

## **Podcast Transcript**

### **Synergize: Unscripted Conversations to Help Guide Advisor Growth**

#### **Episode 4: Joe Duran: Going Beyond the Spreadsheet to Grow Enterprise Value**

##### **INTRO:**

Welcome to Synergize, unscripted conversations where we explore the evolving role of the financial advisor in an emerging AI-driven world. Join us as we bring together thought leaders across a range of disciplines, and industry experts, sharing insights designed to help RIAs thrive in the industry of tomorrow. And now, here's your host, Bill Coppel.

##### **BILL COPPEL:**

Hi, this is Bill Copel, and welcome to Synergize. The TradePMR team was in Las Vegas recently to host our 2024 Synergy Conference -- Limitless. It was well attended. In addition to representation from the RIA community, industry thought leaders as well as subject-matter experts were present to provide insights aimed at helping RIAs capitalize on the growth opportunity that lies ahead.

While I wasn't able to attend, my colleague Ryan Neal, Senior Editor at TradePMR, caught up with a number of notable conference attendees to capture their thinking.

There was a lot of activity on the conference floor, so you may hear a bit of background noise. That said, you won't want to miss what this guest had to say. Enjoy the conversation.

##### **RYAN NEAL:**

Hello and welcome to the TradePMR Synergize podcast. I am Ryan Neal, TradePMR's Senior Editor, filling in for Chief Client Growth Officer Bill Coppel, who couldn't be here with me this week.

We are coming to you from the Four Seasons in Las Vegas here at the SYNERGY24 conference and my guest is Joe Duran -- a guy I've known for a long time. Most of you listening probably know him as well. He founded one of the largest RIAs, sold that RIA to an investment bank, you might have heard of it. It's called Goldman Sachs... worked in that world for a while, and now is back in the RIA space with a new venture.

So, we caught up today and talked about the new phase that the RIA industry is in, how it's evolved and where it's going from here. We also talked about Rise Growth and what Joe is looking for as he invests in the next generation of RIAs. We also talked about M&A and is M&A the silver bullet for growth, is leveraging investment capital the right way for your firm to grow and what impact it's having on the RIA industry.

I hope you enjoy my conversation with Joe here on the Synergize podcast.

RYAN NEAL:

Joe, you've seen a lot over the years in your career. You've built firms from the ground up and you've helped guide some other firms in their growth journeys. So, can you tell us a little bit about where we are in the evolution of the industry, and what do you see on the horizon?

JOE DURAN:

Well, we clearly are in a major transition. We're in phase three. Phase one is the creation of a cottage industry that takes on the incumbents. Really, financial planning was something none of the large institutions were doing. Independent firms did that. Most of them breakaways from wirehouses and insurance companies.

Phase two was the launching and creation of national brands that took all of this cottage industry and made some brands that became big enough that people knew what they were.

RYAN NEAL: So, something like United Capital.

JOE DURAN:

Like United Capital, like Fisher, like Mariner. There's several of them out there.

And then phase three is the one we're in now when the market is now saturated with advisors. You have several hundred-billion and bigger RIAs, and you're now in a market segment and really market reach. The only way you grow is if you take clients from somebody who already has an advisor, right?

Like you're having to expand by growing and taking clients from other places rather than the inflow of clients that were here in the 90s, the zero's the early 2000 tens, because people didn't have a planner, but now you can get a planner pretty much everywhere. Much more competitive environment, very different environment once you're there, and assets and money alone are not enough.

So, we can talk a little bit about how to compete, but you have to just remember it's really about market size not growing. And so, it's much harder to grow organically. And you're seeing today the average organic growth rate for many firms is zero for the larger firms at three and a half, for the large mega firms it's bigger than that but it's mostly through acquisitions.

So, a very different environment.

RYAN NEAL:

And that's something we've been talking a lot about here at the SYNERGY conference has been that sort of stagnation, maybe some complacency in the market. Where do you think we go next? What does the next phase look like? Or are we going to be in this phase for quite some time?

JOE DURAN:

This lasts decades. We're now in a phase where it's basically the firms that build the greatest brands that will win. And whether you're going to do it in a boutique local level or whether you're going to do it on a national level, you're going to have to build a lighthouse brand or what I mean by that, by the way, a brand is just a promise made that is consistently delivered.

That's what a brand is, whether it's Apple or the Four Seasons hotel we're in. You know, when you show up at a Four Seasons, you know what you're going to get. You might not know exactly how it's designed, but your service will be a certain level. The food will be a certain level. You know how they're going to treat you when you check in. You know how they're going to treat you when something goes wrong.

RIAs don't think of themselves that way, but the reality is you have to build a great brand and you start building a great brand by having a promise that you make to a specific group of clients that you consistently deliver, that your website and your culture and the people and the product all align to live up to the promise that you've made consistently over and over again.

And that's not something that we in the service industry think about very much. Certainly, most RIAs worry more about how they serve their clients than thinking about, do we do it the same way consistently, in the right way, with our culture and our brand? And so, I think you're going to need to think more like a brand manager and a business builder in order to win and be successful.

That doesn't mean you can't have a great lifestyle business, but you're going to have to be much more commercial to win.

RYAN NEAL:

The way you described that there, my first thought was, someone that runs a consistently high-end restaurant. You know, it doesn't have to be fine dining, but even just a good restaurant where you know, you're going to go in every time, you're going to get good service, you're going to get good food. That's kind of what it made me think of.

Moving on...I don't need to talk about restaurants, even though they're my love, clearly.

So, with Rise Growth. I know you've worked with PE for many years, but now you're kind of on that side where you're investing in firms. I'm curious what you think about the general impact that private equity has had, and maybe other forms of investment capital as well. What impact has that had on the RIA space?

JOE DURAN:

Well, it's obviously created mega RIAs...couldn't happen without the outside capital. But I also think what you'll find is a distancing between the money and the end client, which is what's true at a lot of the big wirehouses, right? They are solely concerned in growing the equity value of the business. They are not concerned about improving clients' lives.

They are not concerned about how do we do this in a way that's beautiful, that takes into account doing it in the right way rather than just the fastest way. When your singular goal is to get a rate of return, you might have to compromise the values and the culture that you built in place. You might end up doing acquisitions you shouldn't do just because they get you bigger. Even though there's no good cultural fit.

One of the biggest concerns I have is that the capital sources come from people that don't know anything about our industry. And therefore, they just are in love with a spreadsheet. They are dealing with an entrepreneur who's probably never run an RIA as big as the one they're running, and they have nowhere to turn for help.

And that's really the gap that I thought if we could provide the capital on similar terms, but bring people who've actually done this before, who know where the blind alleys are, who know what hurdles you're going to need to overcome, who know what good looks like, who understand what happens when you have a setback and how to get through it. That's invaluable because there are very few firms and very few people who've actually built deca-billion dollar RIAs and the firms who are at 3, 4 or 5 billion who want to get there. It's better if they don't make the same mistakes we all had to make to get there. So that's the idea. The idea is to be completely aligned with something, doing something beautiful for clients.

For me as a practitioner myself, I want to wake up every day first and foremost, feeling really proud of the work we do with our partners, for our clients, and secondarily, make sure it's economically rewarding for everyone. Not the reverse order.

RYAN NEAL:

Yeah, and I know exactly what you mean. Just looking at other industries, I can name many, many industries, but the one obviously nearest to my heart would be journalism and media.

You've had so many companies buy in and take over newspapers and magazines that have never been a journalist.

JOE DURAN:

And they lost their soul, right? They lost the thing that made them really beautiful.

RYAN NEAL:

So many good ones that I loved growing up. They're just either no longer around or we call them zombie publications.

JOE DURAN:

Yeah, and it's true in every industry. Yeah, that often once they get sucked up by somebody bigger, they stop investing as much as they used to. They stop caring as much as they used to. And that's reflected in the quality that you receive as a consumer. And it's frustrating. I mean, it's like airlines. I remember loving Continental. Then they joined United. And I'm like, this is the worst experience in the world. That is true for many. Not all, but for many private equity-sponsored firms.

RYAN NEAL:

Well, that's a good segue into talking about what Rise Growth is doing. What sort of firms are you looking to invest in? And once those firms get the investment, what does a successful investment look like for you? What do you see as the end game?

JOE DURAN:

We want three things to be true. They have to be firms that we are incredibly proud to be associated with, that are doing really great work for their clients. Number two, we have to believe that the management team and the leadership team has the desire and ability to quintuple in size.

Now, a lot of people might have the platform. They might have the client set. They might not have the desire. We want people who are exponential thinkers because that's how you win. And then third, we want to know that we can make an impact on that underlying business to help them grow at a faster rate, whether that's amplifying their brand position, whether it's helping them implement an inorganic strategy, whether it's helping them improve how they position their brand to the marketplace and increase closing rates.

For us, it's about what can we bring to the table that fundamentally improves the underlying investment, because then we're not talking and fighting about the slice of pie. We're really talking about making the pie bigger. So, for us, it's not just money. It's also being able to contribute to make that business better and quintuple it in size over five years. That's our goal.

RYAN NEAL:

Great. I love that that's a specific answer, too. So, shifting gears a little bit, because your career has involved so much M&A and I know you were just speaking about this on the stage here at SYNERGY. Maybe this is too simple of a question, but when you look at what makes a successful M&A transaction, and you've seen lots go either way, are there any common attributes who can share with any of our listeners who are considering either acquiring or being acquired? Are there any similar characteristics of a successful M&A deal?

JOE DURAN:

Yes. Number one is cultural fit. So, for us it's very easy. We have three very simple cultural levels. Number one are you a giver or a taker. I never, ever want to acquire somebody who's a taker, which means that you ask how you contribute more and then you get what you deserve.

Number two, are you a grower or a knower? If you're somebody who knows all the answers, I don't want you because you're not going to listen to anything we have to say. And frankly, I find you to be painful to work with, usually. And then last, do you believe in meritocracy or aristocracy? Like, do you want to be a king, or do you want to build something beautiful with a collaboration of your colleagues?

And so, for me, the acquisitions we did, those were the three automatics. If they didn't have these three things, we weren't going to do the acquisition because the math is secondary to the culture. We're in the service business. Second, the math has to work, obviously. And third, is the business and the client experience fundamentally improved because you've joined?

If the clients end up better and the advisors end up better, somehow, the math will work. So, the order first is culture. Number two, what value do we bring to the underlying client and the business? And number three, can we make the math work? But if you do the first two the third one is very easy to resolve.

RYAN NEAL:

So, as we wrap up this conversation, Joe, I'd love to ask, what are three things that firm leaders and advisors out there can start working on today or start to evaluate about themselves to capitalize on, on some of the things you're talking about?

JOE DURAN:

Well, number one, I would say, how do you answer the question? "We exist to..." What is the purpose of your business? Who is it solving problems for, and how is it solving them? So that would be the first is does your team and do you have an articulate view of why you exist as a business other than making money and serving clients? Like how granular and specific... can you boil it down to eight words or less so people can remember it. So that'd be the first really important thing to do.

Number two, I would ask the question, how much of my day am I spending on sales? Managing, meeting, calculating, reporting. If it's less than 30% of your day, you probably do not have a growing enterprise because growing enterprises require a focus on growth, and that means managing sales.

How many prospects do we have? What's our closing rate? What's the closing rate of each advisor? How do we improve it? What's our message? Sales is an inescapable factor. Number three, answer the question "What am I building this for?" "What is the end state that I'm looking to get to?" And if you don't have that clearly articulated, you might end up with a very complex capital structure that will be very messy to clean up.

So just knowing what does the end, the finish line look like? People, just like most clients, wait too long to do it. Most advisors wait too long to do it, and it is their biggest single asset. So, you should be well in advance going. "This is what good looks like to me." "This is what an exit looks like for me."

RYAN NEAL:

Great. Thank you very much. So, to recap, what advisors and firm leaders in the RIA space can think about to take home from this lesson is: A, purpose. Why does your firm exist? Why do you exist? If you can't nail that down, you know, what are you doing?

2, 30% of your day on sales. I know that in the RIA space, sales has been for a long time a bit of a dirty word,

JOE DURAN:

Wrongly, so.

RYAN NEAL:

And three. What is the end state? Have that end goal in mind. Know where you're going. And if you don't have that, you might get lost along the way.

JOE DURAN:

That's great. Great.

RYAN NEAL:

I'm Ryan Neal, Senior Editor with TradePMR. Thank you, Joe Duran, for joining me.

JOE DURAN:

Thank you so much. It was fantastic to be here.

Once again, thank you to everyone who took time to join us here from the SYNERGY24 conference. If you enjoyed this special edition of Synergize, hit subscribe wherever you get your podcasts and be on the lookout for the next episode with actionable insights for how you can grow your business. And remember, the challenge is yours to capitalize on what the future offers.

OUTRO:

If you want to join the conversation or connect with us, please visit us at [synergize.advisorevolutionsciences.com](https://synergize.advisorevolutionsciences.com). This content is provided for general informational purposes only. The views expressed by non-affiliated guest speakers are their own, and do not necessarily reflect the opinion of TradePMR or its affiliates. TradePMR and its affiliates do not endorse any guest speakers or their companies, and therefore give no assurances as to the quality of their products and services. This channel is not monitored by TradePMR. TradePMR does not provide investment advice, tax advice or legal advice. TradePMR is a Member of FINRA and SIPC. Trade-PMR, Inc. is registered with the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). TradePMR provides brokerage and account services to registered investment advisors and does not provide services to the general public. Custodial services provided by First Clearing. First Clearing is a trade name used by Wells Fargo Clearing Services, LLC, Member SIPC, a registered broker-dealer and non-bank affiliate of Wells Fargo & Company. Copyright 2024 Trade-PMR, Inc.