



Ep120: Don't let Your Advisor's Retirement Disrupt Yours

Keith: Welcome to the Empowered Investor Podcast brought to you by the advisory team at Tulett Matthews and Associates. Have you ever felt overwhelmed by the number of voices telling you how to plan or invest for your future? We're here to help you cut through the noise, bringing clarity to your investment decisions and helping you build lasting financial peace of mind. Learn more and subscribe today at tma-invest.com. Welcome to the Empowered Investor. My name is Keith Matthews, and I'm joined by my co-host, Lawrence Greenberg. Lawrence, how are you today?

Lawrence: I'm doing great. We are recording this on October 29th, and the Blue Jays just got a big win last night. So, it's 2-2 in the series. So, it's nice to see a Canadian team thriving.

Keith: It is fantastic. It was a heartbreak the day before when it went to 18 innings.

Lawrence: Yeah.

Keith: Edmond in our office stayed up all the way till three in the morning watching.

Lawrence: That's a good fan there.

Keith: He's a diehard. Today's show is a great show. We are going to attack what happens if and when my financial advisor retires.

Lawrence: Yeah.

Keith: And all the implications around that. So, so many pre retirees or early retirees are looking to their advisors for guidance as they go into that retirement journey. What ends up happening in today's world in Canada is so many of those advisors are actually close to retirement themselves.

Lawrence: Yeah.

Keith: So, it's a bit of a dilemma. And in today's episode, we're going to kind of run through what we see in surveys. We're to do a variety of discussions around what that looks like, but specifically we're going to deal with the following. What research says about how many advisors are and aren't ready for retirement. How many of them have a succession plan in place. We're going to talk about how investors feel about retiring advisors. We'll highlight the disconnect between how advisors are preparing themselves, or lack thereof, and. And what clients expect from them. So, there's a bit of a disconnect there. We will talk about advisor succession and why it should matter to you being the investor. There's three or four more points we're going to cover. What can happen if a sudden retirement or an illness of an advisor or something that makes them stop work. What are the implications for you as an investor? We'll talk about our story, what we've done here at Tulett, Matthews and Associates. Lawrence will share with us what a good transition should look like. And then finally we're going to have a list of questions that you can ask your advisor, your advisory team, if you feel that they're getting close to retirement. So, we want to make sure you have a concrete list of questions to ask. So that's a long list, Lawrence.



Lawrence: That's good stuff.

Keith: Yeah, but it's a meaty, meaty, meaty conversation. It's dear to our heart because we're in this industry. We've worked very hard at a session plan which we'll share with listeners, but it was really predicated on this research that came out a few weeks ago.

Lawrence: Yeah.

Keith: And so, let's jump into that. Okay, Lawrence, let's talk about how prepared advisors are with their own succession plans. What does the data and the research show?

Lawrence: So unfortunately, the data is not particularly promising. It shows only 10 to 20% of advisors actually have a written plan in place for their succession. And they've articulated what exactly will happen when they stop working. And that is disheartening because the average age of advisors in Canada is about 54 years old and they plan to retire, you know, in the next 10 years, let's call it.

Keith: So, most advisors, a lot of advisors are 54-55ish and don't have a plan.

Lawrence: Exactly.

Keith: That's essentially what the data is showing.

Lawrence: Yeah.

Keith: Okay, so let's switch a little bit and go into some recent surveys that came out that surveyed investors. Investors of a variety of age, but I believe there's a lot of pre retirees and retirees in there.

Lawrence: Exactly.

Keith: And they asked the investors, how do you feel in general about the secession of either your advisor or advisor just across the industry.

Lawrence: Exactly. So, this is a survey by the Investment Planning Council, the IPC, and they surveyed over 1500 Canadians that work with financial advisors. And what the survey showed is 83% of Canadians who have an advisory relationship do worry about what will happen when their advisor retires. 83%. So that's a large number. And 53% fear they won't get any warning at all.

Keith: Well, to me, I mean, those are both big numbers. The second number is the one that I feel emotional about because you sit back and you say they don't even know if they're going to get a warning. They think it might just be a sort of a pop-up issue. It's kind of like, you know, sometimes when you're being served by the medical community and all of a sudden somebody has a sudden retirement, they don't tell you.

Lawrence: Yes.



Keith: And all of a sudden, it's just like you've got to fend for yourself and go find a new GP or a new physician.

Lawrence: Yeah. So, it sounds like there's a gap in what clients need and expect and what the advisory industry is not doing.

Keith: Yeah, there's a massive gap. You're right. There's a mismatch there. And you know what? At the end, I think it's totally fair for clients, to worry about certain things, because they'll worry and they'll say, well, who's going to take over my file?

Lawrence: Yeah.

Keith: Am I going to have a consistent investment approach? How are the bedside manners of the advisor going to be. I'd like to have, for example, an advisor that has a lot of empathy. Is that advisor going to have empathy or not?

Lawrence: Yeah, exactly.

Keith: These are big worries that individuals have. Okay, so, Lawrence, what actually happens when advisors do not have a plan, a secession plan, and if something were to happen to them to the point where they have an early retirement or forced retirement, what are the kinds of issues that pop up for clients?

Lawrence: It's a great question. So, what we tend to see in the industry is a new advisor will be assigned to the file. You may or may not know that person. You may even get the feeling that you're starting from scratch. There may be a change in the investment philosophy or the style or the services, which can kind of create some anxiety, some uncertainty. They may just have a different way of doing business. You know, sometimes people feel like they get lost in the shuffle when there's a big transition. They may get lost in the handoff and it creates a lot of negative feelings.

Keith: Well, for sure. You know, we hear from individuals say, you know, when I used to be with this larger organization, I felt like a number. I didn't feel like either an individual or team truly understood all my issues. And clearly, if there's a change of advisory team or group or individual, details will not come through.

Lawrence: Exactly. So, Keith, what are some of the reasons why succession planning does not happen on a timely basis?

Keith: Ah, so you're asking the older guy.

Lawrence: Yeah.

Keith: Why are some of my peer groups not doing anything?

Lawrence: Yes.



Keith: Okay, so this is my impression, is my understanding, and this is based on the fact that we've done a lot, which we'll share right after this section. The first thing is, in order to do a good succession, to start implementing it, you need to have your younger advisory group coming in and starting to work with you and your clients. So, you have to go hire young people.

Lawrence: Yeah. Spend capital.

Keith: Yes, spend. And most advisors are not willing to share their revenue stream. It's A big one. Now we're getting to the nuts and bolts of how these businesses operate.

Lawrence: Yeah.

Keith: So, if you bring in a couple of people, you have to share your own personal revenue with individuals in order to pay them and compensate them fairly to come in and work in your practice. Most advisors aren't willing to go down that path. The second, I think, biggest issue is most advisors, senior advisors, aren't willing to take the time required to train and to mentor because that is a huge undertaking. And it's also, to be fair, you know, some advisors aren't natural trainers.

Lawrence: Exactly. Yeah.

Keith: You know, so it doesn't come naturally to them. If you're not willing to invest in people, you're not willing to train and mentor people, it's very hard to actually put this plan in place a few years in advance, which is really when it should happen. And I think there's a natural inclination with a lot of advisors as they get older that they too kind of feel like they want to go into semi-retirement while they're still working for clients. And I think that's something that individuals try to get away with. You can do it if you have a smaller client base, but if you have a large practice, there's no way you can go into semi-retirement and be golfing and doing all these things all the time and expect to serve your clients the same way that you always did.

Lawrence: Yeah. And unfortunately, we do see that more and more is that these advisors in their, let's call it mid-60s, early-60s, late-60s, it's easier to continue to coast and to serve clients. And in the meantime, there's no plan. Services may drop off, and the client is in a very risky position.

Keith: Well, clients in a risky position. And the advisors in a risky position because he's letting. He or she is letting their practice erode over time.

Lawrence: Exactly.

Keith: That's essentially, in my mind, that's essentially why most advisors don't take the time, don't spend the money to make sure that a good plan is in place.

Lawrence: Exactly. So, Keith, why don't you tell us how Don and you went through this planning process and planned for your successions.

Keith: That takes us back in history a little bit. Yeah. So, I'm 61, Don is 63. We were the, I guess the founders in the original portfolio managers. Don was the founder, and I joined Don in 2003. But we were



the original portfolio managers in the firm. We'd built a client base; each had a client base. Took us 20, 30 years of hard work and loved working with the clients. I would say closer to 12, 13 years ago, there were a couple of health scares that came into each of our families. My wife was diagnosed with cancer, and almost within the same year, Don was diagnosed with cancer. So, two of the three original partners had a health issue. Now, luckily, everybody has gone through treatments, full remissions. My wife is in great health and Don is in great health. But I remember back then saying, oh, life is fragile. We've got a beautiful client base. What if something ever happened to me? I need to make sure; I need to be responsible. Don wanted to do the same thing. We need to be responsible and make sure that support was in place so that if something were ever to happen, we can take care of our clients. And so that's when we started to realize we need to start hiring what we called next generation advisors. And so, Ruben was our first advisor outside of the associate level that came in, and the goal was to essentially, with all the new clients that were coming on board 12, 13 years ago, they wouldn't work with Don or myself. They would start working with Ruben.

Lawrence: Yeah. So, it sounds like you had a pivotal point in your guy's careers where you had to make a decision, do I take care of my clients and start thinking about the next generation. You hired Ruben and after that, Don hired Marcelo to start the scaling process, investing in staff and training them.

Keith: That's essentially it. There's a major pivot.

Lawrence: Yes.

Keith: And the pivot happened when we were both about 50. And the pivot basically got us to rethink how we're now going to build a business and introduce and build a team that can now start working with all the clients. So, you know, if we fast forward to today, Don and myself don't actually have the client relationships, the direct client relationships. And so, we've got four advisory teams. We have Ruben and Chloe; we have Marcelo and Meghan. We have Lawrence and Jackson. Those are the four teams that are taking care of our client files. And we took, I would say, well, Ruben's been with us for 12 years, but we took anywhere from three to seven years, introducing training, mentoring, building a system. All of these advisors now have the lead relationships with clients.

Lawrence: Exactly. So, in terms of that transition, there were multiple years where the clients got to know these other advisors. The advisors learned the client situation, their goals, their worries, everything. And in the meantime, the advisors had clarity, the partners had clarity, and the clients had clarity.

Keith: Absolutely. We didn't just also think about how secession works. We studied it. We looked into the United States where there was a lot of what we call RIA firms, enterprise firms that had already moved from founder-based firms to enterprise firms. And we studied how do they do it? What is the pathway for them to do? And so that's it. We introduced that concept. It's been a remarkable process. So, investment philosophy has full continuity. So, every single client has the consistent investment philosophy throughout the entire firm. We hired and trained 6 new next generation advisors. We call them next gen. Highly competent, very hard working. We asked them to do the trifecta. Lawrence, what's the trifecta of courses we ask that everybody does?

Lawrence: It's the investment concepts, it's the planning concepts, and it's tax.



Keith: Yeah.

Lawrence: What matters to clients.

Keith: Yeah. And these are big asks because every one of our advisors has to become a licensed associate portfolio manager or portfolio manager, which requires designations. We want everyone to be licensed in financial planning, which requires a very tough designation to go through. And we want everybody to have a very strong tax knowledge. We've done it. Everyone's getting through all the courses, and everybody's committed to that level of excellence.

Lawrence: Yeah. In terms of the advisory group here, we're between the ages of, let's call it 25 and 45, you know, so we're able to serve clients for multiple decades and we're all highly trained and we all kind of buy into this way of doing business. And we think clients see that.

Keith: So, the next gen advisors not only have a job here, but they've also. I mean, we won't get into too much of that in today's episode, but we have now sold shares.

Lawrence: Yes.

Keith: And we tell, we tell all our clients, we say, this is the schematic. This is what the game plan looks like. This is what the secession plan looks like. We communicate it. Lawrence, you and I have done meetings for years. We brought that sheet out every single meeting. And we talked to our clients, and we show them where we're going.

Lawrence: Exactly.

Keith: We asked them, are you comfortable? And they were all actually very comfortable. In fact, congratulatory in the sense that they felt good about the fact that we'd thought about this.

Lawrence: Exactly. Yes.

Keith: And that we're communicating this. So, a couple of other things. I mean, we build very, very consistent communications. We have the same investment philosophy across the entire firm, same planning philosophy. But we communicate this consistently where we try our best to. What else would you add in, in terms of what we've done so far in our firm?

Lawrence: Well, we've always been transparent with clients and we've kind of allude to this and to make sure that everyone's clear. And we've built a firm, as I said, that will hopefully outlive all of our existing clients and be able to serve new clients in the future.

Keith: Yeah. The only. The last thing I would add is we got an amazing operations team, client service team, and that group is critical to ongoing client success, experience and continuity. So, we've built a firm that has departments. So, the transfer department handles all the transfers on behalf of the entire firm. Portfolio trading. It brings continuity.

Lawrence: Yeah.



Keith: And consistency throughout the entire experience for not only the clients, but also for the team members. We're obsessed with this whole succession plan. So much so that as I sort of alluded to earlier, two years ago, Don Tulett and myself, essentially put together the new shareholders agreement, which will take us into the next 20 to 30 years, and started selling off percentages of the business to all the internal employees and advisors.

Lawrence: Yep. So, it shows that this plan is actually coming to fruition, and this will be an evolving process for the next several years.

Keith: You're absolutely right. And nothing thrills me more when I talk to somebody who's 50 or 60 years old and they're saying, well, if I was to come to your firm, how does it work? I say, first of all, you would have a team that could take care of you for your entire retirement.

Lawrence: Yeah.

Keith: The average age of the advisors can walk you through and can take care of you for the next 30 years. And they're committed and they're shareholders.

Lawrence: Exactly.

Keith: And when they realize that, they go, wow, that's powerful.

Lawrence: I say this kind of lightly. It's kind of like when you're shopping for a family doctor. You don't want someone in their 60s and 70s. You want someone to help take care of you for multiple decades into the future. Same for your financial advisor. A little tongue in cheek, but I think there's truth to it.

Keith: Well, Lauren, so you're.

Lawrence: I'm in my early 30s. Early 30s.

Keith: And so, you're a perfect example. You and I have worked. I've worked with all the advisors. Today you're doing today's show. We could have had today's show with all of our group talking with six mics, which could have been an interesting conversation. But we've essentially all gone through this journey together, and I think we're very well prepared. We're tackling an issue, which is a huge issue in the industry. So, let's start gearing up towards wrapping up. We spoke about what we've done, but based on what you've just gone through, what are some of the key issues that need to be done in a good advisory secession plan?

Lawrence: Yeah. So, what we've seen from the industry and our personal experiences here at the firm, the biggest thing is to start communication early, start thinking about these things early, start talking to the advisors and the clients early, to introduce the clients to this next gen advisor early as well. If the next gen advisor is with these clients like we had here for multiple years, there's a comfort that grows on both sides of the table here and it makes the transition a lot more pleasant, a lot more efficient and better for all parties. So that kind of goes into the overlap period. Where for example, I'd be sitting with Keith when he was managing the client relationships for multiple years. And over those years I would be first doing document prep and doing some parts of the meeting and then my parts of the meeting would



grow and grow and grow until I'm doing the full meeting. And there was a multiyear handoff that allows comfort to grow. And it's very, very important. Also, what works well for advisory teams is to be consistent, to have a shared philosophy for clients to know that they're getting the same experience regardless of which advisor they're working for with. Sorry, that's imperative. And that kind of speaks to continuity. They know they're getting a consistent process.

Keith: Well said. I couldn't say it any better. And that's a great summary of sort of the best practice concepts.

Lawrence: Exactly.

Keith: Okay, Lawrence, let's go to the second to last section of today's show. Today's episode.

Lawrence: Yeah.

Keith: We've generated a list of questions that we think our listeners could ask their advisors regarding their advisor succession. So, why don't you go through a few of them right now?

Lawrence: So, these are a couple questions that are a good thing to ask. So, the first one is, do you have a documented succession plan? Do you have something in place? Another one, who will work with my family when you retire or when you must stop working? Do I know this person already? Are they in the firm? Are they hired? How will you make sure that my file will be transitioned smoothly, and they'll understand my plans and my goals? Will the investment approach, the services, the fees be consistent when you're no longer here? These are some key questions that could help. Hopefully you could gain confidence with the advisor if they have a plan and if not, there may be an issue there.

Keith: Fair enough. All great questions. And we encourage individuals to ask these questions. 100%. So, let's do a wrap up now. Lawrence, what are your key takeaways?

Lawrence: Well, I think, I mean, going off of what I just said is you have to ask the question. Many advisors clearly by the stats have not looked at this. If you're working with an advisor that doesn't have a plan, you should ask the question so you're aware of it and maybe reevaluate.

Keith: Yep, 100%. What I would add to that is if you're a pre retiree, so I put them in two different buckets here. If you're in your 40s, you don't want to be hiring somebody who's close to their retirement because they're definitely not going to be able to take you through. But it's not critical. If you're a pre retiree, 55, 60, 65, under no circumstance, I feel, should you be hiring somebody who does not have a plan.

Lawrence: Absolutely.

Keith: Like, it just doesn't make any sense because you're just going to be dealing with a surprise and an issue four or five, six years, maybe seven years later. And you owe it to yourself and your partner to make sure you have a consistent group that you can work with or an advisor that has a plan and that has a team because you're going to want that in your retirement. And then secondly, of course, if you make the right hire the right group, that group should be able to help you throughout your entire retirement.



Lawrence: Exactly. Yeah. Very well said, Keith.

Keith: What a great show, Lawrence. I know it's a show that means a lot to us because we've done a succession plan. We're in the middle of it. We're doing it. We think we're doing it right. We're putting a lot of energy in. So, thank you for coming on today's show.

Lawrence: Thank you.

Keith: Thank you for sharing your insights to our listeners. Thank you so much for tuning in. It's a big topic. Please look into it. Have a great day and we'll see you the next time.

Lawrence: All right, take care.

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