

Transcription details:

Host: Bill Coppel, First Clearing Chief Client Growth Officer  
Guest: Vaughan Scott, CEO of Axiom Financial Strategies Group

Transcription results:

Intro Welcome to The Next Frontier, where we examine what the role of the financial advisor will be in a world where we're living longer, more tech-reliant, and bombarded with information 24/7 as we navigate constant uncertainty and accelerating change. Our mission is to spark new conversations that explore the future of advice by rethinking the value we deliver. Join us as we look at the evolving advice business and explore the opportunities that lie ahead for an industry in transition. It's time for a new conversation. Are you ready to weigh in?

BILL COPPEL Hi, this is Bill Coppel, and welcome to The Next Frontier. It used to be that advice was ancillary to a transaction, but the business of advice has changed. Today, because of factors like price compression, transparency, and regulatory oversight, transactions are now ancillary to advice. What's more, investors can get advice from a variety of platforms. They can get it digitally, they can get it in person, and they can get it for as little as 20 or 30 basis points, and in some cases even less. On top of those challenges, our industry is, in many ways, stuck in the traditional mode of advice being largely focused on investment returns. While that's important, we now know that clients are concerned about much more than just their money, particularly in the world we live in today. Ultimately, I believe that advice must be centered on helping clients achieve what matters most to them. With that as a backdrop, we're left with these questions. What is the new definition of advice? How do we, as financial advisors, execute against delivering this kind of advice? The kind of advice that distinguishes us from algorithms, artificial intelligence, and other digital platforms. What are the skills we need to acquire, or in some cases improve upon, that position us to help clients answer the question of what matters most in life? I'd say those skills are empathy and emotional intelligence. So what I thought would be valuable is to learn from an advisor, Vaughan Scott, who has centered his business leveraging these two important skills and has emerged creating a very different approach to advice.

BILL COPPEL Vaughan is CEO of Axiom Financial Strategies Group, a boutique wealth management firm where he's a family business advocate and a thought leader on innovative ways to address family wealth. He's been advising on financial, strategic, transition, and succession needs of family enterprises and entrepreneurs since 1997, with a focus on helping families and their businesses preserve wealth, capitalize on opportunities, and pass on their values. With the goal of making a meaningful difference in the lives of families for generations, Vaughan and his team of professionals share a common philosophy, to ensure their clients are happy. In addition, Vaughan is a faculty member in the Global Education Network, where he teaches a course on family wealth for the Family Firm Institute, an association of professionals serving family enterprises. He was inducted as a Fellow of the Institute in 2015. Vaughan is also an Executive-in-Residence and professor in practice at the University of Louisville, where he teaches business consulting for MBA and other graduate school programs. Among other credentials, he holds the certified private wealth advisor designation from the Investments and Wealth Institute. Vaughn, welcome to The Next Frontier.

VAUGHAN SCOTT Thank you so much for having me. I sincerely appreciate the opportunity to be here.

BILL COPPEL  
Vaughn, as I mentioned at the top of the podcast today, you've really built your business around these two fundamental skills, if you will, of emotional intelligence and empathy. You have an interesting story that describes the way you've approached your career and some of the early influences that have helped shape you. It would be helpful for our listeners to understand how you got here. So please take a moment to share with us your journey.

VAUGHAN SCOTT  
Well, thank you. It has been an interesting journey in a lot of ways. And I would say specifically as it relates to emotional intelligence and empathy, I think it started very early in my life. I had two significant influences who both happen to be women, my grandmother for whom I'm named, and my mother, who was actually a pioneer in her own right. She was an advisor-- well, they called them brokers back then, back in the '70s and '80s. And I think that having two very strong women early in my life had a huge impact on those skills being important to me. And, certainly, I'm very appreciative to them for having instilled those values in me.

BILL COPPEL  
Let's probe a little further into these skills of empathy and emotional intelligence. How do you translate them into the value your firm offers and ultimately the client experience you deliver?

VAUGHAN SCOTT  
Yeah. It's a great question. Now, we're much more strategic about it, I think, in the way that we approach it and are more thoughtful about it. And I think when it became apparent to me, it was a bit more organic. And it was about a decade ago I had a client who was a doctor's wife, who the doctor had become suddenly incapacitated and very unexpectedly incapacitated. And his wife was referred to me. And, obviously, I helped her assemble and get things organized from a financial perspective. And she actually wrote a letter - I believe it was to my branch manager at the time - just talking about how much she appreciated my empathy and my support, not only of her financial situation, but just the emotional challenges that she was dealing with and that she didn't expect to find that from a financial advisor. The fact that not only did she acknowledge it, but she cared enough to write a letter about it in appreciation, it really stuck with me. And so I think since then, we've really worked as a firm and as a team prior to becoming a firm, really thinking about what are the ways that we can really help people think about things that are important to them beyond just their financial plan or beyond their financial future. And ultimately, we feel that it's really about our clients' happiness, and that's what we really need to help them focus on. And obviously, empathy and emotional intelligence are really critical if we're going to help facilitate the process of families and their extended families being happy well into the future.

BILL COPPEL  
Well, that's interesting, because given that you've been in the industry for a couple of decades now, you've sort of been on this evolutionary journey, if you will. Evolutionary journey, I should say. And during that time, professionally speaking, what factors helped drive the changes you have made to get to where you are today?

VAUGHAN SCOTT  
Yeah. I think one of the key factors has been that it's very hard for advisors to differentiate themselves, and firms to differentiate themselves. It's a very crowded marketplace and there are obviously new entrants all the time into the markets, both online options and boutique options that are available. And so being able to differentiate, whether you're differentiating yourself as an advisor, differentiating yourself as a firm, I feel like that is more and more a critical issue. And much of that really comes down to sort of one-to-one interactions with clients, one-to-one interactions with families. And, again, it's certainly not about a rate of return, it's certainly not about having a financial plan alone. These things are important elements, but they certainly don't create and shape a great client experience and

great client relationships. And so we've really, obviously, worked very diligently to be effective in these areas and to ensure that every client has a plan that they understand and that they update on a regular basis, but at the same time there's much more to their lives that we feel are important and we want to help them understand, acknowledge that, but then also to make plans around that and to think about that, because it's those external factors that are going to really drive their happiness. In many ways, financial security is really just a foundation upon which this broader happiness can be built.

BILL COPPEL

So over this time, you have kind of begun to fine tune and better define what that value is, what you stand for, what you represent, and of course how that affects the way in which you manage the clients that you serve. But most recently, as I understand it, you made a rather big move to start an RIA. What triggers were there that created this desire on your part and your team's part, to essentially go to the ultimate of independence and become an RIA? The second part of the question is, when you think about those triggers, how would you counsel other advisors today as to what they should be thinking about or reflecting on when it comes to making a similar move that you've made most recently to start your own firm?

VAUGHAN SCOTT

I would say that what led us to launch our own firm was really a desire to create an experience that was uniquely ours. We felt like there was something unique about the team that we had at the time inside of a large wire house, and we really believed that the only way that we could really do that is to be truly independent. And the irony is, is that I, five years ago, didn't even know what an RIA was. I actually visited one of the larger RIAs in the country that had developed, based out of Chicago. And when I walked out of the meeting, the recruiter that I talked to said, "How did the meeting go?" "Oh, I thought it was great. Very impressive firm." And he said, "So you want to talk about your team joining [them?]?" I said, "Actually, I'd like to talk more about becoming a firm like that." And so that's really how the entire conversation started. From there, it really became one of doing some significant research and due diligence. And this is what I would encourage anyone to do who's considering launching their own firm, is to really do their due diligence. Talk to everybody that you possibly can. Talk to folks about what are the ways that they've approached-- talk to RIAs that are in the business. How did they get here? How did they launch? What were the things that they would do differently if they were launching today? I think many times it seems simple where you look at it and you say, "Well, there are just so many options and there are a lot of firms that are doing this. We've got the technology platforms we got to choose." There's so many decisions. It's an enormous decision tree, ultimately.

VAUGHAN SCOTT

And what I really believe it boils down to, is that it really is important that not only someone has a desire to have a place where they have more flexibility, but that they truly have a burning desire to be in business and to operate a business and to be an entrepreneur. That's the, I think, distinguishing feature for anybody who is going to be successful, is that there really is that entrepreneurial spirit that's alive and well inside of the firm that's going to continue to allow it to drive it forward. I think we have a lot of really good practitioners in the industry, but we don't always have entrepreneurs who really have an entrepreneurial spirit. There are a lot of them, don't get me wrong, but I think that it really takes a combination of those two things to help ensure that people are going to be successful. But I will tell you, having been a serial entrepreneur and being a serial entrepreneur, it is the hardest business that I have ever launched, and I was in the industry for two decades. And so it is not for the faint of heart. It really requires a lot of thought, care, consideration. And as I mentioned, I mean, we spent about four years planning and doing research and talking to everybody that we could talk to, and it still was an enormous challenge to

launch the firm. But I certainly would do it again knowing what I know, and I'm certainly thrilled to be where we are.

BILL COPPEL

So it really captured me about that answer, Vaughn, and I want to just take a moment to reflect on it. Right at the top, you indicated the reason you did this was to create a unique client experience that represent the uniqueness of who you were. And I guess that's pretty much impossible to do unless you're running your own shop. Can you just talk a little bit more about that experience that you're creating? I just love that idea of that, I'm different, and I want to be able to run my business in a way that really shows my clients or prospective clients that I can be different and I can make a better experience.

VAUGHAN SCOTT

Yeah. And I would say it's really about our team. And I believe that's true of any firm that's going to be successful. You have to really believe in the value of the team. And so when I look at the things that I see around the table with our team, we have a wealth of experience. We have a lot of technical expertise. We have four certified financial planners. We have a couple MBAs. We have a CPWA. We have an RICP. We have the technical expertise, but we really have a team. A team that comes in every day, and they put the needs of our clients first and they really do everything that they can to create an exceptional experience for clients. Our team members, even on the front line, our client service associates -- they're often the ones that gather really important information about clients and the things that they're dealing with, the challenges that they're experiencing in their lives, and we have a process that allows us to share that information openly, obviously confidentially, but openly among the team so that the team also then understands the challenges the clients are facing. And I feel like as a result, and because we have such a strong focus, again, beyond just the balance sheet and beyond the financial success of our clients, the team understands the importance of ensuring that our clients are happy, not only with us, but just happy in general.

BILL COPPEL

And what's interesting about that to me is that every client can define happiness a little bit different, and you're able to really address that and run with it. So let me change gears a bit and I want to really talk a little bit more specifically about your business. And, as I understand it, you work with families and you work with businesses, in some cases they're family-owned businesses. And you refer to this as family governance and business governance. Help our listeners understand the idea of governance that you've shared with me in the past. What does it mean and how does it relate to the service you provide?

VAUGHAN SCOTT

Sure. I think there's a lot of really good work that's been done around governance. I've spent a lot of time learning about it. The reason I became interested in this particular segment of clients to serve, was my wife should've been a fifth-generation family business owner. Her father and his two brothers were fourth generation. Well, fortunately, they had an incredible economic event in 1999 when the dot-com era occurred, and unfortunately, even though they did everything technically correctly, including getting the valuation reduced for the reasons that we can do that with businesses that ultimately create minority interests, to doing the estate planning, and working through all of those issues, they did a phenomenal job technically. But unfortunately, the family in many ways became beyond disrupted. Essentially, beyond dissension. I mean, it was really, in many ways, a family war carried out in a small town paper publicly, which was really unfortunate and unnecessary. And so it really made me interested in understanding and realizing that, yes, there's the business governance aspects that we think about, running a business properly. Do we have the right team in place? Do we have the right leadership team? Do we have a proper board of directors, if that's appropriate in this particular case for this business? And

then separately and distinctly, we have this whole family governance piece. How can we ensure the family is organized as a family around all this, and that we can ensure that the family understands that there are needs of the business, there are needs within the family, but that there has to be the proper balance between the two.

VAUGHAN SCOTT

And so, frankly, the way that plays out is that we spend a lot of time working with the family owning businesses or the business owning families, I should say, that we serve, working with them and really helping them to develop and understand systems inside of each of these two different independent but interconnected systems that are their family governance and their business's governance.

BILL COPPEL

And I'll bet there's not a listener out there that hasn't witnessed exactly what you just described. And so what I'd like to do, and I think everyone would benefit from this, is just go deeper into those two spheres. And I want to start with the business governance sphere. How does your process work and what are some of the dynamics at play? You just told us a great story. Can you share with us an experience where it frames this notion of business governance and how these processes and systems that you're working with really enhance, ultimately, the ability for that business to proceed on and/or find a way in which to create succession.

VAUGHAN SCOTT

Yeah. It's important, I think, in many ways that, first of all, it requires having the expertise. And, fortunately, having been an entrepreneur myself and having done-- there's an organization called the Family Firm Institute based out of Boston, which as you mentioned earlier, I also happen to be an instructor for. It's really important that people get the proper training in understanding how to do these things. At the same time, it really then becomes an issue of understanding the business top to bottom and really talking to all of the senior leadership. So you obviously have to start if there is a board of directors, which typically there are in the engagements that we have. You really often have to start with the chairman and the CEO, or if those are two separate people, the chairman and the CEO together, and then really develop a process around which, we're going to just talk and interview every single member of the leadership team. So we'll conduct interviews and really evaluate the overall functioning of the organization. Is it an effective organization? Are there challenges? Are there independent members of the board? And, if so, are they truly qualified to be independent members? The directors that are not independent, that are family members or that are major shareholders, are they really the best people to serve on the board? And so it really is about top down governance, and frankly, helping to ensure that everybody understands what's the role of the board of directors, and then, obviously, how should the executive team function around that? But it's fascinating to me how many different types of interpretations there are at times of how these systems should work, because many of these businesses developed organically, grew organically, and they simply don't know what they don't know.

VAUGHAN SCOTT

And so it's always fascinating. It's always interesting. And it is. I think one of the most important things in all of it is making sure that everyone that we talk to feels heard regardless of their position in the organizational structure, and that ultimately we're thinking about what's important for the whole system, not just necessarily ensuring that the financial performance is as great as it possibly can be. That's obviously, again, a very important component, just like a financial plan is, but realistically, there are a number of other factors that are at work today that are relevant, that are going to ensure whether a business can endure for the next hundred years.

BILL COPPEL

Well, as you mentioned, Vaughn, what's interesting to me is that so often the family dynamic is so intertwined with the business dynamic that they're almost inseparable. So what I want to do now is kind of shift gears a bit and talk about the family

governance piece. Given that so many of us are living longer and we've got potentially five generations of a family alive at the same time, what makes it challenging, in my mind, is that each generation is likely to have a very different mindset. How do you navigate that? How does that family governance piece fit in?

VAUGHAN SCOTT

It's very insightful on your part. It is challenging that you have so many different generations that are often interacting, especially if it's a very successful business. And the fact of the matter is, is that much of it is really spending the time, as I've just described, interviewing everyone. Interviewing every single person in the family who also interacts with the business. And making sure, again, that they understand how should a business function and then how should the family interact with the business? Obviously, there are very appropriate ways to approach things, and then there are some inappropriate ways to approach things. And so much of it is really having those dialogues and those conversations. And then it's also important to help the generations better understand one another, because it's not that one generation is right or one generation is wrong, the reality is they're just very different. And each of us are so affected by the things that happen in our lives as we develop and as we mature, that we all are going to be very different. And frankly, people within generations can be very different. So you can't presume just because someone's a Gen X and someone's a Gen Z and someone's a millennial or someone's part of the Greatest Generation. You can't make any assumptions about that, because the irony is, is that even inside of people in varying generations, they do tend to think differently even than other members of that generation sometimes. And so much of it is just having a strong appreciation for people and making sure that each person feels heard. And my experience is, is that as long as you do that and you work collectively towards the common good, then people will be very accepting of suggestions and be very accepting of changes that may need to be made as long as they feel like they've been able to do what I call putting their fingerprints on the process.

BILL COPPEL

Again, I'm sure anybody listening to this podcast can relate to this, not only professionally as an advisor, but certainly thinking about their own family and their own family dynamics. And I want to stay with this theme of family governance for a minute, because oftentimes clients have a difficulty in identifying and articulating what's important to them. And I think what you're getting at is, is that until you sort of are able to understand that dynamic through your governance process and get people communicating, it's really difficult to uncover what really matters. Oftentimes, that generation with the wealth is preparing to transition it the next generation, and they want their values and their beliefs to stay a part of the wealth as it moves through the generations. Talk to us about how you help clients first, frame and articulate what really matters and then perhaps how they weave that into their plans as they sort of continue on their own journeys, but also recognize that their wealth will be passed down.

VAUGHAN SCOTT

I believe it's critical that we start with a good financial plan as really the foundation, so that we know what resources the family has available to them. Because, obviously, we can make a lot of recommendations for things that people need to think about, but what's realistic and what's within their budget? And again, each member of a family has varying abilities financially to be able to do certain things. Once we understand that baseline, and particularly as we're dealing with matriarchs and patriarchs, then one of the key areas that we'll start to talk about that they haven't really been approached often about, is time. How are they going to spend their time? How are they going to spend the time with the family, and are they sure that the ways that they want to spend time with the family are important and effective for the family as well. And oftentimes, we'll encourage them to start having conversations around exactly that with the family. And much of what we do, as opposed to trying to

give people fish, it's teaching people to fish. We try and encourage them to start to have these conversations with their family and to be active listeners in the process to really get to a better place where the family can then talk about, how should we be spending time together? How often, if people are geographically diverse? Are we going to do this both virtually or are we going to try to do things in person? Obviously, with the pandemic, it's made it very difficult for people to get together physically in one location if they're geographically diverse, but it certainly also amplified the use of FaceTime and Zoom and other platforms to stay connected. So that's one example of one thing.

VAUGHAN SCOTT

There are several that we use, but I think that's a really good one to think about, is helping clients think about how they're going to spend their time and then how are they going to divide their day on an individual basis and what's meaningful to them. And then, as you so importantly point out, it is about well-being. Are we making sure that they're finding time in the day for them, whether it's exercise or meditation or whatever it may be that's going to be meaningful to them, that we're ensuring that they're thinking about how they're spending their time and that they become very intentional about that.

BILL COPPEL

So what it makes me think about, Vaughn, is that age old question, does money buy happiness, right? What I'm hearing you say is not necessarily. And the approach you're taking, seems to me, to recognize the fact that while a sound financial plan is extremely important, it can't be in a vacuum. So if I hear you correctly, how do you actually connect that process of that sound financial plan to reflect all the things you uncover about the family dynamics and what's important to the matriarch or patriarch? And most importantly, I love the way you talk about time, because in my mind, time is the most valuable currency we have. That's probably the most valuable asset on our balance sheet, but we never really address it as advisors. We only focus on the money. Talk a little bit more about, as you craft these sound financial plans, how does what you uncover in these conversations, these deep conversations with family, begin to influence the decisions that are made?

VAUGHAN SCOTT

Yeah. I think what tends to happen, then, is that they do think very differently, both about how they're spending their time, and then, frankly, for those who have resources that are significant, how are they going to spend some of those monies to ensure that everyone in the family who may have different economic situations, that everybody has the same opportunities in terms of spending time together. And there's definitely a balance in that for each family. Because we work with multiple generations of a family, obviously I'll have insights that I won't necessarily share with the matriarch, the patriarch, other than to say, "Not everyone in your family has the same economic situation. If you're going to do this or if you're going to think about doing this, we really feel like you want to make sure that you're subsidizing everyone." Again, we don't want anyone to feel singled out in the process unless they feel comfortable talking about it. And, again, there are several other themes that we talk with clients about, but just that one theme of time, it's amazing how many other thoughts and important conversations it can help drive that ultimately benefits the family overall and ensures that they're doing things that are really meaningful. Because as I tell people all the time, I'd say, "I've never seen a Brinks truck follow a hearse. A long line of people follow a hearse." And so, which is it that you're going to be focused on?

BILL COPPEL

So, Vaughn, as we wrap up our conversation today, I want to circle back to where we started. This notion that our value as advisors needs to be rooted in our ability to leverage the skills of emotional intelligence and empathy so we can begin to uncover what really matters to people. So this idea of transitioning advisors from simply being

the purveyor of investment products, okay? A purveyor of investment products into helping people curate well-being. Share with our listeners what guidance you provide to individuals looking to make this transition. How should they start? What should they be thinking about?

VAUGHAN SCOTT

Yeah. I think the important thing to think about is, is really to think about those two themes that you mentioned early on, is emotional intelligence and empathy. And I do believe, having seen a lot of technical experts in our field, it is not natural for many people to really think about these things. But I think understanding them better and, frankly, understanding our own blind spots. It may be that we have technical expertise on the team that's really good at dealing with the plans, and maybe it's another member of the team who really is better and comes across, because I think whatever we do, it has to be genuine. It can't be artificial. It can't feel like someone is just trying to manipulate the situation. They're really trying to understand these things in earnest. Now, that's not to say that someone who is more technically adept can't do this. I think the real key in all of it is making sure that the people understand it. Frankly, a lot of times the emotions that can come out in some of this, that I think at times makes people feel uncomfortable, but we as advisors also have to be vulnerable. I mean, there are many times when I meet with clients where I get choked up talking about things because I'm willing to share experiences for me that have been challenging. And that, frankly, I think makes them feel more comfortable in sharing things that are challenging for them, with me. And so I do. I think understanding emotional intelligence and empathy and then, frankly, being comfortable, being vulnerable is necessary for us to really get to a place where we can have the deepest, richest types of relationships possible with clients.

BILL COPPEL

And to underscore that, Vaughn, one of the things that I've learned and I've shared with many advisors around the country, is that a path for you to begin can really start by just reflecting on the dynamic in your own family, and really practice what you preach at home, if you will. And my guess is the experience you had with your wife and her family was very informative, and in many, many ways gave you a real-life firsthand experience going through it personally. So I think that one of the things that can be a good starting place, in addition to what you're saying, is just look inward, because every advisor's a client. Every advisor is experiencing life almost exactly the way the clients experience life, the clients that they serve every day.

VAUGHAN SCOTT

Yeah. I think that is definitely well said.

BILL COPPEL

Well, thank you for joining us today, Vaughn. We appreciate all of your insight and wisdom. I know our listeners will take a great deal away from this.

VAUGHAN SCOTT

Well, thank you so much, Bill, for allowing me to be here. It's truly been an honor and a pleasure.

BILL COPPEL

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Outro

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