Podcast Transcript
Synergize: Unscripted Conversations to Help Guide Advisor Growth
Episode 25: Alan Moore: Building a Talent Pipeline to Help Win NextGen Clients

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.

RYAN NEAL:
Hello, I am Ryan Neal, Senior Editor at TradePMR, a Robinhood company, and you are listening to the Synergize podcast. My co-host Bill Coppel is traveling on business. I believe he's on his way currently to my home state of California. So, I will be flying solo as the host for this episode while he is flying across the country.

What we're going to be talking about today is the opportunity that advisors have to create a new talent pipeline as well as attract new clients as they seek to build a firm that's growing and sustainable for the future.

With the wealth transfer that's already underway that we've talked a lot about on this podcast, I'm sure all of our listeners have heard about. Serving NextGen clients as well as bringing in younger, newer talent of advisors really is going to be key to achieving that sustainable growth.

But the world has changed. The way younger clients and younger advisors think and feel about money and investing is much different today and much different from how their parents did it. It's as different as the way they use their phones or consume media, or really just about anything you can think of. Younger people are doing it much differently.

So, if RIAs want to work with that next generation, or at the very least make their firms appealing for the next generation of advisors, it really just can't be business as usual. Something has got to change. But we all know that's easier said than done. Change, we can talk about it. It's much harder to do it. And things as fundamental as your business model may need to evolve if you want to make the economics work.

My guest today, Alan Moore, is somebody who has tackled many of these issues head on.

ALAN MOORE CLIP:
We like to say, think about 1% of income instead of 1% of assets. So, if you only focus on assets, again, the percentage of Americans with half a million or more in investable assets waiting for an advisor to manage it is pretty small. So, it's a really challenging marketplace.

RYAN NEAL:
Alan and I have known each other for many years. He is the co-founder of the XY Planning Network, a coalition made up of next-generation financial advisors who are focused on serving a younger, digitally savvy client set.

If you want to learn more about Alan's background and experience, please refer to our show notes. And Alan, thanks for joining me. It’s good to see you.

ALAN MOORE:
Thanks Ryan, excited to be here.

RYAN NEAL:
So, I've written about XY Planning Network, which you founded with Michael Kitces, about 10 years ago now?

ALAN MOORE:
Coming up on 11 years next week.

RYAN NEAL:
Nice, congratulations. I'm really familiar with all the work that you guys have been doing. I've been to your conferences several times, but some of our advisors out there may not be familiar with you. Do you want to give us a quick rundown of XYPN and what you guys have built?

ALAN MOORE:
Absolutely. If we go way back in time to 2012, I was 25 years old and I launched my own fee-only RIA. I had my own reasons for doing it, but ultimately, I just wanted to be in control of my firm, my time, and the clients that I worked with.

And I got the question of, well, how are you going to find Baby Boomer millionaires to let you manage their money? And I said, I'm not. I don't know any Baby Boomer millionaires, but I know lots of clients in their 20s, 30s, 40s who are dealing with things I'm dealing with, getting married, getting divorced, having kids, buying houses, student loans. And I'll work with them.

Then the follow-up response was always, but they don't have enough money to pay you. like they don't have enough assets. And that was true. They didn't have enough assets, but they did have income.

And so, it really felt like a business-model problem, not a client problem. And so, I launched my own firm to work with NextGen clients, and I had some early success. And I immediately started getting calls from other advisors asking, how do you do compliance? How do you do marketing? What technology are you using?

No one ever called me and asked me how to do a life insurance analysis. It wasn't technical. It was business. And what I realized was, the professional designations like the CFP® teach us how to do the work of being a financial planner. They do not teach us how to run a business of financial planning.

And so, we launched XYPN in order to be that platform that helps supported advisors on the 80% that is running a business with their technology, their compliance, their E&O insurance, all the things that's operationally necessary to run their business so that they can go out and spend their time working with clients.

And we've grown, we're just over 2,000 advisors now that are affiliated with XYPN that are dedicated to serving NextGen clients.

RYAN NEAL:
Nice. Well, thank you for that.

So, I guess we can just go right into that model. Because that's maybe at the core of a lot of this is that AUM model. It's really dominated the RIA space for a while now. But that really does necessitate you have to work with clients with a certain amount of wealth in order to make it work.

What is the XYPN approach there? And what can other advisors learn from that approach and how it's been successful?

ALAN MOORE:
Yeah, we like to say, think about 1% of income instead of 1% of assets. So, if you only focus on assets, you know, again, the percentage of Americans with half a million or more in investable assets waiting for an advisor to manage it is pretty small.

It's a really challenging marketplace. When I was starting my own firm, I said, well I don't want to go head-to-head for this million-dollar client with this established firm. I want to work with a client who can't find, who can't get access to a financial planner.

And I remember my first client, she was an anesthesiologist making half a million dollars a year but had no investable assets. And so other fee-for-service firms wouldn't work with her. And I'm over the moon because I just charged her, I think at the time I was charging $5,000 for a year for financial planning. And she was more than happy to spend 1% of her income on financial planning. Obviously, I had to show value for that.

That was really when it clicked for me that we had a business-model challenge, not a client challenge. There are so many consumers who are out there with substantial income, substantial net worth, but if their net worth is tied up in a small business or real estate or stock options, they don't have liquid assets for you to take 1% out of their AUM.

And when we started XYPN, it was a theory. It was a theory that clients would pay out of cash flow for financial planning. And we have proven that to be the case. Our advisors are building very successful businesses, working with clients on a fee-for-service basis.

I also want to caveat that many of our advisors also do AUM. So, people many times will say, oh, you think AUM is going away? Absolutely not. We think AUM is here for the long run. We see fee-for-service as a bolt-on, as something that you can add to your firm offering. It is not a replacement.

RYAN NEAL:
Right. I think that's something that I've seen over the 10 years that I wrote about the industry as a reporter was when you guys kind of first came on the scene, and there seemed to be almost like a debate of fee-for-service versus AUM and versus commissions.

And it seems like that has given way to more of do the business model that best fits your client. And to me, that's kind of just how it should be, right?

ALAN MOORE:
Absolutely.

RYAN NEAL:
Well, I love that. Something else I want to talk about was you talked about the idea of you can learn how to be an advisor, but don't necessarily learn how to run your business, which is a theme that's come up a lot on this podcast.

But also, the RIA industry, to use a baseball analogy, doesn't really have a farm team. So, when we're trying to talk about getting next generation talent into this industry and how much we need it. The aging industry, a lot of advisors are leaving, not enough coming in to fill it. We've seen a lot about that.

What should firms be thinking about? What do they need to change in order to attract the next generation talent that are working at XYPN? What about the approaches the industry have need to need to change? What do they need to reconsider?

ALAN MOORE:
Yeah, I would encourage advisors to first be sure you are really clear on the type of business you want to build. If you just want to be a solo advisor for the rest of your career, you don't have to hire. Don't worry about having a farm team. You're solo. That's fine.

There's no “should” here. I say don't let me “should.” Don't “should” on yourself. Don't let me “should” on you. I'm not telling you you should hire, but I will tell you that I would like for you to figure out where do you want your business to go? Are you wanting to be solo? Do you want to be a small team? Do you want to be a mega firm, enterprise-size firm? And that will dictate what you do here.

Because if you want to be an enterprise firm with hundreds of advisors, you are going to have to have a much more robust training and development program. If you want to be midsize, you're going to have to have one, but you're not going to have the same resources to invest into it.

The area that I encourage advisors to really think about is, when I go and speak at conferences and ask, who's hiring? A lot of hands go up. Who's struggling to find and retain talent? A lot of hands go up. And then I like to say, who here has read a book on management or business culture in the last year? And no hands go up. It’s one of those things, I catch myself as a parent. I'm like, yeah, what was the last time I read a parenting book on how to be a better parent? And yet we just struggle through that process.

And so, what I see, and we get a lot of folks who are joining XYPN who are leaving firms because the culture, the work culture is just awful. It's not a great place to work. They're not getting training and development. They're not getting support when life happens. They're not getting opportunities to be able to work with clients. Their ideas aren't being heard.

Whatever the thing is, we have some folks who will join and say, I’m launching my own business to start a family. I'm like, that's the antithesis of entrepreneurship. You're supposed to go get a W-2 job with health insurance. And they say, yeah, but my last firm didn't support having me being a parent. They didn't have a parental leave policy. There was no flex time, those sorts of things. So, I had to start my own firm to be a parent. And I'm like, wow, that just, that that speaks to the strides we need to make as an industry in terms of being great employers that take care of our people that really support them in their life.

RYAN NEAL:
Is the de facto model still the idea that maybe you come out of college, you get a low-level job at a big brokerage or a wire house and you work your way up, you maybe get some clients, and then you go independent? Is that what we still expect people to do?

ALAN MOORE:
Yeah, I would say, if you look at the statistics, the vast majority of folks are still getting hired by the companies with their name on the biggest building in the downtown of every major city, right? The companies our parents could recognize, that's where the majority of the jobs are. Now that's also where the majority of the churn is.

What we have seen, and it's happening slower than I would like, but these things just take time. And that is we are starting to see more and more career opportunities at these smaller fee-only fiduciary focused firms.

The other area we are starting to see is this hybrid of some of the very large firms that have big financial planning divisions, there are some companies that are hiring hundreds, if not thousands of CFPs every year.

And those are companies that are starting, that sort of bridge this gap of they're able to hire folks when they're young but not put business development expectations on them. Because that's really the problem is when you hire someone who's 22 and then expect them to bring in clients, that is a hard model.

So that's going to help bridge this gap, but it is a challenge in terms of how do we not only attract the talent into our industry but retain the talent because so often they have a bad experience and they leave the industry to go do something else.

RYAN NEAL:
Gotcha. So, creating that sort of farm system, trying to create that idea where young people can come and learn and grow eventually to reach the big leagues.

ALAN MOORE:
Yeah absolutely.

RYAN NEAL:
This is actually a conversation that my wife and I were having recently. She's thinking about her own job and speaking to our parents, and they're almost taken aback by us. Like, why would you want to leave where you're working?

And I look at my own career and I've hopped around every few years, went to a different paper and now I'm over here at TradePMR. And I feel like anecdotally, don't have evidence back this up, but that younger folks, our generation, do tend to move more often than our parents did. I think both my parents were at the same company for 15, 20 years.

ALAN MOORE:
Oh, yeah.

RYAN NEAL:
When they hear me leaving, they're like, oh my gosh why? But it's just a cultural mindset change. So, when it comes to advisors and you're thinking about investing in next generation talent and bringing on a young person, how do you balance that with the idea that they might or maybe probably will leave in three to five years?

ALAN MOORE:

Yeah, it's one of the challenges that I see with advisory firms. When I talk to advisors and they're like, I hired this person, and I trained them. And then five years later, they quit, and they take it personally. They're offended that that person left. And it's almost like we expect every job to be a lifelong career at a firm. Maybe that works out for one person. But statistically speaking, yes, the younger the generation, the more likely they are to change jobs frequently.

And there are many different reasons for that that we don't have to get into today. But what I see is that what advisors are thinking is they spend, they invest the time upfront, and they train these folks, hopefully. They spend the time, they're working with these folks, they're training them up, and then they leave. And they take all of that institutional knowledge with them.

What I encourage advisors to do, and it's just a small context switch, is there is one guarantee that I can make about you and your business.

And that is one day, every single employee that works at your firm will leave because everybody dies, right? Like at some point, everyone's going to leave.

RYAN NEAL:
Right.

ALAN MOORE:
So, let's just plan on it. I don't know if they're going to 12 months, five years or 30 years, but let's just assume that at some point in the future, you are going to have somebody else doing that exact same role that you need to train.

And what that means is don't tell someone how to do something, use a Loom video recording or build out a process in a spreadsheet or whatever the thing is to be able to document that process so that the next person coming in, you may invest 12 months into training the first person. Well, hopefully then you only need three months to train the next one.

And I think getting in that mindset of we're going to get extreme value out of everybody that comes through the door to use your example. Imagine if every time you drafted a new player, you were like, you're here for your entire career. You have no other options. That doesn't work. You get a lot of value out of that shortstop you drafted for three, four years, and then they signed a big contract somewhere else. And then you go find a new shortstop and you just sort of create that system. I think for advisors, really just embracing the fact that your employees will leave at some point and let's just plan for it. We call it knowledge management. Let’s have knowledge documented so that we can easily transition it to the next person.

RYAN NEAL:

Great. And you've touched on this with your answers already, but thinking about the concept of succession planning, and as we mentioned, a lot of advisors are older and thinking about that future, what do you think needs to change in the industry versus what already exists today? What needs to change to make that more of a defined career path for younger advisors and usher in maybe a wave of younger talent?

ALAN MOORE:
I actually believe that the succession planning crisis that folks have been talking about since I got into the business almost 15 years ago now is way overblown, and I don't agree with it.

And what I mean by that is this is a business that you can start in your 40s and you have a bunch of clients in their 40s and then you get into your 50s and your 60s. And your seventies and your eighties. And as long as you have your mental acuity, you can still work with these clients and maybe they leave over time or pass away or do some distributions. But this is a wonderful business to do well into your retirement years. This is not a business that requires physical labor or something that requires you to retire at age 60 or at age 65.

RYAN NEAL:
Right.

ALAN MOORE:
I actually think what we're seeing is many advisors are just sort of coasting into the sunset because why sell your firm for three times revenue when you can just hang out for another year, make that revenue and then sell it for three X. And then you do that again and again and again until you finally realize all right, like why, why would I sell this thing?

On one hand, I don't see the same challenges that some of the folks in the industry are seeing. I actually see that this is intentional from those advisors that they just, they don't wanna sell, and they wanna stay engaged, and they wanna keep working with their clients because they have these wonderful relationships. This is a relationship business.

That being said, if you're trying to build an enterprise, you're trying to build enterprise value, I think the real challenge that we're facing now is that the valuations have been boosted so much by private equity money that it is really distorting the ability for internal buyers to buy the firm.

It used to be I come in, I work here for 10 years, eventually I get the opportunity to buy the firm, and I pay off the seller on a friendly seller note for 10 years. But if I'm offering to buy the firm internally and a private equity firm offers twice what I'm able to finance through a bank. You're going to sell to private equity. That's just the reality, whether it's PE or whoever it is, you're going to sell to somebody who's going to write the biggest check. And that creates a challenge for your internal successors that you cannot sell to them at the end.

If you truly want your business to stay in the hands of the employees, to be passed down through these generations, as you age, it's a 20-to-30-year sale process to do that. This cannot be done in a year. If you want a check overnight, that's got to come from somewhere else.

RYAN NEAL:
Yeah, you can't just… Oh, God, I'm aging myself. I was trying to think of hip place where you can go find youth. You can't just go to the bar, find someone in their mid-30s, and hire them and say, hey, you're going to take over the firm in 10 years.

ALAN MOORE:
Right.

RYAN NEAL:
But I like what you said. That's a really interesting idea about that choice of riding out with your clients, because we see that in other professions. My friend's dad is a dentist and retired, but still has like two patients that he still does all their work for.

Or my wife's dad is a therapist who is retired. but still takes calls from his long time… He has a couple, I don't know how many, a few clients that are long-time relationships, and he still sees them.

We see that in other professions. It kind of makes sense that we would see that here. As you said, it's such a relationship business, and you get rewarded by your career, right? You do this because you love it, so why not just keep managing someone's retirement for as long as they're still around?

ALAN MOORE:
This is an amazing profession. When I go and talk to college students, I can't even tell you how excited I am for this as a profession, as a career path, because financial advisors, particularly if you own your own firm, you have a lot of flexibility. You have a lot of time flexibility and the ability to work when you want to work and from wherever you want to work. You have a lot of financial flexibility because we make very good money compared to the average American household.

And we also help people. We do good work. We're the only profession that I'm aware of that actually asks clients, where do you want to go? Most professions are looking real world. What happened with your money or what happened with your health or the legal things or whatever and we have to handle it now.

Financial planning looks forward and says, where do you want to go and let me help you get there. And that is such a rewarding career path. It's like this awesome blend of, I get to help a lot of people, make good money, and have a lot of flexibility.

And that is a recipe for continuing on as long as possible, because to your point, you love what you do, you're making good money. And we all know, plug in a little bit of income into someone's retirement plan. And it's amazing what that does to the percentage of success.

So, continuing to work into and past the traditional retirement age is huge. And we see advisors are definitely embracing that.

RYAN NEAL:
Yeah, I guess I should have said for people that listen to this on Spotify or any other platform that has no video, we were using air quotes with retirement.

ALAN MOORE:
Oh, yes. Thank you. Lots of air quotes.

RYAN NEAL:
My bad for any of our audio-only listeners. Well, Alan, I'm going to wrap up our conversation. What we love to do on these podcasts is end with three actionable items for our listeners to take with them. And I really think the hot topic of the day is how do I find next generation investors?

I know you maybe don't want to give away any secret sauce over there, but what can you give to our listeners about if they want to bring in next generation investors or next generation advisors? What are three things they can focus on?

ALAN MOORE:
Folks that love to ask me what's the right fee structure? What's the right marketing? Should I do Tik Tok videos or YouTube videos, or should I have a podcast, or should I be on Instagram? And my answer always comes back to who is your ideal client?

There are two decisions you need to make. And when we see folks make these decisions, we see just great success in their firms. Those two decisions are who is your ideal client? Who do you want to serve? And you can't say Next Gen; that's like half the population. You gotta be more specific and the more specific you can be the better.

So, get really clear on who you wanna serve and get really clear on what you want your business to be long-term. And these answers can change. When I've got young kids, I may want something different out of my business than once I'm empty nested.

And that's okay too. So, this may evolve, but the decisions around hiring and marketing and what technology to select and what fee structure become very clear when you know who you serve and where you're going.

I would just encourage, I'm gonna cheat and just use two because I think those are the two decisions that if you can make, everything else becomes remarkably easy because if you tell me exactly who you work with, the marketing strategy is obvious.

But if you don't, if you work with quote unquote NextGen, you're going to spend money on billboards and advertising in the local paper and Google ads. It's too many things. If you can get really specific, and I could go through dozens of examples of very successful firms that have adopted this sort of niche perspective, but get a niche, get really clear on your ideal client and get really clear on the business and the rest of the chips will fall into place.

RYAN NEAL:
Yeah, and I think that helps you be authentic, right? Like if you decide suddenly, I want to serve NextGen clients, I'm going to go I don't know, advertise on Roblox or something.

ALAN MOORE:
Right.

RYAN NEAL:
It just doesn't work. It's not who you are. So, to sum up for our listeners, it's know your ideal client and know where you want your business to go. And to me, that just helps you be your authentic self. You have a plan and you're being who you are.

ALAN MOORE:
It gives you permission to say yes to the right opportunities, but more importantly, it gives you permission to say no to the wrong opportunities, to the clients that don't fit your profile, that aren't quite the right fit for you, it lets you say no to hiring when you shouldn't or no to being solo when you should be hiring.

Whatever the thing is, if you can set those goalposts out there and get really clear on that, it really helps with the decision process because ultimately when you start a business, there's a million decisions you have to make. It is purely decision fatigue. The more you can get clear about what you're trying to accomplish, the easier those decisions get.

RYAN NEAL:
Fantastic. Well, Alan, thank you so much for joining me. Always good to talk to you. Everyone that's listening, we hope you enjoyed today's conversation. If you like what you heard, please just take a moment to hit subscribe, like, follow, any of that good stuff on social media or any of the platforms that you're getting this podcast. It always helps the algorithm.

And also watch out for our next episode where we'll bring you more insights and actionable ideas to help you grow your business. And I'm going to steal Bill's line at the end here. Remember, the challenge is yours to capitalize on what the future offers.

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