governance framework and data quality controls should also be established, he added.

Finally, feedback at every level across the organization is crucial. RIAs need to know they're looking at the proper metrics, tracking them and really understanding where this effort is paying off and if it's truly impacting the bottom line at the firm, team, department or other level," Speer said.

Data strategy, Speer added, is "a living, breathing thing that needs attention, feedback at every level to really make it meaningful within the organization."

Data Strategy Steps

1. Make sure you have clarity about the key objectives of your firm
2. Review your current data situation: where is the data coming from, what systems are feeding it?
3. Is there duplication of data from multiple sources?
4. Assign a data leader and establish if access is granted to all or through a gatekeeper
5. Establish a process for data quality review and measurement
6. Determine what insights your firm needs
7. Customize your firm's data for consumption by key roles and users so that it's manageable and relevant
8. Add technology that simplifies viewing data insights
9. Solicit genuine feedback about your data strategy and act on it
10. Set aside time to regularly review data among your firm's stakeholders
11. Build workflows around automation driven by data from the entire client lifecycle
12. Enable a 'platform mentality' at your firm

CRAIG RAMSEY
Chief Operating Officer
AdvisorEngine

New to Action! magazine: Introducing RIA case studies

The mission of *Action!* Magazine is providing actionable content for wealth management leaders. So I am proud to introduce a new content format that furthers this mission: scenario-based case studies.

The following case study is inspired by a real-life situation. To protect confidentiality and promote open dialogue, details have been anonymized and presented as part of a fictional firm – "ABC Advisory."

You, dear reader, have been hired as a Consultant to advise the team at ABC Advisory. What would you recommend they do to address their Client Experience issues?

ABOUT
ABC ADVISORY

FOUNDED
2004

ASSETS UNDER MANAGEMENT
$1.2 billion

LOCATION
Kansas City, MO

SCENARIO OVERVIEW

By all outward-facing measures, ABC Advisory has been performing exceptionally well. For 12 years consecutively, the firm has achieved record assets, record revenue and record profits. Last year, they were named to the *Barron's* Top 100 Financial Advisors list for the first time.

But ABC Advisory has a problem underneath the surface. In a recent survey, its clients ranked them poorly in several key areas. The results were shocking to the team. Talk about a wake-up call.

A NEW HIRE HITS THE GROUND RUNNING

Earlier this year, Cameron was hired at ABC Advisory in a newly created position: Head of Client Experience.

During her interview process, she was energized by the company's strong core values and shared commitment to delivering for their clients. She was also drawn to the CEO's clear articulation of what future growth could look like over the next 10 years.

In her first month on the job, Cameron's first order of business was interviewing colleagues. These conversations were universally positive – employees at ABC Advisory all believed they were doing right by clients. It made her feel proud to be a member of the team.

In her second month on the job, Cameron focused on soliciting the voice of the client. She designed a comprehensive "Client Experience Survey" and distributed it across the client base at ABC Advisory. This is when things got a bit rocky. The survey results were decidedly mixed.

SURVEY RESULTS

On the positive side: clients rated the firm highly in several categories, including:

1. **Trust.** Clients believed that ABC Advisory put their interests first.
2. **Financial Planning.** Clients appreciated the planning work that ABC Advisory does on an annual basis.
3. **Value.** Clients agreed that they receive fair value compared to the price they are paying.

Introducing the team at 'ABC Advisory'

ADMINIS-TRATIVE	CEO Sam	COO Shannon	ADMIN. ASS'T. Aubrey	
PLANNING + INVESTING	ADVISOR Alex	CIO Chandler	PARAPLANNER Pat	TRADER Taylor
OPERATIONS	HEAD OF CLIENT EXPERIENCE Cameron	COMPLIANCE MANAGER Collins	IT MANAGER Ira	
GROWTH	MARKETING MANAGER Morgan	BUSINESS DEV. MANAGER Blake		

However, clients rated ABC Advisory surprisingly low in other important areas, such as:

1. Convenience. Clients shared that working with ABC Advisory was 'clunky' and 'slow.' People indicated that they would be more likely to invest more money with ABC Advisory if they made it easier to do so.
2. Responsiveness. Clients felt that ABC Advisory was slow to respond to important questions. Also, they lacked trust in their follow-through, citing that 'things sometimes slip through the cracks' … forcing clients to follow-up because 'the ABC team doesn't always own issues until they are resolved'.
3. Proactive Communication. Clients felt that their advisor didn't always keep them up-to-speed on their financial life journey, how market changes impacted their portfolio, or specific actions that ABC Advisory is taking to mitigate risk or take advantage of emerging opportunities.
4. Information Accessibility. Clients shared that it was difficult to know 'Where I should go to get the information I'm looking for,' sharing that ABC Advisory's technology is 'dated' and 'honestly confusing…due to multiple Client Portals with multiple log-ins.'
5. Serving the Next Generation. Clients did not feel that their advisor made an effort to engage with their full family on financial planning, such as discussing matters with their children to help build financial acumen.

SHARING THE RESULTS

When Cameron shared the results with her team, the room got quiet. After people reflected for a few minutes, they shared their perspective:

“*This feels like a gut punch. It’s a truly unnerving feeling, and I’m just sick over it. How did we get here? When I stepped back from having client meetings directly, this is not what I expected to happen.* – CEO, Sam

“*I am reflecting on how I can help. At times, I feel a bit disconnected from client sentiment, since I am so plugged into the markets . I need to do a client roadshow soon, so that I can be out front and directly hearing what is on clients’ minds* – CHIEF INVESTMENT OFFICER, Chandler

“*I’ve been busy, so I haven’t gone through the details yet. I will say...certain clients will never be happy, honestly. So we should probably take these results with a grain of salt.* – ADVISOR, Alex

“*I’ve had a sense of this for a while, but it’s hard to get people to pay attention to it. I’d like to add more people on the Client Service side of things, so that we can raise the bar on our responsiveness times.* – COO, Shannon

At the end of the meeting, the leadership team agreed that action was needed immediately. They cleared their calendars for a full-day offsite the following week. They needed to get to the bottom of things. What was the true root issue? Complacency? Arrogance? Ineffective training of new hires? Bad process? Subpar technology adoption? Something else?

WHAT WOULD YOU DO?

- What steps should ABC Advisory take?
- Have you ever had a situation where you received challenging feedback from a client? What happened? What did you learn and do differently moving forward?
- What does a satisfied client look like to you? Does your firm measure client engagement/client satisfaction/NPS? If so, how?

MY PERSPECTIVE

When things feel overwhelming, it’s time to simplify. I would recommend a 3-step path forward for Cameron and team. First: take stock. (They are in the middle of this step right now. Now, they must gain sharper clarity on the true root causes behind the client experience issues.) Second: build an action plan, including individual accountability for each desired result. Third: execute against the plan.

The team at ABC Advisory has their work cut out for them. The good news? Their team trusts one another, and they are motivated to act now.

Even the most successful RIAs face adversity. What separates the best firms is their ability to bond together and overcome challenges.

TAKE IT FURTHER AT >DRIVE2025

SIGN UP NOW

If you liked this exercise, you will love the content at AdvisorEngine’s annual client event, **>drive2025.** Attendees will engage in scenario-based case studies like this one. Instead of traditional ‘classroom-style’ passive learning, we will engage in ‘roundtable-style’ peer-to-peer active learning. I hope to see you there.

Scenario-based learning at >drive2025: case study scenarios

CLIENT EXPERIENCE	OPERATIONAL EXCELLENCE	REVENUE GROWTH	PLANNING + INVESTING	CULTURE + STRATEGY
“Wake up call” Digesting client survey results	**“Metrics that matter”** Driving clarity through dashboards	**“Word of mouth”** Securing more referrals from happy clients	**“First time CIO”** Designing a new investment process	**“Alligator arms”** Increasing your team’s accountability
“NextGen now” Addressing changing client preferences	**“Old habits die hard”** Rallying your org. to adopt technology	**“Beyond referrals”** Refining your marketing strategy to drive growth	**“The power of planning”** Ensuring that every household gets a plan	**“Talent gap”** Attracting + developing the right talent
“New client portal” Training clients on a new experience	**“Burnout”** Your team is stretched thin – what now?	**“Service expansion”** Adding new elements to your client offering	**“Scaling our smarts”** Trading/rebalancing efficiency opportunities	**“Acquiring a firm”** Integrating a new team into your firm
“It’s a team game” Transitioning to a ‘teaming’ approach	**“Automation station”** Systematize and scale your ops	**“Scope creep”** Reviewing how you set expectations + charge	**“Sudden downturn”** Dealing with market volatility	**“Being acquired”** Making an impact in your first 100 days
“Segmentation review” Revisiting how you segment + serve clients	**“Bottlenecks”** Redesigning your client journey	**“Partnership potential”** Evaluating a new strategic relationship	**“Paradigm shift”** Adopt new investment products/services	**“Sales isn’t a bad word”** Creating a growth culture at your RIA

JONATHAN BERGMAN

The art of listening to clients for financial advisors

SULEMAN DIN

Within the wealth management industry, mastering the art of listening is not just a skill – it's a fundamental pillar of success.

Understanding the profound importance of active listening lays the foundation for building strong, lasting client relationships, especially for new financial advisors entering the field.

But listening goes beyond merely hearing; it entails empathetically comprehending clients' goals, fears and aspirations. By attentively tuning into clients' needs and concerns, new advisors can tailor their recommendations and strategies effectively, fostering trust and confidence.

In a recent *Action!* article, Jonathan Bergman, president of the New York-based wealth management firm TAG Associates, shared some insights on navigating the life cycle of a financial advisor. He emphasized the art of listening, especially for advisors who are new to the industry.

I sat down with with Bergman to learn more. We delve into why honing the ability to listen attentively is crucial for new financial advisors and explore practical strategies to enhance this essential skill set – ultimately laying the groundwork for long-term success in the advisory profession.

SULEMAN DIN: What are some tips for folks who are just starting out in the industry?

> “The best thing to do is read, gain knowledge, and observe other advisors. Silence is very important in the beginning; take a lot of mental and written notes.”
>
> Jonathan Bergman, President
> TAG Associates

JONATHAN BERGMAN: The best thing to do is read, gain knowledge, and then meet with and observe other advisors.

Don't necessarily speak up but try to join as many meetings as possible and observe. And observe the styles of different advisors. Watch them as they navigate through client situations, which may be quite smooth, but often there are difficult conversations that happen in those meetings and trying to be empathetic.

But in the beginning, silence is very important. Take a lot of mental notes and some written notes as well. In terms of reading, I would suggest reading the *Wall Street Journal* and *Barron's*. I also read a few hedge fund manager reports and letters that come out quarterly. Warren Buffett obviously has a great letter, but try to read from many different sources, figure out who's providing value to you and where you're learning the most, and continue to read that source.

DIN: If you had one tip for those who are listening, the readers who are going to pick up this magazine and sort of take your points on being a good listener, what would you suggest?

BERGMAN: Well, being a good listener is truly listening to the conversation, right? Listening to the client, listening to the lead advisor. Perhaps thinking how you might, what you might say in that situation without necessarily saying it. Again, this is early in your career and you probably haven't had sufficient experience to be an advisor, but it's often good to think, what would I have said in this situation?

But really listen and watch body language. I'm a huge believer in body language sending signals, and I try to observe what clients, advisors, and people, in general, are saying with their bodies, in addition to what they're saying with their voices and words.

The power of personalization for financial advisors

ROB DILBONE

Managing Director, TradePMR

What do a homemade birthday card, a vanity license plate and a financial plan have in common?

Whether celebrating someone special, adding a pithy combination of letters and numbers to a vehicle, or offering bespoke advice, they all showcase the power and promise of personalization.

We believe it's powerful for financial advisors to focus on offering customized services to clients. It can foster loyalty, set them apart from the competition and provide an emotional connection in a sea of generic interactions.

A growing body of scientific and business-oriented evidence suggests the same. We reviewed a collection of reports from business consultants, studies on video game avatars, and even innovations in online grocery shopping to showcase just how powerful personalization can be. These are some of the surprising facts and figures behind customization's appeal.

THE BUSINESS OF PERSONALIZATION

We want uniqueness in our lives. We showcase it in the clothes we wear, the friends we make, and the way we invest our time and resources.

A recent Twilio survey on personalized shopping experiences found that more than half (56%) of customers say their feelings of loyalty increased after participating in a tailored purchasing journey.[1] In a similar vein, McKinsey & Company found that customized marketing reduces customer acquisition costs by as much as 50%, lifts revenues by as much as 15%, and increases marketing ROI by as much as 30%, compared to non-individualized efforts.[2]

What does that mean for advisors? With RIAs spending an average of $27,800 on marketing in 2022, personalization efforts in marketing alone could result in five-figure savings and significant growth for an advisor's book of business.[3]

USING AI TO PERSONALIZE AT SCALE

Online grocery shopping offers an interesting illustration of how new technologies can be used to increase positive feelings about a service or sale, all while learning more about a customer and boosting sales.

The online grocery store Misfits Market has been using artificial intelligence and machine learning to boost basket size while refining its customer insights.[4]

When shoppers log onto the service, they find their carts pre-filled with products they tend to buy on a weekly basis, with the ability for every shopper to approve or reject items. Behind the scenes, the company uses its client data to help shoppers avoid the tediousness of building carts from scratch, getting them through the check-out process more quickly.

According to the company, most shoppers' carts are filled with 75-80% of the same things every week. That's where Misfits Market's algorithmic "discovery" component comes in: it uses the 20-25% variability in every cart to suggest items that were previously purchased by the shopper, make product pairings, and even expand the range of what a shopper puts in his or her cart.

Grocery shoppers have responded positively to the pre-filled carts and discovery features, according to the company.

How does this impact advisors? The sheer number of investment models, vehicles for investing, tax considerations, and asset allocations

[1] The State of Personalization 2023," Twilio, 2023

[2] "What is personalization?" McKinsey & Company, May 30, 2023

[3] "The Financial Advisor Marketing Playbook," Broadridge, 2023

quickly add up to a product menu that could dwarf anything available in a grocery store. According to recent estimates from Morningstar, investors will soon be facing a potential personalization overload scenario, where advisors and investment teams may need to pick the right investments from an inventory of more than one million managed products.[5]

By harnessing artificial intelligence and machine learning, advisors can set investors up with a tailored investment solution, at scale, giving clients another reason to recommend their advisor to friends and family.

CHANNELING PSYCHOLOGY TO BUILD A COMPELLING BUSINESS MODEL

Social science helps explain why we get so much satisfaction from customized solutions: humans are wired to enjoy the feelings of autonomy and control.

Customized marketing reduces customer acquisition costs by as much as 50%, lifts revenues by as much as 15%, and increases marketing ROI by as much as 30%, compared to non-individualized efforts.

In a study examining video gamers and in-game customization, researchers found that autonomy, control, and attachment created enjoyment, even in a fictional world. Gamers who were attached to their customized avatars, for example, had higher perceptions of immersion and enjoyment in the game they played than those without customization options.

Gamers offer just one example of a phenomenon advisors know by heart. When their vendors customize and white-label solutions, the vendor-advisor relationship is often stronger and more resilient.

The same rings true for advisors and their clients. When clients receive individualized solutions, it extends the positive feelings of autonomy and control from advisor to client, even amid market movements and economic shifts.

Expanding one's knowledge through personalized coaching and specialized education is another method for extending control and autonomy. It's one of the reasons why mentorship, entrepreneurial peer circles and other forms of coaching are so successful in the world of business.

[4] "Misfits Market introduces autocart tool, loyalty program," Catherine Douglas Moran, Grocery Dive, July 1, 2022

[5] "Morningstar CEO: 'Active Personalization Is the New Active Investing,'" Diana Britton, WealthManagement.com, May 18, 2022

Eight effective strategies to increase client engagement

CRAIG CLARK

Chief Marketing Officer, Nitrogen

Personalization doesn't mean "basic" tactics like using an email platform to auto-generate first names.

The path to hyper-growth begins with understanding how to increase client engagement. To that end, identify how many of these eight types of client engagement your firm is (or isn't) already using – and then implement any tactics that you aren't effectively doing already.

1. **Timely communication**
   Look first at how often you're communicating with your clients as a whole. This doesn't mean how many review meetings you hold each year, but rather, the totality of communication. If you aren't communicating timely, relevant information to clients at least monthly, then this is the first place to start when attempting to increase client engagement.
2. **Regular meetings**
   Your actual meeting cadence will vary depending on the services you offer, the complexity of the clients you work with, and what's occurring in the

world that's impacting investments. However, it's generally accepted that personal meetings with most clients should occur 2-3 times per year – and annually, at the bare minimum.

3 **Managing expectations through risk**
Getting clients engaged in their investment performance, especially if they are naturally delegators, can be a balancing act. One of the most effective ways to manage expectations is by helping clients to understand their personal level of risk tolerance and then using that knowledge as a recurring conversation point to build trust in both an advisor and the agreed-upon plan.

4 **Personalizing the client experience**
There is constant talk about personalization within the financial advice profession, and research about client preferences backs up the need to build communication plans that are as highly targeted as possible. Personalization doesn't mean "basic" tactics like using an email platform to auto-generate first names. Instead, clients want their advisors to anticipate what's important to them and engage with them about those personal situations.

5 **Being empathetic**
Empathy is a critical element in building trust and connection with clients, and advisors who master the implementation of a holistic, empathetic approach to client relationships give themselves a pathway to long-term engagement and retention success. Empathy is not just about active listening; it's also about the actions taken after a client has indicated what they need and how you can help them. Follow-through is the most important part of cultivating relationships.

6 **Financial education**
Financial education not only draws prospects to a firm, it helps to retain clients over time with relevant information. That principle can be seen best in the Great Wealth Transfer taking place as assets change hands from older to younger generations. By putting a focus on engaging with the next generation through education, advisors can attempt to keep more of the estimated 70% of wealth that leaves a firm after one generation.

7 **Targeted campaigns to niche groups**
Often, advisors think of targeting marketing campaigns only as a way to reach new prospects. However, targeted marketing campaigns to internal groups – like different segments of clients – are just as important to the growth and longevity of a firm as attracting new business.

8 **Expand the services you offer**
As a firm offers more services, it gives itself additional opportunities to engage with and talk to its current clients. For example: If you're a firm that began with investment management and financial planning, adding tax planning can be a way to increase the value offered to the people you serve and even gain additional wallet share.

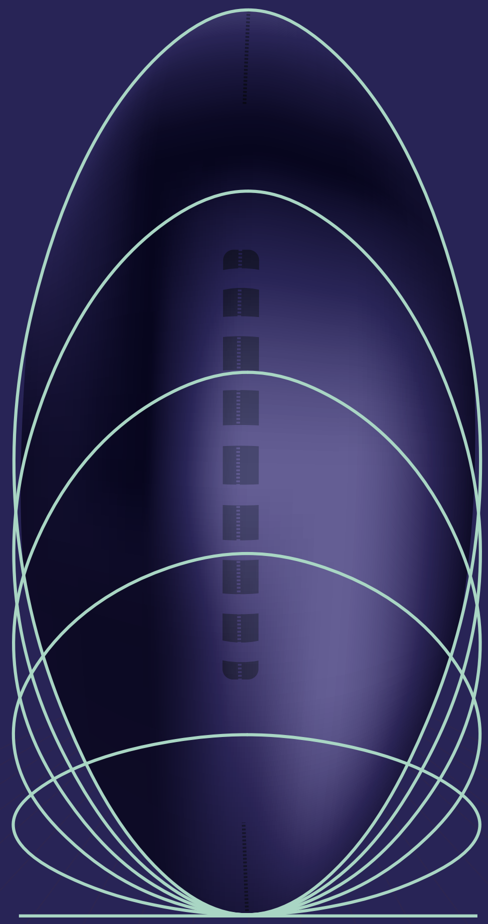
Automate Your Client Engagement

Implementing an effective client engagement strategy is one thing, but even the most organized teams can quickly become overwhelmed by the communication needed to constantly stay in front of news, trends, and the personal, everyday concerns of clients. Overall firms that are growing slowly have less automated client communication than hyper-growth firms. But more importantly, they are roughly 1.5x more likely to have no automation set up at all.

Automation is essential because it helps to free up time for advisors to develop their soft skills. In an industry like wealth management, where most advisors are expecting to be involved in business development and the prospecting process, automation can lead to more one-on-one personal interactions with clients and the time needed to follow up with prospective clients too.

When it comes to hyper-growth firms, 25 to 50% of communications are automated. When that much manual work is taken out of an advisor's hands, a tremendous amount of free time is created to push toward revenue-generating activities instead.

CHARLES PAIKERT



How financial advisors can play the NIL game

Thanks to a groundbreaking Supreme Court ruling on how athletes can be compensated, a potentially lucrative new market has opened up for financial advisors.

In June 2021, the Court unanimously decided that the limits the National Collegiate Athletic Association placed on compensation for college athletes violated U.S. antitrust laws. The following month, the NCAA drastically changed a longstanding policy and allowed college athletes to earn money from their name, image and likeness (NIL).

NIL deals for endorsements, sponsorships and licensing have already generated more than an estimated $1 billion in revenue for college athletes, although the amount for individuals varies widely.

NIL is "reshaping college football and other major sports," *The New York Times* reported in its recent investigation of the phenomenon. A football player at Michigan State University currently makes $750,000 from NIL earnings, and the average starter at a major college football program makes over $100,000 a year, the Times reported.

This year, nearly 50,000 freshmen began playing sports in Division I or Division II collegiate programs, and it's estimated that 20% to 25% will sign NIL contracts or already have.

This new landscape "has ushered in a new era of opportunity for financial advisors," according to Michael Rose, managing partner of Rose Capital Advisor. At the same time, the embryonic NIL market "is still like the Wild West," says Peter Lee, founding partner at Summit Trail Advisors, "and evolving rapidly."

Advisors considering working with young athletes should start by carefully studying the NCAA's NIL policy. Then check if the state where the athlete lives and the state where they are going to school have NIL laws, and if so, make sure all NIL activities comply with those laws. And report all name, image and likeness deals to the college the client attends to ensure all the provisions are consistent with school and conference policies.

NIL deals are primarily funded by individual companies, usually local businesses (although sometimes large national corporations) and 'collectives,' a group of school donors who raise money and set up companies to provide NIL opportunities to student-athletes attending the school they support. The Times identified more than 120 collectives now paying athletes.

Companies pay athletes to endorse their businesses or products, make appearances, sign autographs, or license their name, image, or likeness to promote the business.

Working with collectives can be more nebulous because the primary aim of the deal is to induce the athlete to attend a particular school, not endorse a business or product. However, athletes must perform some sort of service, such as charitable work like visiting children in hospitals, producing social media posts, attending a camp set up by the collective or addressing a group of alumni, to receive the NIL payment legally.

If businesses or collectives don't directly solicit athletes for an NIL deal, they can look for potential endorsement opportunities on a digital NIL sponsorship platform marketplace, such as Icon Source, Opendorse, or MatchPoint Connection.

Colleges and universities are also getting into the act. Schools, especially those with major football and basketball programs, are increasingly setting up departments headed by NIL 'general managers' to help student-athletes navigate the NIL landscape.

Advisory firms seeking NIL clients have an advantage if they already work with professional athletes, making referrals and recommendations easier. But even those firms have to actively recruit clients.

Rose Capital Advisors, for example, also hears about potential clients from AAU coaches, sports agents and other players, says Jamel Gordon, an advisor and certified financial planner with the firm. And Gordon, who specializes in working with basketball players, also goes to high school games and AAU tournaments to introduce himself to players.

"NIL is 'reshaping college football and other major sports,' The New York Times reported in its recent investigation of the phenomenon."

Once firms do begin working with young athletes, advisors need to have a frank talk with their new clients.

"The biggest thing is taxes," says Scott Crouch, vice president of CW Boss, the sports division of Cyndeo Wealth Partners. "These are 18-year-olds who don't know what a 1099 or a W-2 is. They think they're going to keep all the money. You have to give them realistic expectations."

That includes the very real possibility that even if a talented young athlete lands a well-paying NIL deal, it doesn't mean they will eventually get a lucrative contract offer from a professional sports team.

Less than 2% of college athletes go on to play professionally, which emphasizes the need to emphasize financial literacy, budgeting and saving money.

"NIL has pushed everything forward," Lee points out. "For athletes receiving deals, it's a unique opportunity to learn about investing at an early age. Advisors can help educate them and build the right foundation to protect their money for the future. There's a lot of uncertainty for athletes. A lot can happen."

Injuries, for example, are the biggest threat to an athlete's career, so disability insurance policies should be examined for risk management protection. In my opinion, to minimize tax liability, advisors should consider working with a tax professional to set up a limited liability company or "LLC" to loan out the athlete's name, image or likeness in exchange for payment. Retirement plan contributions to a SEP RIA, an individual 401(k) or a defined benefit plan should also be on the table.

Budgeting and savings are particularly critical for young clients. "The best advice I give to my clients is to save 70% of your money," Gordon says. "You may not get that kind of deal again."

Crouch agrees. "Just because a high school senior gets a lot of NIL money now doesn't mean they'll be a high draft pick later," he says. "We tell our young clients that the time value of money is on their side and to put as much money aside as possible."

NIL deals for endorsements, sponsorships and licensing have already generated more than an estimated $1 billion in revenue for college athletes, although the amount for individuals varies widely.

And while advisors shouldn't negotiate NIL contracts for clients, they should work closely with agents and attorneys to ensure the deals align with the athletes' best interests.

"You have to ask clients to think ahead," Lee says. "What do they want their brands to look like? They may not want to be associated with certain companies or products in the future. Not every deal offer they get will fully align with their long-term interests."

In fact, Barry Klarberg, senior managing director at MAI Capital Management, suggests that star athletes may be better off not chasing every NIL deal.

"Talented athletes should focus on developing their skills and playing the game," says Klarberg, a CPA who also teaches a sports management course at the University of Michigan. "They should concentrate on their craft and maximizing their future earnings potential."

Advisors should also carefully evaluate collectives before a client signs a contract. Many are set up as charities, making tax-deductible donations that are loosely regulated, drawing increased scrutiny from the Internal Revenue Service.

NIL clients who may still be teenagers — and are legally considered children — pose unique challenges to advisors.

Advisors must learn to work with parents who may not be financially sophisticated and help the client handle relatives and friends who will ask for money. "It's the biggest challenge we face," according to one advisor with NIL clients.

Gen Z clients accustomed to multi-tasking, texting and living on social media also pose regulatory and communication issues. "Everything needs to be properly monitored and archived," Rose says. "Advisors should avoid long-winded emails or drawn out conversations. Articulate and the most important items in a more concise fashion. The shorter, the better."

Time management and attention spans of younger clients can be problematic. Too many young athletes find it difficult to "drown out the noise," from the media they consume, according to Gordon. "They hear about an athlete who has a multi-million dollar NIL deal but doesn't realize everyone's situation is not the same." Young athletes are "getting pulled in a million different directions, sometimes by those who do not have their best interests in mind," adds Rose. "We are planning years if not decades in the future and sometimes it's hard for people to think ahead more than today." Advisors also need to carefully evaluate if a young athlete with an NIL deal is a good client fit for their firm.

"Advisors should be thoughtful about their capacity," Lee says. "You can't take on 50 NIL clients and hope that five will be drafted."

In short, advisors may be able to expand their practice but should proceed with caution.

7 ways to build a 7-figure advisory firm

STEPHANIE BOGAN

You need a framework for growth. Here's how you create it.

Advisors are experts at guiding clients toward their financial futures, yet they tend to get stuck when trying to achieve new levels of success for themselves.

Let me illustrate this with my favorite riddle: Five frogs are sitting on a lily pad. One decides to jump off. How many frogs are left?

If you said four, not quite. The answer is still five. Why? Because this isn't a math question; it's a life problem.

We spend a lot of time thinking about growth – how to hit that next milestone, escape the daily grind or reach new heights. But thinking about change isn't enough; it's the action that counts.

The Latin root of decision and commitment is "to cut off," as in to cut off any other possibilities. The frog decided, but he didn't commit.

Many advisors sit on their lily pads, waiting and wishing for things to be better while failing to leap necessary to make them happen. Not much changes for those advisors.

It's not a failure of intention that's the issue. It's a failure of framework. Or rather, a lack of one.

Too often, advisors are stuck in a never-ending game of whack-a-mole from the pizza parlor – constantly feeling short on time, struggling to keep up with service demands, feeling tethered to their practice, wishing running a practice was easier.

Here's a quick outline of the 7-step framework I use to build 7-figures practices that come with the income, time, and freedom to enjoy them:

PLANNING

A clear vision simplifies every decision. More often than not, advisors run their firms reactively, playing an instinctual game of whack-a-mole without a vision or strategy, making it impossible to best align their time, energy and capital (human and financial) with their goals. Defining success on your terms – whether it's the growth you want to drive, the clients you want to serve or the lifestyle you want to live – is the first step.

Ask yourself:

What kind of income and lifestyle do I want to create?

Who are the clients I do my best work with?

What are the "three big moves" we must make to address the gaps?

What research says:

A *Harvard Business Review* study found that businesses with a clear vision are 70% more likely to outperform competitors.

POSITIONING

Trying to serve everyone can dilute your value and compromise client service and satisfaction. Positioning is about narrowing your focus, identifying a niche and building expertise. The narrower your focus, the more efficiently you can deliver specialized value, the faster you can grow and the deeper your profits can be.

Ask yourself:

Who is my ideal client and what unique challenges do they face?

How can I best position my firm to stand out and attract these clients?

What research says:

Firms that focus on a niche grow 2-3x faster than firms that generalize their focus.

PACKAGING

Many firms struggle to clearly communicate the value they provide. To grow your firm, you need a clear, concise, compelling message demonstrating your value to prospects and clients.

Ask yourself:

Does my message effectively communicate the value I deliver?

How can I package my services and advice relationship to reflect the deep value I provide?

What research says:

A Nielsen study found that 59% of consumers prefer to purchase from brands they know. Branding can differentiate a business, creating up to a 40% increase in the likelihood of attracting new customers due to the consistent and recognizable presentation of the brand.

PROMOTION

Being a great advisor while hiding your light under a bushel is no longer enough. Promotion ensures your message reaches the right people at the right time. Consistent marketing, optimized marketing funnels and a disciplined sales process can create a steady, double-digit pipeline and a consistent 70% closing rate.

Ask yourself:

How am I promoting my firm?

Is it generating a steady pipeline of qualified prospects?

What channels are best for my target clients; how can I build my marketing plan and funnels to optimize for my target clients?

What research says:

Fidelity's 2023 Benchmarking Study revealed a steep drop in growth, free-falling from 8.4% in 2021 to just 3.6% in 2022.

PROCESS

To grow sustainably, you need systems that help maximize your capacity and deliver high levels of client service. Streamlined processes—from marketing to onboarding to client care—create efficiency, helping you maintain quality while scaling your firm.

Ask yourself:

Are my processes standardized, optimized and consistent?

Do we have the people, processes and platforms to deliver a hyper-efficient, hyper-specialized experience?

What research says:

A Deloitte survey revealed that digitally mature firms are 23% more profitable. Implementing standardized processes saves time and creates space to deliver specialized services and a high-quality client experience.

PLATFORM

Your tech stack is the backbone of your practice. The right technology automates workflows, improves the client experience and scales your operations as you grow. Make sure you're using tools that support your firm's current needs and future goals.

Ask yourself:

Am I using the best tools to leverage my time and support my firm's growth?

Have I invested enough to optimize my tech for greater efficiency and a better client experience?

What research says:

A McKinsey study found that companies with higher levels of digital maturity outperform their peers, generating up to 5 times higher revenue growth and up to 8 times higher profitability due to technology investments.

PEOPLE

Your team is critical to your firm's success. Whether hiring your first assistant or managing growing teams, the right people organized into the most effective structure for your goals and clients is key to profitably growing your business.

Ask yourself:

What is the optimal organizational structure for my clients and business goals?

Does our culture, compensation plan, and career pathing attract and retain happy, high-performing team members?

What the research says:

Companies that leverage their teams see 19% faster growth and 15% more profits. A *Harvard Business Review* study found improving employee experience can lead to a 45% increase in operating profits, underscoring the direct link between people and financial performance.

If I could guarantee you that leaping came with a guarantee that all your practice goals would come true, you'd be lunging off your lily pads the second you stop reading this page.

I can't.

What I can guarantee you is that the 'more and better' that calls you isn't nagging you to sit back and wait on your lily pad.

Let the leaping begin.

Rebranding your financial advisory firm

CHARLES PAIKERT

Rebranding is a major commitment of time, money and resources.

Nonetheless, many advisory firms and financial service companies believe it's worth the effort.

Sontag Advisory and Bronfman Rothschild became Wealthspire Advisors after a merger; Laird Norton Wealth Management's alliance with Wetherby Asset Management produced LNW; Advisor Group is now known as Osaic and the many RIAs bought by CI Financial are now branded as Corient.

The fintech firm Riskalyze is now branded as Nitrogen and the custodian Innovayte was until recently known as Equity Advisor Solutions.

"You have to have a good reason to rebrand," says marketing consultant April Rudin. "It can't just be on a whim. If you're rebranding, it means you're giving up brand equity you've probably spent years building up and you have to start all over again."

The expense and distraction of rebranding are also considerable, warns Marie Swift, CEO of marketing firm Impact Communications.

"You're spending money and maybe taking time away from working with clients," Swift explains. "Rebranding means redesigning your website and reviewing every piece of marketing collateral. Unless you're an old, stodgy

SO WHY SHOULD AN RIA REBRAND?

The need for a new identity after a merger or acquisition is the most frequently cited reason. Firms may also want to reposition themselves in the market, more clearly differentiate themselves from the competition, project a more contemporary image or establish a more emotional connection with their target market.

"Done properly, a rebrand is a major inflection point in the growth of a firm," says Mike Yoffie, co-founder of the San Francisco-based branding firm BigMouth. A thoughtful rebrand transforms the firm's identity from grey and unengaging to clear and charismatic. It clarifies the firm's values and mission. And it creates a distinct, empathic brand personality that attracts the right prospects."

Following the merger of Sontag and Bronfman Rothschild in 2019, the RIA, which is owned by the financial services and insurance broker NFP, wanted to establish a brand that reflected the firm's "new stage of evolution" and also "communicated to our audience what we stood for," says Wealthspire CEO Mike LaMena.

The firm hired the branding and marketing agency Grafik and began a discovery phase that included asking company stakeholders, including employees, what they were passionate about and how they defined the RIA's core values. "It was really important for us that every single person had input," says Wealthspire president and COO Eric Sontag.

After taking into account how stakeholders defined the firm's attributes, services, culture and personality, company executives and Grafik reviewed a list of potential names, which were then vetted for criteria such as intellectual property considerations and URL domain name availability.

"Wealthspire" was chosen as the best representation of a firm that was both "led by financial planning" and reflected clients' aspirations for "a life of purpose, meaning and fulfillment," LaMena says.

Five years later, Wealthspire is seen as a rebranding success story.

Outside marketers like Swift praise Wealthspire for "combining wealth and inspiration to evoke a feeling and is also a brand promise." Internally, employees have responded positively and like to wear "high-quality swag" with the company logo, says Sontag. "There's a commonly shared identity that's very validating," LaMena adds.

LNW is the latest example of a post-merger RIA rebrand.

After merging with Wetherby Asset Management in 2022, Laird Norton wanted to "signal something new" and "maintain brand equity," says Erin

“Your visual identity is part of your brand and should convey what’s unique about your firm. Don’t use stock photos or images of a lighthouse, compass, or chess pieces. Advisors always tell people to use fiduciaries; they should take their own advice and hire a professional design firm.”

April Rudin, founder and president, The Rudin Group

Moyer, the firm's managing director and marketing communications head.

Laird Norton sent out a request for a proposal to work on the rebranding. After interviewing six candidates selected BigMouth, which had already helped over a dozen RIAs rebrand, including Friedman & Associates, which, after a merger with Salient Wealth Management, became Private Ocean.

“BigMouth came to us through a referral, and we liked that they were familiar with the industry and could pick up nuances others couldn’t,” Moyer says.

Employees, advisors, clients, centers of influence and stakeholders were all interviewed. “We worked from the inside out, from what a firm thinks they are to how clients perceive them,” says Yoffie. “That’s how you get to the emotional core.”

While settling on LNW as the new name was “rather obvious,” Moyer acknowledges, it nonetheless “crystalized what mattered to people across the board. It honors the organization’s history and continuity but also shows forward movement.”

LNW also designed a new logo and reviewed its core messaging and market positioning. After two years of what Moyer describes as a “very deliberate” process, the rebrand debuted in March. It’s tempting to move quickly,” she adds, “but my advice is don’t rush the process.”

Rebranding doesn’t always include a new name.

After its branding review, Sentinel Group decided to keep its name but revamp its logo and messaging.

The old logo was too long and “didn’t connect the dots,” says Angelique Schena, Sentinel’s director of marketing. The financial services firm wanted to determine why prospects chose Sentinel and what clients’ pain points were, Schena says.

After hiring Salesbrain, a “neuromarketing” agency, Sentinel determined that a logo with three distinctive check marks best expressed its strengths in delivering health, wealth and retirement benefits.

“We took what was complicated and created a message to reintroduce ourselves to the world and create demand in the marketplace,” Schena says. “We needed to build a case internally and get everyone on the same page. It took some convincing and was a long and tedious process, but worth it in the end.”

Unlike Schena and LaMena, however, Yoffie believes rebranding can involve too many cooks in the kitchen.

“There are no statues to committees,” he says. “You have to have one decision-maker with a strong personality. Otherwise, everything gets diluted. You can’t appease everyone.”

When considering rebranding, advisory firms should make sure there isn’t a disconnect between how they are seen externally and “who you are internally,” says Kelly Waltrich, CEO of the marketing firm Intention.ly, vendors of Advisor Brand Builder.

After conducting brand equity research, firms need to bring stakeholders together, establish measurable goals, ensure the public understands the products and services behind the brand and constantly communicate with clients, says Waltrich, the former chief marketing officer at Orion.

It’s also critical for RIAs to emphasize what makes their firm unique.

“Leverage your points of difference,” Rudin says. “Rebranding should reflect your firm’s personality, brand promise and services.” To prospects, “all financial firms look the same,” Yoffie says. “But if you dig deeper, each firm is unique, whether it’s their people, services or personality. You want to tell that story with clarity and visceral impact.”

As for caveats, advisory firms need to vet any unintended consequences of a rebrand, says Waltrich. “Think through how the rebranding will be seen by clients, prospects and the industry. And make sure it doesn’t create any negative impressions.”

And avoid stereotypes, Rudin cautions.

“Your visual identity is part of your brand and should convey what’s unique about your firm,” she explains. Don’t use stock photos or images of a lighthouse, compass, or chess pieces. Advisors always tell people to use fiduciaries; they should take their own advice and hire a professional design firm.”

As important as visuals are, the firm’s name and message should come first when rebranding, according to Yoffie. “Naming is the hardest thing to do,” he explains. “You want to stand out in a very grey category.”

Images should support words, Swift says. “You want consumers to codify the brand internally, say it, feel it and remember it.”

ROBERT SOFIA

How financial advisors can create buzz

SULEMAN DIN

Creating "buzz" can sometimes be a very elusive concept.

Standing out can be both challenging and necessary; it takes strategic planning, creativity and engaging the right people to make a lasting impact.

I had the opportunity to sit down with Snappy Kraken's CEO, Robert Sofia who shared candid thoughts about what it truly takes to get people talking.

Sofia reflected on his own experiences, including creating the successful Jolt conference, and emphasizes that buzz is not something that can be manufactured out of thin air – it requires something truly noteworthy to get people talking.

SULEMAN DIN: Robert, you are, I think at this point, one of the self-styled and really recognized marketing gurus here in wealth management.

ROBERT SOFIA: Oh, guru, what a word, oh, man.

DIN: Well, with that beard.

SOFIA: You know, I was too baby-faced; I got to get a little respect here.

DIN: I've been talking to folks about marketing, and I wanted to ask you a question that I feel is really important for people to understand. A lot of folks think, 'We'll put something together, throw it out there and start pulling in the receipts,' right? But marketing doesn't work like that in the sense that if there isn't some appeal to that message, it's just not going to resonate with folks. So whether it resonates, maybe you call it generating buzz, it's a challenge. So how do you create buzz?

SOFIA: It's such a good question, everybody wants to create buzz. And there's so much to it, and nobody's ever asked me that question before. No, they really haven't, and I've never written about it. And I think if I'm telling the truth, I've probably never even thought about it. I don't think I have because I don't think of marketing in that way. I usually think of it as just getting the outcome I want.

But what's interesting about your question is that those great marketing outcomes are dramatically improved when you create buzz. So I'm going to probably dance around a bunch of different things because it's not super codified in my mind. But how do you where do you want me to start?

DIN: Well, how would you in your mind define buzz? The word gets thrown around a lot.

SOFIA: If I were to define buz, I would say it just means people are talking, people are anticipating, and you see that, and if you're not part of it, you want to be. FOMO [fear of missing out], right? That, to me, that's what buzz is, and there are a lot of ways to create it, but if you just think about that definition, you have to get people engaged. You can't create buzz by yourself unless you're a celebrity, and then you can just show up drinking a Coke and it creates buzz, but that's not most of us, right? So, self-styled promotion isn't buzz, and people usually see through that.

Real buzz is when other people are talking about it. To me, the first thing is you have got to get the right people engaged, and doing that requires that you have something worth talking about. You've been in journalism a long time, you'll get this.

I remember years ago I had some business partners who always wanted buzz, and they could never get it, and they told our PR company they weren't doing a good enough job creating buzz, and the PR company shot back. I'll never forget the conversation. They shot back, 'Well, maybe if you did something buzzworthy?' [Laughter] Well, they fired us as a client.

Anyways, the point is to be buzzworthy, if people are going to talk about something, it's got to be worth talking about. You can't just muster up buzz from nothing. This paper coffee cup is not buzzworthy, but if it was handmade ceramic, and I had made it for the conference, and it was Joel Bruckenstein's face, and on the back it said, Happy 20th, Joel, and I was kissing him on the cheek, that would go buzzy somewhere on the social media feed, and everybody would be shocked that I kissed Joel, and then he'd probably invite me up on stage, and I'd give him a kiss on the cheek, and then it'd be even more buzz.

Buzz is, you've got to get people talking.

DIN: The reason I ask is because you created Jolt [conference]. It didn't exist. The conference itself, I thought, was an example of creating really durable buzz in the industry. I'm just kind of curious, was there any kind of strategy as you created that? How am I going to get people hooked? How am I going to get people really engaged to come to something that didn't exist before?

SOFIA: The ability to pull that off was absolutely contingent upon creating buzz. So, first principles, number one, it had to be something new. If Jolt was a Snappy Kraken conference, which by the way, in this first iteration, we were going to call it SnappyCon, the immediate assumption would have been, well, I don't want to go hear about Snappy Kraken. That's not going to be buzzworthy, right? So, no, it was going to be something new. So we're going to have a marketing and creativity conference – marketing, branding, growth, creativity – the only one in the space that's never been done before.

"To me, the first thing is you have got to get the right people engaged, and doing that requires that you have something worth talking about."

So that's one. Wow, this is new and worth talking about. People come up to you; they're going to ask you [Suleman] why you have a cast on your leg, right? It's worth talking about, and it's new. Hey, he doesn't usually have that cast on it. So newness. By the way, I'm going to just say that something doesn't have to be completely new. It's just to be positioned in a new way. That's another key thing about it. So, it sounds new. So, that's number one.

Number two, we had to involve the right people. So I was very intentional about who I included in Jolt, who I invited on stage, who I gave free passes to, because I wanted people who had reach to be profiled. And it made sense because we're a marketing conference to have those people there. I invested in getting the right publications there where I could. Then I made sure that the right introductions were made so the right content would be there. Even incentivized people to reach out.

I didn't do it at this conference, but I thought about, before my presentation, saying, look, everybody, during my presentation, find something you like, post it on social, and whoever gets the most likes or clicks on their content, I'm gonna give you a hundred bucks. Now, I didn't do it. But that's a little small example of getting the right people engaged to create the buzz for you.

DIN: So much of it, is in the planning, right? And that's really hard. I mean, I've had a conversation with Daniel Crosby about his Diet Coke viral moment. It is sometimes like trying to catch lightning in a bottle, but oftentimes, it's just planning and planning and planning before execution, to your point, that creates something memorable.

SOFIA: It is, but it doesn't always work still. And for all the buzz-worthy things that we've done at Snappy Kraken, there's an equal amount that we thought were gonna create buzz that didn't. And that's another interesting thing. Your perspective on what's gonna actually be buzzy is not always accurate. I probably sound ridiculous saying buzzy, but, it just seems right.

DIN: You can blame me for putting that word in your mouth. But, were there any kind of lessons? When things didn't work out, were you able to spot why when you did the post-mortem?

SOFIA: Sometimes, and it's for different reasons. I think creativity is just essential for this because if you strip everything away, when something is not new or novel, people don't wanna talk about it anymore.

That's why things spike in the news for a while; there are trends, and then it tapers off. So, you have to be creative enough to keep coming up with ideas, new creative angles, creative ways of approaching things, packaging things, and if you keep that, that's really the biggest lesson. Like, we tried that, it didn't work, we're going to be creative and we're going to try something else. And if you persist in that, you eventually will hit on things that will create buzz, especially if you get them in front of the right people.

I'll give you an example: we just released our state of digital report. We've done one several years in a row, so it's old news. It's just data. But, what are we going to do that's different this time? So, we packaged it up in new ways. We made a mini version of it; we incorporated it into our presentations, and we did an early release to the media to start talking about it. We started doing a save-the-date post for it. We packaged it as the largest and most comprehensive data analysis of financial advisor marketing of all time. A quarter of a billion data points. Nobody else has ever been able to look at this much marketing insight in one place, a quarter of a billion data points. So now it's like, whoa, a quarter of a billion data points. There's never been anything that big. That's creating buzz.

DIN: Let me ask you this question – and this might tick people off.

SOFIA: It'll definitely tick me off.

DIN: A lot of folks, they're like, hey, I'm not a marketing guru, I need to reach out to a third-party service for help with that. But, with compliance demands – do you think because of the nature of wealth management and how you have to be so measured in the way you communicate that it prevents a lot of people from actually ever achieving that kind of buzzworthiness? And there's an overreliance on third parties to the point where you're not speaking your truth, right? It's been filtered through several different phases before it gets out.

"I think creativity is just essential for this because if you strip everything away, when something is not new or novel, people don't wanna talk about it anymore."

SOFIA: It's true in some firms where they're restrictive and where they absolutely don't allow advisors to do things. But, that's not true of most. It's definitely not true of the independent channel. It's not true of the marketing departments. It's really a self-imposed limitation and I know that because I used to run a practice. We did a ton of marketing. We created buzz in the community. We would do quarterly charity events in our community. We did golf tournaments. We did concerts. We did movies in the park. We did it all for charity. We got local businesses involved. We got local people involved. We created buzz all the time. We did it all in a compliant way.

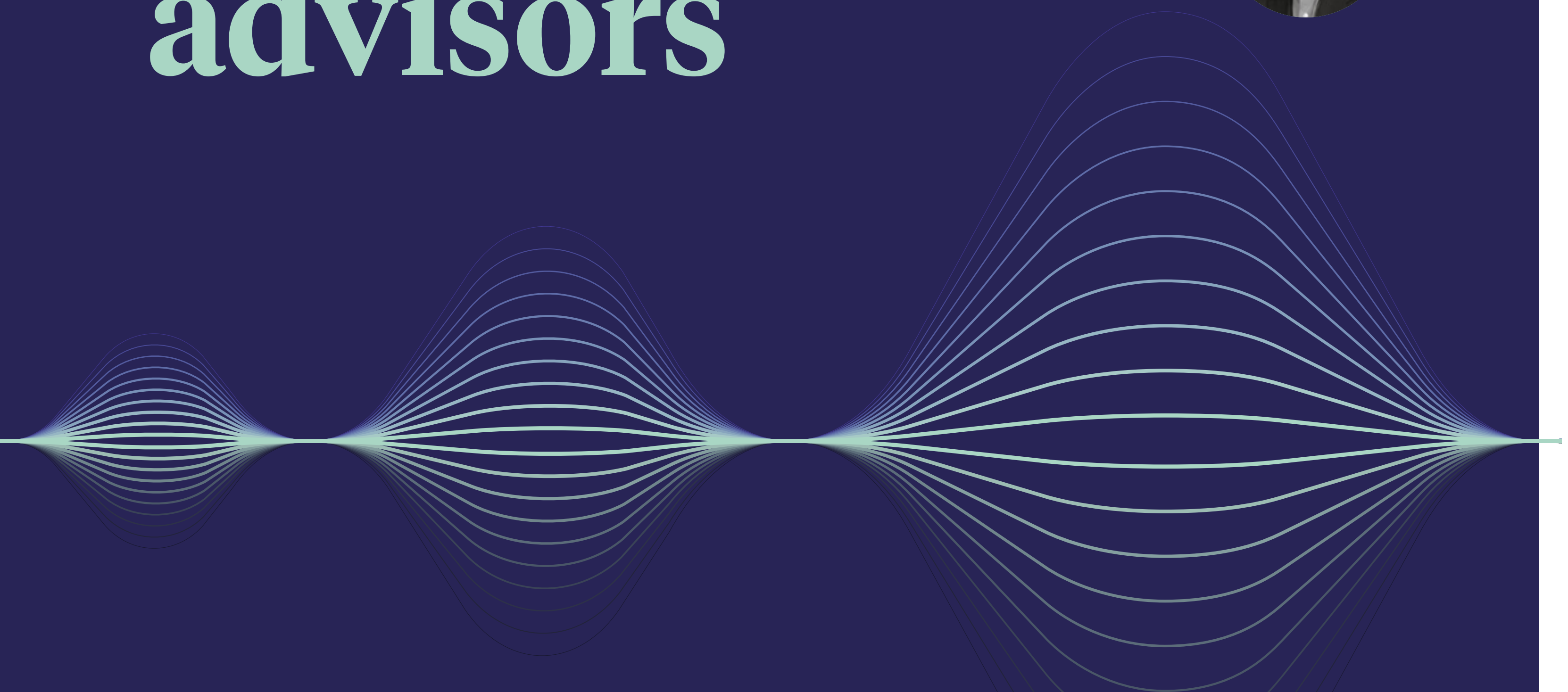
So, it's not truly limiting. I think people think they can't. And that is a cop out for them not to try. But, if you are committed to it, then you find creative approaches. You get the right people involved and you can go create a buzz. Absolutely, you can.

DIN: Robert, thank you so much for taking a couple of minutes to answer these questions. I'm glad that I asked you a question that you haven't been asked before. That's buzzworthy.

SOFIA: There you go. Let's create some buzz with this. What are we doing here? Fistbump? Handshake?

The power of podcasting for financial advisors

CHARLES PAIKERT



Why should financial advisors consider doing a podcast?

First and foremost, it's a great way to reach a target market of prospective clients, using a medium that forges a uniquely intimate connection with the listener and is relatively inexpensive.

"A podcast is a remarkably effective medium for starting and building relationships," says Michael Kitces, co-founder of the XY Planning Network and publisher of the Kitces Report. It's unique because it's so intimate. The audience is likely listening to you while doing something they enjoy, and they feel like they get to know you as a person."

For Tim Regan, founder of Prairie View Wealth Partners, recognition and credibility have been the primary benefits of the bi-monthly "Retirement Readiness" podcast the firm has been doing for the past two years.

"People get to know you before they even pick up the phone," Regan says. "If an existing client recommends you to someone, that person can check you out on the podcast, so they already have a sense of who you are before you meet them in person." Podcasts have also helped John Walker, regional vice president for Mercer Advisors in Havertown, Pennsylvania, fortify client retention.

"It's been a wonderful way to communicate with clients without having meetings," says Walker, whose "Your Life, Your Wealth" podcast has been on for six years. "Clients hear your voice, your message and your perspective. They feel connected without sapping the advisor's time."

> "For every dollar you spend, you're getting almost a dollar back in new revenue. Considering the average client sticks around for around 20 years, getting an additional dollar in revenue for 20 years on the dollar you spent initially is a really great return."
>
> Michael Kitces
> Co-founder, XY Planning Network

WHAT ABOUT RETURN ON INVESTMENT?

Some advisors view podcasting as a brand-building component of their marketing budget, while others use podcasts explicitly for lead generation.

Benjamin Brandt, for example, only accepts regular listeners of his "Retirement Starts Today" podcast as new clients.

"They're going to be qualified prospects," Brandt says. "They already know us. If someone hears a podcast and doesn't like it, they won't call, which is fine. If they like what they hear, they can usually finish my sentences, so we're on the same page."

Not only are unqualified leads filtered out, Brandt adds, but onboarding new clients is also easier because they're already familiar with the firm's strategies and don't need as much initial prep work.

Based in Carmel, Indiana, Adam Cmejla's Integrated Planning & Wealth Management firm only works with optometrists. His podcast, "20/20 Money," only discusses topics of interest to that market and is, Cmejla says, "the number one driver of new relationships."

However, Walker cautions that podcasts can take several years to attract new clients. "We see podcasts more as a way to build our brand and let people know how we think and work," he says. Podcasts don't generate immediate results. It could be two years before someone reaches out."

Sidney Snyder, digital media manager for Three Crowns, an Omaha-based marketing firm, agrees, comparing podcasting to the "drip/nurture" strategy commonly used for email marketing.

"You want to get in front of prospects and then send them content that will interest and engage them over time without bombarding them," Snyder explains. "Podcasting is playing a long game."

But it can ultimately pay off handsomely, according to Kitces, a podcaster himself.

Preliminary analysis of a survey done by Kitces Research on Advisor Marketing, set to be released later this year, shows "improving results for attracting clients" as advisor use of podcasting proliferates.

The "marketing efficiency ratio" for podcasts appears to be very favorable, Kitces says.

"For every dollar you spend [on podcasting], you're getting almost a dollar back in new revenue," he says. "Considering the average client sticks around for around 20 years, getting an additional dollar in revenue for 20 years on the dollar you spent initially is really great return."

HOW CAN ADVISORS GET STARTED?

Advisors who are experienced podcasters say colleagues who are considering jumping in need to define their audience and be able to provide it with specialized content; find out if they enjoy podcasting and, if so, commit to the process and produce shows consistently.

"You need to get in front of an ideal client, get clear on who they are and find out what they care about," says Kitces. Finding a niche is critical, says Brandt, who focuses strictly on retirement issues. "You have to create content that says 'Here's why I'm different,'" he explains. "Drill down. You want to be a half-mile wide and ten miles deep."

Advisors have to honestly assess whether they like talking for long stretches, either delivering a monologue or having a conversation with a guest, says Cmejla.

"Find out if you actually like doing it," he says. "Get behind the microphone and hit record. Don't worry about equipment, production or editing; just record. Get 10 or 12 episodes in the queue, then decide if it's for you. If you're not ready to do episode 100, don't release episode one."

CONTENT

It has to be good, specific to your target market, and you need to be the expert. Over two million podcasts are being produced, including hundreds by financial advisors. You need to stand out.

Don't talk about a general, evergreen financial planning topic like the pros and cons of a Roth IRA. For example, if you're targeting pharmacists, they're much more likely to be interested in the details of restricted stock vesting in CVS' benefits package.

The most common mistake beginners make is trying to be the next Joe Rogan, says Cmejla. Instead, advisors should narrow their lens. "The narrower I took my ideal listener avatar," he explains, "the easier content creation became."

When creating content, start with your current clients. What are they asking you about? What are their pain points? Survey them and review notes from client meetings. Google searches, industry journals, conferences and topics that recur on social media are good sources for material and guests.

PRESENTATION

Above all, you need to be comfortable and then find a balance between being casual, conversational and authoritative.

A podcast is like meeting someone at a party who shows an interest in your area of expertise. The conversation should be friendly and informative, not a hard-core sales pitch. If the person you've met is considering becoming a client, they know where to find you.

"We intentionally try not to be sales-y," says Walker. "If it's evident to the listener you're trying to get something from them, it doesn't land well."

One way Walker avoids coming off as a salesman is by not using the word "client" on the podcast, instead saying "people we work with."

Regan co-hosts "Retirement Readiness" with his sister and strives to give the podcast the feel of a family conversation. "Be authentic and have fun," he says. "If you do, it will be contagious and attract like-minded people."

PRODUCTION AND EQUIPMENT

You can either produce the podcast yourself, use an in-house or independent producer or hire a third-party marketing/production firm.

DIY isn't optimal, but it is sufficient to get started. Regan said he began doing his podcast with a tripod and an iPhone. "Cost can be nearly free if you do everything yourself," says Brandt.

The next step is to invest in basic equipment in addition to your computer: a good microphone, headphones, a mini recording deck, an audio processor, editing software, a USB connector, a SIM card and a Zoom subscription to connect with and record guests.

Costs vary but shouldn't be more than several thousand dollars initially. "Money isn't the issue," says Brandt. "Barrier to entry for podcasting is low and getting lower."

However, once a podcast is up and running and has quality professional production, advisors can expect to pay around $11,000 a year or more. Cmejla hires an independent contractor and records "20/20 Vision" in batches around eight times a year using Riverside.FM, an online studio. His producer for the podcast, which is released weekly, is his "number one accountability partner" and handles all recording, editing and post-production work.

Regan rents a soundproof space to record and uses Three Crowns to handle production and marketing. Three Crowns charges firms a $3,500 fee to get started and work on content, coaching, best practices and studio set-up, says Sidney. The ongoing monthly fee includes production, show notes, blogging and marketing and varies depending on the level of service.

Editing the raw podcasting audio is critical. Adobe Audition, a monthly subscription software, is popular, but free online editing software options are also available.

Editing includes trimming content when necessary, ensuring continuity, and, most importantly, "reviewing literally every syllable of the spoken content for a smooth and completely clean presentation," says Ed Palladino, the independent producer-engineer for "Your Life, Your Wealth." "It is not uncommon for me to make 200 to 300 edits in a 30-minute podcast."

DISTRIBUTION

Hosting platforms such as Storyboard, SoundCloud, Libsyn, Castos and Buzzsprout provide storage and distribution services for podcast audio files.

Once the podcast RSS feed is created and approved, it can be uploaded on major podcast distribution networks including Spotify, Apple Podcasts, Stitcher, Google Podcasts, Pandora, Amazon Music/Audible and iHeartRadio.

PROMOTION

Start with your website, newsletters and blog posts. Post a description of the podcast and links on social media. Find like-minded cohorts. Brandt, for example, is part of the Retirement Podcast Network. Mention similar podcasts, experts, blogs and newsletters in your show notes, and they will likely mention your podcast to their readers or listeners.

You can also pay for advertising and buy email lists, but most advisors with successful podcasts find they don't have to. Algorithms and word of mouth work best.

METRICS

Numero uno: How many prospects come to your firm after listening to the podcast?

The number of times the podcast is downloaded is a primary indicator of listener interest. Average listening time, the number of comments, shares and reviews measure listener engagement. Social media mentions and subscription growth are also valuable metrics.

If you're directing listeners to a website or prompting them to perform a specific action, tracking conversions is crucial to measuring the effectiveness of those calls to action.

Remember that it's a long game: "If you want new clients by the end of the year," warns Brandt, "don't do a podcast." But if you're willing to produce quality podcasts consistently year after year, says Cmejla, "the lifetime value of the clients you will acquire is high."

ROBERT STEINBERG

Growing your financial advisory firm

SULEMAN DIN

My favorite thing about T3 is talking to various industry leaders and advisors about their successful business practices.

One of the pillars of *Action!* magazine is operational effectiveness, we seek out wealth management leaders to learn what is working for their firms and tell their stories.

Last year at T3, I caught up with Robert Steinberg, the founder and wealth manager of Blue Chip Partners in Farmington Hills, Michigan. He shared stories about his firm's road to successful growth.

SULEMAN DIN: Hello, and welcome. Thank you for joining us again today. I'm about to have a conversation with Robert Steinberg, CEO and founder of Blue Chip Partners out of Michigan. Robert, thank you for joining me again.

We recently featured your firm and a couple of other firms talking about how firms can think about their budgeting and their spending because it's very interesting. Despite what we've seen in the market, a lot of wealth management firms are actually increasing their spending on marketing and hiring. I really want to get sort of a little more deeper with you how Blue Chip is working in this market and continuing to expand your presence in the market and the number of people working for you.

STEINBERG: We basically have undergone a concentrated program to continue to grow the firm. What you're seeing a lot in the industry are firms making the decision to sell to bigger consolidators. We've been approached many times, and we just made a decision, that's not a path we want to go. So, if you're going to stay independent, you need to add COOs, you need to have a director of investments, and you need to build out your portfolio reporting and management team. So, we've made a number of hires along those lines with the idea of, we're going to continue to grow. And as we proceeded through there, what we really realized is one of the paths for growth is going to be acquisition of advisors very close to retirement. What we've done is basically built out a second level of financial advisors, not looking to hire people right out of school, but looking to hire people with excellent professional experience. For instance, someone that has a CPA we brought in, we brought in somebody with a master's in finance and somebody else who basically did mortgage-backed security. The idea is trying to build out that second generation, so as we get these senior advisors close to retirement, we can bring these juniors to work with their clients and then gradually transition to them. We're like a baseball team building a bench, you know, building a farm team, but we're only looking to have the “A” player. So you have to make an investment – because to get the real good people and train them costs a little bit more than others. Costco has always been one of the corporations that I admired and they always pay their people a little bit more. But if you go into a Costco, you see those people are there year after year. At Blue Chip we’re at 25 people, and to date, we've only had one person leave and go to a competitor. So we've done a pretty good job of hiring really good people and keeping them – which is the lifeblood of a business. Because if you're trying to train somebody continually, clients don't like it, firms don’t like it.

DIN: So, if you're going through a cycle of that – then it's like disruption, interruption and then maybe growth not being achieved the way you want it to.

STEINBERG: Exactly.

DIN: It's interesting, though, your strategy is two-pronged – buying a book of business, but also getting the right person that can pick up that book of business.

STEINBERG: Right, exactly. If you're someone that's closer to retirement, typically, we're not targeting the big firms. We'll leave that to the big players. But, we're targeting people from maybe $50 million-dollar practice to $350-$400 million-type of a practice. From that standpoint, one of their big concerns – they've grown up with their clients – who will take care of their clients. That's so important to them. So, not only can we say that we will take care of them, but we can actually pick and choose which advisor may work well with the best client. So, not just having one advisor step in, but maybe you have some clients that are really liberal that a liberal advisor might be better than somebody really conservative, or somebody that has a certain interest, a business owner, taxes. However, it really provides the best opportunity to create a good match for the future advisor and the client.

DIN: Now, these advisors that are kind of that you're working with to help them transition, these ones that you're hiring, have they had kind of like books of business like this before?

STEINBERG: No, so really, what we're doing is that we're focusing on the senior advisors who are closer to retirement and that the second level advisor of who we focused on is just finding talent. We use a kind of employee testing software that has been very, very helpful in helping us identify talent. The idea is once we have talent, then we'll work with the talent to train them to be an advisor. In sports, I'd say you draft the best player available, what we're really targeting to do not as much focused on experience – although we'd love to have experience – but much more character and fit what we want and an advisor for Blue Chip, and long as you do then then we feel like we have the quality and depth of staff to train people.

“Part of interviewing, part of talking to people – is this someone who has a passion for what they do? What you're trying to decide is does this person have the skill for the role, and are they hungry?

Robert Steinberg
Founder & Wealth Manager,
Blue Chip Partners

DIN: Is this just gut intuition about this? Is this somebody who's gonna like really do well with this?

STEINBERG: Oh, yeah, I mean, I was just at a Blackstone summit this last week and Grant Hill, former Detroit Pistons forward spoke and he said a line that will stay with me forever, he said, “You can't teach hungry.” Part of interviewing, part of talking to people – is this someone who has a passion for what they do? Is this somebody who really wants to continue to improve and who takes pride in the service? As the guy who is doing most of the hiring between using this testing service, talking with them individually, having them talk with our entire team. What you're trying to decide is does this person have the skill for the role? And as long as they do have the skills for the role – are they hungry? Is this somebody that really wants to compete and be an “A” player because, you know, we're willing to compensate people to be “A” players – that's where what we are focused on hiring.

DIN: This second-level advisor – what's different in their skill set than say the older advisors that you're transitioning out of their books of business to these younger guys?

STEINBERG: That's actually a great question because the world's changed. I mean, before, when you got in this business, you called your friends and family, you kind of built client by client by client. Now, what's happening is there are advisors that are more senior, that are now looking for people to take care of their clients. So the skill of being a business developer, while always rewarded, isn't as essential for providing a high level of technical and relationship-building experience. You're much more looking at someone who can nurture a relationship versus someone who can go find it. Over time, if they're good nurturers, they will get referrals, they will gradually build their network. But in the olden days, I mean, you started out, it was a funnel, and only a few people survived because you had to generate your own book and build your own book. That's not really what's happening now – it's much more about trying to find people who can provide a high level of service to an existing book of business.

DIN: Is there some element though, when you're doing that analysis of how well they connect to that younger client? Or maybe that next generation in that book of business? That wasn't as connected to the previous advisor.

STEINBERG: We look at it client by client. So for the senior advisor who's looking to transition out maybe one to five years, we're trying to figure out for this individual client, what do they like? What are their interests? What did they do? Then if we have three different choices of somebody that we may be able to put on there, we may have somebody more senior also. Like our CPA, she's got about five years experience since college – she was valedictorian of her high school – so very sharp. We also have another gentleman who got his master's from U of M. We have some really sharp, sharp people. But it's more about trying to figure out who is the right person to work with the individual. We have a senior advisor who's been around for many years, just transitioned from being our Chief Operating and Chief Compliance Officer to being an advisor, and he knows the business cold and has been in the business for many, many years. When you're having these relationships, who do we match the client with that's going to provide the best level of service for them?

DIN: Yeah, I'm really interested in understanding that pairing – do you have any advice on how to make that actually work on a one-to-one? If you come from one way of doing business, and you've built up a book of business, now you're gonna hand it off. I'm sure there are questions and doubts. Sort of like this clash of “I did it this way.” Do you have any kind of advice on the kind of things that you guys have learned for how you pair these folks up successfully?

STEINBERG: Yeah, so that's another really, really good question. Because what ends up happening is we haven't had a circumstance where someone's doing a transition or leaving tomorrow. Yeah, so usually, it's a gradual type of transition where somebody is taking more and more of a lead role over a couple of years. But it's really getting down into the portfolios and a lot will depend on the individual portfolio, you know, and the kind of revisions that you may be making to the the portfolio. It's really more about just getting the client to see the benefits of multiple advisors, the ones that we have done so far, we're more single, you know, they kind of had their own shingle. And so clients have basically been able to see the benefits of working with a team. The first one we did was $25 million, and I think now we have $69 million in assets. And that deal might have been about five years ago, but clients had assets with other advisors, but because this was just a single operator. They didn't want to have all their eggs in one basket. What happens if something happens to him? Yeah. So we're able to kind of consolidate assets. With another advisor that we brought on, even though he's in a transition mode to leave, he's bringing on bigger clients now because it's not just him, he's got the strength of an organization to work with an expert. You know, we have CPAs, we have four CFA's, so we have a lot of different expertise, a couple of attorneys, so people that in-house can really help address specific problems that clients may have that it'd be difficult for one advisor to have that depth of knowledge. And so there's a big team effort of how we try to approach things.

DIN: I guess that final question, then, is for firms, can you replicate kind of what you're doing in terms of bringing those resources together? And as a strategy, even if they're not in-house? Or is it just easier to keep all these resources under one kind of set?

STEINBERG: To date, we really focus on keeping them in-house and just adding to our team. You know, one thing that we haven't done, but we've always debated – I don't know if we'll ever go down that road – but you'll see some of the bigger firms preparing taxes for clients. We have a few CPAs that we will refer clients to, but there could be some advantages of doing them in-house. At the same time, how many different services do you want to provide? And there's a lot of additional work and hiring that goes into the taxes because it's such a seasonal business. Different things like that – estate planning attorneys, we work closely with them – but we haven't brought them in-house, even though I practice as an estate planning attorney. It's more about trying to build that level of expertise. When you're working with that expert, someone is talking at the same level, and you're really having two problem solvers, one from the internal and one from the external.

DIN: Robert, thank you again for giving your time as always.

STEINBERG: Appreciate it. Nice seeing you. Thank you.

"Now, what's happening is there are advisors that are more senior, that are now looking for people to take care of their clients. So the skill of being a business developer, while always rewarded, isn't as essential for providing a high level of technical and relationship-building experience.

MIKE BYRNES

How to use your network for growth

SULEMAN DIN

In the world of financial advice, the pursuit of growth is a constant endeavor.

Whether you're a seasoned professional or just starting out, expanding your financial advisory practice requires a blend of strategic planning, client relationship management and continuous skill development.

In an earlier *Action!* magazine article, we took an in-depth look at the life cycle of a financial advisor - a career path that has its distinct stages, each with benchmarks and challenges.

One of the most imperative paths to growth is cultivating a strong referral network where satisfied clients refer friends, family and colleagues to your practice. Mike Byrnes of Byrnes Consulting believes this is one of the most important ways to grow your reach. I caught up with him to learn more.

SULEMAN DIN: Thank you so much, Mike, for joining us today. We really appreciated your comments and your insights that helped us get a better understanding of the career cycle that advisors go through. You had some thoughts for folks who are at that beginning point in their career where they're looking to expand their business and obviously meet new prospects and just generally grow. Could you talk a little bit about the importance of relying on networks and using that home base, if you will, to help get yourself going?

MIKE BYRNES: One of the most important things in a relationship with a prospect and an advisor is trust. Starting with your own network is wonderful because anytime you get a referral it's a transfer of trust, but if someone already knew you, that's a fantastic way to do it too. Another thing I would say early on is to build up your brand recognition and that could be getting PR and building up your expertise. The people in the press aren't always the smartest people in the world, but they, to the outside world because they've been published in a magazine, newspaper, on the radio, or on TV, whatever it might be, they just come across as experts and people naturally trust them even though they don't have a gigantic book of business yet.

DIN: What are the one or two things that folks can –especially in that early stage when they're trying to convince people to give them a boost – how would advise on how to approach someone for the first time and say, hey, I'm starting out, would love to get your help or your support, what are a couple of things that come to mind?

BYRNES: I wouldn't phrase it like that, "I love your help and support." The more needy you are the less likely people are going to want to work with you. They're going to feel something that's wrong there. I really say know your target market better than anyone else and then talk their language, how do they need help, why do they need help? Then talk about your expertise and how you can help them. Literally, if you don't have a target market in the beginning, it's hard to have one because I always make that analogy if you're starving and drive up to the drive-through menu at McDonald's or eat anything. People are like that. They'll take any type of client in the beginning, but over time you wanna gravitate to a certain type of prospect, a niche, whatever it might be and then you can speak their language. So for example, a widow, I'd love to be there so you don't have to go it alone. That type of language is way better than, "I really need your help to grow my business."

DIN: What's one or two pieces of advice – and I know you've been talking about this already – that you would suggest to folks who want to get started, particularly when they're talking to people, they have a target market in mind. What else would you suggest to them as advice from your experience that would say, get these things in the pipeline to get moving?

BYRNES: Thet more that you can research your clients, prospects and target market, the better you will be at servicing them, talking about them, which I just said, but also then customizing the message and everything. What keeps them up at night? What are the major services that they need? What are hurdles? Why have they left another advisor if they had a previous one before? The more you start to ask, the more you learn about them – what's their behavior, for example – the more you start to identify strategic alliances that you can partner with. Is there something that they do in their social life? Are they religious in some way? Are they charitable? What do they do for work?

It's not just about what their income is and what their wealth status is, their assets under management. The more you know, the more influential people you can figure out who can get you introduced. Again, that's a transfer of trust. And so a new person that doesn't have a gigantic business can do really well that way.

DIN: Mike, I wanted to take a moment to again thank you for your contributions to *Action!* magazine. We are really excited to have you as part of the community. I hope we can have you back as an expert for a future article that we will be running in the magazine.

BYRNES: I love it, anytime. Thanks for all you do, too.

DIN: No, thank you so much.

JOHN O'CONNELL

New service offerings for financial advisors

Financial advisors can leverage market trends, evolving client demands and technological advancements to target opportunities to create innovative service offerings.

These offerings can not only differentiate their practice but also add significant value to clients which is essential for sustaining growth and remaining competitive.

From personalized wealth management solutions to specialized advisory services tailored to niche markets, the opportunities for innovation are abundant. This gives advisors the opportunity to not only meet but exceed client expectations while positioning themselves as trusted partners in the client's financial journey.

The Oasis Group's John O'Connell shared with *Action!* magazine some tips for advisors on structuring their service offerings. I caught up with him to chat more about how firms must embrace a mindset of creativity, adaptability, and client-centricity to craft and implement innovative services that drive growth and enhance client satisfaction successfully.

SULEMAN DIN: Thank you so much for contributing to Action Magazine. I loved your insights. We had an article specifically from you that focused on creating new service offerings to attract that next-gen client. My first question to you is why that is important and why firms should think about creating new service offerings.

JOHN O'CONNELL: I think there are a couple of things you want to take into account. First, many firms have minimums. The reason is they provide a lot of services to their clients – tax planning, financial planning, and investment management. Some next-gen clients will not meet those minimums, but those next-gen clients may be the heirs of your current clients. Unfortunately, when they do pass away or they begin to transfer some of their wealth, probably at your advice.

How do you get in front of these next-gen clients and begin to create a relationship with them when they don't meet your minimums and it may not be profitable for you to do that? That's where I think going in with a financial planning fee or a financial coaching offering are really great ways to establish that relationship.

In a coaching offering, that could be at a lower dollar amount, where they just get to ask you questions about debt consolidation or saving for a home – some of the things that are on the minds of a next-gen investor. That doesn't require necessarily a full-on financial plan or they may not be able to afford a full-on financial plan. Offering that kind of coaching service I think is a really great opportunity.

Second, those who are maybe planning their family, starting a family, or buying a home want to figure out how they begin to build wealth and accumulate wealth even though they've got these debts, so to speak, with a mortgage and things like that – kids are expensive.

How do you do that? That's where having a financial plan that you put together with them and say, look, I'll do a financial plan for you, why don't you come back to me in a year or two and let's kind of catch up and see where you're at. You're essentially creating a drip campaign with them and getting paid to start that drip campaign by putting together a financial plan and then having them come back to you in a couple of years.

They're still on your mailing list, they were still getting information from you. You're still establishing that deeper relationship with them, but you're not doing it in a way that's not necessarily profitable to your firm.

DIN: Thank you, John. Anyone who picks up this article in the magazine will see your piece and all the different steps and rationale behind putting together a good service offering. But for anybody who's inspired, if you could offer them one quick tip – how could they get started or what should they be thinking of if they want to start new service offerings? What kind of advice would you provide for them just to get that ball rolling?

O'CONNELL: I would say take a look at your current client base. If your current client base is moving more and more toward their distribution years, have a conversation with your top six clients. Say to them, listen, if I had this kind of offering, would you think that your children, your grandchildren or maybe your extended family would be interested in something like that? I think that's a really great place to start. You'll be surprised how many of your top clients might pay for the service for their kids.

And that's what we find more often than not – some of your higher net worth clients will say, you know what, I believe in financial advice, I want my children to have that, even if they're not necessarily going to pay for it.

So, offering that and then having that conversation, I think you'll be very surprised about how many of your top clients will say yes. And now you've already created your pipeline without having to market a thing.

DIN: John, thank you so much for contributing to Action Magazine and lending your expertise. I look forward to having more of your insights for the Action community in the near future.

O'CONNELL: Thank you so much, Suleman.

IRENE GIMAN

Building a culture of volunteerism at your RIA firm

SULEMAN DIN

Cultivating a culture of volunteerism can serve as a powerful differentiator in the competitive wealth management industry. Beyond the bottom line, engaging in community service not only enriches the lives of those served but also fosters a sense of purpose and fulfillment among team members.

In a recent *Action!* magazine article, we profiled RTD Financial, one RIA firm that is building a culture where giving back is not only encouraged but embraced as an integral part of the company ethos.

I caught up with Irene Giman, Senior Financial Planner with RTD Financial, and she expanded on how embracing volunteerism has elevated her firm's impact – from enhancing employee morale to strengthening client relationships and bolstering brand reputation.

SULEMAN DIN: Why is it important for firms to invest time and resources into creating a culture of volunteerism at their firm?

IRENE GIMAN: Well, it brings the employees together, we become a community. Here we are the RTD community, going out into our extended community, into the Philadelphia community. It's wonderful – it's a way of bringing people together. Then, of course, there is the feel-good about going out into the community and helping.

"It brings the employees together, we become a community. It's a way of bringing people together and serving – there is the feel-good about going out into the community and helping."

Irene Giman
Senior Financial Planner. RTD Financial

DIN: What about a firm that isn't in a big city that has a need, like Philadelphia, but they're in their own community? What's the rationale that you would explain to them? Obviously, the bigger the city, there are more needs, there are more opportunities to volunteer. For a firm that's not situated in an urban area – but thinking about volunteerism – what's the benefit for them?

GIMAN: There are benefits to the community, but there's the benefit to the firm too – of bringing people together and working for something together that's outside of just themselves. There's a tremendous benefit to that. You don't have to be in a city. There are needs in small towns. Even if it's not the local community, there are things that you can do together – whether it's packing care packages for the troops overseas – it can be things you do together, that maybe is serving outside the community. Please find me a town that doesn't have some sort of need, that would be wonderful, and then we can duplicate it everywhere.

DIN: What's one actionable tip for the readers who pick up this issue and see that checklist, they see the story about RTD and its volunteerism, and they're like, 'Hey, I want to do that, I want to kind of get into that too."

GIMAN: I think the most important thing to do is have it go firmwide – so that every employee has a voice and can say what's important to them. That's where you start getting your buy-in. When you have the employee buy-in, there's meaning involved, people are doing it and really feeling something good about it and wanting to do it. As opposed to, "Yeah, this is what we got to do."

DIN: Any other tips that you would offer to someone who is beginning a volunteer culture out and wants more of that buy-in?

GIMAN: It does have to be determined at the leadership level whether this is a "time thing," a "money thing" or both. And then put somebody in charge of running it – maybe not the owner of the company or the CEO of the company – but somebody else who can start getting that input from other people. But that decision does have to be made at the leadership level, whether we're willing to give time or money. What we're doing in RTD now is that you get a paid day off, a day of service. So if you're participating in these events that we're putting together it's on company time. And maybe you can't participate, maybe you're too busy, something's going on or it's not speaking to you, but you're able to do something else on a weekend. You can get a day off and make up for it during the week, which is wonderful.

CHARLES PAIKERT

ADDRESSING ADVISOR TRAINING CHALLENGES

Effective solutions for financial professionals

Advisor training – or lack thereof – has become a flashpoint for the wealth management business.

"The problem," says industry veteran Ray Sclafani, CEO of ClientWise, "is that when it comes to professional development, advisors are too often on their own."

The good news is that steps are being taken to address the issue.

An increasing number of colleges and universities offer graduate programs for financial planning, including internships. The Financial Planning Association has a residency program to help next-gen advisors learn the business and offers access to Carson Coaching online. The CFP Board sponsors internship and workforce development programs. The Investments & Wealth Institute, formerly known as IMCA, is beefing up its certification programs to advance advisory skills and several firms have begun reimbursing advisors for the cost of the programs.

Advisors who enroll in Charles Schwab's executive leadership program receive five ten-week courses in leadership, innovation, talent management marketing and entrepreneurship.

Hightower Advisors has also implemented education and training for next-gen advisors. The RIA's two-year certificate program emphasizes strategic decision-making using simulations for team dynamics, operations decisions, equity structures and organic growth. Third-party and online programs have emerged as another training option for advisors.

Sclafani's ClientWise offers online training in business expertise, sales, leadership, financial products, compliance and relationship management. Advisor Roadmap is another online advisor training program and well-known industry guru Michael Kitces is building out a series of online "Advisor MasterClass Courses" at Kitces.com, beginning with skill-building classes on document reviews and specialized retirement planning.

Matson Money offers a year-long training program focusing on investment fundamentals, business expertise, marketing and branding and leadership skills that culminates in an intensive in-person two-day seminar onsite in Scottsdale, Arizona.

The Ensemble Practice's G2 Leadership Institute attracts advisors preparing to assume leadership roles and emphasizes hands-on training simulating real-world applications.

Advisors work in teams of five or six with industry executives over two years to create a strategic business plan and organizational structure for a hypothetical RIA and set management priorities and a compensation plan.

Program participants then create a growth plan incorporating business development, marketing, branding, prospecting and referrals. They must also evaluate potential mergers and acquisitions, analyze deal structures and review the firm's equity structure and valuation.

Practical applications of the simulations are critical, says Ensemble CEO Philip Palaveev. "If you're taking a class to learn how to drive a car, you can't just learn in a classroom," Palaveev explains. "You have to have access to a car. You can't learn to box by watching YouTube. You have to get into the ring. Otherwise, you're wasting your time."

While the basic skills of financial planning, portfolio management and business operations are important, Palaveev believes they are over-emphasized in too many training programs at the expense of leadership skills.

"Running a high-quality RIA has become more like coaching an NBA team where you have a lot of highly compensated stars," Palaveev says. "You can't scream at players the way you would with a college track and field team. You have to skillfully manage egos and get stars to work collaboratively."

The G2 Leadership program's case studies, simulations, benchmarking and feedback from experienced executives proved to be applicable to her real job, says Lauren Oschman, CEO of Nashville-based Vestia Wealth Advisors. "I learned what's important to focus on, ask good questions and think more critically about my firm and where we need to think differently," Oschman says.

The program's alumni network was "an unexpected benefit," she adds. "If I have an issue, I can call another alumni who has made the same mistakes. That support has been invaluable and I continue to learn past the program. It's the number one reason I would recommend it for mid-sized firms."

While internal training programs at advisory firms are lagging, an increasing number of RIAs are beginning to step up.

California-based Halbert Hargrove uses the online Sandler Sales System for sales training but has an internal program to train for specific roles and learn firm culture. Subject matter experts discuss investment and financial planning basics over Zoom and in person, and trainees engage in role-playing and shadow senior advisors and executives.

"The objective of training is to serve clients better and get to the root of issues," says chief operating officer Cecilia Williams. In the relationship training course, for example, employees are taught "to ask more probing questions" to better understand clients.

Halbert Hargrove also started a book club to reinforce the firm's culture and began a quarterly presentation of "Gladiator Stories," where advisors share stories of how they got things done for clients.

Shadowing Halbert advisors, even if on Zoom, helped Joshua Robbins make a "much easier transition" to becoming an associate wealth advisor.

Robbins saw how financial plans were built out, how account openings and money movement workflows were made and how to facilitate discovery calls. "A new employee instruction can read a manual on workflow," he says, "but that doesn't allow for any true real-time training."

As part of the program, other associate Halbert advisors would reach out to Robbins outside of a scheduled meeting and ask if he would like to see how they handle a particular client issue.

"I learned how to do various tasks, Robbins recalls, "but also learned how different advisors may tackle the same task, and what their thought process was."

Training at Morton Wealth in Calabasas, California, combines an internal "Admired Leadership Program" with learning management software. Leadership training stresses behavior and strategy, says Chief Operating Officer Stacey McKinnon, a graduate and current instructor at the G2 Leadership Institute.

McKinnon tells the story of one advisory firm CEO who consistently didn't hold the door open for other employees. Despite his considerable business skills, the CEO was eventually let go because employees felt his behavior reflected his lack of accountability and poor listening skills.

"We try to make clear who a leader is and what a leader does," she says. "You can't have a happy team without a good manager. And you can't deliver the best client experience without a happy team."

J.D. BRUCE

Career trajectories for financial advisors

SULEMAN DIN

Within the wealth management industry, career trajectories can often resemble a winding road rather than a straight path.

But amidst the clamor for constant growth and expansion, it's crucial to pause and reflect on what truly matters to you. Whether it's striving for exponential growth or opting for a more steady, sustainable model, the key lies in charting a course that resonates with your values and ambitions.

Every advisor should know there are many nuanced considerations of career progression – legacy building and finding fulfillment beyond the conventional pursuit of growth. So, ask yourself what goals you would like to achieve in your career. What's important to you?

Industry consultant J.D. Bruce, who is the former president of Abacus Wealth Partners, addressed this topic navigating the life cycle of a financial advisor. I had an opportunity to continue the insightful conversation.

Bruce, drawing from his extensive experience in financial planning, emphasizes the necessity of understanding one's endgame early on and the importance of aligning personal goals with professional aspirations.

SULEMAN DIN: What would you say is the importance of really understanding where you are in your career and how to make sure that you're cycling forward if you will?

J.D. BRUCE: There are lots of reasons that people might want to stay where they are. And they say, hey, I've reached a point where I make enough money, and I'm good. They don't need to grow necessarily. This hyper-focus on growth is great, but it isn't for everyone. Some people have different reasons for either starting their firm or working in a firm.

When I talk to firm owners, I'm like, okay, what's your end game? How big do you want to get? When do you want to stop? And let's make sure that any strategic plans you have around growth match up with your own personal goals. Otherwise, you're one of those financial planning clients that says, hey, I don't know what I want. And your advisor says, well, let's just make you more money. And that's not a really satisfying transaction now, is it?

DIN: It's not just about the material. I guess it's more – I hate to use the word – but there has to be a holistic sense of what it is that you want to achieve and where you want to go.

BRUCE: Well, you need to be able to navigate. Imagine you're planning a vacation with all your friends and you're like, let's go on vacation together, and you say, yeah, that sounds good. It's like, where do you want to go? Well, I don't know, we'll just figure it out as we go.

Well, that doesn't lead to a satisfying vacation, right? And the same way that if you're talking to your team as a firm owner, and you're telling everyone, hey, we want to grow, and I don't really know what it's going to look like, but it'll be great when we get there. That's not very motivating. You have to have that guiding star that you can follow. Now, the path isn't going to look like anything that you've planned for. It's going to be different than what you expected. And that's okay, as long as you're still moving toward whatever it is that you're moving toward.

Decide in advance, this is what we're moving toward. Are you going to sell your firm? Are you going to keep it forever until you retire? Are you going to make sure that your staff is able to buy your firm from you at some point? At some point, anyone who owns a firm won't own it at some point, right? That's just the nature of life itself. Someone will own your shares eventually. If you don't know who that is well in advance, it's probably going to be a worse outcome for everyone involved.

DIN: Is there a specific time that you would say that folks should think about the culture of the firm that they're building, the legacy that they're creating. If you're still in that business-building phase, or does that come later after you hit certain career milestones or business accomplishments that you've wanted to attain?

BRUCE: Well, as your firm grows, there are kind of natural stopping points. It's very difficult to stop growing if you get bigger than about four to five million in revenue. At that point, your firm is going to keep growing and there's not much you can do to stop it other than tank the firm.

It breaks at that point if you stop growing just because of the size you are, the number of people who want a good career path that you've had to hire. Stopping growth actually just creates a lot of problems for firms over that size.

Before that size though, if someone wants to stop at around $4 million or so in revenue and just have a stable state firm that kicks off a lot of cash, man, those are very lucrative firms. It's one of my suggested end games for firm owners is that, oh, hey, you want to get to $4 million and stop and make a couple million a year for your owners? This is a pretty easy path, actually, and it's very lucrative, probably one of the most lucrative ways from a cash-flow perspective.

You could stop at a $1.5 million of revenue pretty comfortably and just hang out and have a good practice and not have to stress too much about reinvestment and kick off some good cash for yourself. It's only when you want to grow past that kind of $4 to $8 million that you have to suddenly plan for it all. You don't have to plan to stop or you have to plan to grow and if you plan for nothing, then you get nothing.

DIN: I can totally see the logic to what you're suggesting: make an attainable goal, achieve it, and then sustain it, which I think a lot of people would say is actually a really good plan. It seems counter to a lot of the messaging that I'm hearing lately about organic growth, organic growth, growth, growth, growth, growth, growth. What's happening here? Where's that concern cutting out of? Is it people who think there's never enough, you have to keep pushing, you have to keep growing? Or is it just simply, if I don't keep growing assets and at some point, the clients I have are going to deaccumulate, and then I won't have anything to back it up, and my firm evaporates?

BRUCE: Well, I think ultimately that's an excellent point and it's the danger of taking general advice and not specific advice to you. It's like watching some money show and taking that advice as your personal financial plan.

It's not for you. It's for, is it for a lot of people? Absolutely. There are a lot of people that need to focus on organic growth. These are people who've grown past $4 million in revenue and they're sitting here trying to create an enterprise firm and they're working to create high valuations and they ultimately want to sell it to someone else or they want to sell it internally or they just want to keep it and have it be a good cash-flow engine and a growth engine over time.

That's a totally appropriate way to have a firm and to grow it and focus on organic growth and focus on inorganic growth and focus on the balance between the two so that they feed each other. That's a totally valid strategy, but it isn't for everyone.

Some people don't want that. I was once talking to a firm owner and I said, what's going on with you? And this is someone I'd mentored for years. And she said, I don't know, I just can't get my firm to grow, it's really disheartening. I don't know what's wrong. I can't figure out what the problem is. I said, well, what do you want? Why did you start your firm? She said I wanted to have a good income so that I could work part-time and pick my kids up from school while still having a fulfilling career and not being unavailable for my family. I said, well, how's your life look right now? Does it kind of look like that goal or where are you? She's like, oh no, we're making enough money and I'm able to pick up my kids. And she described the fact that she had met all her goals. And I said, you know what, you don't need to grow. You achieved the goal that you set out to achieve. And she burst into tears because no one had ever told her that it was okay to just stay still.

And that's, it's a really important consideration because you have people who've started these firms for specific reasons. And if they start taking advice that they hear at conferences or in the books or on the podcasts or on whatever, they suddenly take other people's goals and internalize them as if they're their own, even though they're not. They become unhappy and then they hate their firm. And then they just wanna get out because that's not what they started to do in the first place. It's really important that people, especially the firm owners, do what they set out to do, remember what that is, move toward that goal, and don't let other people convince them that somehow their goal is wrong and that their values are wrong. That doesn't work. That just makes everyone unhappy.

DIN: If you're not growing and capturing that next-gen, gen-two, gen-three kind of client, you're gonna be dead in the water. So even that kind of like happy medium is the window, I guess, what people are suggesting is closing on just keeping that book of business and just sailing with that. But the other thing is to consider why people might feel compelled to do so. Let me just throw it out there is that we've seen consolidation. And so there is a shift in the market to those firms that acquire enough, get big enough, have the assets to be able to scale and provide that competitive edge to their advisor firm, whether it's through technology, whether it's marketing, and so on and so forth. So it's harder to be independent when you're up against the Karstens of the world, if you will.

BRUCE: Sure. I mean, that's true, but look, we're a relatively new range of professional services, right? Lawyers have been around for hundreds of years, right? Accountants have been around for hundreds of years. Financial planners have been around for what? Like 50, maybe, at most. And even then, what we look like now isn't what we looked like even 20 years ago; it's a very different industry.

So, we have some rapid change and some rapid maturing that is happening here for us. When I look at the law industry, I see a bunch of massive international law firms that control all the big cases and all the big clients, and that's fine because I also look around and I see plenty of just solo lawyers working their magic for small cases, and that's all great.

And the solo lawyers who have an associate, a legal assistant, and a paralegal — these small four-person firms are thriving. They're doing great because those people don't want to go work at some big international firm and wear thousand-dollar suits every day. They saw the show *Suits*, they don't want that for their life. And I feel like when I watched that show Suits, I went, wow, I don't want that for my life, I hope financial planning doesn't turn into that. It's a different experience working in a firm like that.

I worked at Price Waterhouse. I know what that's like doing professional services on a massive international scale. It's a thing. And I've worked at small firms and that's a thing too. And I'll find the thing that matches my own personal goals. And that's the important thing to remember is that even inside a firm, the advisors have different goals. You look in your firm and you may have some people and I've had these people before where you say, hey, let's talk about the future of your career path and they're like, I'm good. I've kind of reached the level that I want to be. I just want to kind of have the number of clients I have and make the level of money I'm making and I don't have any desire to have anything more than I have today.

There's a degree to which that's a little scary to a firm owner. You're like, how do I motivate you? How do I do anything with you? I don't understand the lack of ambition. I don't know what that means, right? And I don't know how to serve you well. But if we really want to grow and understand and be able to capture talent, we need to make room for people like that.

There's a degree to which I always have conflicting advice for firm owners and financial planners who work in firms. I tell firm owners not to require anyone to sell. In order to capture talent, you can't be someone who insists that their advisors bring on a certain amount of business. At the same time, I tell any advisor that I talk to, you need to learn to sell. If you're an advisor and you don't know how to sell, it will limit your career, just period. People who do business development will ultimately get paid more and financially do better because that's a huge value activity.

But if firms are requiring it of everyone, then it's going to break and they're going to lose people who are afraid of selling, even though they shouldn't be because it's super, super easy in professional services. Way easier to sell as an advisor than it is it like a tech company selling widgets or whatever. It's a very different experience, and it's way easier because you're just selling your own trust, so it's great to learn how to do that. It's not hard, right?

So, you have this conflicting advice for firms and advisors, but both of them work together because it means the advisors can bring on talent and make space for what people are talented in and are willing to do in that moment. Just because someone isn't focused on sales today doesn't mean that they won't be tomorrow. Sometimes it's just cultivating them until they have a base level of comfort in their own body around talking to people and convincing people, persuading, just understanding people's values, knowing the questions to ask, knowing the answers to give, knowing when to give answers and when not to.

These are all things you pick up over time that make you a better salesperson, but they also make you a better advisor. Because the same skills that make you a good advisor make you a good salesperson

DIN: I think we've touched on it, but what's one key takeaway or step that you would suggest to someone who's at that kind of like near exit point of their career and they're thinking about legacy, and you're thinking about leaving a company that can successfully transition to someone else's ownership. What are one or two things that you think are really important for that individual to keep in mind?

BRUCE: Snarkly, the first answer I have is to go back in time ten years and make sure you've been moving toward this the whole time. So, really like, if you're talking about people exiting in their mid-60s, I'm saying when you're 50, you need to make sure you have this plan figured out so you have 10 or 15 years to craft your firm so that it will accomplish your own endgame. And that endgame might be selling to private equity or a roll-up or someone external, right?

It might be merging into another firm and then taking five years to slowly gently exit at that point. It might be don't sell to anyone, just hire a manager who can keep managing your firm, give them some level of ownership, and then keep getting distributions for the next however many years after you slowed down and come in maybe half a day a week just to check on your investment.

Now, if you do that, hiring a manager, your firm will shrink over time. If you've stopped growing it, you'll lose some clients, but your cash flow will continue to maintain a reasonable distribution for a long time, even in the declining growth scenario. You can still make a good amount of money in that situation as long as you're doing good service to your clients, your firm is shrinking and your income is going down over time.

But it doesn't really matter because you've made so much cash in your career that it's all kind of extra anyway. Then that's fine. The problem is that if you're not thinking about it well in advance about what you want and you're driving your firm toward a big organic growth engine, but in reality that's not what you want because you don't want to manage that. It's that disconnect that is the problem. Any firm can be successful for anyone's goals. That's just a matter of execution and you either do it or you don't.

If you're sitting here at the end of your career looking ahead and saying, okay, what do I want to do? You're going to probably try and sell it internally, but those people don't have the money to afford it because you didn't spend the last 15 years making those people rich enough to buy your firm from you. You need to make them like partners and

“Let's make sure that any strategic plans you have around growth match up with your own personal goals. Otherwise, you're one of those financial planning clients that says, ‘Hey, I don't know what I want.’”

J.D. Bruce, Industry consultant and former president.Abacus Wealth Partners

have sold it off along the way as opposed to all at the end. If you wait till the end, well, now you're looking at hiring an M&A consultant and they're going to go out there and find you a good exit partner so that you can have liquidity from your firm.

If you don't want to keep it and just let it run into the ground a little bit, if you haven't already made the plans to sell it internally or to keep it going with a second-generation leader who's then going to keep it running and ultimately buy you out, those things take time to execute.

So if you don't do that, then now you're looking at hiring one of the good high-priced M&A consultants who's going to take a chunk of your sales price and that's okay. There's nothing wrong with that at all. There's no judgment implied in that at all. That's a great way out. You've built an asset and then you sell that asset to someone else who can polish it up and create some value out of it for themselves and you. And that's a great outcome for a lot of people.

But if you're sitting there at 60 and you want to retire in five years and you own 80% of your firm, internal sales is going to be really, really challenging. Or at least you're going to have to lower it down. the price so much and carry so much of the purchase price yourself, that you might as well just keep owning it..

DIN: Or at least what you suggested, take that backseat, managing, I guess, kind of like what we saw in *Suits*, right? The partner that would stroll in often, like, okay, we're going to sell to XYZ, and so on and so forth.

BRUCE: Exactly. Where's my money? I just want my check. I don't really care. Again, that's fine, too. These are all valid business transfer choices or ownership choices. There's nothing wrong. Now, look, if you don't have a high organic growth rate, you're going to have higher employee turnover because advisors don't have the opportunity at your firm that they would have at another firm.

It's just one of the costs of choosing that path. If you have high organic growth, you're going to have a lot of hiring, right? That's the cost of doing business in that way, right? It's all fine. It's just a matter of understanding the path you're on and making sure that you're well-equipped to handle the obstacles in your path.

PHILIP PALAVEEV

Advice for young financial advisors

In the life of a financial advisor, the journey from novice to seasoned professional is marked by a continuous quest for knowledge and refinement.

SULEMAN DIN

For young professionals entering this field, the path to success often begins with acquiring technical expertise – a foundation built on understanding the intricate workings of financial markets, investment strategies and regulatory frameworks.

However, mastering technical skills alone is not enough. To thrive as a financial advisor, you must also cultivate the art of client relations – a nuanced skill set that encompasses effective communication, empathetic listening and relationship management.

In this pursuit of professional development, seeking guidance through coaching, mentoring and accessing valuable resources becomes indispensable. Success can be found when you immerse yourself in a safe and supportive environment that fosters learning and growth. A place where aspiring advisors can navigate the complexities of the industry with confidence and competence, ultimately emerging as productive and impactful professionals.

Philip Palaveev, CEO of The Ensemble Practice, was featured in a recent *Action!* article talking about effective training solutions for financial advisors. Since advisor success is a pillar of our publication, I decided to reach back out to Palaveev to continue the conversation.

SULEMAN DIN: We talked to you a little bit about gaining traction as an advisor and utilizing resources and utilizing the firm as a resource to help you gain traction in your career. So my first question is why would you stress the importance of that to anybody who reads that? What do they need to understand about that?

PHILIP PALAVEEV: Well, it's a little bit like learning to swim. You can certainly try to jump off the pier and try to learn to swim on your own, but it will be dangerous, it will be frustrating and honestly, it's not going to work very well. If you receive some coaching, some mentoring, some resources and you learn everything you need to know in order to be a productive professional in a safe and supportive environment, both of those words are very important.

When you're a young professional, you need to, first of all, accumulate technical skills just to learn all the answers, if you will. Then, you need to learn how to relate to clients, how to communicate with clients and how to manage client relationships.

It's very difficult to learn that without actually having any clients. The technical knowledge you can acquire from books, you can acquire from classes, you can acquire from coaches and mentors – but the relationship skills can only be acquired in a relationship. You need to actually meet some clients, you need to take care of some clients, you need to actually hold the hand of some clients, and that's how you learn.

One of the best ways, traditionally, in all professional services, advisors, accountants, consultants, lawyers, is to actually rely on your organization to provide you with clients that you can start your career with and where you can learn how to manage relationships and earn the trust of your clients.

DIN: And not only from an external perspective but also from an internal perspective, right? Learning to be a good colleague, to manage projects, to be able to work within a firm and it's structure towards deadlines and so on and so forth.

PALAVEEV: Absolutely, and then you're also going to acquire the team working skills and you're going to actually have more fun. In some ways, if I could summarize it, I would say, don't jump off the pier; join the swim team.

DIN: If you were young and trying to gain traction at a firm, what are the things that you would be doing to maximize that time that you had in that environment, to maximize your learning, to maximize the resources that you had at hand?

PALAVEEV: Probably step one is just to collect some experience and try the different functions within the firm. Probably in the first one or two years, really sample the different careers available. Would you be most fulfilled by being an advisor? Would you prefer to work in the investment department? Do you find your passion and your interest to be best met in the operations and support department? So probably job number one is gain some experience and choose a career track.

Step number two is perhaps having chosen a career track, look for a mentor. Perhaps look around for someone who has taken an interest in your career and someone who can support your career.

Of course, implicit in that is also understand the career track being offered by your firm. What are the steps? What are the milestones? What are the expectations? How does it work from responsibility, from a compensation perspective and everything else? And then, really, as you embark on that career track, spend also the time to understand your organization. What is the organizational structure? What are the teams? How do teams function and work with each other? What are the committees? In other words, how can you contribute not just to the client services, especially if you're on the advisory track, but also how can you contribute to your firm, to just building a better firm together?

And of course, that will probably be the next step in your career is not just being excellent at servicing clients, but also helping others acquire that knowledge and helping others also manage and run a better firm.

DIN: How do you connect with people to actually make those opportunities available to you? And I mean this is in an interpersonal way. Like, what kind of colleague or person do you have to be that people want to be willing to help you in the first place?

PALAVEEV: Well, you're absolutely right. It's a two-way street. Then ideally you meet in the middle. And I don't mean the cars colliding in the middle. I mean, you probably, and some were implicit in that first step is that choose the right firm. Really choose the right firm. A good modern advisory firm, particularly the mid-size and larger ones have already spent quite a bit of time developing career tracks and developing processes for coaching, which makes your career a little bit easier.

If you pick the right firm, that firm will take you there. My grandma used to say, they're passengers for every train. If you get on the right train, that train will take you there. They know what they're doing.

It is a little more challenging with smaller firms. They just don't have the resources to create career tracks. They haven't spent the time and it is a little more difficult for them to be so systematic, But perhaps that's an opportunity to customize to perhaps focus on things that are of interest to you and perhaps for someone it's the challenge of blazing a trail. A trail that can help others behind you – the G3 the G4 – to understand the type of career being offered by your firm and understand the implications of the kind of firm you choose.

It's a lot like sports – if you choose the right team and if you spend the time developing your skills chances are you gonna win some games and you're gonna have some medals on your chest or in your pocket for that matter.

> “When you're a young professional, you need to, first of all, accumulate technical skills just to learn all the answers, if you will. Then, you need to learn how to relate to clients, how to communicate with clients and how to manage client relationships.”
>
> Philip Palaveev
> CEO. The Ensemble Practice

TONY DAVIDOW

How financial advisors are adopting alternative investments

While alternative assets such as private equity, private credit and private real estate have been available to institutional investors and family offices for years, they are relatively new to the wealth management channel.

SULEMAN DIN

As more advisors seek to expand their investment strategies beyond the traditional 60/40 portfolio, interest in alternative investments is growing. I sat down with Tony Davidow, investment strategist for the Franklin Templeton Institute, to gain insight into why these assets are gaining traction, the factors driving adoption and the opportunities they present for financial advisors and their clients.

SULEMAN DIN: Generally, advisors are still experimenting with alternatives. Do you sense a lack of confidence in how to use them?

TONY DAVIDOW: We are still in the early innings of advisor adoption of alternative investments. While alternatives have been available to the wealth channel for over a decade, private markets (private equity, private credit and private real estate) are relatively new investment options. Institutions and family offices have historically used private markets but were not broadly available to high-net-worth investors.

Now, through product innovation and the willingness of institutional managers to bring products to the wealth channel, these elusive investments are available to a broader group of investors at lower minimums and greater flexibility[1]. Given these investments are relatively new to advisors and investors, there is a need for Alts education and thought leadership to help advisors make better-informed decisions.

DIN: What's driving the adoption of alternatives now?

DAVIDOW: We believe that there are three primary factors driving advisor adoption – the market environment, product evolution, and access to institutional managers. Advisors have recognized the limitations of the 60/40 portfolio and the interconnectivity of most traditional markets; consequently, they are seeking a more robust and reliable toolbox. Alternatives can provide a source of growth and income, diversification, and inflation hedging.

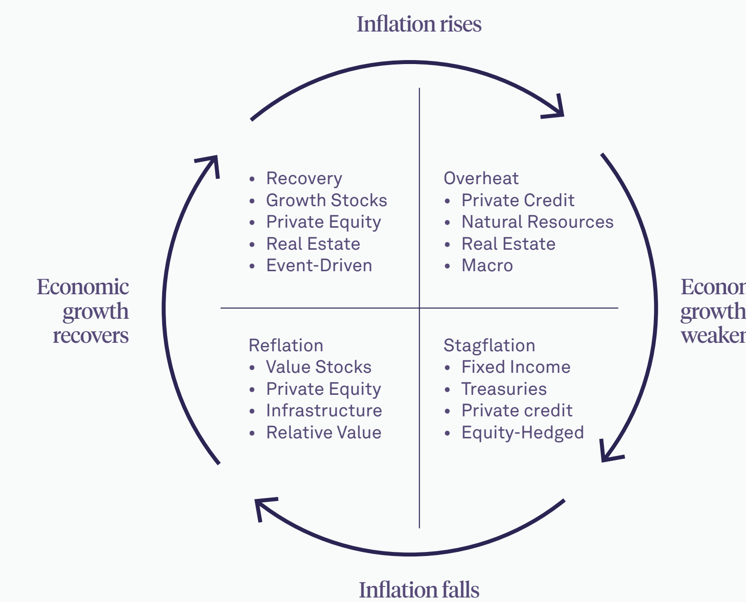
As previously discussed, product innovation has expanded the number of investors who can access private markets. The first-generation products were only available to qualified purchasers ($5 million or more of investable assets) – but the new evergreen products (interval and tender-offer funds) are generally available to accredited investors or below, dramatically expanding the eligible universe of investors.

Of course, when accessing these unique markets, investors want access to institutional managers with deep and dedicated resources. In recent years, we have seen many institutional players entering the wealth channel, which is a positive development for advisors and investors.

DIN: Can you give us some context from a market perspective? Where are we in the cycle?

DAVIDOW: As advisors consider allocations to alternative investments, they should recognize that specific strategies will perform better during one environment while others will flourish in another.[2] Like traditional investments, we should evaluate the current

ASSET CLASS PERFORMANCE ACROSS ECONOMIC CYCLES



Source: Franklin Templeton Institute. For illustrative purposes only.

1. Davidow, Tony. "The Cost of Being Too Liquid." 2024.

2. Davidow, Tony. "Building Better Portfolios: Regime-Based Analysis." 2023.

market environment, which should impact the results of each asset class.

Note that private markets should be viewed as long-term investments and advisors shouldn't try to allocate tactically given the prevailing market regime. Instead, our regime-based analysis is designed to help advisors understand how the market environment impacts the various asset classes.

DIN: What is the illiquidity premium, and how can advisors benefit from it?

DAVIDOW: The illiquidity premium is the excess return generated by private markets relative to their public market equivalent (i.e., private equity vs. S&P 500 Index, private credit vs. Barclay Agg Index, private real estate vs. publicly traded REITs).[3]. The illiquidity premium is accomplished by giving a private market manager an extended period to execute their strategy and unlock value.

Therefore, investors must be comfortable committing capital for the long run (7-10 years) to capture the illiquidity premium. We understand that this can be challenging, but the potential reward is too big to ignore. We recommend that advisors work with investors to determine their personal "illiquid bucket" and treat these investments as patient capital.

DIN: How can a portfolio with alternatives be expected to behave?

DAVIDOW: Alternative investments are diverse tools that can help investors achieve various goals. Alternatives can provide a number of benefits to a client's portfolio, providing growth, income, diversification and inflation hedging[4].

Alternative investments are more precise tools that can provide specific outcomes. Private equity is included in portfolios to generate growth, private credit for income, macro for defense, and real estate for inflation hedging. Certain investments, like real estate, can fulfill multiple roles within a portfolio.

3. Davidow, Tony. "The Cost of Being Too Liquid." 2024.

4. Davidow, Tony. "Building Better Portfolios: A Goals-Based Framework." 2023.

THE ROLE OF VARIOUS ASSET CLASSES

WHAT ARE WE SOLVING FOR?

Growth	Domestic Equity	International Equity	Equity Hedge	Real Estate	Private Equity
Income	Treasuries	High Yield	Corporate Bonds	Real Estate	Private Credit
Defensive/ Non-Correlating	Cash	Macro	Commodities	Multi Strategy	Natural Resources
Inflation Hedging	Commodities	TIPS	Infrastructure	Natural Resources	Real Estate

DIN: What are the risks involved in using alternatives now?

DAVIDOW: There are some unique risks associated with alternative investments. Private markets are illiquid investments and should be viewed as long-term investments. Some alternative investments will use leverage which may amplify risks and returns (positive and negative). Alternative investments are often not as transparent as traditional investments.

To address these risks, we would encourage advisors to conduct their own due diligence, or leverage due diligence provided by third-party providers.

DIN: Do you see alts gaining wider use, in the way ETFs have become commonplace?

DAVIDOW: Based on Cerulli research, advisors have allocated approximately 5% to alternative investments. According to the UBS Family Office Report, family offices have an average allocation of 42%, with private equity and real estate representing the largest allocations[5]. Obviously, family offices have had access to alternatives for decades and often have a longer time horizon. Still, it is instructive to examine how sophisticated investors have used these versatile tools.

As advisors become more comfortable with alternatives and clients have positive experiences, we believe that the percentage allocation will rise dramatically in the coming years. This will be a journey, and firms like Franklin Templeton are committed to helping advisors and investors make better-informed decisions about allocating to alternatives.

5.Source: "UBS Family Office Report." 2024.

WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal.

Investments in many alternative investment strategies are complex and speculative, entail significant risk and should not be considered a complete investment program. Depending on the product invested in, an investment in alternative strategies may provide for only limited liquidity and is suitable only for persons who can afford to lose the entire amount of their investment. Diversification does not guarantee a profit or protect against a loss.

Risks of investing in real estate investments include but are not limited to fluctuations in lease occupancy rates and operating expenses, variations in rental schedules, which in turn may be adversely affected by local, state, national or international economic conditions. Such conditions may be impacted by the supply and demand for real estate properties, zoning laws, rent control laws, real property taxes, the availability and costs of financing, and environmental laws. Furthermore, investments in real estate are also impacted by market disruptions caused by regional concerns, political upheaval, sovereign debt crises, and uninsured losses (generally from catastrophic events such as earthquakes, floods and wars). Investments in real estate related securities, such as asset-backed or mortgage-backed securities are subject to prepayment and extension risks

An investment in private securities (such as private equity or private credit) or vehicles which invest in them, should be viewed as illiquid and may require a long-term commitment with no certainty of return. The value of and return on such investments will vary due to, among other things, changes in market rates of interest, general economic conditions, economic conditions in particular industries, the condition of financial markets and the financial condition of the issuers of the investments. There also can be no assurance that companies will list their securities on a securities exchange, as such, the lack of an established, liquid secondary market for some investments may have an adverse effect on the market value of those investments and on an investor's ability to dispose of them at a favorable time or price. Past performance does not guarantee future results.

BILL CASS

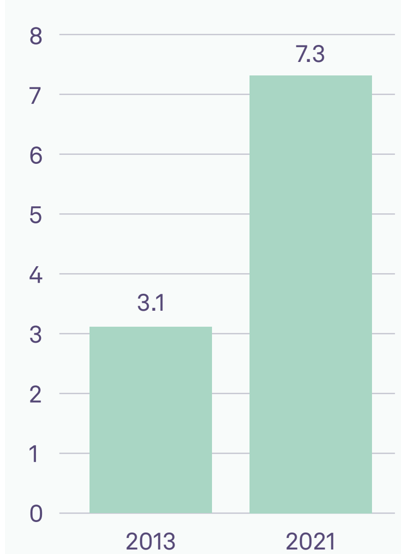
Planning moves for financial advisors to take the sting out of the 3.8% surtax

Since 2013, many higher-income US taxpayers have had to pay a 3.8% surtax on net investment income.

Part of the landmark Affordable Care Act signed into law in 2010, this provision was designed to raise revenue to offset other costs including tax credits for consumers purchasing health insurance on the exchanges.

We believe it's important to understand how this tax applies in order for taxpayers to better manage their tax bill.

TAXPAYERS SUBJECT TO THE 3.8% SURTAX



Source: Internal Revenue Service. As of 2021, latest information available.

WHO IS SUBJECT TO THE SURTAX?

Single taxpayers whose modified adjusted gross income (MAGI) exceeds $200,000 are potentially subject to the surtax. For married couples filing a joint return, the threshold is $250,000. (For married couples filing separately, the MAGI threshold is $125,000). Interestingly, unlike most provisions in the tax code, these thresholds are NOT adjusted for inflation each year which means that more taxpayers are subject to the tax each year. In fact, since its inception, the number of individuals subject to the tax has doubled.

WHAT TYPE OF INCOME IS SUBJECT TO THE SURTAX?

The surtax is applied broadly to most non-wage income including interest, dividends, capital gains, royalties and certain rents. Importantly, it does not apply to pension or retirement income, including distributions from retirement accounts and IRAs, or Roth conversions. Other types of income that are not subject to the surtax include:

- Social Security benefits
- Tax-free municipal bond income
- Net unrealized appreciation portion on the distribution of company stock from a qualified retirement plan

It's important to note that while the 3.8% surtax doesn't apply to retirement income, an IRA distribution or a Roth IRA conversion may result in additional taxable income and cause a taxpayer to exceed the MAGI thresholds ($200,000 for individuals, $250,000 for married couples filing a joint return), exposing other income sources such as dividends or capital gains to the surtax.

TAX RATES FOR QUALIFIED DIVIDENDS AND LONG-TERM CAPITAL GAINS
(Including the 3.8% surtax)

SINGLE	MARRIED FILING JOINTLY	TAX RATE
$0 - $57,025	$0 - $94,050	0%
$47,026 - $200,000	94,051 - $250,000	15%
$200,001 - $518,900	$250,001 - $583,750	18,8%
Over $518,900	Over $83,750	23.8%

Source: Internal Revenue Service. As of 2024.
Note: For estates and trusts, the 3.8% surtax applies to undistributed income above $15,200.

IS BUSINESS INCOME SUBJECT TO THE SURTAX?

Certain income generated from pass-through businesses is also subject to the surtax. This would include income sources from passive business activity (rental real estate income, for example). Passive activities include trade or business activities in which you don't materially participate. Generally, income derived from a business where the taxpayer is actively participating is not subject to the surtax. You materially participate in an activity if you're involved in the operation of the activity on a regular, continuous, and substantial basis. For more information, see IRS Publication 925, Passive Activity and At-Risk Rules.

CONSIDERATIONS FOR MITIGATING THE IMPACT OF THE 3.8% SURTAX

- Reduce or defer taxable income. Contributions to tax-deferred retirement plans, IRAs, or health savings accounts (HSAs) may enable a taxpayer to avoid exceeding the income thresholds for the surtax. Another way to reduce taxable income is by claiming an itemized deduction, for example charitable contributions. Additionally, there may be ways to defer current income through a deferred compensation arrangement or an installment sale of property, for example.

- Manage income to avoid exceeding the MAGI thresholds. For example, if earning investment income in a taxable account (capital gains, dividends, etc.) and considering a Roth IRA conversion, make sure the amount of the conversion does not result in MAGI exceeding the $200,000 or $250,000 threshold depending on filing status. Exceeding those MAGI thresholds will trigger the additional 3.8% surtax.

- Utilize Qualified Charitable Distributions (QCDs) for annual donations. Requesting a QCD from an IRA can satisfy a required annual distribution. By avoiding income from an RMD, the taxpayer may be able to avoid crossing the income threshold where the 3.8% surtax applies to other income such as interest, capital gains and dividends. See "Donating IRA assets to a charity."

- Consider investing in municipal bonds. Depending on the investor's circumstances, tax-free income from municipal bonds may help avoid the impact of the surtax. Of course, investors need to carefully weigh the merits from an investment perspective first before considering the tax benefits.

- Reclassify passive business income to active business income if possible. There are steps a business owner may take to avoid income generated from an entity as being defined as passive income. For example, the owner may be able to take an active role to materially participate in the business according to IRS rules. Business owners should consult with a qualified tax professional since these types of IRS requirements can be fairly complex.

GRANT EASTERBROOK

Leveraging AI to empower financial advisors

SULEMAN DIN

In an era defined by rapid technological advancements, the wealth management industry finds itself at the nexus of innovation.

With the advent of Artificial Intelligence (AI), the traditional role of financial advisors is undergoing a profound transformation. But AI is not just a buzzword; it's a powerful tool reshaping how advisors manage portfolios, analyze market trends, and engage with clients.

In a recent *Action!* article, we delved into how AI is a game-changer for financial advisors. That article featured fintech consultant Grant Easterbrook. I wanted to catch up with Grant to chat more about the dynamic intersection of AI and financial advisory services. We had a great conversation about how leveraging AI capabilities can empower advisors.

SULEMAN DIN: Thank you, Grant, for joining us today. I really appreciate you taking the time and sharing your insight as an expert, especially in this evolution in the AI space, particularly as it relates to wealth management. You specifically spoke about chatbots and AI being used in that front-facing capacity. For anybody who picks up this magazine and reads this and says, wow, what's the importance of understanding how AI could potentially be deployed in wealth management?

GRANT EASTERBROOK: There are a couple of different ways you can take that question. The basic level is if the average client had a very advanced AI in their Apple website, what would that do? Right? I think it's worth clarifying as an answer to that question what the average chatbot is today versus what it'll be in a few years' time. Right now, the average little customer service chatbot that you interact with is not using generative AI. And generative AI is that service you've heard about – ChatGBT, Gemini – all this noise about generative AI, the industry isn't using that yet. It will someday. A lot of firms have made announcements about their investments in that and going toward that. But the average chatbot today could really only do very basic servicing, what's my routing number, where do I find this page kind of requests.

When you look at your website today, you're not going to see something that's going to really blow your mind. But everyone knows the next solution is coming. And generative AI can really act much more like an assistant. It's hard to pick an exact date or time. But in talking to some of our clients – and what I'm hearing – it seems like probably the first big firm rollout of generative AI assistant, maybe late 2024 or 2025. It will take a while to do this, but at some point, you will have actually a powerful assistant in your pocket.

When you have a powerful system that can explain financial concepts – help you understand different terms, help you with budgeting and financial planning and maybe maybe even give you advice and recommendations – that changes the way wealth management works. Where really that assistant is sort of the first line of defense to handle most common and basic things. And you meet with an advisor on a less frequent basis to really help you with the more complex stuff or through the emotional side of money. That's obviously an oversimplification, but at some point, that's what it'll probably look like in the future.

DIN: So we're looking at a downshifting of roles or responsibilities in terms of client interactions even beyond simply just like checking for an account or looking at balances, but to start getting into more comprehensive questions still not that level of empathy to actually handle the client in crisis or whatnot. But for daily questions and even more, will this be the tool that an advisor can use to potentially serve more clients, smaller clients and even handle some of their regular clients just in a more targeted capacity?

EASTERBROOK: I think about it sort of like this – would you have a chatbot assistant generate your estate plan? Or would you have it set up your life insurance policy? Probably not. Those kinds of things are very important systems in your life that have the potential to lose you a lot of money if you do them wrong, right? But all this kind of routine stuff – what is life insurance, what different types of insurance, I just got a bonus at work should I put it into 401(k) or a brokerage account – sort of initial discussions level that the agenda of AI systems are pretty much already there in terms of able to have that level of discussion with you. They can explain financial concepts and help you with planning in terms of what's the average rent in New York City, what the average cost of a home in Miami, they can do all that initial conversation with you.

But the actual executing on your goal – setting up accounts or where the market is tanking and people are panicking – they are going to still need a human financial advisor, right? So to me, it just changes that an advisor may end up serving more people but having to spend less time on each customer because that assistant will be in your hand. This is not a short-term thing, this will take a long time before this plays out. It'll be a while, probably 2025 before you even start to see these big firms have a generative AI assistant. But it's coming in the long term, that's probably how I'll shake out is my best guess.

DIN: So anyone who reads this article and sort of gets an inclination to understand or wants to do more, what's one practical piece of advice that you could offer them to help them better understand the technology or even how to utilize it?

EASTERBROOK: You're talking about an advisor there, right?

DIN: Yes.

EASTERBROOK: I think the simplest thing is to start with, try poking around ChatGBT3 or ChatGBT4 or Gemini yourself, just try it out. I think there's so much hype and fear and claims – just play with yourself, and you'll see how it works. It's not really able to replace you. It's not going to be able to execute an estate plan, but it can explain concepts really well and answer questions about different budgeting topics, financial planning, considerations to keep in mind, etc. So just play with it.

In particular, you can even test to see how it handles advice and recommendation questions. So a lot of sensitivity around that, obviously. What you'll see when you play with these tools is generally if you ask a question, looking for advice without much detail – I just got a 50k bonus at work, I'm just making up an example here, should I put it into my retirement or the mortgage – it will respond by just giving you some bulleted things to consider. It's only to give it enough detail, I'm this age, I make this much money, I have this much debt, I have this much of the mortgage would actually give you a “I think you should do this or that” response. Even then it's very couched “I think…it sounds like…you probably could.” A long story short, just play with these tools for yourself to really understand what they actually do. That'll help sort of put your mind at ease quite a bit.

From there, it depends on whether you're more of an independent RIA or under a bigger shop where you don't have as much autonomy. If you're one of those firms that have some optionality around vendors, you can start looking into that as well. I would imagine for most advisors, AI assistant policies are going to be set at the company or home office level – it depends on what kind of advisor you are.

DIN: Then there's this whole issue of how compliance is going to fit into all of this and oversight, that's all before the SEC right now.

EASTERBROOK: There are two things that I think get mixed up there – there's one of how the shop will handle questions where proprietary products are in play, you know, what should I invest in? Should I sell this or that? That is a very tricky question. There's already tons of rules and complexity around your own product lineup and there's just getting general advice or feedback, right? What should I do? If I spend too much money on rent, or am I paying too much mortgage? That, I think is less complex. People think they can already do that pretty well. If you try these tools yourself, you'll see that couches the language. It's almost always not going to say, I 100% recommend you do this. It's saying, here's what you consider, here's why it might be a good idea, you should possibly, you might. I think there's a lot of uncertainty around how to handle investments or proprietary products, but I hope that at least the regulation will shake out to be pretty straightforward for just general feedback and general guidance.

BERNICE NAPACH

The impact of the Great Wealth Transfer, AI and technology on RIA practices

Close to $70 trillion will be inherited by future generations in the next 25 years in the Great Wealth Transfer, according to Cerulli Associates.

Advisors are well aware about this potential massive shift, but AdvisorEngine CEO Rich Cancro and Nitrogen CEO Dan Zitting said many are unprepared for this massive shift.

"The core thing to do is to make the next generation a client," Cancro said. "It's not enough to be sitting around a table with the parents and the children," added Cancro, who joined Zitting in a recent CEO roundtable about how RIAs can take advantage of trends, strategies, technologies and tools to grow their businesses.

Nitrogen's 2024 Firm Growth Survey of over 1,300 RIAs found that only 19% of respondents had established a meaningful relationship with their clients' children or inheritors even though 97% acknowledged the importance of the generational shift.

"I'm very passionate about this topic. It's happened in my life," Cancro said. After his parents passed away, the advisor his parents shared never tried to connect with Cancro. "That advisor had no shot at keeping those assets," Cancro said. "We transferred those assets away."

He cautioned: "If you're not connecting with the next generation or generations and making them clients, you risk losing a significant portion of your assets. Your practice should be literally your best referral book."

Cancro added it's also important for firms to bring aboard younger advisors and other client-facing staffers so that there are people that the next-gen client easily engage with and believe will serve them for decades to come through their future life journey.

INVESTING IN TECHNOLOGY

Another key driver for RIA growth is the investment in and the use of technology.

"A lot of advisory firms treat technology as an expense, and of course it is an expense, but it's also a significant growth enabler if you get it right and work with the right partners and platform," Cancro said.

Technology is key to many facets of an RIA's business: the digital experience for clients; data analytics that help advisors personalize services; and workflows connecting advisors, their clients and the firm's business operations staff. Also playing key roles are the automated workflows connecting multiple functions such as trade rebalancing, performance reporting, billing and compliance. All of those connections drive true fundamental scale for your firm, Cancro said.

Unfortunately, like the challenge of The Great Wealth Transfer, many RIAs are failing to maximize the use of technology to grow their business.

A recent AdvisorEngine survey of RIAs found that close to 90% of advisors view the digital experience as extremely important for client engagement, yet only 34% reported activating that experience, Cancro said.

That failure risks losing potential clients and even existing ones.

ENHANCE DIGITAL EXPERIENCES

The digital presence of an RIA is often the first connection a potential client, especially millennials and Gen Xers, makes with an RIA firm. The decision about whether they can trust a particular firm with their money — "a firms' biggest asset for driving growth" — often happens during that digital interaction, well before they talk to anyone, Zitting said.

The Nitrogen 2024 growth survey found firms that set strategic objectives and use platforms designed to enhance the digital experience were more than twice as likely to achieve AUM growth greater than 21%.

Zitting recommends in addition to enhancing the digital client experience, RIAs use technology to develop data analytics to customize their message to prospects and clients alike and automation tools to drive efficiency overall and in the backend, including compliance.

"A majority of advisors want to use software to grow their AUM but may be under-utilizing their existing technologies that could streamline compliance and client engagement efforts," notes the Nitrogen 2024 report.

Just 17% of Nitrogen's survey participants — primarily financial advisors and RIA executives — reported using compliance technology daily despite the fact that advisors called regulatory obligations the biggest threat to growth. Only 31% of survey participants considered personalized client engagement platforms a must-have.

"Before you onboard an expensive advisor and think that's the way forward for growth, think about what technology would cost as a way to multiply that growth instead," Cancro said.

RIAs must also ensure new tools integrate well with their core platform and third party tools. "It has to start there, versus investing in yet another set of technology that's potentially disconnected from everything else you're doing," Cancro said.

That applies to AI as well, which could be the next big thing in an RIA's technology arsenal. Cancro said he was excited about the potential these tools offer advisors to help scale their businesses, from efficiently serving their clients to speeding up their compliance tasks.

However, he acknowledged the technology is still in its infancy and to derive the most benefit the tools need to be integrated with the RIAs' platform.

PERSONALIZE CLIENT RELATIONSHIPS

Technology can play a key role to personalize an advisor's interaction with prospective and current clients. With an analysis of that public data, an advisor can create a proposal targeted to that individual's situation to not only win their business but remain engaged throughout that client's entire lifecycle, Zitting said.

"The ability to combine analysis with the amount of public data that's out there and do that in a relatively automated way to make it scalable is an easy way to make an RIA stand out," Zitting said.

That personalization starts with a firm's CRM, which contains lots of information about a client — such as their investing needs, family, goals, communication preferences and more.

"RIAs can use that information to drive their service level, not by telling clients what they will do for them but asking clients how they want to be served… how they want to interact [and how often], what they want to talk about, what they want to learn," Cancro said.

DATA QUALITY AND CYBERSECURITY FOCUS

At the core of personalization and any modern RIA tool is data. Both leaders challenged firms to examine how accurate and relevant their data is.

"How we serve our clients, how we scale our business, how we do compliance, all those things start with the quality of the data," Cancro said. "You can have the best platform in the world, the best tools in the world, like an amazing data lake, but none of it matters if the data actually in there isn't accurate, timely and consistent. Everybody in the firm needs to be a data evangelist."

Throughout it all, RIAs need to ask if they and their providers are doing all they can to protect their clients' data, Cancro added.

"At the end of the day, a client has to trust you with their information."

Advice for new fintech innovators

JOEL BRUCKENSTEIN

Congratulations – you've launched a technology firm at a time in the industry when the potential for your company's growth and success has never been greater.

Advisors are no longer wary of adopting technology. Every new advisor is a digital native. Tools in play are dialed into advisory needs and are bound to get smarter thanks to AI.

The advice client is also smarter; they have a ton of information at their fingertips and want even more. And funding is plentiful as every investor wants to get into the next big thing.

All these upsides raise the bar for becoming a successful firm. You'll have to work harder for clients, prove your value, establish your business and keep growing.

In my 20 years organizing the T3 conference, I've advised hundreds of companies seeking to capture a slice of the market. Some ended up as big success stories; others fell to the wayside. Here's some advice for your firm as you think about how to make it.

INTVEST & RE-INVEST

"You've heard the phrase, 'You've got to spend money to make money.' I'd say, 'You've got to spend money to make me spend my money on you.' You must stay ahead of what the client wants, which means you must

> "You must stay ahead of what the client wants, which means you must constantly invest and re-invest in product development. The lesson here is your innovation effort can never stand still."

constantly invest and re-invest in product development. The average software company spends about 20% of its revenue on R&D, according to Boston Consulting Group. Big Tech spends billions – Alphabet's annual research and development expenses in 2022 were $39.5 billion, 25% more than in 2021. The lesson here is your innovation effort can never stand still. That means spending a good amount on marketing, too. It doesn't matter how good your product is if no one knows about it.

SERVICE KEEPS CLIENTS

It also doesn't matter how good your product is if you don't have excellent client service to back it up. Every year via the T3/Inside Information financial advisor software survey, we track client satisfaction scores across advisortech categories. Tech-savvy advisors have so many choices now; all it takes is one bad experience to push them to look for alternatives. So, respond quickly to requests, constantly deliver personalized experiences, make clients an integral part of your development process and devote plenty of resources to client training. Young firms can make the mistake of focusing so much on product development that they fall short in support. But this market is unique: Advisors loathe spending money on practice software – but when they commit, they spend a lot – and evaluate it in terms of firm ROI. If they can't figure out how your tool can help them achieve efficacy, it will sit on a shelf until it gets replaced.

HAVE A VISION

It's exciting when you are starting out. There's pressure and long nights, sure. But there's also a sense of adventure when you're building something. Enjoy the moment. Keep that going with a roadmap for your product development and growth. The culture you want to build should be set from the start because that ultimately shapes your company. It's easy to get caught up in the day-to-day; when that happens, you can lose sight of where you're going. There are always going to be hotfixes and integrations to complete. What will attract clients and investors is a compelling story. People buy the company as much as the product. If they have faith in your team, in you, and what you're building for, how you see the industry evolving, and so forth, they'll want to join you in that journey. Your job then is to work every day to prove it.

20%

THE AVERAGE SOFTWARE COMPANY SPENDS ABOUT 20% OF ITS REVENUE ON R&D, ACCORDING TO BOSTON CONSULTING GROUP. BIG TECH SPENDS BILLIONS – ALPHABET'S ANNUAL RESEARCH AND DEVELOPMENT EXPENSES IN 2022 WERE $39.5 BILLION, 25% MORE THAN IN 2021.

Action! Items

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