Transcription details:

Host:	Bill Coppel, First Clearing Chief Client Growth Officer
Guest:	Mindy Diamond, Diamond Consultants President & CEO

Transcription results:

Intro	Welcome to The Next Frontier where we examine what the role of the financial advisor will be in a world that's being disrupted by artificial intelligence and algorithms. Our mission is to spark new conversations that create stronger connections and build greater client confidence. Join us as we look at our industry and others through a new lens and explore the opportunities emerging at the intersection of high tech and high touch. It's time for a new conversation. Are you ready?
BILL COPPEL	Hi, this is Bill Coppel, and welcome to The Next Frontier. One of the things I've observed about rapid change, particularly in the financial services industry, is that while it creates challenges, it also creates opportunities. And I suggest that those opportunities can be quite interesting, particularly from the perspective of financial advisors. With sophisticated financial services technology putting more choice and control into the hands of individual advisors, these opportunities continue to expand. Clearly today, a financial advisor can go in multiple directions, more directions perhaps than in the past. So how should financial advisors think about the choices they have today? And how can they navigate these choices in a way that secures the well-being of their clients, their businesses, and ultimately their succession? That's what our guest, Mindy Diamond, is here to help us answer.
BILL COPPEL	Mindy is president and CEO of Diamond Consultants, one of the leading consulting and recruiting firms for financial advisors. She founded the firm in 1998 with, in her words, nothing more than a pad, pen, and a phone working from the bedroom floor in her home. Drawing from her own entrepreneurial experience, she developed an organization that employs a unique relationship-driven approach that helps individuals and organizations achieve what she calls their Best Business Life. By counseling advisors on how to ask the right questions and dig deep, she helps them look at all the opportunities available to find the one that allows them to reach their full potential, that is, to best serve their clients and live a life that's in sync with their own beliefs and values. An industry thought leader, she is regularly quoted in national media outlets such as The Wall Street Journal, New York Times, and CNBC, as well as industry publications including On Wall Street, Financial Advisor Magazine, InvestmentNews, and RIABiz. In addition to her weekly blog posts for financial advisors and active social media presence, she has shared her expertise on recruiting and career trends since 2004 in a monthly column for wealthmanagement.com. You're also likely to hear her on the platform at many of the industry's top events and webinars. Her podcast series for financial advisors, Mindy Diamond on Independence, has become what many recent breakaways consider their go-to source for education on the independent space. Mindy, welcome to The Next Frontier.
MINDY DIAMOND	I'm thrilled to be here, Bill. Thank you for having me.
BILL COPPEL	Well, you're a veteran of this industry, and you've seen a lot. And you've lived through many of the changes the industry is experiencing today, and you've been side by side with advisors during this evolution. Based on that, where do you see the future for the industry?

MINDY DIAMOND Yeah, it's been an interesting ride. So I've been counseling advisors for the past 25 years, and surely, it's been lots of changes in terms of going from commission-based to fee-based, and changes in technology, and changes that proliferation of the independent space and all of that. But I think the biggest change I've seen is change in advisor mindset. Advisors went from valuing deals, meaning keeping the status quo the same or how can I get the biggest transition package to fuel this move or to monetize my business at some point along the way, to really valuing freedom, flexibility, and control more than anything. And I think it is that change in mindset that makes them want to take more of a long-term view that is going to push more people toward the independent space. And so when you ask about the future, I think that's exactly it. I think that for a lot of reasons. Because the eco-system born to support the breakaway adviser has shored itself up and gets bigger and more solid every day, and because advisors want what independence is about. I think we're going to see more and more of it, the bulk heading more and more that way.

BILL COPPEL When you're talking with advisors today, how are they sort of dealing with the technology threat, if you will? So much of what we used to do as advisors is being replicated through a variety of different technology applications or online experiences that the clients can get today. How are they reacting? How are they feeling when it comes to those kinds of challenges?

MINDY DIAMOND Yeah, I counsel advisors who are at the pinnacle of their career, top of the food chain, if you will. And at that level, people managing 500 million, 1 billion in assets or more, it never even comes up as an issue. They look at technology as a good thing as helping to aid the client experience, perhaps as a way of facilitating relationships or even beginning relationship with the next generation of advisors… the Millennials or younger. But they don't see it as a threat at all because, for the most part, they're dealing with high net worth clients. There's no substitute for developing a strong, interpersonal relationship based upon trust. And while there’s certainly a place for technology -- being able to self trade, if you will, it will never replace the need for a relationship for trust, for guidance, for customization that a human financial advisor can provide.

BILL COPPEL No question about it. One of the things you mentioned at the top was this notion around change which is a lot of the technological advancements have created flexibility and choice and freedom to a certain extent for advisors to think differently. And as you said, this is tending to give them more of a longer view look at their career. But what's interesting is that we're dealing with an aging population of clients and an aging population of advisors. For example, the population of aging advisors is outpacing. In other words, they're leaving the business faster than new folks are coming in. How do you see this affecting advisors today, and what should they be thinking about in terms of their exit strategy?

MINDY DIAMOND Well, look, succession planning is probably the hottest topic and driven partly by what you said that I think the average advisor is 57 years old, and they're not getting younger. And we're not replacing the aging out advisor with young talent fast enough, and so it creates a succession crisis. So we tell advisors that whether you're 30 years old or 30 years in the business and whether you are in the first five years of your career or on the back nine of your career it's never too early to think about building the right team around you, building the next generation, and thinking about sort of the arc of your career beginning with the end in mind so that you're not caught flat footed when the time comes. As we begin to talk with advisors that are either in the back nine or on the back nine of their career - I'm not a golfer - or nearing the back nine of their career, what we tell them is that if they believe that their firm, where they practice now, is in fact the best legacy for their business, for their next generation, for their clients, and for themselves for the foreseeable future or the rest of their career, then surely staying put is the path of least resistance, and that's exactly what they should do.

MINDY DIAMOND

But the reality is there are a lot of advisors that get to a place, they're 7, 10 years out from retirement, or they're in their 50s and don't necessarily want to retire, but they're not enjoying themselves like they once did. Business feels like more of a slog than it once did, they hate the bureaucracy, etc. And they get to that point, and they're feeling stuck. And that's really the time when an advisor needs to ask him or herself, "Am I in the right place? Is this the right legacy?" If yes, great. If not, it's a really exciting time to be an advisor because the industry landscape has expanded exponentially, meaning there are more legitimate options for quality advisors than ever before. I mean, there always exists the Morgan’s and Merrill’s and Wells Fargo's of the world, but what we're talking about today is a landscape where it is just as legitimate to go to a boutique firm like a First Republic or a Rockefeller or a Steward Partners, etc., as it is to go fully independent. And that choice is a wonderful thing for all concerned, for the advisor himself, for his next generation, for his clients and his team.

BILL COPPEL

That's certainly an excellent observation on your part in terms of how advisors can look at options that are out there, and I agree with you there. There are many more options, particularly in the last five or six years. But there is an option that's been out there for a while around this concept of teaming. How are you counseling advisors today, let's say as part of a succession plan, to build teams? You can build teams for a lot of reasons, but one of the reasons that I'm familiar with is the idea of building a team in order to prepare for that succession that is likely to occur sometime in the not too distant future.

MINDY DIAMOND

Yeah, I mean, I think that's a great question. I think it depends upon the motivation for forming a team. If the motivation for forming a team is in response to a corporate mandate that we expect everyone to team, but it's not being done for the benefit of clients or benefit of the business itself, probably not a great reason. And the downside to teaming to meet some corporate mandate is that it makes the business less portable because it's harder to meet the needs or to find the solution that's going to meet the needs for all parties as opposed it is to meet the need of one single advisor. I mean, look, the big firms really love the idea of teams because it makes the business stickier. But that aside, from the perspective of advisors, most top advisors - I'd say the majority - practice in teams and have partners. The advantage of that is, one, I mean, just from the perspective that I can take a vacation if I've got a partner and someone I can leave the business in competent hands of, but it's also about shared specialty. It's about not being alone in letting your thinking become insular and really having others to rely upon to serve clients. And it's absolutely to your point about building a succession plan so that you're not caught flat footed. The notion of building a multi-generation so that your team appeals to both the younger and older clients and so that you aren't caught flat footed when you're 7 or 10 years out from retirement and suddenly find yourself without a next generation to replace you.

BILL COPPEL

So what I'm hearing here is teams can be effective, but you've got to form them for the right reasons because if you form them for the wrong--

MINDY DIAMOND

100%.

BILL COPPEL

Yeah, if you form them for the wrong reasons you could find yourself in a worse position. Let's change gears from--

MINDY DIAMOND: Yeah, and one-- I'm sorry, and forgive me for interrupting. Look, and one of the wrong reasons is when a firm forces you to form a team and you don't take the time to really vet a potential partner, you can find-- I mean, "marrying", if you will, the wrong business partner can be as detrimental as marrying the wrong spouse in [inaudible]. And so it's about doing it for the right reasons and taking the time to make sure you're doing it with the right person or people.

BILL COPPEL: Well, I think that what you've shared with our listeners is important. You're really uncovering many of the myths that are around teaming. So that's great advice. Let me change gears for a moment and look at the independent space, obviously, a place you have a tremendous amount of experience and expertise, and I want to particularly look at the independent RIA space. Today, it's the fastest growing segment of our industry outpacing the wire house growth by more than twice as much as reported by Cerulli. But independence is a broad topic. What do you think is contributing to this reality? And is this just a short-term phenomenon?

MINDY DIAMOND: Oh God, no. I'd say a decade ago, we began to see top teams going independent, at first, a trickle and then much more than that. And when it first happened, I can remember being in conversation with many leaders at the top brokerage firms who dismissed those moves as one-offs. Either, "Ah, he was a planned attrition. He was a loser we wanted to lose," or, "He was a day away from retiring anyway, and he was going to leave," or, "He was a flight risk," or a one-off essentially. And for a long time they really dismissed it. Even those leaders now can't dismiss it as a one-off. And the reason you know it's not a one-off, it's not just because it's where the assets are flowing and all of that, and it's an undeniable trend, but it responds to what advisors want. As I mentioned, what advisors value more than anything today are freedom, flexibility, and control. And the more they can't get that as an employee of a brokerage firm, large or small, the more bureaucracy takes over, the more compliance manages to the lowest common denominator, the more they lose control because they've got a heavy handed bank parent, the more the advisors crave independence. And what has happened at the same time, so you've got mounting frustration for these advisors on the one side as employees, and then you've got this extraordinarily exciting ecosystem with extraordinary technology options on the other side that mean it's a level playing field so that an advisor doesn't have to sacrifice anything when he or she goes independent including access to capital, technology, services, thought leadership, talent, etc. And so, no, it's not just a passing fad. It's absolutely a trend that's here to stay.

BILL COPPEL: And it seems to actually be outpacing, in some cases, the conventional definition of independence going 1099 as an example. Why do you see that happening? Is it less attractive today to take on that model than an RIA model?

MINDY DIAMOND: No, I think the point is that depending upon what the advisor is looking to solve for, what the advisor's goals are, and what the advisor's business mix looks like, and depending, probably, most importantly on the advisor's tolerance for risk and for taking on the heavy lift of building a business, those things will determine which version of independence might be most appealing to that advisor. So the great news is that there are some for whom an independent broker-dealer is the exact right construct. There are others for whom a quasi-independent model, a model where an advisor is still a W-2 employee but assets are custodied third party, and they rely on a firm to handle all the middle office and back office, that might be the exact right model. And then, there is the advisor that's uber entrepreneurial that has a goal to really build an enterprise and likes to be involved in how the sausage is made, and that advisor is probably better suited for full-on independence. So it depends upon the advisor. And in my view, there isn't any one way. And that choice bodes well for every constituency because the advisor's likelier to find his or her utopia, the client will be better served because he or she has a happier advisor, and the team is better served because the team is now going to be situated in the best place for that business.

BILL COPPEL So what I'm hearing you say is there's really no wrong answer. Assuming the advisor takes the time to understand what's important to them and how they want to operate, there's probably a better model out there for them if they're unhappy.

MINDY DIAMOND Yeah. Well, yeah, exactly. I would never suggest that there's a better model out there for anyone because there are plenty of advisors that are very well situated with the status quo, meaning they're an employee of a brokerage firm in some capacity. They're growing. They're doing well. They have their needs met. I mean, anybody would be lying if he tells you it's perfect because there is no perfection anywhere, but it's more than good enough. And you combine that with the fact that it's a hassle to move, and a lot of advisors have real opportunities ahead of them if they stay put: the opportunity to inherit a book of business from a retiring advisor, the opportunity to be an heir apparent, the opportunity to buy a book of business, the opportunity to partner with someone, whatever it may be. And so there are a lot of reasons why somebody may not choose to leave, and we support that, encourage that 1,000%. But to your point, if someone is unhappy, where the sum total of those frustrations and the impact that the sum total of those frustrations or limitations are having on them get to a point where the advisor says, "Perhaps, there is a better option," then, absolutely, unequivocally, it's an exciting time to be an advisor because there's a vast array of choices, and the choices are really exciting. And it is much more likely that an advisor will find his or her version of utopia because there are so many different options today.

BILL COPPEL Well, I want to go back to a comment that was in your bio that I read at the top of the podcast and sort of your unique approach to your counseling of advisors, and I love this Best Business Life idea that you really basically run your business around. So it sounds like you spend a fair amount of time, not just on the technical side of running the business with advisors, but also helping them figure out balance, life balance, I guess, between their work and the rest of their life. Talk to us a little bit about that experience. And what do you say to an advisor when they're confronted with a decision as to move or not move as it relates to this notion of Best Business Life?

MINDY DIAMOND Yeah, so I love that question. I coined the phrase, Living Your Best Business Life. I copied Oprah who was all about living your best life and I said, "Okay, Your Best Business Life," and I started sort of talking to advisors about that, and it really resonated. At the end of the day, we can talk all about the economics of a move, we can talk all about the technology, and we can talk all about the bureaucracy, and all about the experience of being an advisor, but the real truth of the matter is that we spend more time at work than we do with our families in large part. And it's pretty important that someone feel happy and passionate about work. And I can't tell you how many advisors I have conversations with day in and day out that talk about the fact that work just doesn't feel like it once did. They were so enamored with or jazzed by the culture that was their firm, whichever firm it was, when they first started in the business and how different it feels now as the firm has become more heavy handed, more bureaucratic, bank owned, etc.

MINDY DIAMOND And so people are-- when I talk with them, of course we talk about the economics of a move, and of course we talk about being able to replicate your business, and of course we talk about how the tech compares, and of course we talk about the culture at the firm, and of course we talk about the long-term value and all of those other things. It's not even a little bit to say that those things are unimportant; they're incredibly important. But in the end, if it's not wrapped in something that you feel passionate about, that doesn't feel congruent with your values, with who you are, with your goals, with how you want to live your life, Live Your Best Business Life, then it isn't the right option. And that is the litmus test that we encourage advisors to apply to whether it be their own firm determining if there is enough frustration to warrant the hassle of a move, but also to apply to another firm. In fact, it probably has an even higher threshold to clear if you are looking at another firm because the ease of staying put is certainly the path of least resistance. But if you think about moving, the bar you need to clear about how much better enough it needs to be than where you are, how much more of Your Best Business Life it needs to be able to give you, becomes even greater. And that really is the most important litmus test.

BILL COPPEL

The things that you encourage advisors to think about when they're confronted or at least when they're beginning to think about a move, one of the things you did mention was technology. And, clearly, as we talked about earlier in the conversation, technology is becoming a bigger part of our lives, particularly in the financial services space. How is the rise of technology playing into the decision-making process for advisors as they look at what space they may want to operate in?

MINDY DIAMOND

Yeah, it's an interesting question, and it's an interesting question for me because I'm not a techie, but I talk tech all the time with advisors. Years ago, the choice of stay versus go was a pretty binary one. You either stayed put because where you were was good enough. Let's say you were practicing at Merrill Lynch or UBS or something of the sort, good enough, but if you were inclined to move, the option, if you were a top advisor, was to either go-- if you're at Merrill Lynch, to go to UBS or Morgan Stanley or Wells Fargo. There really wasn't much else because independence wasn't really all that valid. And within that ecosystem, the world of the wire houses, everybody sort of assumed technology. There were certainly differences between Merrill's tech and UBS's and Morgan’s' and Wells Fargo's, and each sort of invested different amounts in it. But at the end of the day, advisors at least assumed it was a pretty level playing field. There wasn't enough of a difference between one firm's technology and another to justify a move. But today, as advisors, especially ones who service high net worth clients, are all about wanting to customize the experience. The tech stack, being able to customize the tech stack and access modern and cutting edge technology is probably one of the most important drivers. Now, to be sure, all of the big firms, the traditional firms have certainly invested in their technology as well - it's not to say that they haven't - but they are relying largely on legacy technology. The beauty of independence is the ability to really custom build to pull together the exact right tech stack and customize it for what's right for your clients. And so in that desire for greater freedom, flexibility, and control, what they're looking for control over and freedom is to have the freedom and the control over choosing the exact right tech stack. So it's very important to them today.

BILL COPPEL

Let me change gears for a moment again and run this by you. When you think about the cost of advice today, there seems to be, perhaps, an unhealthy focus on price over value. What I mean by that is that people often make decisions based on price instead of making a decision, say, based on the value of what they're receiving. What are you seeing advisors do to combat this?

MINDY DIAMOND

Well, surely, fee compression is an issue, and everybody talks about it, but I think that the best advisors don't position themselves selling price. They position themselves selling value. And I think that there's a saying that, "In the absence of value, people rely or look to judge someone based upon price." And I think that that's true. I know even in my own field there are certainly robo recruiters. But if I'm good enough at what I do and I add enough value, I am confident that there will always be advisors that will want to rely on the arm's length for objective guidance of somebody like me. There are do it yourselfers, and there are those that like guidance. And that's really the bottom line is that those that can add value will succeed despite fee compression or despite fee competition.

BILL COPPEL: In terms of that value, can you share with our listeners what you've observed probably more recently that advisors are embracing to redefine or expand that value in ways that simply go beyond the traditional aspect of helping people manage their finances?

MINDY DIAMOND: And again, I don't mean to be an advertisement for independence, because the truth of the matter is we just moved a 7 and a half million dollar team managing 2 and a half billion to a wire house firm. So it's not that they're not going in that direction, but probably the most amount of change and the most amount of excitement and creativity is happening in the independent space. So it's really advisors going independent where you begin to see people offering family office type services, adding tax accounting and bill pay, and concierge kind of services that really appeal to ultra-high net worth clients. It's advisors beginning to get creative and customize every aspect of what they do for their clients. It's the notion of customization that really answers that question.

BILL COPPEL: Let's stay on this topic of value for a moment. I want to share a story with you, Mindy, and get your reaction to it. I was working with an advisor around this notion of what he could do to expand his value, and he was sharing with me an approach he was taking. He managed large, wealthy families. Probably only had about 50 families that he was working with, and these were multi-generational families. This was serious wealth that was going to be passed from one generation to the next. And what he had observed in his practice was the fact that these families had very clear sets of values. And what they wanted was to ensure that as their wealth passed to the next generation, that along with that money went the values that essentially helped them achieve that success. And so he came up with this great idea, I want to share with you, which is he would take these families, multi-generational families out into the woods, if you will, and he would do sort of an adventure experience with them over a couple of days working on different kinds of stunts and activities that allowed them to interact with one another in non-traditional ways, right? Maybe it was, how do we get somebody up this tree, or how do we get over this wall, or how do we climb this rock face? And the reason he did this was it gave him an opportunity to see into the hearts and souls of these people to understand what they really believed in and how they interacted with one another. And he's continued to do this with families as he's expanded his practice. He says it's quite remarkable. Have you run across similar kinds of stories?

MINDY DIAMOND: Well, first of all, brilliant. And I think what that speaks to is enormous creativity and enormous depth of relationship with his clients. Now, obviously, if you're an advisor who has 1,000 clients, it's probably hard to do something like that or to know your clients as well. But for advisors like this advisor you're mentioning that has 50 clients, it's all about depth of relationships. So what he did, what you're talking about is he found a creative way to, A, make a point and, B, to add value and, C, to really further the relationship, to deepen the relationship. And I think that that's really what it's about. Adding value, by the way, isn't necessarily an “independent” thing. The ability to add value can happen anywhere, whether you practice at a major firm or you're independent. What drives it or what determines how much value you can add comes down to what a firm or your firm will allow you to do. Does my compliance department allow me to do what I want to do? So I don't know whether this advisor was independent or an employee of a major firm, but something tells me independent, and that it might have been hard to do something like that as an employee of a major firm, and that's really what it's about.

MINDY DIAMOND So I launched a podcast series almost three years ago. And on it I have invited many guests who are breakaway advisors themselves who were employees of major firms who are now independent. And one of the things that's been most fascinating to me in the conversations is not only their reasoning for going independent, which was the desire to customize and add more value with their clients, but also, I'm struck by their creativity, by when they own their own business, how much more vested they are in coming up with creative ideas that can really move the needle. So I think, in this example you just gave me, A, I think it was brilliant, and it sounds like it's really moved the needle for him.

BILL COPPEL Well, I think it has, but I think it also reflects your mantra, Best Business Life. And when you begin to do things that you find great value in in your own life, and you can translate that into your business life, I think it's a home-run.

MINDY DIAMOND Yeah. And I'll say one other thing. The word “authenticity” comes to mind. In other words, if you're using that example of that activity this advisor created, if it was done as some corporate stunt or some corporate mandate that his firm required him to do, I doubt it would have resonated as much with his clients. But it sounds like it was an authentic activity. It was born out of his authentic desire to add value and create a deeper relationship with clients. And when something, any decision, any action is born out of authenticity, I think it usually resonates.

BILL COPPEL Agree. So let me wrap it up with this, Mindy. Given everything we've talked about, how should advisors be thinking about the challenges of today's environment to help ensure that they're well positioned to thrive, not just survive?

MINDY DIAMOND I think that you begin with the end in mind. I think that it's important for an advisor, no matter where they are, to really look forward and determine what do I want to be when I grow up? And I say that sort of facetiously, but I mean it. What is it I want this business to look like? What are my goals for the business at the end of the day in terms of my staffing, my partners, my succession planning, the size of the business, the number of clients, the kinds of clients, the work I'm doing for clients, the technology I rely upon, etc. And then to ask themselves, "Do I believe that I can get there, whatever that end is, by staying where I am?" If I can, then that's awesome because honestly, not moving is the path of least resistance. It's disruptive to move. So if you don't have to make a move and if you get to where you want to go by staying put, that's a home-run.

MINDY DIAMOND The problem though is, today, especially for advisors that are employees of firms, they have less and less control over sort of what the end will look like because they're not the ones making the decision. And so even if they say, "Well, the status quo right this minute serves me, but I don't have a crystal ball," if I could be guaranteed that I look into that crystal ball in 5 years or 10 years from now, things would look as they do today, heck, yeah, I would stay put, and they probably should. The problem is without that crystal ball and without them being in control over the changes that are made, whether that be changes in compensation or changes in technology or changes in infrastructure or whether their office will close down because the firm no longer wants to invest in that geography, whatever it may be, it's hard for advisors today to say with surety, "I'm in the right place." And so believe me, that's not an advertisement saying, "Everyone should move," because that's not what I think at all. But I do think that it's important to ask oneself that question that for the near term, at least for the foreseeable future, do I believe that I'm in the right place? If yes,

	great. If not, then this world-- the industry landscape has expanded. It's exciting. And get educated about what those options are.
BILL COPPEL	I cannot thank you enough. This has been an incredibly insightful conversation. I know our listeners are going to get a great deal out of it. And Mindy, thank you very, very much for spending some time with us today. It's really an honor to have you on The Next Frontier.
MINDY DIAMOND	It was a pleasure. Thank you. Pleasure was all mine.
BILL COPPEL	For listeners interested in learning more about Mindy's work and her podcast, Mindy Diamond on Independence, you can find links to her information in this episode's show description. We hope you enjoyed our conversation today. Please take a moment to subscribe to our podcast. And if you like what you've heard, please tell others about it. It helps people find us and ensures you never miss an episode. Our commitment is to continue to share industry trends, insights, and timely information with the aim of helping you build a better future for your clients and your business. Thank you for listening. And until next time, be well.
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