

PI Ep Steve Sundusky

[00:00:00] Welcome to the Perfectly Integrated Podcast, hosted by Matt Ackerman, where we show the power of teamwork in wealth management. Now onto the show,

[00:00:17] the growth conundrum. You know, I got some bad news recently from an article that I read. The article said that advisors just aren't growing as quickly or as well as they'd like. You know, I, I got defensive as I read it, uh, and I did what most good podcast hosts would do. I called the author and invited him to be a guest, and then, and only then did I finish reading the entire article, and I hit the next book, and I read the whole thing.

[00:00:43] You know, I'm really excited today to bring on Steve Sandusky, who wrote this amazing piece in FA Mag because of the fact that I think advisors perceive growth and actual growth might be missing. Steve, welcome. Thank you so much for joining us today. I'm really excited to [00:01:00] talk about this topic of growth.

[00:01:02] Well, man, it's great to be here. It's always fun to reconnect with you. Absolutely. Now and, and for a little background, I've known Steve for over a decade. I think he is one of the smartest people in this industry. His book Tested in the Trenches is still sitting on my bookcase. You know, I bring it out and talk about it all the time with other advisors.

[00:01:19] And Steve, I just think you're one of the gosh darn smartest people in this. Well, Matt, I really appreciate that and I have always respected the work that you've done from investment news to integrated partners and always, uh, enjoy your podcast as well as the articles and the content that you put out there as well.

[00:01:36] Thank you. So Steve, let's talk about this article and this data that you put together. Cause I, I found it fascinating and really interesting. Tell me a little about this piece you wrote in fa Mag and, and, and your thoughts about ultimately growth for advisors. Yeah, so this was a piece that I wrote based on the most recent Schwab benchmarking report.

[00:01:57] So give a shout out to Schwab here. They do [00:02:00] a great job every year, putting out some benchmarking studies and all the RIA firms that participate and complete the data there. So I looked at this report and it talked

about how. Financial advisors are growing dramatically over the past five years, and I think this data was, uh, for the five years ending 2021.

[00:02:20] And I thought, Okay, yeah, that looks really good. But the financial markets have done extremely well over the past five years as well. So I wanted to dig under the numbers and see how much of that growth was due to the markets going up and how much of it was due to organic growth. Now, in the Schwab said that the five year compound annual growth rate of revenue for the advisors in the study was.

[00:02:48] 11.3%. Okay. Sounds pretty good. Double digit growth. Okay. But then what I did was, and this was not, This was data that was not in the report. I said, Okay, if I had a 60 40 [00:03:00] investment portfolio and I'm using the S and P 500 as my 60%, I'm using a bond index as my 40%. And I went back and I. What was the return on a 60 40 portfolio?

[00:03:13] Just assuming that's a rough approximation for the allocations that the advisors would have. Well, it turns out that returned 11.9%. So just the 60 40 allocation, you'd grown 11.9, but the data in the Schwab study said they grew 11.3. Now, of course, there's different assumptions that go into that. Mm-hmm.

[00:03:34] So my conclusion was that on average, Financial advisors have essentially had zero organic revenue growth over the past five years, and I think it's a little bit of a dirty secret in the industry because a lot of people that I talk to, they say, You're right, . You know, we don't talk about that a whole lot, but there's not a lot of revenue growth.

[00:03:56] There's some firms that get a lot of publicity that are growing
[00:04:00] well, They're doing a good job on the organic side, but a lot of the fast growers, they're doing it. M and a work, and I don't think that's a long term sustainable strategy. It's fascinating because I, I, I read it and I was shocked and like I said, a little defensive at first.

[00:04:17] Were you surprised by these numbers or do you think, you know, this has really been a long term dirty little secret that frankly no one's talking about. I was not surprised actually because, uh, you know, I've been in this business for 30 years now. , and I've worked with thousands of financial advisors over that time, and it's hard to grow organically because here's what happens is the average retention is about 97% across the industry.

[00:04:50] So you're gonna naturally lose about 3% of your clients per year. So there's 3% that you gotta recover. Then there's maybe three, four, maybe 5% [00:05:00] of your clients who are taking distributions. because they're retired and now they're taking money outta their accounts. So there's, let's call that maybe another three or 4%.

[00:05:09] So now we're at maybe 6%. All right? And so there's 6% right there. Plus if you're charging a 1% fee, there's another percent. So now we're at about 7%. So you've gotta grow 7% organically just to get back to zero based on what you're losing. Okay? So mid single digit. That's not necessarily easy either.

[00:05:35] Okay. So because the markets have done so well over time, that those growing markets have masked the fact that many of the advisors are not able to get past that six or 7% organic growth rate that they need to recover just to get back to break even. I mean, I think what we see a lot of is advisors kind of reach this plateau of growth.

[00:05:57] You know, they start off, they've got a good head of steam, [00:06:00] they wanna grow their business, they wanna thrive, but then they reach that plateau and are like, they get comfortable and you know, then they just kind of respect. What do you think is ultimately that problem that ultimately kind of curtails good growth?

[00:06:15] I think you hit it spot on there because what I see is, If you have been in this business for, let's just say 10 years or so, if you've survived that long, you've made it, okay. You're making probably several hundred thousand dollars a year, and for most people that's a really good income. So now you gotta ask yourself, Okay, if I'm comfortable, I'm working 30, maybe 40 hours a week, I've got my own business, I can come and go as I please.

[00:06:42] I can take vacation time when I want to. I've got two or three staff people that I like and they like me and everything's. The money that I need. I've got a great lifestyle. So I think that is the real question that advisors bump into is, once I've made it, how hard do I wanna keep pushing it? Now you [00:07:00] do have those folks who say, I don't want to have a business where I've got a really nice income.

[00:07:05] I wanna build a business that has long-term capital value. I wanna make a big impact. And so as I coach advisors, one of the things we talk about is, what's your motivation here? Because if your motivation. Is just, I wanna make a good income. I wanna have a good quality life. That's great. There's a certain set of strategies that you work on to make that happen.

[00:07:25] On the other hand, if your strategy is, I wanna make a big impact, I wanna have a thousand, 5,000, 10,000 clients so that I can reach and impact more people, I want to employ people. Those are different strategies, so it really boils down. What do you want? And I think a lot of advisors find that when they get to that point where I'm financially comfortable and I've got a good lifestyle, it's a high bar that you have to jump over to be motivated enough to do all the work that's required.

[00:07:56] To go to that next level, to hire more people, to manage [00:08:00] more people. And that's another issue that a lot of advisors run into is they didn't get into the business because they wanna manage people. They got into the business because they love working with clients, they love helping people. But not managing people.

[00:08:12] So that's a whole different skill set that a lot of advisors are not really interested in cultivating. There's that large chasm between lifestyle practice and growing practice, and that is the hardest thing to get over. It's the hardest thing to kind of, and ultimately you need that great motivation in your head to be a growing, thriving advisor.

[00:08:33] It's not for everyone, and there's nothing wrong with a lifestyle practice. Let's, there's probably great advisors listening that want to know the secret to getting over that hurdle, and you said it's really hard to, they don't wanna be managing people, so should you hire somebody then to manage the people so that you can grow?

[00:08:51] Or what is kind of that secret to taking that next step? Well, that is certainly one strategy and just, I, I wanna do a little segue here for a [00:09:00] second. If I, You could, cuz I, I think you touched on something that I wanted to bring up and that is, like I said, I've been in this business about 30 years and when I started back in the early 1990s, it was an eat what you kill business.

[00:09:11] Mm-hmm. . Okay. A lot of people came out of the brokerage, uh, environment where basically you got a phone book and you had to start cold calling or you came out of the insurance industry and you had. Call all your friends and see if you could sell 'em a policy. So you learned how to sell? Mm-hmm. and the flesh out rate was probably 80%, 85% after two or three years.

[00:09:33] Most people didn't make it. And if you look at the people that are running the big firms today, many of them came from that environment. So they're the survivors. They're the ones who learned how to handle rejection. They're the ones who learned how to take risks. They're the ones. Could sell.

And so where I see a problem, it's coming into that next generation of advisors [00:10:00] who didn't grow up in the commission world, where basically you woke up every morning unemployed until you made your first sale.

[00:10:06] They're growing up in the fee-based asset management world where you have 97% retention rates, and so there hasn't been nearly as much emphasis on selling skills. Over the last 15, even 20 years. And so I think we've lost some of our sales ability and it's become more marketing, more relationship building.

[00:10:31] And so I would like to see, and I hear this all the time from advisors that I coach, it's like I'm having trouble finding financial advisors that can sell that, that can be a rainmaker. Mm-hmm. , they all wanna be a service. And there's definitely a need to be a service advisor. So I think that's one of the things that's like, what do you want to be as an advisor?

[00:10:51] Do you want to be someone who can bring in business and then have someone else service it? Or do you wanna be a servicing advisor? So I'd say that's one thing is to figure out [00:11:00] what kind of advisor do you wanna be? I think you're absolutely right. I think the number one problem I hear often is the rain making issue.

[00:11:08] They'll say, I don't like to make rain. I just want to help people. I just want to be an asset. But up above them, sitting in that CEO seat probably is someone, like you said, that has advanced because of their rain making skills, and maybe you're not creating this boiler room environment anymore.

[00:11:27] But at the same. Someone needs to make rain. Someone needs to, if you want growth, someone's gotta make rain. So how do you solve for that? Is it, is it as simple as finding rainmakers or, you know, do you need to be more creative than that? I think what's happened is the world has changed and the regulations have changed.

[00:11:45] So the quote, boiler room operation, it's funny you should say that because just a couple weeks ago I was at an event and guess who was speaking The wolf of Wall Street? Mr. Jordan Belfort. , you know the boiler room guy? So, uh, it was interesting to to hear his [00:12:00] story. But yeah, so you can't really make cold calls like you used to cuz there's do not call list.

[00:12:05] Okay. So that's pretty. Pretty much out and people don't wanna be cold called. Okay. So, you know, consumers today, they, they don't want that. So what I see happening is people are turning into marketers and so they're trying to figure out how can I create a marketing organization, whether it's

digital marketing, whether it's podcasting, content marketing, I mean, things that you and I are doing right here.

[00:12:30] Mm-hmm. , those are great. To get your name out there and to sort of fill the top of the funnel. So I'd say that's one piece. Second piece is you have to double, triple, and quadruple down on your client experience, on your client relationships, because once you do have a client, we all know. The best way to get another client is to get a referral from a happy existing client.

[00:12:58] And so one of the best [00:13:00] ways to do that is to have an amazing client experience that your clients cannot stop raving about. So that is certainly something that I think we all have to focus on as well. So yeah, I'd say that. And then we still have centers of influence market. You know, we talked about organic growth here.

[00:13:19] One of the ways that a lot of these large RIA firms have grown in the past is because they got referrals from the large custodians. That to some extent, I think is drying up a little bit, and so you're seeing some of these large RIAs. Move to other organic marketing strategies like the digital marketing and podcasting and content marketing.

[00:13:39] So, uh, you know, those are, those are all things that I think in today's world, we've gotta be great marketers. We've gotta be great relationship people. We've gotta be great client service, client experience people so that we can get those referrals. You know, organic growth is such an interesting kind at integrated partners.

[00:13:57] What we have really found has been successful [00:14:00] was our CPA alliance. We found such good work working with these great centers of influence. They've given advisors such a leg up and really. When it comes to growth, organic growth is so critical. You know, we've seen some big acquisitions over the last couple years, but to be honest with you, I, you know, how much of that really factors into the growth when people are looking at overall growth, uh, organic growth is so essential.

[00:14:25] Exactly. Yeah. And you, you see all these big headlines out there about these firms that have grown from 1 billion to 5 billion or 10 billion or 20 billion over just a handful of years, and you're like, Oh my gosh, these people are just grown like crazy. Well, of course most of that is from m and a work.

[00:14:41] Mm-hmm. . But then when you really peel back the numbers and you look at and you see, Okay, well what's your. Growth rate. I think in many

cases people are gonna be surprised and not in a positive way. And so, for example, if you look at the most recent Schwab benchmarking study, if you look, they, they break everything out in these different, uh, peer [00:15:00] groups.

[00:15:00] We hear that there's this quote, messy middle, which means firms that are in say, the 500 million to 1 billion range, those are the firms that are screwed because they're too big to have the profitability of a lifestyle practice. They're too. To have the economies of scale of these large multi-billion dollar firms.

[00:15:18] So they're, they're in this, uh, you know, never, never land. Well, interestingly, if you look at the Schwab data, it shows that firms in the 750 million to 1 billion in aum, they had the fastest five year compound annual revenue growth rate much higher than the largest firms, which were the firms over two and a half billion.

[00:15:39] So, so yeah, you, you know, these large firms, They don't have the economies. A scale that a lot of people think that they do and these smaller firms do. So I don't believe in this idea of the messy middle. I think if you have smart management, if you're making good decisions, you put systems, you put processes in [00:16:00] place, you put the right people in place, you get the right culture in place, you do all those things right?

[00:16:04] You can be very profitable at any size of your business. And if you wanna be a solo practice, Great. There are certain strategies that'll make that effective. If you wanna be a 500 million to a \$1 billion firm, there are certain strategies that'll make that effective. If you wanna be a \$5 billion firm, it's probably gonna require some m and a work.

[00:16:23] So depending on where you're at, is it gonna determine the kind of strategy that you want? But bottom line is you'll really need to have that organic growth because that is the lifeblood of the. It's so interesting. I can remember probably about four years ago sitting in a meeting at Investment News where we were talking about 5 billion is the, is the new 1 billion.

[00:16:44] It used to be for a practice to, to grow and to, for it to soar, you need to reach 1 billion. Now it's suddenly five. They had moved kind of the goal posts down the field on everybody. My, but I, I go back to what you said at the beginning, which is what is your motivation? [00:17:00] What is success? What is, does the word thrive really mean here?

[00:17:04] And, and it, cuz it means different things to different people. So I, I guess that's really where it's gotta all begin is what is your motivation? What is your aim or what's the goalpost you're shooting for as you begin to, uh, develop your. Right. And one of the things that I did here as part of my coaching work is I sat down one day and I asked myself, Okay, based on all my experience, based on all the advisors that I've worked with, if I could design the perfect RIA leader and firm, what would it look like?

[00:17:36] And so I came up with 72 different items. That would make the perfect advisor and advisory firm. And then I started seeing, okay, is there any commonalities in some of these things? And so then I grouped them into 12 different areas that seem to be fairly common. The first one really hits on what you're talking about here, and I called it clarity, which is, what is [00:18:00] your motivation?

[00:18:00] What is your aspiration? And it's things like your core purpose. What is the purpose for your life? What is the purpose for your business? It's about having a set of shared core values. So what are your values? What are the values for the firm? It's about having what I call a larger set of standards of performance or non-negotiables.

[00:18:21] So this goes into the culture, which is what are the things that my firm absolutely stands for in terms of how we do things. So it could be like, uh, we, we measure rigorous. So that might be a non-negotiable. It might be we're always seeking better ways to do things. That might be a non-negotiable. It might be.

[00:18:43] We always wanna put the client's interest first. So some people might think, Well, maybe these are a little bit like values, but I'm talking more specific. Tangible things that can help shape behavior. Uh, it could be having clarity on what the goals and objectives for the firm are, and not just at the senior level, [00:19:00] but everybody in the organization needs to understand what is the number one most important thing that we're focused on here for this quarter.

[00:19:06] For this year, what are we driving toward? A three year, a five year, a 10 year vision that we have out there. So this is not easy stuff. This is management, this is leadership, this is vision. This is getting people going in the same direction. It's like, you know, we want to go north. Okay, well great. Well, we start going north and then we realize, well, Based on new information, maybe we wanted to go slightly northeast, so we tackle a bit there and we move there, but everyone is going in the same direction.

[00:19:34] And, and that's leadership And, uh, that, that's critical if, if you want to grow and, and to, to have that kind of clarity in place. Uh, that's fascinating cuz to me so much of growth for a lot of advisors sometimes feels accidental. You got a big client or you started with this big vision and this clarity and then Everything took you in another direction because, um, you know, you [00:20:00] wanted your niche, you wanted your target to be wealthy business owners, but then suddenly you got this, you started to really started to accumulate clients that were divorced women.

[00:20:10] It totally is outside your niche, but growth went in that direction. When things feel accidental, how should you begin to react so that you can grow, but you can grow in the direction you want? How intentional do you need to be with your. Well, I think when people start out as an advisor, you know, they pass the fog tests.

[00:20:28] You know, we've all heard that if you can fog a mirror, you can become a client. Okay. But then over time it's like I've got too many people who no, no longer fit in my ideal market. So I see that many of the most successful firms, they do have. Some type of focus, whether it's business owners, whether it's people who are retiring, whether it's people who run family own businesses.

[00:20:53] I mean, they have some kind of specialty. And the reason why is because if you're only looking for [00:21:00] a hundred clients, a thousand clients, 2000 clients, you can get really specialized because across the whole country, You're gonna find those people. And if you can come up with a target market, a specific niche, it's gonna be much easier for you to market to that particular group to understand their needs and their desires and their aspirations.

[00:21:22] And you can design a client service experience. You can come up with all the products and services that they need, and you can become the world expert. And I, I was just, I just wrote this and just actually emailed it today where I talked about find a niche. They have financial needs and become the top 10% in the country in that niche.

[00:21:42] And if you can do that, combine a niche with being the top 10% in the country in that you're gonna have more business than you know what to do with. Because regardless of the economic environment, regardless of what's going on in the financial markets, people will always have financial needs and they will always seek out the very best people to help them.

[00:21:58] Just like if I've got [00:22:00] cancer, I wanna find the best cancer doctor, I wanna find the best cancer surgeon. I don't care what it. My life is on

the line here. Okay. Fortunately, I don't think I have cancer right now, . Uh, but knock on wood. Knock on wood. Yeah. Uh, but if I did, you know, that's what I'd wanna do. I mean, everybody would wanna do that.

[00:22:16] Same thing with a financial advisor. We're dealing with people's money. We're dealing with people's livelihoods. So be in the top 10% of what you do, and find some niche that's in demand and you'll end up with a great. It's all about being clear, being focused, knowing what your motivation is around this, and if growth is part of that, you need to be determined about the organic growth piece of this.

[00:22:40] Advisors always want a silver bullet. They always want advice on what they can do differently or better. And you've given so many great pieces of advice throughout this, but what, what do you think advisors can do from here to get started, get started on that great journey of theirs so that they can, uh, find growth?[00:23:00]

[00:23:00] What I would say is, and we talked about this as far as you've gotta decide, is that what I want? Okay. If growth is what you want, you're gonna find a way to make it happen. Okay? So that's number one. I always say, If you're motivated to do it, then we're gonna find a way, and you're gonna find a way because when those roadblocks happen, when you get a door slammed in your face, if you're motivated, you're gonna get back on that horse and you're gonna go back again and, and, uh, try and make it happen again.

[00:23:27] So that's number one. Number two is, this is, I'm gonna go on a bit of a rant here. is we talk about best practices in the industry, alright? It's like, Oh, I wanna see what this person's doing and what that person's doing so that I can copy what they're doing and to some, That's okay. Okay. But of the people that I've worked with, the Ron Carsons, the Joe Durants, okay?

[00:23:50] They're not copying other people, okay? Other people are copying them. So what I want you to do, and every, every one of you that's listening to this, if you want to get better, [00:24:00] you become the best version of you. And not a second rate copy of someone else. So yeah, we can borrow ideas, we can see what other people are doing so that we don't have to make the same mistakes necessarily.

[00:24:11] But I don't want you to copy what they're doing. I want you to find the best version of you. I want you to find what is unique about you, which makes you interesting. The skill set that you have, the personality that you have, the desires, the aspirations, the motivations. Put all that. And see where that

leads you, and then be the absolute best at that because that's the best protection, that's the best moat in your business.

[00:24:34] Meaning people aren't gonna pick your clients off because there's no other you out there. And if clients want what you have, there's no place else they can go but to work with you. So be the best you that you can be. Not a second rate copy of someone else. Be you, man. I love that. I love it. Steve, you always have such great insights, Great advice.

[00:24:54] Now the way I like to wrap up every episode of our podcast is with a question from my, uh, [00:25:00] my son, cj. Now, CJ I recently took. To our, his first financial services conference. Uh, and I got to tell him a little bit about you, how my first time I met Steve was actually in the basement of Ron Carson's house, uh, which is a very strange story to tell an an 11 year old that yeah, we just happened to be in Omaha in the basement of his house, right in the same, uh, you know, in, in this, in this great neighborhood with the, uh, the Wizard of Omaha.

[00:25:26] There. I, you know, very fascinating to explain that story to him, uh, over a game of ping pong. And, um, I was telling CJ this, and CJ was fascinated by this industry, you know, he said, Uh, Dad, you're like, you really got a celebrity here. Everybody knows you. And I was like, Everybody kind of knows everybody in this industry.

[00:25:42] It's a small industry. What he didn't understand, and the question I have for you is, If everyone's competing and there's so much competition for this space and you know, how come it seems like everybody's friends and willing to work together, give ideas, share best practices, like you were just saying, How come there's [00:26:00] great competitors, but everyone can still stay friends.

[00:26:04] Uh, I love this question, . And so since you brought up Ron Carson, I'm gonna tell a story about him and some of the folks listening to this probably know that Ron and I were business partners for about 11 years. So, uh, so I was running Peak Advisor Alliance. Uh, basically he, Ron and I started that together in 2001 and ran that until about 2012.

[00:26:22] It's now Carson Group Coaching. Well, it's interesting because as we started the coaching. We were bringing on advisors from all over the country to be part of the coaching program, and they joined because they wanted to learn what Ron was doing to be so successful. So in the early years, Ron said, I'm not

gonna bring on anyone into the coaching program that's within like, I'm gonna say a 200 mile radius of Omaha.

[00:26:46] Cuz he said, I don't wanna be teaching people to do the same stuff against me in my own market. Well then a little bit later he. Just in the greater Omaha metropolitan area. I don't wanna bring someone on and then eventually said, I don't care if [00:27:00] they're, you know, on the second floor above me, you know, we'll bring 'em into the coaching program.

[00:27:04] And what he realized over time is, I think a couple things. One is that it's a big pie out there. And so if, if I lose a. There's another client out there, so it's not like a fixed pie. So I think he changed his mindset to say there's a lot of business out there for all of us. I think a second thing is that the more you give, the more you get back this, this idea of reciprocity and you don't necessarily give because you think you're gonna give back.

[00:27:36] You don't say, Oh, this is a great strategy or a tactic I heard from Steve. I'm just gonna give, give, give because I'm gonna get double or triple back. Uh, it reminds me. Something that John Templeton said many years ago. He was asked what was the greatest investment he ever made, And his response was very surprising for most people.

[00:27:55] He said, Tithing. And he said, [00:28:00] What I just said here, the more I gave, the more I got back. And so I think a lot of people in this industry, they have that attitude. They have that mindset that it is a big pie. We're all in this together. It's all about helping the clients. It's all about helping people reach financial freedom to have greater financial literacy.

[00:28:22] And if we can help raise the financial resources of our clients, that's gonna be better. Not just for us as individual financial advisors. That's gonna be better for our communities. It's gonna be better for our neighborhoods, it's gonna be better for our country. So I, I think people look at the bigger picture and.

[00:28:40] We're all in this together, and if we can all help each other be a little bit more successful, it, it's gonna make it much better for all of us. Steve, I love it. Thank you so much, a great conversation today, and as always, it's really a pleasure to talk to you. Well, thank you Matt. I appreciate it. It's always great to to have a conversation with you.

[00:28:59] Appreciate it. [00:29:00] Thank you so much to Steven. Thank you to our amazing audience here at Perfectly Integrated. This has been another

really fun episode. For everyone here at Integrated Partners, I'm Matt Ackerman. Have a great day.

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