Transcription details:

Host:	Bill Coppel, First Clearing Chief Client Growth Officer
Guest:	Marc Spilker, Merchant Investment Management Executive Chairman and John Peluso, First Clearing President

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. For a while now, we've been exploring how accelerating digital advancements are affecting the financial services industry. One thing we know for sure is that digital is forever reshaping our sentiments and expectations as clients and as consumers. Then, when you layer on the current low-interest rate environment - one which appears to be with us for the next few years - along with the global pandemic, it adds even more intrigue or uncertainty depending on how you look at it. It's clear that this reality we find ourselves in has, on the one hand, brought forth new challenges. But more importantly, it has also revealed new opportunities. Opportunities for the industry and, of course, the financial advisor. Particularly those advisors conducting business as RIAs. Every day, we are seeing new businesses emerge in the RIA realm. While, traditional models are adapting or, in some cases, contracting. Today I'm joined by two seasoned industry thought leaders representing combined experience of more than 60 years. Marc Spilker and John Peluso. Although they've both seen numerous changes during their tenure, we've invited them here today not so much to opine on the past, but rather to use their experience and insight to explore the opportunities that lie ahead. Marc cut his teeth in this business over a 20-year career with Goldman Sachs where he rose to become co-head of the investment management division. From there, he went on to run Apollo Global Management, one of the world's largest alternative investment managers. Today, he serves as the executive chairman at Merchant Investment Management, a private partnership providing growth capital, management resources, strategic opportunities, and direction to independent financial services companies particularly those focused on wealth and asset management. John, a 25-year veteran with Wells Fargo Advisors and its predecessor firms, was instrumental in launching Profit Formula which was the firm's first foray into independence. He then led Wells Fargo Advisors' Financial Network commonly known as FiNet, the firm's independent representative channel, to becoming one of the most successful independent businesses in the country. Today he leads First Clearing, a business unit of Wells Fargo Clearing Services, serving broker-dealers and RIA firms. Gentlemen, welcome to The Next Frontier.
MARC SPILKER	Thank you so much for having me. It's great to be here.
JOHN PELUSO	Yeah. Thank you, Bill, for the invitation. Happy to participate.
BILL COPPEL	Before we get started, I want to share with our listeners that we've invited Marc and John here for this conversation because the firms they lead are working together pursuing what both organizations see as significant opportunities in serving the RIA

marketplace. So gentlemen, thank you for taking the time to join us. This is the first episode in a new series we're launching here at The Next Frontier. We call this Inside Financial Services: Perspectives on the Evolving Advice Business. I'd like to start with a macro question. What are some of the trends in wealth management you're seeing today? Marc, let me go to you first. From your perspective as you lead Merchant, what are the trends you're seeing?

MARC SPILKER

Well, thanks for that question, Bill. Yeah, I think it's really interesting how much has changed over the years in the wealth space going back 30 or 40 years. One of the biggest changes that we've seen is what we think of as the disaggregation or the unbundling of the value chain. And essentially, that allows independent advisors to access from the market best-in-class services whereas for many years the scaled, vertically integrated corporate models that have great businesses are where all the resources were. Now the resources are proliferated through the industry and an independent advisor can pick and choose the parts of the value chain: custody clearing, trade execution, model portfolios, asset management product, outsource compliance, outsource books and records. And so not only can an independent advisor pick those services from the market but as those services continue to evolve they can continue to grow the business. And the way I think about the phases that we're in is this is really like the third large change we've seen in the wealth space. The original space was much more of a transactional-based brokerage model where advisors were working on commissions that had all the issues that we know about. And then the industry turned into more of an asset management business where for one fee you can get the model portfolio. And we saw that really from the early 2000s really up until a couple of years ago. And now with all of the goods and services I just talked about, the advisors are turning more into holistic wealth managers where they're doing way more things for their clients. And I think that this full-service model will continue to evolve and continue to grow and allowing independent firms to really deliver world-class services to their clients.

BILL COPPEL

So, John, share with us your perspective particularly from where you sit serving retail advisors.

JOHN PELUSO

Yeah, sure, Bill. So over the past 20 years or so, the number of broker-dealers has steadily declined. And this segment of our industry is very likely to continue consolidation. At the same time, the number of RIAs have risen. And this move toward independence and RIAs has been led largely by the more successful financial advisors. As we mentioned earlier or as Marc said earlier, the FinTech and unbundling of the value chain have accelerated this in the past five or so years, particularly in the RIA space. What's also accelerating the move to independence is the need for managing to the lowest common denominator, which makes strategic sense if you're running a large scale business. However, this has the potential to be a headwind for more accomplished advisors. Second, on the other side of the equation, traditional models like the wire house that are dependent upon scale are being challenged. It's interesting because their size and scale, which has served this model well historically, presents unique challenges for them to be nimble in a period of rapid change. So perhaps FinTech is redefining scale by creating solutions that can be deployed quickly at lower costs while providing what advisors need to remain competitive and client-focused. And finally, and maybe most importantly, clients are responding favorably as we've witnessed an advisor's ability to replicate his or her business when they move. And in some cases, attract even more assets from existing clients than in the past.

BILL COPPEL

So clearly, you've both indicated that technology is affecting the industry and it sounds like in a fairly positive way. So let's shift for a moment to the financial advisor.

	Do you see this impacting the value of the advisor's role given some firms are offering advice vis-à-vis digital? John, let me start with you on that.
JOHN PELUSO	Yeah, Bill. I think despite of all the FinTech innovation and choices available in the marketplace, the human connection can't be replaced. And this is important because in challenging and uncertain times, the value of a trusted guide or an advisor increases. I believe the challenge for advisors is that they need to improve their aptitude in areas like empathy and listening. I say that because the technology today is capable of building a portfolio or managing investments and that's good because it provides more opportunities for advisors to deepen the relationships with their clients. So the bottom line on this point, relationships really matter. It's our lifeblood as human beings. Second, as relationships deepen between advisors and clients, it opens the door for the advisor to become the go-to person as it relates to a broader set of decisions that clients wrestle with. I often refer to this as going beyond the balance sheet. And particularly, the asset side of the balance sheet. So helping clients manage debt - often a source of stress in our life - becomes very important and valuable. Perhaps even more important for advisors is helping clients to find purpose and meaning in their lives when they choose to transition from a lifelong career. And finally, I believe we need to shift our focus solely from managing clients' wealth to helping them define and achieve a more holistic sense of well-being.
BILL COPPEL	So the advisor still matters. Marc, how do you see it?
MARC SPILKER	Yeah, I really agree with the way John framed it, which is the essence of the business and where the value is created is in the relationship between the client and the advisor. What I really like about these trends is that there is democratization. We talked about the unbundling and the value chain. But technology is levelling the playing field and exposing the difference between high value-added activities and lower value-added activities. Increasing the value that the advisor has as long as they could demonstrate the things that John had mentioned, which is the relationship with the client. And what's really important in any industry that's going through a consolidation is that the industry use available technologies to drive down cost, drive up efficiencies, and put more of the power back into the hands of the client where the client feels more connected to their financial lives and they feel more connected to their assets. It's up to the advisor however to figure out how to utilize all of the technologies, broadly speaking, available to them to make sure that they could drive up value, drive down costs, and create better outcomes for their clients.
BILL COPPEL	Thank you, gentlemen, for both sharing this point around the opportunity that lies ahead for advisors. But often, we get into this conversation where when we think about it from a cost perspective for advice today, it seems to be that there’s an unhealthy focus on cost particularly between the relationship with the client and the advisor. John, what are you seeing advisors do to combat this situation of cost versus value?
JOHN PELUSO	Well, and we've all experienced that tension between price and value, and we've been programmed to look for things on sale. And almost everything we buy or consume today is marketed to us from a price-point perspective. So with that as a backdrop, competing on value is harder than you might think. And I believe it's not *telling* people what you do to create value. That's really no different than a billboard on a highway. The most successful advisors demonstrate their value by their actions. For example, through their ability to be empathetic, their ability to listen, and their ability to help clients ask themselves better questions about what matters. For advisors to do these things, their value will become quite evident.
BILL COPPEL	Marc, your thoughts on this?

MARC SPILKER Yeah, I think it's a really important point. And I come at it from a slightly different direction, is when you think about the 21st century, the financial lives of most families is getting more complicated which means that the advice is increasingly important. And clients don't just shop by price. Price matters, but price for value. And so the name of the game is to provide more value for the same price. And mostly given the sensitivities of all the issues that we're talking about - John mentioned some of them: family, financial well-being, life goals, and planning - that I'm not saying price doesn't matter, it does, but what a family gets for the price they pay is way more valuable. And because of that, families are looking for advisors to do more things for them, and it's incumbent upon advisors to do more things than just the asset management that they used to do. And when you think about the other side of the equation which is from an advisor point of view, if you take apart the expense side of an RIA, there is a piece of the business that you can't really do anything about. There's office space and all the things that are required to run a business. And most advisory firms look the same. And then there's all the other products that we talked about that are now proliferated, outsourced, co-sourced. And so the trick is to make sure that as technologies from other industries and other parts of the world are being brought to bear in the wealth space, it is increasing value and driving down costs. And those are things that advisors need to understand how to do, how to integrate into their business and deliver to the end client. And for some firms, it's a big risk. And for the firms that John described before which are the best RIAs, it's a big opportunity.

BILL COPPEL Well, I think we've established and made a very clear argument for the value in the advisor on many levels. I want to pull on something, Marc, that you just mentioned. And what you said was, "Do more things." And when we think about value, what does that value look like in today's landscape? Does it involve managing beyond the balance sheet? So, Marc, I want to go back to you on that. Let's kind of expand on that "do more things than what we traditionally would expect."

MARC SPILKER Yeah. And so this is what has been evolving over the years. And the way I think of this balance sheet is more the asset management side. So we like to break the business down into three buckets. One is what we call the soft stuff which is really valuable: financial planning, integration with tax, trust and estate, calculation of balance sheet, cash flow, life planning. Those are things that are really, really important to families and increasingly families want to get all of that. The middle bucket is the traditional bucket: the balance sheet, which is the asset management side. And the third bucket are what I think of as special investments. Returns on portfolios are probably not going to be good enough to satisfy all the obligations. So investment returns need to go up and independent advisors need to continue to provide more differentiated product than they have in the past. And when you think about that, that's holistic from soup to nuts: family's financial affairs. And so not only the burden for the advisor is having the capabilities of putting that all together, an obvious benefit to the family, but the benefit to the advisor is if the advisor can deliver all of those things in a holistic way, the family is more likely to consolidate their assets around the advisor. And that's why we believe we're in the consolidation phase where if the advisor can live up to the challenge, then families will use fewer advisors. And that's a big opportunity for the advisors to consolidate assets.

BILL COPPEL And what I'm hearing you say, Marc, is that as these advisors begin to broaden their offering around the financial life of a client, ultimately, it's going to cause some contraction out there as clients want to put more of their assets and not use the old adage of, "You don't want to put all your eggs in one basket," anymore. So, John, let's take it a step further. What are you seeing beyond the balance sheet in terms of how advisors are really trying to really reshape their value in addition to the things that Marc has mentioned?

JOHN PELUSO Yeah. And I really like Marc's three buckets' perspective on that. That was well-positioned, but it does absolutely involve going beyond the traditional role of asset management. As mentioned, advisors do need to think beyond the balance sheet when working with clients. In times like these, times of tremendous uncertainty which we certainly are experiencing now in our world, trusted advice and guidance is invaluable. And technology can't replace trust. So advisors who are engaged with the client's life and not just their assets, redefine the value of advice. The path to this is simple as far as I'm concerned. Advisors need to remember that they are no different than their clients because advisors are subject to the same uncertainty and stress that their clients have. The anecdote is simple. It's empathy. Empathetic and authentic conversations are fundamental to building trust. So when an advisor expands their view of the client beyond the balance sheet, they uncover a broader and more complex set of decisions that clients face. This is the opportunity. Tackling these with clients elevates the value of the advisor.

BILL COPPEL Both of you have really pointed out a wonderful profile of what advisors can be doing or continue to do better if they're already starting that. But there's still this whole digital world that's out there. And my next question I want to start and I want to direct to you, John, first is how are advisors embracing the rapidly changing digital landscape when it comes to delivering value? We see today all kinds of mechanisms out there. As I mentioned earlier, everything from, "Tell me when you want to retire or give me these data points on your life and I'll send you out an email with your plan." What are you seeing out there, John, in terms of how advisors are addressing this?

JOHN PELUSO I will say that the best advisors are outpacing the firms they work for when it comes to understanding the importance of meeting clients on their terms. Often leveraging technology to do this. So the best advisors understand that their best clients are the ones who are exploiting technology in their daily lives. So when we think about our own experiences with technology - and I know this is true for me - the baseline of our expectations is what I call the Amazon experience. Digital has forever changed our sentiments and expectations. The best advisors get this and understand how tech can contribute to creating a unique experience for clients. Let me give you an example. The ability of a client to understand where the markets are, the value of their portfolio at any given time, or how they're doing can all be delivered easily to their fingertips with technology. I think we tend to mix the idea of value with doing those things that people expect versus doing the things that clients can't even think of. Kind of like Steve Jobs creating technologies that we didn't even know we needed. The technology should handle the obvious: things like what I'm worth, what's the market doing. Advisors need to be addressing those things that are more elusive that affect the client's well-being.

BILL COPPEL Marc, your perspective on that.

MARC SPILKER Yeah, and I like the way John framed it. And what is really exciting about the industry and what I find so exciting is that the idea that an advisor can survive without technology is really hard. And the idea that technology is going to replace the advisor is really hard. Neither one of those makes sense to me. I really like businesses where the value is in the intersection. Advisor plus technology is going to be the place in which the most value is created. And if I should now have opportunities to do things that they could not have done before and we see algorithms that could be helpful. I don't know that algorithms can make final decisions, but algorithms can help families and advisors put financial goals, utilities for risk, uses for capital, and come up with an analytical framework for trying to solve the problem that a family wants to solve. Whether it's ESG, whether it's long term planning, whether it's philanthropic, whether the family is more inclined to take risk or less risk, whether they want more stable returns. And so using all the available technologies and brilliant people from all sorts of other segments of the financial industry have developed incredible tools that can now be brought to bear. But then once all the inputs go into these algorithms and there's output, it's really up to the advisor and the family to decide what to do with it. And that is why it's so exciting because I think you need both. You need the human connection and empathy and you need the technology to come up with the framework that will create the answer that's most comfortable for the family. And like all industries, we've seen this time and time again - and John brings up Steve Jobs - and we've seen other industries that get disintermediated where new technologies change the way the industry works. In this case, new technologies are enhancing the industry, and those that fight it will be the losers, and those that embrace it will be the winners.

BILL COPPEL

I like the way you stated that, Marc, because we certainly have the computing power today and the big data today, as you put it, to analyze our way through just about anything, but then a decision's got to be made. And so many times, that requires that trusted guide or advisor there to help us work through it. Whether it's your financial life or any other part of the business, the data will get us only so far. Clearly, technology is a game-changer and it's probably, as you've both mentioned, been a contributor to the acceleration towards independence and particularly in the RIA space as we mentioned given the attraction of being a fiduciary and what it means today. Talk to us about the suite of services that are different than a traditional straight-up asset manager. I want to kind of push you guys a little bit harder on this issue. I know we've already talked about it, but let's kind of think beyond that. What are some of the things you're seeing? And more importantly, what are you *not* seeing that perhaps should be there to create even more of an opportunity? What's the technology doing for advisors beyond scale? John.

JOHN PELUSO

Yeah. So let me start with just giving a couple of examples beyond the creation and the building of the tech stack which we've produced a fair amount of content around. So we know that we're living longer. Right? And longevity is reshaping this concept of retirement. And when I think about longevity, two things come to mind. First, how do we continue to feel relevant and live meaningful lives that can extend in some cases almost as long as our careers? This is a big area and a huge opportunity for advisors. We recently had Chip Conley as a guest on The Next Frontier podcast, and Chip is the founder of the Modern Elder Academy. And what he explores is helping people make that transition because the reality is that we still want to feel purposeful with our lives post this thing we call retirement. This is an important area for advisors to tackle: helping clients prepare for what Joe Coughlin, the director of the MIT AgeLab, would say is their next 8,000 days. Second, as we live longer, how we live and where we live become very important. Working with Sherri Snelling, a corporate gerontologist, we've created a series of webinars and articles to help advisors help clients begin to tackle the idea of what caregiving should feel like and look like as we live longer. Finally, a big part of our well-being is that unique balance between our mental, physical, and emotional health. Advisors have an opportunity to become more connected to that by helping clients plan for how to make the most of their bonus years. They can do this by helping clients create an environment that promotes health and well-being for themselves.

BILL COPPEL

Marc, how do you see it?

MARC SPILKER

Yeah, well, it's hard to add to that. It was so well said, but I'm just going to come at it from a slightly different point of view which is this whole idea of choice. And maybe what I should have mentioned at the beginning when we're talking about the macro themes is that the industry is so large and so complicated that all that we have talked about is giving more choice. More choice to the advisor in where they go, in the kind of firms that they build, and more choice to clients in terms of who they work with and the kind of services and value that they get. And so when you think about this idea you were asking about, pushing beyond the balance sheet, is that being able to do all the things that John said and all this value that's available to them, advisors now have a choice in how they spend their time. And in order for an advisor to do the things that John said they should do, which are big thoughts which is essentially building multi-generational firms that can handle families' needs as families grow, that they have to be able to spend the appropriate amount of time with the family. And so minimizing the amount of time that they're spending on running the business and doing things that are valuable, but don't directly translate into value for the family. And so what we attempt to do with our firms is help firms navigate this broad ecosystem that is being created so the advisors can actually spend the time required -- and hopefully the majority of their time -- focusing on the issues that the families have. And what advisors need to do is make sure there's always administration and all these other things that have to happen, but maximizing productivity for families and doing so while making sure they run a really good business but spending the predominance of their time on the value-added activities as it translates to families.

BILL COPPEL

I agree. It's interesting, Marc, when I have the opportunity to be speaking with advisors, I often share with them it's really important you step out of that role for a moment because in many ways you're exactly like your client. In fact, you are a client. And when you begin to reflect on what you're experiencing with yourself and your family: you're running a business, many of your clients are running businesses, it changes your perspective. And I think that you've done a terrific job with that answer, kind of focusing on the value of understanding the complexity of what these multi-generational families are like today and the things that they need to think about and where the advisor can play an important role. I want to go down the technology path one more time here because I think another important aspect of it is how the technology is playing into the client experience. If anything, you might think that technology could be diluting the value of the advisor, but I think that we've made a great case today for why that's not necessarily the case or why it shouldn't be the case. So, John, when you think about it, how do you see this notion of technology playing into the client experience?

JOHN PELUSO

Well, a smart advisor will tell you this. They want to interact with their clients the way the clients want and when the clients want. And we live in a 24/7 world so it's that simple. We'd better figure this out quickly because, as we talked about earlier, clients and advisors have more choice today than ever before and they'll ghost you in a heartbeat if you're not on top of things.

BILL COPPEL

Well said, John. Well said. Marc?

MARC SPILKER

Again, I hinted at this earlier which is embracing technology and moving the lower value-add activities to be automated and freeing up the time to do the things that John just referenced. So again, it's just embracing of technology. And if you, an advisor, are fearful that the technology will disintermediate you completely, then you're probably not providing the value to the families that they need. Yet if you're providing that value: relationship and understanding the family, then you're eager to automate some of the other things whether it's the account statements or the way in which you deliver data to families, then you're excited by the proliferation of technology. And so you could tell by the mood of an advisor how they think about technology whether they're on the right or wrong side of the equation.

BILL COPPEL And it goes back to what you said earlier about recognizing that important intersection between advice from the human being and the intersection with the technology that's out there. Thank you. So allow me to change gears here for a bit because we're having this conversation in the seventh month of a global pandemic. I thought by now that, well, hopefully we'd be further along than we are, but we're not. And as a result, there's been a lot of conversation out there about this notion of no-touch. Clearly, the no-touch approach to wealth management is indicative of what we're experiencing here today with COVID, but what do you see tomorrow? Is no-touch going to be woven into the fabric of the expectations of clients? And how will this play out? Marc, your thoughts.

MARC SPILKER Well, away from all of the really bad stuff that has happened through this crisis, one of the impacts on most industries but for sure in the wealth space is not necessarily changing the way the business is run but accelerating the changes that were already starting to happen. And so one of the really nice things about the wealth industry is that it can operate pretty much at full strength remotely. I do believe that for families, advisors in order to get the best outcomes you still need human interaction. Advisors need to be on the hunt for the best investment products and they need to be seeing and speaking to people about the trends, the changes, what's happening on the compliance front. How is the SEC thinking about the industry? What are the rule changes? And so constant need to be engaged. And so I don't know that no-touch necessarily we are referring to means no human interaction, but there has to be a massive amount of human interaction. It could be digital and virtual, but the way we see things playing out is an acceleration of what we were talking about before is we have been following this kind of Baby Boomer cohort for many years and we know what the demographics in the country are, and a massive amount of wealth is going to be transferred to the next generation over the next 5, 10, 15 years. And the wealth industry needs to prepare itself for that. And obviously, we're not going to accelerate the way people age, but we are going to accelerate the way people want to position themselves for the next 10 years. Both families in terms of making sure that their children are taken care of and advisors making sure that their firms have succession. And all of the things that we're talking about have to be done in order for families and advisory firms to set up for the massive shift that's going to happen over the next 10 years.

BILL COPPEL John, how do you see this unfolding around this no-touch issue?

JOHN PELUSO Yeah, so I think the best advisors are figuring out how to stay in contact with clients using technology, but also they're finding creative opportunities like, "Meet me in the park for a walk." So long as they're wearing a mask. The most important thing is staying connected to clients. And I've heard from many, many advisors over the last seven months. And I would say at the onslaught of COVID, they were very uncertain about how to communicate and what that would look like because things changed so rapidly. But most of the conversations that I have with advisors now, they've developed a degree of confidence. And most are telling me they have more touches with clients and it's things like Zoom and Skype that make that possible. The bottom line is uncertainty can be paralyzing. And while we may not have all the answers, listening and empathizing is often a wonderful antidote to the anxiety caused by uncertainty.

BILL COPPEL I couldn't agree more. We've kind of touched on this a little bit and we've started to look out into the future, but I do want to ask a specific question around this. If you were to picture where we are say in 2023 as an example-- Marc, I want to pull on something that you said earlier which I thought was very insightful which is yet the pandemic has-- if there were a good side to it perhaps, we might say that it has accelerated change in a good way. It's made us become more resourceful. We saw the medical community change its entire way of operating in 30 days to accommodate the fact that we had to keep socially distant. We weren't able to go into hospitals in the traditional way we did. Telemedicine really took off, which is something that's been talked about for years. So this acceleration is going to yield some important positive benefits. If we think out to 2023, gentlemen, share with our listeners what you think the environment's going to look like for financial services. John, let me start with you on that.

JOHN PELUSO

Well, given the current environment and likelihood that we never return to the past but to some kind of new normal, we need to be thinking virtually not in terms of bricks and mortar. And that said, we need to focus on technology but in a different way. I like to think about it as buy or rent, not build. We should be spending our resources to create Amazon-type experiences for advisors and the clients they serve. Think about this, I can buy a car online faster and more easily than I can apply for a mortgage. So the question is has technology put businesses out of business? Or is it the failure on the part of those businesses to innovate to think differently about how they will create value for the clients they serve? I say it's the latter.

BILL COPPEL

So, Marc, what's your take on 2023?

MARC SPILKER

Yeah, so I'll bring it more to the wealth space. There's obviously a much larger dialogue to be had about the whole financial services industry, but what we were talking about before this idea of choice is this idea that the industry is reshaping, in our view, around three models to deliver wealth services. The legacy model, which by the way I think is a great model, is in my mind categorized by this idea of scale vertically integrated central services model. And those are the big incumbent players. And I do believe that those big players will thrive over time. Some advisors like working there and some don't. The second model is the space that we're talking about which is the independent model and the evolution of the independent model which in our opinion has obviously created the way in which we've put Merchant together. Is this idea of the ecosystem where you could be an independent advisor, shape the firm in the way that you want for the benefit of your clients, but outsource many of the components that are available in the industry which has its benefits as we were saying of delivering value, being more cost-effective, and being able to continue to reshape the firm as the industry changes. And then the third model, which I know people don't agree with me but I do think that there is plenty of room for boutiques, many families really value the relationship and may be prepared to give up on some value and services to deal with much smaller firms that they believe are going to be more attentive to their needs. And so we think that we're going to have these three basic models and there's going to be many winners. This is not a historic industry where there are 15 firms that are going to consolidate down to three. There's many thousands of firms and I think they will consolidate into those three segments and there will still be many successful surviving wealth firms, but I think that you're going to have to be in one of those three segments.

BILL COPPEL

Well, as we wrap up our conversation today, I've had the opportunity to ask you guys questions so I want to kind of turn the tables for a moment because I think what's important here is that-- and I think you've both mentioned this at points along our conversation today, is that clearly, there's a lot of answers out there that people think they have. And we've always found that the success on innovation and the way to move forward in challenging an uncertain times is really not the quality of the answer but really the quality of the question, right? The better the question we ask, the better the likelihood is that we'll be successful. What are the kinds of questions you think we should be asking that we haven't covered here today? So I'll challenge you both to ask each other a question and see what comes of it. So, John, let me start with you.

JOHN PELUSO	Yeah, thank you, Bill. I appreciate that. Hey, Marc, you mentioned how advisors are spending their time is really important to having successful outcomes. So along those lines, let me ask you about growth. How are RIAs overcoming the challenges to grow their businesses? Or what strategies are you seeing them deploy that are resulting in success?
MARC SPILKER	It's challenging. And I just want to start by saying that I think growth has a deeper meaning than just the obvious, which is get bigger. Because as we've discussed, getting bigger can be better, but growth means growing your capabilities. And so one of the things that advisors need to spend time on is managing their time managing their firm, and so making sure that they're spending the appropriate amount of time with their clients. And growth will come by building a better firm that is able to deliver the value, as we have spoken about, to end clients. From a Merchant point of view, the reason why we came into the minority non-control business was because we believe that, if we're aligned with our partner advisory firms, that they can focus on the client side of the business - they're the fiduciary - and we can help them navigate the ecosystem. They make all the decisions, but we become experts on what's out there in the ecosystem: compliance, asset management, product, books and records. All of the technologies that we've been talking about, we curate, we have lots of experience with it. So they could focus on where they provide the value and we could help them build the firm in the background so that they can focus on clients, run a good firm, build their capabilities. And if you do all those things, then you should experience above industry-level growth.
BILL COPPEL	Thanks, Marc. What would you like to ask John?
MARC SPILKER	First, I just want to thank you John for your time. And I've admired the way that you have run your business over the years. And one of the things that I think that you have done well, in my observation, is continue to innovate. You have a great seat. You see a lot that goes on. And I guess my question is really to just help me understand how you think of your core business mission. And then what are the one or two differentiating qualities of your firm versus maybe some of the firms that you compete with?
JOHN PELUSO	Yeah, thanks, Marc. And I appreciate your time today as well. And I really like the Merchant business model and the strategic approach around alignment with the principles of the RIA. When you know people and you work with people closely and they bring you in as a trusted partner, the outcome of that equation is always success. So I'd say there's probably three things that I would point to to differentiate our clearing and custody services. First, I'd point to an informed and accessible leadership team that is fully accountable to the RIAs that we serve. We provide responsive individualized service delivered by empowered seasoned industry professionals that know the RIAs. They know the RIA's business. They know the RIA's voice when they call in. So we think that that makes us unique. Second, we offer a comprehensive wealth management suite including an industry-leading technology platform that's built upon open architecture. And that really forms the foundation for RIAs to build their tech stack and access the service of the entire Wells Fargo enterprise to help RIAs serve all the needs of their clients. And third, we simplify transitions by helping take the fear out of establishing an RIA. And in so doing, we put the advisor on a path

to building enterprise value. And that includes things like a dedicated team of transition experts, access to an extensive network of third-party consultants like Merchant to support all of their business needs, advisor recruiting services with expert onboarding training and support for the tuck-in opportunities, succession strategies and valuation services, and finally, capital support and then M&A support. So I would say those three things is what I would highlight.

BILL COPPEL: Well, gentlemen, I want to take a moment to thank you both. Marc Spilker, executive chairman at Merchant Investment Management. John Peluso, president of First Clearing. Gentlemen, both of you, we thank you for your time. I know our listeners will get a lot out of this conversation. And I hope you both consider coming back again.

MARC SPILKER: Thank you so much.

JOHN PELUSO: Thank you, Bill.

BILL COPPEL: For our listeners interested in learning more about Marc and John's thinking, you can find links to their 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. Thanks for listening. And until next time, be well.

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