Ep91: Special Re-Broadcast of Michael Kitces Podcast – Financial Advisor Success Featuring Patti Brennan

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MICHAEL KITCES: Welcome, Patti Brennan to the "Financial Advisor Success" podcast.

PATTI BRENNAN: Thank you so much, Michael. I'm so excited to be here with you today.

MICHAEL: Patti, I really appreciate you joining us, and looking forward to the conversation today about, to me, this theme of scaling up the advisory business. So I feel like there's a couple of different stages of what happens when we're scaling an advisory business.

Like first it's just, "I do everything and I got to start scaling." Which essentially means I got to hire another person, another human being, and start giving things to the other human being so that I can do more of the client stuff. Then there's usually a second stage of scaling where we hit personal client capacity. And, "I got to hire another advisor, and then we got to start building a little bit of a team." And there's a bunch of transitions that go on there. But then there's a third stage of scaling that starts to come up as you start moving past 10 team members and past 20 team members. And there are changes that start happening in a business at that size. You start forming departments, you start hiring managers. You have people who manage people who do things. And that doesn't exist until a certain size.

And so there's this additional layer of complexity about what it takes when you really start scaling up the advisory firm past 10 and 20 team members. And I know, you have been living a lot of that over the past few years for the growth of your firm. And so, just thinking about what that scaling journey is like as we go through all the different stages from us to a team member to 2 to 3 to 5 to 10 to 15 to 20 to 30. And so I'm looking forward to talking about that scaling journey.

PATTI: Yeah. You know what? You have articulated it brilliantly. To me, in my kind of simple language, we go through the phases of having a practice, then having a business, and then running a company. And there are different challenges that are inherent in each one of those stages. I certainly experienced all of the challenges that a lot of your listeners probably have as well.

This is stuff that I have learned over the years of listening to podcasts and going to conferences, and I liked this idea, began to apply it. It didn't quite work as well, we tweaked it, and then voila, here we are.

So it's challenging, but it's exciting, especially when you get on the other side. And that's really what it's all about. I think that complexity is the enemy of effective execution. There's a great book out there. There have been a lot of epiphanies that I've experienced in my career. One of the greatest ones happened ironically, at a conference. This was probably about eight years ago. And I was having one of those sidebar conversations with another colleague, and we were talking, and I was doing okay, we were doing fine. I think about 10 years ago, we had $211 million that we took care of. I had seven employees. And we were having the conversation and this person said...I was doing the typical conversation. "How was your year?" Yada, yada. And this person said, "I had a great year. I brought in $50 million." And I got to tell you something, I'm thinking to myself, "$50 million dollars in one year? You got to be kidding me." And so I began asking questions.

And at the time, I was reading a book called "The 4 Disciplines of Execution." I will tell you this book changed my life. It's written by Sean Covey. I can't remember the other two authors, but it is just a great book. And it basically says, "Okay, we all have goals, and we have these things. But without proper execution, they're just wishes," right? So it gave me some guidance in terms of how to effectively apply some of the things that we were learning.

Anyway, long story short, I go back to my team. I have a meeting, I kind of relayed the conversation to my team and basically said, "We are averaging about $20 million to $30 million of new money. Now, listen very carefully, because we're measuring new money, it is not net new money. I don't care about the money that we are sending to our clients. That's what we're supposed to do. I don't want anybody second-guessing or wondering, 'Oh, do you really need this money for the car? Do you really...' that's what we're supposed to do. When people give us money. The goal is when we give it back, we give them more. Period. End of discussion. So it's just new money."

And you might wonder, "Well, why are you measuring new money?" The reason I do that is because we can't control the markets, we can't control AUM or any of that. But we can control how we take care of our existing clients. And because of that, the referrals and everything that comes as a result. So every year, as a result of that conversation, I have two metrics that we measure. New money and retention. Retention is the most important thing. We always have 98% retention or better. That is our number one priority. It is so much easier to grow when you keep what you have.

And by the way, that's our job. We're fiduciaries. We're supposed to take care of our clients. And if we're not doing that, something's wrong.

So, we're in this meeting. And I said, "Wouldn't it be cool if we set a goal today, and to see what we could do?" Because I had never really been measuring it. So the team got together, and they all kind of talked amongst each other. I said "I'm not going to set this goal. I'm going to let you guys decide." And then one person said, "If she can do $50 million, so can we." And my response back was, "Whoa, whoa, whoa, whoa, that would be like doubling what we normally do. That's huge. Are you guys sure?" And I will tell you that my team, it's not like they were going to get a bonus. I said, "That's going to be a lot of work. I don't even know how we're going to do it. It's already the beginning of February, yada, yada, yada." And they said, "Let's just try."

That first year, we brought in $64,173,025.10. And I tell you the exact number because they didn't realize it. But at the end of the year, when we knew that number, everyone got a bonus for a derivative of that exact number. They got $6,425 and so many cents. So they immediately saw the result of their efforts. And of course, we had 98% retention.

And so what's happened since then, and I tell you this long story because it's really worked so well for us, every year now, together, we set a goal. So the next year, I said, "How did you guys like this?" Because everybody is compensated very well. They get their own personal bonuses. But this time, everybody got the same check. It doesn't matter whether you answer the phone, or you're responsible for filing or scanning, or if you have a CFA, MBA, CFP behind your name. So we're all in this together. And we all recognize that every person's role is so important to the bigger goal.

MICHAEL: I just I'm curious about that quickly because there's always a lot of discussion around things like bonus philosophies. So, I think, by and large, most firms tend to do bonuses that are tied to more like percentages of income. So higher-income folks end out with more dollars because it's a percentage of a higher number. Just I'm struck that you have this framing of No, no, like everybody gets the same bonus, down to the dollar, no matter where you are, and I'm presuming that no matter what your underlying base compensation is. So why they, or do you worry that your team members at the upper end are like, are like, "I mean, thank you, but this isn't as huge of a number for me as it is for the person in the front office who maybe doesn't make as much and that's a bigger check for them"?

PATTI: It's a really good point. Of course, there's always unintended consequences with anything that we do. And what I've tried to do is I make it up in other ways to those people, there are definitely people in every firm that are going to contribute more than others. But again, the spirit of this is to send the message that every team member is here for a reason and they serve an important purpose. And I don't know why it works. And yes, the checks are getting bigger and bigger. Every year, we set the goal. So it started at 50, then it went to 55. And then it went to, and this year, 120 million was our goal. And we ended the year with $207 million of new money, which is wild. So everybody's going to get a check of almost $21,000.

And what's interesting about that, and I don't know, again, this is not communism here. It's just sending the message that everybody is important. And what's interesting about that is, as we have done this over the last 7 years, just to kind of give you an idea, we have tripled twice in 10 years. Think about that. Ten years ago, we had $211 million under management. Five years ago, we had 644 million. Right now, we are approaching $2 billion. Now, there's lots of things that we've done. What's wild is, whatever we're doing, can I definitely point to that? This is all kept on a scoreboard. So everybody gets to see the new money as it changes every week, everybody sees the retention number. Our retention this year was 99.73%. Like, that's pretty cool. I'm really proud of my team. And I think that that helps morale, I think that it just works for me.

MICHAEL: So, how do you implement the scoreboard?

PATTI: The scoreboard is fun because, in our kitchens, we have two kitchens, in the different departments we have the whiteboards, every whiteboard in the office we just have two numbers. The new money number and retention. And everybody gets to see it. It's just this subconscious reminder.

MICHAEL: How often do you update it then?

PATTI: Well, as you probably know, our industry doesn't have great systems for monitoring things.

MICHAEL: No, unfortunately, indeed.

PATTI: And so, and I'm happy to share this, we've got Redtail, every client has eMoney... Multiple Scenarios in eMoney. Right now we have AssetBook for our portfolio management system and AdvisorPeak. And so basically, one of the things that I did choose probably two years ago, out of the blue, I hired an engineer. Now, this guy was a mechanical engineer. And long story short, he kind of liked computers. And my chief operating officer saw the issue that we had with data. We have a ton of data, but none of it was kind of working with each other. And this guy is a data guy.

So Vince and Drew have written a program, several programs, in fact, and so one of the programs is a scorecard. So we have a scorecard for every client, and that comes from all the different systems and it bubbles up their cash flow, their performance, how much they added, where they are on withdrawals. I always want to make sure that the financial plan we have for them is congruent with what's actually happening. And it was really clunky before it was hard to pull it together. It took like an hour to look for all the different systems. Now we have a scorecard.

MICHAEL: So you had a nerdy computer and client data person who just made their own scorecard system, made their own integrations to pull out the data that you need and put it in one place?

PATTI: Exactly. And so the portfolio management system knows the deposits and withdrawals. So we pull from that just the deposits. And that is posted every week. I mean, it's old-fashioned. Somebody writes it on a whiteboard, it's nothing fancy. So...

MICHAEL: I was going to say, so someone's got a job, on Monday morning, like, hit the refresh button in the scorecard software to get the new numbers and just walk the hallways and write the number on everyone's board?

PATTI: Yeah, it literally is walking the hallways because all that other stuff is automated now. And I will tell you that that person really has fun doing that job. They'll sometimes write something funny on the whiteboards. And just like I said, we're just a bunch of people working together towards the same end goal. Most importantly, take care of our clients, though. That is really important.

MICHAEL: So, help me understand more, though of just what changed at the end of the day? Like you were growing along well, you had this advisor who says, "I brought in 50 million." And next year, you went and told the team, and they said, "Wow." And they said, "Okay, we think we can do it too." So like, okay, but then what changed? That magic that they actually did. And as you keep ratcheting up the goal, or they keep ratcheting up their goal, you're getting there. Like what actually changed that it's happening?

PATTI: I think it's probably more of an internal change, versus marketing, and things of that nature. Certainly, we're doing all of that. But I think it took me so many years to realize that in order to really connect with my clients, I really needed to connect with my team. That the way to get real leverage is really to optimize their talents.

I think, also, probably a real pivot point was when I changed my title. It might sound weird, but I changed my title from President to CEO. And I think that changed something in me. And I think it changed something for the team and our clients. So instead of it always being "meetings with Patti," and I still conduct a lot of meetings, but as I do so, I tell our clients, "It's not fair for me to hog all of the relationships."

And really, it's gotten to the point where...I use the Colonel Sanders metaphor. "My face is on the side of the bucket, but I stopped making the chicken a long time ago." And as I mature in my role, and literally my age, I owe it to my clients to make sure that if something ever happened to me, that they know, things will continue seamlessly. That as they have trusted my judgment in their financial affairs, they also trust my judgment in terms of the people that will take care of theirs on an ongoing basis.

And so I kind of stepped back a little bit and let other people do the meetings. And it was hard for me at first I'm not going to lie. I was like a dog on a bone at first. But it's interesting. Again, I learned so much from everybody else. Mark Tibergien, he was speaking at one of our conferences, and he said something I will never ever forget. He said, "The greatest injustice we commit against another human being is to underestimate them." And by holding on to all that stuff myself, I was underestimating my team. And, yeah, I got to throw them in the pool, they've got to kind of do the doggy paddle and swim a little bit. But eventually, as everybody started to do it more and more, they got really good at it. And clients don't even ask for me anymore. Number one, they see, "We understand, you're running a company now. We don't expect you to have to meet with us all the time. We just need to know that you're there looking over things and making sure that everything is continuing as they always have."

MICHAEL: So, what got you the point of getting comfortable with that change? As you said, that was hard initially for letting go or making that transition. So what got it there?

PATTI: I think it got to the point where it was not sustainable. As we grew, I just couldn't continue to do it all. I was working from 7 in the morning until, leaving the office at 9 and 10 at night. It just wasn't sustainable. And it was actually hindering our growth. I was getting fried. And so I wasn't really me anymore. Something needed to change. And that something happened to be me. I just had to be realistic and give other people the opportunity to grow into the roles and to create what we have today. It's interesting because I think, for me, the thing that has worked is that as other people started to take over the meetings, doing the plans, I don't audit the plans anymore. I just know that they're going to be done well, that they're up to the standards. We have systemized so much also. So we've removed a lot of possibility for errors or gaps. Things get missed. Again, that's where the systems really come in. And I just had to do it. There wasn't really that much of a choice.

MICHAEL: And just take me back once more. Just what made it all of a sudden double the growth rate in the process? I feel like having everyone say, "Hey, let's grow it twice as much," and then having it happen. There has to be something else that goes along with this.

PATTI: Yeah, no question about it. It was a lot of things. Okay, so number one, in order to get the kind of growth to be able to take the volume of new clients, because our clients are not those $50 million clients. Our clients are like a lot of advisors. Yes, they are growing in size, but I don't measure clients by how much money they have. I basically take on a client based on, can we make a difference? And can we justify our presence in their lives? So in order to deal with the volume, we had to get smarter about the systems, we had to get better at doing what we do.

So my firm, I'm the CEO, and then we have departments. We have the financial planning department, we have portfolio management, key client services, and then we have operations, and IT. So doing the departments has helped because as we have grown, we've been able to scale by adding bodies to each one of those departments.

I just want to make sure I capture this. That sounds like four core departments. Financial planning, investments, client services, and sort of Ops/IT.

PATTI: Right. You got it. Okay. And honestly, and truly, I mean, our firm, we're in 10,000 square feet. I mean, it's not a big firm. Planning is with portfolio management, so they work together. And it's great because they can basically say, "Hey, Eric, what's going on with so and so? And so and so needs some money, can you take a look and see if they have any losses to harvest because they're going to need $100,000?" So it's just kind of things happen through that kind of communication. And of course, we document everything through Redtail and that sort. But I think that having the departments has helped.

And then as we've grown, we scale by adding people to those departments. And what's happened is, so I'm mentoring the next layer of 40-year-olds. And they are running their departments. I have a chief planning officer, chief investment officer, director of client services, and then chief operating officer.

I will tell you that, in my opinion, our secret sauce is client services. We refer to it as key client services, because I want every client to feel like they are key. And it's really a concierge approach. It is that intensive care nurse who's sitting by this bedside, looking at the monitor, who knows everything about that patient. It's that approach. And so, that person knows everything and knows what's going on. And they develop that warm and fuzzy relationship. Like, I don't want them having too many clients that they can't spend a half an hour on the phone with a client just finding out what's going on with the kids or how they did on the surgery. So that's that warm and fuzzy relationship arm.

Now, I will tell you that they are not considered relationship managers. I think that's almost insulting to their role because they're so important. They are that key person that every client knows they can call for anything. Most of the time, they're going to be able to get their answer. But if they can't, they're going to get an answer. It'll get elevated to Eric, or me, or Brett, somebody, and they'll get their answer within 24 hours. Clients are not clicked around, they're not calling an 800 number. If you call my office, you're getting a live voice. And I will tell you, it is my philosophy. I want that client to get an answer on the first call. So you run the ship and you send the message. And does it work all the time? No. But clients appreciate that we're doing the best that we can in terms of making sure that they feel really important.

MICHAEL: So how does your client services team tie back to the planning team? I mean, are there still advisors also assigned to every clients? How do clients know who to call? How does that work?

PATTI: So, every key client services person has a planner, if you will, that they work together on their clients. So they know how each other work, they know what's coming up, etc.

MICHAEL: Is that always a one-to-one relationship? Like one advisor and one key client services person and then a set of clients that's associated with them?

PATTI: I would say no, right now. Like, for example, Chris has two key client services people, Michelle has three. It's two to three people. Because the questions that come up, a lot of times, the concierge person, the key client services person already knows the answer. They know eMoney, etc. Think of them almost as paraplanners. And again, we don't set the expectation that they are going to be their advisor. It's just their concierge person. And they're really smart. They're very well educated. And most of the time, they can take care of the questions.

And we have our projects, like year-end, I think, like a lot of people, planning is doing the year-end tax planning. So we're doing Roth conversions and taking gains for anybody that's in the 12% tax bracket. Anybody that's on the ACA. We're making sure that anything that we're doing, that we're not doing anything to put their subsidies in jeopardy, figuring out who's going to be turning 65 next year, RMDs, all that kind of stuff. So we have periods during the year where, "Okay, it's time to do A, B, or C," and we do it.

MICHAEL: So, I got to come back to this once more. Like, where did the growth start coming from? Or like, what changed that having the team set their goal of let's go from 20 million of growth to 50 million of growth actually made 50 million of growth show up?

PATTI: I would say that it's a combination of systems and marketing. On the system side, in order to take care and be able to handle the volume without it affecting quality, we basically adopted kind of the Starbucks model. We want to customize every order but we're using the same ingredients. And by that I mean, we have templates. So when we're writing up the assumptions for a new client, right, we're doing assumptions for their financial plan. We're not writing that every single time.

So now, through our program, Eric and I have developed a list, and it's probably 10 pages long of every possible assumption we possibly could with drop-down menus. And so whoever is writing the case, looks at those 10 pages, and just clicks on the dropdown. And the sentence structure can be adapted. And we can fill in the names and customize it, but it just makes it easier to write the plan. The same thing goes with recommendations. I don't want to miss the fact that a client doesn't have an umbrella liability policy. I don't want to miss the opportunity for tax-loss harvesting. So again, we have templates for the recommendations. Unfortunately, again, our industry doesn't have something like this. So we wrote it. And we got...

MICHAEL: So you just build all this in Word or Excel or something?

PATTI: Exactly. The goal here for me was to be able to train new advisors to bring in new blood and to teach them the business behind the scenes while maintaining the quality. Sometimes you don't learn stuff until you have to do it. And so, again, we do go through an audit process where we'll have...we have two new employees who are doing financial plans. They are learning by doing this stuff, and by doing it, and Eric will sit down with them and say, "Here's why this is important. Here's why that is important." It takes a little bit more time, but six months from now, he's not going to have to do that. And we have that quality control for the templates.

So I would say that has helped a lot because number one, it's streamlined things from an operational perspective. And it's helped me with my paranoia because I'm really a paranoid person. Like, I always feel like we're going to miss something. I'm always worried that did we think about A, B, or C? And it's really helped me get to the point where I don't have to be micromanaging. So that's done a lot.

MICHAEL: And it sounds like that came about because once you set the much higher growth target, the realization was, essentially, "Oh, well, we're going to do this or we're going to squash ourselves so we might as well figure out how to do this."

PATTI: Yeah. And really, as with any firm, we have people who are more seasoned than others. And again, I keep bringing up Eric. Eric is an unbelievable financial planner. I mean, he would be the person I would want. Some people who are newer aren't up to that speed, up to that caliber. So how do we take that brain of his and systematize his process so that other people can get up to that level? The same thing with portfolio management. We got AdvisorPeak that allows us to rebalance tax-loss harvest. We set alerts and alarms. So that again, that helps me with my paranoia, in terms of we've got a client with a holding that they never want to sell. So we have a hard hold on that. So to have the software and the systems that can talk to each other, it's really, really important.

So I would say hiring a chief operating officer to help me coordinate all of this and systematizing our processes has gone a long way for us being able to scale up the way that we have.

MICHAEL: And then what changed on the marketing end? Because you said there were some marketing changes as well as these systems changes.

PATTI: Yeah. I think, on the marketing end, basically, I've done a couple of things. First of all, I've kind of taken that concept of Colonel Sanders, right? And I use that because I will often ask people, and I don't know, Michael, do have any idea when Colonel Sanders died?

MICHAEL: No, no idea. He's been on the bucket forever.

PATTI: Right. He's been on the bucket forever. I will tell you that, I think he was 65 when he opened his first franchise in Kentucky. So he was older. He continued to work until he was 90. But what's really wild is he died in 1960. And his face is still on every sign. Isn't that wild? And I thought, "Okay, if an old guy with a goatee can do it, maybe we can, too." And so, from a branding perspective, we began to use that concept and say, "Okay, I'm Patti Brennan, Key Financial, this is what we do. If you're interested, give us a call." There's two sides in marketing. It's either push or pull. I don't know about you, but I would much rather pull. So that's the way we do it. We do it through the branding.

And so that comes in the form of everything from magazine advertisements, believe it or not, they still work, to social media, which I don't believe does work. I have a podcast program as well. I'm still on the fence as to whether or not that's effective. I'm thinking that maybe webinars would be more effective because it allows for more exchange. People can enter questions. To this day, I mean, I think the podcast program, I understand has gotten more viral, but I don't know what that means. I don't think we have a good way of measuring that ourselves. And we put a lot of work into that. I have a sidebar commentary on that whole thing.

And more recently, I decided to try some commercials.

MICHAEL: Like local TV commercials?

PATTI: Yeah, literally, just commercials. And I figured, during the pandemic, I was watching TV, and I was watching one night, and sure enough, Ric Edelman got on the TV. And I thought, "You know, he's a really smart guy. And maybe if he's doing it, maybe there is something to that." It's really super expensive. I'm a believer that if you're going to try something you got to give it a good year to three years before you say it doesn't work. I am at that point, by the way, with social media. I think it's great, it's nice, but I don't know that it's effective in terms of attracting new clients.

MICHAEL: I'm just wondering. Is TV working? Or till too early stages to really tell?

PATTI: It's still too early to tell. We just started realistically, probably eight months ago. I am hearing people who say, "Hey, I see your commercials all the time. They're really good." Or "I see you on TV." Or better yet, what I usually hear is, "I see you everywhere." And that's not bad. I don't think it's bad because people, when they come in, they will often say, "I see you everywhere. I've been meaning to call you for years now. And I just decided, if not now, when?" And that's the whole goal. I mean, people will do things in their own time. I just want them to know that we're here.

So I would say it's a combination approach.

MICHAEL: And just out of curiosity. What does TV cost to do television ads these days?

PATTI: Yeah. Great question. You're in the six figures.

MICHAEL: Okay.

PATTI: So it wasn't something that I could ever look at five years ago. In fact, they did come in five years ago, and it was just way too expensive. And there are ways to manage that cost. But it's a commitment of not only expense, but time, and how you want your messaging to come across, what you want to say, etc. But yeah, it's definitely a commitment.

MICHAEL: So, just going back to the earlier discussion, what was it about 4 Disciplines of Execution that it sounded like was part of the turning point of this moment where you said, "We're going to do things differently," and growth started to take off?

PATTI: Everything in that book just made so much sense to me. It's one thing to have a goal, and even how we frame our goals. It's one thing to say, "I want to lose 20 pounds," right? When we say stuff like that, in that way, we instantly create the image of ourselves 20 pounds overweight. But if we say instead, "I want to weigh 120." We're sending a completely different message to ourselves. And you might think I'm kind of weird with all this brain stuff, I will tell you, there's a lot to it. Our subconscious minds are powerful. I don't know if you ever get this feeling of you don't know why you know, but you just know. That's because as we age, we have years and years of data that's locked up into our brains, into our subconscious. And that data forms patterns. And we're able to use those patterns to create instinct. I think goals give us a sense of direction and clarity. But systems are really important. That we rise to the level of our goals, but we also fall to the level of our systems.

And that's what I learned. I learned how important having really effective execution of processes, in terms of what we do on a daily basis, and really having that focus. Not too much focus, right? I mean, I used to have all these things that I wanted to do, etc. We just have two. It's like a laser beam. And so that was what I learned. I learned that you have the things that you want to accomplish, but you've got to be very real. You got to have the substance. "Fake until you make it" just works up to a point. You've got to have concrete action behind it. Otherwise, it's just a delusion.

So what are the action items? What are the things that we're going to do differently this year? I'm having a meeting with everybody at the beginning of the year. And what I'm really curious about, when I look at last year, and I look at what we were able to accomplish last year, with the same number of people. I'm curious, how do we do that? And so I want to look back at what did we do specifically last year to grow 72% above goal?

That's kind of a big deal. Like, what do we do differently? So let's analyze it. Let's do more of the things that are working and less of the things that aren't working.

Again, social media is fine. I don't think it's working. So let's not spend time on that. Right? What are some of the other things that we can use that time for? I think the podcast, and again, to get back to that idea, the podcasts are kind of interesting, because I don't know that it's really that great for new clients. I think that any of this branding and marketing that we do, I think it's as important for our existing clients as it is for new because our existing clients send the podcast to other people. And I encourage them to share it. If this person is important to you and you think they would benefit from it, please send it to them. Like, that's my goal. I want everybody to do better. Whether they call us or not, that's okay. But you could make a material difference in these people's lives by giving them this information. I also do that kind of stuff in the PS of my quarterly letters. I still write those quarterly letters, I think that's important. I slave over these letters, so I'm not going to lie. I spend a lot of time on them. I think they're really important.

It's some economic or market commentary, or here's the new tax law. And then I think it's important to include the warm and fuzzy stuff too. The, "This is what happened. And these are some of the things that other clients experienced this year." And every once in a while, not all the time, because you don't want to lose them into this. But every once in a while, I'll add a PS, to say, "By the way, if you are having a conversation with friends or family over the holidays, and if there is somebody that you think it would be important for them to meet with us, just let us know." And I promise you, there will be no filters, we will meet with them. I want that client to be considered that person center of influence so that they get some of that psychic reward of "they got in to see Patti Brennan." And the PS is really the only part that most people read anyway. That's the most important part of any letter.

So it's little things like that little, little stuff like that that I think can make a difference over time.

MICHAEL: So, since you've spent so much time focusing on how you're systematizing as you were growing and scaling up, can you just walk us through what the new client process looks like at this point? If I say, "Patti, this sounds great. I want to be a client of Key Financial." Get us started. How does this work in your firm? What happens?

PATTI: Absolutely. So let me take it even further back. Because I think first impressions are so important. So let's say that a client calls or someone calls in, and they talk to Susan and they say, "I'd like to set up a meeting with Patti Brennan." First and foremost, I do every initial meeting. That's really important. And I'll go back to that in a second. Susan then we'll transfer that to Bernadette. And Bernadette has this incredible, buttery voice. And she does a great job of finding out what made them call, where they heard about us.

Finding out a little bit about what they might be looking for yada, yada, yada. So that gives me some context. She puts all of that into Redtail and gives them a feel for the process. So we send out a questionnaire. And the questionnaire is really the stuff that we would need to do a financial plan. It's a list of things to bring to the meeting, or even send an advance. It includes questions like do they feel comfortable, that their spouse would be able to handle their financial affairs if something were to happen to one of you. And there's a whole list of things that just fill in the blank. Takes 15 minutes to fill in, etc. But it just kind of sets the tone of the conversations.

And the beginning of it really starts out with is there something on your mind that you'd like an answer to right away? Because I want to know that. I want to give them that answer in that first meeting. So it's very open ended, but we get the stuff.

And we didn't do this five years ago. And when my team said, "We should send out the questionnaire even before the initial meeting." And I'm like, "Nobody is going to fill out the questionnaire. Nobody is going to do all that work." Oh, my goodness, Michael, I was shocked. I can give you on one hand, maybe five people didn't fill it in and bring their stuff. So that was a nice little epiphany.

So they come in, we have that initial meeting. I basically focus on them. I look at this stuff and I answer their questions. My goal in every initial meeting is to give them three things that they may not have known about before or to make three observations. Three ideas. So they walk out of that meeting feeling like, "Wow, I can't believe she spent that much time with me and really helped me right on the spot with zero obligation."

And so that's the first meeting we go through. Invariably, they say, "How does it work? How can we work with you?" And the way that I explain that is we go through two phases. And this is my business model. It may work for other people, it may not. But basically, phase one is where we build the financial plan, okay? We do a financial plan, 360, run the different scenarios, and determine where they might be vulnerable. And then we come up with specific action steps in all areas, whether it be their estate planning or their portfolio or get the umbrella or get rid of the life insurance, you don't need it anymore.

So phase one is a flat fee. That is for the process of building the plan. At the end of phase one, I tell everybody, "You can say thank you so much, Patti, this is great. Thank you, Eric, Brad, Michael, all the people that were involved, we're going to go off and do our own thing." Or you can go to phase two. And phase two is, "This stuff is wonderful. Will you do all these things that you're telling me to do? And by the way, will you be my person on an ongoing basis?" And then in that case, then we go to phase two, which is basically the execution and the ongoing management of the plan. So that's the way it's articulated. Phase two is the typical AUM. And that's what we do. So financial plan, and then wealth management. Those are the two phases.

MICHAEL: So how does that planning process work then as you get started? So I've gone through the initial meeting with you, I got my three ideas, they sound pretty neat. So I'm like, "Okay, she knows what she's talking about. This feels good. I think we want to work with her." So I say, "Let's get going, Patti, with phase one." So what happens now as we start down the road of phase one?

PATTI: So they send in the agreement. And then the first step is we have a series of emails that they get. Every week, they're getting an email that is introducing the department. So Eric's email is first. And it is a wonderful email. We never have to rewrite it. We worked on it. We did it once. And it's set up in Redtail to go out the first week. And he's introducing other people on the team, giving their backgrounds. Christopher was an Army Ranger, has his MBA, and Diane was in... So he's introducing the team and welcoming them and, etc. And he's got pictures and things of that nature.

Week two, Brad's email goes out. Now Brad's writing style is different than Eric's. Eric is very flowery. Brad is our chief investment officer. He is so funny. So he's added some humor into his email. Week three, Lori's email goes in. She's introducing key client services. All the things that we can do for them, yada, yada, yada. Oh, in between week one and week two, Jennifer writes a handwritten note in blue pen. It's the same note to the client that is mailed by snail mail. It's just a process. And I've gotten feedback like, "I can't believe you took the time to write me that note. You're the CEO." It's just making people feel important. Like they're not falling into a black hole. And by the way, Susan has already sent out, as the person is walking out the door they're getting a copy of the agreement, CRS, ADV, and what to expect in the first 90 days. So they know what they can expect if they move forward. So they're getting communications, and I tell them in the initial meeting to keep on the lookout for the various emails.

In the meantime, my elves have been working behind the scenes, putting together the plan, getting the data. They've been introduced, they're calling the clients if we need clarification or additional information. And it's going through the different stages. Diane takes care of that part of the process for the planning department. She's fantastic. So she knows exactly where we are in the different stages of doing the plan, what we might need, etc. We do all of that. Susan reaches out, we set up the planning meeting. I always do the introduction. So I'm handing the baton to Eric. The Chief Planning Officer. They already knew that Eric was going to be running that meeting. I talk about how great Eric is because he is. And I talk not only about his intelligence, and how proactive he is, I also talk about what... I refer to him as "our prince." He's just the nicest person in the world. And he just goes out of his way in every client situation.

So I make that introduction, and then I leave. I'm not in that meeting anymore. I used to sit in the meeting, I don't do it anymore, because I don't want to take away from Eric's authority. They do that meeting. That was a big change, by the way, just before COVID.

Because I always did the planning meetings, because I thought that I had to have that congruence and that consistency. But by communicating it differently, Eric now does it. And it's fantastic. I don't have to be in there for two hours. And they now go to him, they go to Diane, they go to the other people. So that I can focus on running the business. And frankly, being the brand.

So at the end of that meeting, usually we say, "Go home, talk about it, we'll tweak it, we can have another phone call or another meeting." But usually, by the end, these clients are saying, "Okay, what's the next step? We want you to be our people." And then, in that case, the key client services has been in that meeting with Eric, they've already known who the concierge person is. We kind of know as we're going through it. She's got paperwork ready. We're ready to go if they're ready to go. Or they go home, and we set up another meeting. So it's really hands-off. I want them to want us more than we want them.

MICHAEL: But in the meantime, they've been getting a high level of touch because they're getting the handwritten notes, the ongoing emails every week for the past several weeks. They're getting all of these ongoing interactions so that by the time they're getting to a plan and delivery meeting, this is the first plan delivery meeting, but might already be the fifth or eighth or 10th-plus touch so they're getting an impression of this is what it's like to work with the firm.

PATTI: Exactly, exactly. Yeah, it's definitely probably eight, if not more touches, because we're calling them, etc. I don't like too much time to go on, but sometimes it does between that initial meeting and when we can bring them back in.

MICHAEL: So how much time is typical for you?

PATTI: I tell people six to eight weeks on the high side.

MICHAEL: So it allows you enough time to do a series of four emails, one every week, that's scripted out in Redtails that's part of the expected process.

PATTI: Exactly. I don't want it to be too short. Because then it seems like we're not having to do a lot. And you know and I kno…

MICHAEL: …seem awkward like, "Yeah, I took all your information. I'll have the plan to you tomorrow morning at 9 a.m."

PATTI: Exactly.

MICHAEL: I appreciate the service but feel like that means you didn't necessarily have to work as hard.

PATTI: Exactly. And it's really interesting when you see the case, and when it's done. And the other thing that's, actually... COVID was really interesting for me, and I'm sure for you as well and everybody that's listening, because, boy, did we have to pivot. I don't know about you, Michael, but we had our disaster recovery plan. But when that happened, I'm like knocking on my head saying, "Okay, I hope it works." Because everybody had to be in their homes, and computers in their homes and printers. And for the most part, I was pleasantly surprised at how well it worked. There were some hiccups. Our VPN was not up to speed. And literally, it was not what it needed to be. So I had to upgrade the VPN. And we also had to upgrade our phone system. Our phone system was clunky, and I didn't want clunky. So we did both of those during COVID.

I was also, and I have continued to be pleasantly surprised, since COVID, how much more comfortable people are with doing the Zoom meetings. I mean, we've had new clients, we've never even met them face to face. Everything has been by phone and Zoom. And they've transitioned over and it's worked out great. So that continues to be surprising to me. I tend to be a face-to-face person. But it works.

MICHAEL: And so what is the financial planning for you to go through this process and get to their end, financial plan?

PATTI: I would say our fees range from, typically, 2,500 to 5,000. Every once in a while I'll get a complicated case. Like we have somebody who owns shopping strips, and they've got multiple family-limited partnerships, and grits, and things of that nature. And it's complicated. So they're in the 7 to 10. And I just estimate a fee, and I look them in the eyes and say, "I'm going to cap it for you right here and now." And I say to them, "I don't know about you, but I don't like surprises. So I'm going to give you this fee, and I'm going to..." A lot of times, I will give them a range. "But I'm capping it at $5,000, I don't want you worried about how much this is going to cost. Sometimes I don't know how much time is going to be required. And if more time is needed, we're going to put in the time. I don't care about it. I want to make sure that we do absolutely everything we need to do to create the outcome that is optimal for you and your family."

MICHAEL: And so for clients who go through this, and then have a good experience and say, "Yeah, You know what, Patti, I think I do want the firm to help me implement from here as well." So how does the transition work as they go from phase one to phase two?

PATTI: At that point, I'm still out of it. For the most part, the key client services person who has met them, either on Zoom or face to face is contacting them. They've given us their statements. We prepare all the paperwork to the extent that the paperwork is necessary. We help them with whatever decisions they've agreed to. And we go through that transition process. We give them lots of heads up in terms of it may feel like during this transition period, that your money is kind of going into this black hole. That's why you have this person. We will make sure that every dividend, every share that is coming from one place to another, because we usually transfer stuff in kind, that it comes over the way it should. And we tell them that sometimes there's a lag between when something is declared, versus when it's actually paid. So they may have a residual sweep that is necessary. We may not know that. So just let us know. And it's easy to re-sweep. So we tell them some of the things that might occur in advance.

That process takes a few weeks. After that, the money is here. And we begin implementing those recommendations that they've approved. We always talk to them first before we implement anything, though. Just in case things have changed, etc. And that's where Brad comes in. He's the chief investment officer. I want him to manage that conversation so that the client gets to know him as well. So it's really a very kind of a process. We tell them in advance every step, what they can expect next, we give them kind of a timeline and let them know that we're going to be in contact with them all along the way.

MICHAEL: So, a couple of questions. First, just so when you get to phase two, and as you had put earlier, sort of more typical AUM, what's the investment process that you guys go through? Are you managing internally? Are you managing externally? How do you actually implement client portfolios?

PATTI: That's a great question. We do everything internally. So we manage the portfolio ourselves. And the reason for that is that most clients who come to us, a lot of what they already have is probably really good. We don't want to just sell it and put them into our stuff. So analyzing that in phase one. And we literally put this in writing, "If you were to move forward, we're going to sell A, B, C, and D, and then we're going to transfer everything else. And A, B, C, and D adds up to we literally are putting in the dollar amounts and the tax implications, do they have a gain? Do they have a loss? If they have a gain we're going to reserve money to pay the tax in April. So it's laid out for them so they know exactly what we would want to do and what we would be keeping.

So every portfolio is really different. Now, just like everybody else, to scale, yeah, we use models, right? We have a goal of 65/35 in terms of their household model. And that's where AdvisorPeak has been phenomenal because we manage on an account basis as well as the household basis. And it allows us to do that. And we put in the roles in each account as well as the household so that we get those alerts, we get those alarms.

MICHAEL: Meaning, because you're doing things like, "Okay, we want the portfolio overall to be 65/35. But for this particular account, the client has a long-standing legacy position with a big gain, don't sell the thing in this account"?

PATTI: Exactly. And let's try to work towards that end. But that's a hard hold. There's hard hold. A hard hold is don't ever sell it. And a soft hold is let's talk to the client. If we really feel strongly that it should be reduced or sold, talk to the client first. Because most of our clients are on discretion. And by the way, that was also huge in terms of allowing us to scale. Because up until again, about 10 years ago, we didn't have discretion at all. And so the way that we had to do it was we would do the rebalancing, analyze the portfolio, send out a letter with the recommendations and have them sign off on the letter. Because actually, we realized that that was actually faster than calling everybody. And then we would call people from time to time because you end up on the phone for half an hour. So the letters were actually more efficient. And they were effective in terms of getting the portfolio rebalanced. But what they weren't great at was we weren't getting them back in a timely manner. And so what we wanted to do sometimes changed, especially during the financial crisis. Like things were happening so quickly, we weren't able to do the tax-loss harvesting as quickly as we would have wanted. We were actually hurting our clients by not having discretion so that we could act on their behalf quickly.

Fast forward to COVID. We did two full rounds on every client portfolio. Last year, probably, 1.5 billion. We were able to do two full rounds within four weeks. And for some people, they may not think that's a big deal, but I will tell you the way that we do it is we're not doing model rebalancing so that every client in that model gets rebalanced. We are doing it client by client because we're looking at the financial plan on one monitor and we've got the portfolio on the other monitor. And at the end of the day, we've got to exercise our best judgment based on that particular client, not based on what's happening with COVID.

MICHAEL: So, do you still end out with a lot of clients that have mixtures of discretionary and non-discretionary because you tried to carve out some of the holes, or do you still ultimately put the whole dollars under the umbrella because you're still viewing as part of what you're managing, even though you may not sell it? Like, how do you...?

PATTI: Yeah, that's exactly right. The whole umbrella is discretion. I would refer to it as a preference. That their preference is that we not sell it or their preference is that we call them before we sell it.

MICHAEL: Okay. But you drive all of it into managed accounts. You're not necessarily building a big non-discretionary base at this point.

PATTI: Oh, not at all. In fact, 97% to 98% of our clients are all under discretion now. It was quite the process. But now we've got almost everybody under discretion.

MICHAEL: Okay. And so, the other thing I'm wondering, just as a part of this is you've described the planning process. You're doing the upfront meeting with clients. Eric, your Director of Financial Planning is doing the financial planning and delivery. And then key client services become sort of the initial concierge point of contact. So, are you still in a world where there are individual advisors who do ongoing financial planning advice to clients? Where do they fit into this picture? Or does it all drive through key client services?

PATTI: question, and Christopher can answer it, or Diane can answer it. Because again, they've met these people. They know them.

MICHAEL: Through Christopher and Diane, how do they fit into this?

PATTI: They're in the planning department. So Diane has her CFP, Christopher has his MBA. He is transitioning to be more on an advisory basis. Michael is here as well. We've got lots of really good people who can answer the questions. I like to have consistency. That's why each key client services has their person in planning. So that if Susan has called several times with different planning questions, she's always going to be talking to Chris.

MICHAEL: Okay. But at the end of the day, you don't actually end out assigning clients to a lead advisor who's doing advisor-level relationship management, necessarily, because key client services becomes the main point of contact. And if clients contact with a planning issue, you bring in someone from the planning departments to answer their issue and solve their thing. But that person from the planning department isn't a advisor or a relationship manager necessarily?

PATTI: Exactly. For example, let's fast-forward. Six months have gone by, a year has gone by, it's time for us to set up a meeting. Key client services knows that, they're reaching out, they're asking Susan to set up a meeting. Depending on our schedules, etc. Sometimes Eric is doing that meeting, sometimes I'm doing the meeting, sometimes Sam is doing the meeting. But there is kind of a planner, if you will, who's running that meeting. Sometimes I have Brad come in if they have portfolio questions, things of that nature. But again, I want them to feel comfortable with the depth of the team. That's really important. It doesn't always have to be me and Eric, and the senior people, because I want them to get comfortable with everybody.

MICHAEL: Interesting. But that literally gets the point of even when they're coming in for annual reviews, it may be you, it may be the chief investment officer, it may be someone else who is on the investment team that's doing it and delivering that update. But it's not necessarily "your advisor," that's always your individual advisor for whatever it is. It's all centralized and departmental for you.

PATTI: Exactly. You might be surprised to hear this. But it is very effective. Like for example, we had clients today. I was not able to be in that meeting. However, I popped in. So it's the dental office idea. You've got your dental hygienist. The doctor comes in and says, "Hey, I looked at your X-rays, no cavities look great, how's the family, how are you doing?" Hug, hug, kiss kiss, I'm out of here. That's basically what I try to do. I don't always do it. It's not always necessary. Also, as it relates to who's running that meeting, sometimes it's just personalities. We know our clients, and some clients, they're very portfolio hyper-focused. So I'll have Brad run that meeting. Or they are tax hyper-focused. It depends on the personality. Some people are like Eric will go in and help bring up the St. Louis

Fed and talk about all of the economic indicators. And there are certain clients that just love that stuff. Eric will run that meeting. So we know our clients, we know that what's appropriate. And I like popping in and doing some of the meetings myself.

MICHAEL: And so, as this gets applied across the whole firm, I guess that's just part of the scaling dynamics then that key client services, I guess, no pun intended, like really becomes the key because they truly are the central point of contact for clients. They're the ones that's routing, "Do we need to bring in someone from the investment team? Do we need to bring in someone from the planning team? Tell me more about whatever your issue or concern is and I'll make sure we get the right resource within the firm to solve that for you."

PATTI: Exactly. Let me give you a perfect example of what happens, literally, on a weekly basis. I will tell you one of my key client services person, her name is Kelsey. Okay. Kelsey was helping a client with a mortgage situation, and he was needing information and didn't understand, he's an older client. And he was literally calling her almost every day. And it was kind of the joke because they're in one big office and everybody's like, "Kelsey, it's for you again," and everybody knew, and etc, etc. Long story short, the client asked a question that Kelsey didn't know the answer to. So she said, "Let me have Patti call you back." Right? So Kelsey came in to me. She said, "This is the question. I didn't know the answer. So could you give the client a call?" I said, "Absolutely. By the way, let me give you the answer first in case it ever comes up again."

So I called the client. Talked to the client, gave them the answer that they were looking for. And just as I was about to hang up, the client said to me, "Patti, before we hang up, can I just tell you what an angel Kelsey is? I want you to know that I have probably been driving her crazy this week." And it was so funny. He said, "I have literally called her every single day. And she was so patient. I was on the phone with her for 45 minutes, half an hour, one day. I mean, literally, and every time, it never felt to me like I was bothering her, that it was too much. She never lost her patience. And I just thought you should know." And so pretend his name is John. I said, "John thank you so much for telling me that. I wouldn't have known if you hadn't told me."

So with that, we hung up the phone. I did something first. And then I went in to Kelsey and I said, "Come on into my office, I want to tell you something." And I told her the story. And I said, "Kelsey, I want you to also know that I just called in a pretty juicy bonus. And you've also got a permanent raise because you made such a difference in that client's life today, and by doing so, you made one in mine as well. So I just wanted to thank you." Well, Michael, she started to cry. She started to cry.

It doesn't end there. She leaves my office. And I thought, "Wow, what an experience." So I called John. I said, "John, I want you to know the difference that you just made in a young person's life." And I told him the story. And you know what? He started to cry. He said, "Patti, thank you so much. I can't believe that you did that. And I can't believe that you told me that you did that. Like that is just fantastic."

And so that's the spirit of this. That is what those people are. They are the secret sauce. They go out of their way. I've had people who were suicidal. We saved their life. True story. I had another client who had a massive heart attack. Her husband is in a wheelchair, he's a diabetic, she's in the ambulance. She's saying, "Who's going to give my husband his insulin? He needs it at 5. He's in a wheelchair. My kids don't live near me. What are we going to do? " And she's having a massive MI. And the guy in the ambulance is like, "Look, lady, we can't worry about that right now."

And she told me the story. And so I said to her, "Look, here's what we're going to do about that. We are 10 minutes from your home. If this ever happens again, please make sure you put a sign on the refrigerator and tell the ambulance driver, give them our number. I will run over there. And show us where the meds are. I know all the kids. And we'll take care of him. We'll make sure that he gets what he needs when he needs it." And that client literally fell off her chair. She's like, "Are you kidding me? You would do that?" I said, "of course we would do that." That's what we're here for. This is not just about managing a person's money. We don't work with money, we work with people. And that's what it's really all about.

MICHAEL: So, I'm struck just from the business ends, that as I'm sure you know, a lot of firms, most advisory firms, it's pretty common that there's a main advisor who's the main person and client services support to the extent they support them are usually more focused around, I'll just call it, purely administrative tasks, that it feels like you have turned that structure somewhat upside down by putting your client services team, like, truly, at the center of that to the point that you're planning and investment teams are centralized and you don't necessarily need to set like lead financial advisors for each and every client.

PATTI: Exactly. You got it. And the people in client services, they're like I am in a way. I mean, they're very nurturing and huggy, huggy and that kind of stuff. But they're also really smart. And they really will go out of their way to do whatever is necessary.

MICHAEL: And how many are there? Like how many are in that key client specialist area?

PATTI: I think we are approaching 10. And that's where the scale comes up. That's where the scale really comes. Because I can always add people to key client services. And by the way, in terms of morale and job satisfaction, they love what they do because they know that they're making such a difference in these people's lives.

MICHAEL: And how many clients are there across the firm?

PATTI: We are at about 800 clients.

MICHAEL: Okay. Oh, interesting.

So from that perspective, 800 clients, 10 key client services team members. So your key client services may have no more than 80 to 100 clients, each, that they lead on from a relationship perspective.

PATTI: Exactly. I want them to be able to have the bandwidth to be able to take care of those clients. And I will tell you that sometimes as we grow, that's why I'm always trying to hire ahead because I see what's around the bend. And it takes a while to get people trained. We're in that process right now, so some of our senior key client services people, sometimes they get a little overworked. And I've got to ramp up the training and the hiring process to make sure that that doesn't happen.

MICHAEL: But from a staffing perspective, you just as you noted, from the scalability perspective, you can likely still hire and train key client specialists at a lower cost point for the business overall than trying to get super-senior experienced financial officers that are harder to find and harder to train into your systems because they learned it somewhere else and you got to train them or retrain them to your style. So you have largely bypassed that challenge by focusing the client connection at the key client specialist level.

PATTI: Absolutely. And the coaching that goes on, everybody who works here is a coach. Everybody coaches each other. Several years ago, I had a meeting with everybody and I said, "It's really important that we all recognize that each one of us are professionals. In fact, I instituted this program where we don't keep track of sick time anymore. I don't keep track of vacation time. If you need time off, take time off, we're not going to keep track of it. We're all professionals. Recognize that when we take that time off, that means that your colleagues might need to be stepping up a little bit more to cover you because we have teams in terms of coverage and things of that nature. And I think it's important that everybody...and everybody here knows that you want to be the reason your colleagues love coming to work. I got to tell you, we have a ridiculous amount of fun here.

One of the things that I really look for, I look for a lot of things. I look for humility. I don't want egos here. That's really important. I also look for a sense of humor. We have the funniest people here. We laugh all day long, because I think you need that. We got a great kitchen. We got ping pong tables and the games and when people need to let off steam, we've got that going on. So but it's really that atmosphere of colleagues helping colleagues and the entire firm benefits from it.

MICHAEL: So, as you look back over this journey, what surprised you the most about building your own advisory business?

PATTI: I think the thing that has surprised me most, not surprised me. I wouldn't say surprised me. I would say that it took me a while to let go of that bone. And to really just let people take over and implement the plans and do the things that I thought I had to do. That really has been a real positive outcome from this. Like, everybody has got their own style. And as long as clients know that I've got their back, I'm not going to let anything really bad happen to them. That's just really important.

I think the other thing that has surprised me or the thing that I have learned is the importance of how to make a proper apology. I think that's really important, whether it be our clients or other people. Years ago, I still had that bone in my teeth. And I was going crazy and doing this, and really, at a point where I was getting fried. And we had a day, and somebody, they made a mistake, and I wasn't really happy with it. And I responded in a way that really isn't my style. And I did it in front of other people. And I knew that that was wrong. Gosh, I felt...

MICHAEL: It was the moment it happens. Like, oh, that was good what I just did. That was a mistake.

PATTI: That was not good. It was awful. It was just awful. And I felt terrible. So I will tell you because Vince was still here. And Vince, I will tell you, is my chief operating officer. And he was senior vice president of a large company. So he has a lot of management experience, operations experience. He's really amazing. And so he had been with me for a couple of years by then. And when that happened, I just came back to my office and I thought, "Oh, my God, what am I doing?"

And so I asked everybody to come in the conference room. I brought everybody together. And basically, I looked that person in the eyes and I said, "I want you all to know what happened and what I did. I'm sorry, I still feel bad about this. And I looked her in the eyes. And I said, "I just want to say I'm really sorry. I shouldn't have done that. That was wrong. And I just hope that you will forgive me." And she was like, "Wow." And I said, "I'm really sorry." And I started to cry. And she was like, "Thank you. Thank you so much for doing that." And everybody was like, "What do we do now?" You could just sort of feel it. And I said, "I just wanted you guys all to know that I am painfully human. And if I ever do anything like that to any one of you, please, call me on it. Like, just call me on it. Because it's not right. And I would never want anybody to feel any less than the wonderful people that you all are."

And so everybody went back to their desks. And we went back through the rest of the day. And Vince came into my office, 15, 20 minutes later, closed the doors, and I'm thinking, "Oh, God, he's going to quit. He's going to think, Oh, my gosh, this woman's out of her mind." And he sat down in front of me. And he said "I have been in business for 25 years." And he said, "That was probably the greatest act of leadership I've ever seen." And I'm like, "Really? I made a mistake. And I said I'm sorry. Like, that's not leadership, I'm an idiot." And he said, "No, Patti, you're human. And you showed your vulnerability, you showed that you are human, and you made a mistake, and you quickly corrected it as quickly as you could."

So, to me, and I learned from that, Michael, and I've learned from that with clients. Every once in a while, we make a mistake, I make that proper apology. I apologize. I thank them for bringing it to our attention. I tell them what we're going to do to fix it. And I really thank them because, again, if we don't know about these things, I can't fix it. And because of them, another client is never going to have to go through what they went through. And then follow through. Give them that follow-through. "I'm going to touch base with you in a month or two months and make sure that we fixed it."

MICHAEL: So what was the low point for you on this journey?

PATTI: I would say the low point for me was the financial crisis. We were still in my second basement. At the time, I had 9 or 10 people coming into my kitchen, they come in through the side door and they raid my refrigerator and they would go down to the basement and work for the rest of the day. And I didn't have anybody on phase-two type of thing. We were more of a retail shop. And that was really hard because I didn't have that recurring revenue stream to help us weather the storm.

And I learned a lot during the process and the importance of having repeatable systems, a repeatable revenue stream, and to manage the business, which was, frankly, more of a practice than it wasn't even a business, to manage it more like a business because that was the only way we were ever going to become a company that would be an ongoing entity that didn't need Patti Brennan anymore. That's the stage that I wanted to get to, but we were still a practice. And I will never forget because Eric and I would usually be working late.

And I didn't take the time, honestly, to check in with everybody to see how everybody was doing. We had televisions all over the basement, and markets were going up and down, etc. And we were working 24/7 trying to keep clients, talk them off the ledge, and really taking care of our clients. And I asked Eric, I said, "Eric," I said how, "how are you doing? Like, this is really hard. This compassion, fatigue, we all get it, I got it. It's hard stuff. How are you doing? And how's everybody else doing? And he was really honest with me. He said, "You know, Patti," he said, "We're doing okay." He said, "but we're kind of worried we're going to lose our jobs." And I'm like, "Really?" I said, "You're really worried about your jobs. I didn't even think about it. Hadn't even occurred to me." And I looked him in the eyes, I said, "Eric, I promise you, no one's going to lose their job." And that really helped me to define myself as the leader. Like, "I got to really take care of my team and let them know, they're going to be fine and I've got their back."

So we had that meeting the next day. And the reason it was such a low point for me is I didn't have the money to continue to pay them. I mean, the business didn't have the money, it didn't have a recurring revenue stream. And so I had to dig into our own accounts. And $400,000 or so later, we were beginning to come out of it. But that was a real lesson in terms of running a business. You got to run it like a business and understand that, we're going to go through difficult times, and you have to have that emergency fund like we tell our clients to have. It was scary. Really scary.

MICHAEL: So, just having been in the business for more than 20 years, what do you know now that you wish you could go back and tell you from 20-plus years ago when you were just getting started?

PATTI: I would say that I wish I had known the value of bringing other people into the meetings and elevating the rest of the team. We had a lot of people at that time, but clients didn't know who they were. They would come into a little townhouse...I had an office where I would have meetings in this townhouse business center. But all of my employees were in my basement. My clients didn't even know where they were working. They never met them. They never saw them. It was always just me. That was wrong. I wasn't wrong. Even to this day, I'm kind of surprised how many people still signed on and wanted me to be their advisor. But it was not necessary. So I...

MICHAEL: What was driving it? Because it sounds like it was a conscious decision to do it when you were doing it.

PATTI: It was fear. Truly, it was fear. I had PTSD after the financial crisis. And I had to dig into our own funds, which frankly, were not a lot at the time. And to be able to have to sell those investments to keep my payroll and keep things going, I couldn't even imagine what it would be like to have an office where I'm paying $10,000 a month in rent on top of everything. Because the office that we had was something that I had gotten in the '90s and it was already paid off. So it was really just fear. I was worried about making sure that I always had the cash flow to pay my people. And so finally, I had to feel the fear and just do it anyway. And that's what I did. We moved into this office. I ended up buying an office building. And I think that also has helped a lot in terms of sending the message that we're going to be here for a long time.

MICHAEL: So what advice would you give younger or newer advisors that are just looking to get going today in building their practices?

PATTI: I would say the best advice I can give is for them to join a team that is growing. You want to be on a team that's already growing. You'll learn everything you possibly can. This is the way that we do things today. It's working really well. But I don't know what we're going to look like three years from now. Every year, I ask the question, I have a leadership team. And we meet, we're having a meeting next week, it's going to be an all-dayer. and I'm going to say, "Okay, is what we're doing still working? Should we rethink this? Should we begin to develop silos where you have a main plan or a portfolio manager and key client services?" We haven't done that yet. But we now have the staff who was already well-trained. And we could create that in an instant. That would be fairly easy. We might do that in the future.

The way that we do things currently, is I will tell you that the people who work here really seem to like it. They never feel like they're on their own island. And there's a lot of camaraderie. And that feels good. But who knows what it's going to look like four years from now? And by the way, I don't know that we can't keep that same great camaraderie if we go into that silo approach. But my only concern with that is I want clients to understand that they are clients of the firm. I want people to feel that ownership that they are the reason that that client stays with us.

So again, I'm an open book. I'm learning just like everybody else is.

MICHAEL: So what else comes next for you?

PATTI: I think for me, I'm one of those people. I don't know that I'm ever going to fully retire. I will rewire. I am making myself less and less relevant, over time. That seems to be working quite well. I've had to improve the messaging. Because the one thing, clients, I never wanted them to feel like they were being pawned off to a junior planner. Like, I get clients from other advisors where that's happened. And I don't want clients to feel like that.

So what we're doing right now, this department approach works to alleviate that concern, because, at the end of the day, I tell everybody, "I'm your advisor, I'm accountable, I'm the person that you go to if you really need something that you don't think anybody else can help with. So just know that."

Going forward, what does that look like? Does Eric then step into that role? Does Brad step into that role? I don't know. We'll see. I'm open to all of it. I think that's really important. If anything has changed, I have become a lot less resistant to change. I actually am welcoming it. Because with every change that we've made, it's actually things have improved. Has it been perfect? No. We've had to tweak here and there. But it's working.

MICHAEL: So, as we wrap up, this is a podcast about success. And one of the themes that always comes up, it's just the word success means very different things to different people. And so as someone who's built what, again, one would objectively call a very successful business as you're coming up on $2 billion. How do you define success for yourself at this point?

PATTI: I guess I always want to be known. I think, for me, success is only relative to the success that other people in my life feel like they have. So it's not my success. It's my ability to help others realize their own success. Whether it be financial success, personal success, passing the CFP, whatever it is. To be that catalyst that made the difference in their lives. That to me is ultimate success.

MICHAEL: Oh, I love it. I love that framing of "I want to be the catalyst for it. I want to be the catalyst."

PATTI: Yeah, and there's a lot of ways that we can do that. Right? It's clients, it's employees, it's the kids of clients. There's so many different ways that we can make a difference in other people's lives. To me. That's really cool.

MICHAEL: Amen. Well, thank you, Patti, so much for joining us on the "Financial Advisor Success" podcast.

PATTI: And thank you, Michael.