📌Description

Planning or managing your wealth is a fantastic investment not only for yourself but also for your business, and there are wealth management services that will help you manage your wealth with high value and establish a trust-based relationship.

In this episode, we meet Richard Jollon, a wealth manager at Morgan Stanley. In the episode, he discusses the distinction between a stock brokerage firm and a wealth management firm, as well as the services provided to its clients. He also discussed how to battle human biases while managing funds and how their organization demonstrates values to their clientele.

If you're interested in learning more about organic growth, growth by acquisition, or the increase of capitalization of your company, this will be interesting and useful for you.

📌Key Takeaways

💥What is the Difference between a Stock brokerage firm and A wealth management
💥What are the services of Wealth Management Business
💥The Common Target Audiences of Wealth Management Business
💥How to Combat Human Biases and How Wealth managers addressed the problem
💥How Wealth Management Demonstrate Values to their Clients

📌Quote Takeaways

"You know, I believe that at a certain point, you begin to define success less by financial measures and more by the quality of your relationships with your clients." - ***Richard***

📌Speakers of this Episode

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📌Time Stamp

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📌Transcript

Kit Lisle: Welcome to Strategic Growth Council podcast about strategic growth and mergers and acquisitions for the middle market. Our listeners are growing their businesses intentionally in a disciplined fashion, perhaps by acquisition, or they may be contemplating a sale. And every episode I interview an expert in the world of strategy or growth or mergers and acquisitions. And today I'm joined by Richard Jollon of the Sentinel Group at Morgan Stanley. Welcome, Richard.

Richard Jollon: Thank you. Good morning.

Kit Lisle: Glad to have you. I'll apologize in advance. Those of you who are listening, you're probably listening a few weeks later than now. It's currently March 16th, the day before St. Patty's Day, the day before the start of the real rounds of March Madness. I'm excited, and unfortunately, that time of year often brings a few sniffles, so you may hear a little bit of that. I'll try to avoid that as much as I can. Richard, it'd be great if you would share with our audience a minute or so of background about yourself.

Richard Jollon: Well, the first thing about myself is I'm super excited because my alma mater, Longwood, this is their first trip to the March Madness this year. And now we have to play Tennessee, which I'm not sure I'm so excited about. But nonetheless, tomorrow should be an exciting day for us, so I'll lead in with that. You know, graduated from Longwood in Virginia Small School and then went to work in the federal contracting arena, and we helped companies get their products and services added to the federal acquisition contracts. We work with manufacturers and vendors all across the country, actually all across the world to help do that. And then I went out on my own with that business and we were very successful. And the name of the business was Gov. Mark and we during that business, I decided to go back to school and get my MBA, and then we got an offer for that business and we took that offer and a couple. But at that time, I was pretty young. You know, I still had a family and it was starting a family at that point and it needed to keep working. So the short story is I ended up at Morgan Stanley and I went through what's known as their training program. And that was, gosh, start started. That was like eight years ago. Now time flies because, you know, on the personal side, we have four little kids and my oldest is eight and I've got two four year olds at the bottom there. So we're busy.

Kit Lisle: I bet I didn't know you were a successful entrepreneur in your own right, so that must have set you up well in your role with Morgan Stanley. I suppose not many of your peers and colleagues have entrepreneurial successes under their belts.

Richard Jollon: You know, success is a relative term, but I know what it's like to ride a payroll check, you know, and I think I think that I think that does separate me from, I guess, a lot of people and I know what it's like to stress over those types of things and and be on the hook for the performance of an entity. So yes, that has helped me in this business be able to communicate with clients and understand where they're coming from. And kind of I've been in their shoes. Yeah.

Kit Lisle: So you say you're with your clients, you are. I don't know what term you would use as a wealth advisor, wealth manager. How does your work differ from what a stock brokerage firm does?

Richard Jollon: Yeah, I wouldn't say that a stock firm is separate from being a wealth manager. You know, I think that, you know, wealth advisory or wealth management is now part of the world that has changed a lot. You know, at Morgan Stanley, we serve some of America's wealthiest families. We serve, you know, everybody from the mom and pop business up to that and the wealth manager does a more holistic approach. So it's not just about, you know, what stock you're going to buy, what you know, which mutual fund you should hold or sell. It's more about looking at, you know, the plan for your financial lifestyle, how you're going to get from point A to point B. And of course, for business owners, that's always very entangled with their business. A lot of times they built it, and a significant amount of their wealth is in that business. So I would say wealth management is really about trying to maximize the wealth equation, you know, through a lot of different variables

Kit Lisle: And you talk about the wealth equation. So and the various variables, does that relate to the mix of services? Is that your firm offers? What are those services, what are those variables?

Richard Jollon: Yeah, no, that's a great question. Yes, it does relate directly to that. So one thing we already touched on was kind of asset ownership, asset management, but for a business owner, for an executive, for a high earner, insurance lending, estate planning, financial planning. If you're very fortunate in life family governance, how are you going to handle a significant wealth event with your family? How are you going to plan to pass that to the next generation and what are going to be the rules around that? You can also be helped with qualified retirement plans. You know, a lot of midsize businesses when they go from, say, a $5 million company to a $50 million company, there's a lot of growth there. You know, their four one K plan might move to a point where it needs to be audited. We can help with all that. So that's quick. There's more than that, but that's a good snippet, I think.

Kit Lisle: And so I suppose in many cases, your best clients or clients that have the most need, maybe we should say, are those that are planning for an exit and probably planning well in advance. So, you know, if a listener is in that situation, whether they're a business owner, they're kind of contemplating an exit, but they already have a relationship in place. Maybe they've got an investment advisor, insurance firm or some alternative investments in place. Other advisors, what? Why would they consider working with a wealth manager such as yourself when they're contemplating, you know, a sale of their business and the other they have other service providers?

Richard Jollon: Yeah. So I think it's pretty simple. First off, I would say that it never hurts to get a second opinion. You know, we're not in the business of hard selling people on our services. Typically, our services will sell themselves and typically where we gain clients is value added and they'll see that. But I would say the one thing that should be a red flag is if they have an advisor that does not have experience with planning an exit for a client, then they should consider talking to some other people because it's one thing to be on the receiving end of a bunch of assets and say, Oh, I've help plan for an exit. It's another thing to actually have done the footwork, the groundwork with the estate attorneys, the CPAs, all the things that kind of value add into getting the client from point A to point B. And we're very fortunate Morgan Stanley. We have an internal resource that's called our family office resources group, and this is actually a team of attorneys and CPAs and people who have done this for many, many, many years for all different types of families across the country. And so they're a great resource for us and what we do is we typically will set up a call or conference and we have the Family Office Resource Group involved with the client CPA, their attorney. We don't write the documents for the client. We just share knowledge about what can and can't be done and and, you know, advantages and disadvantages to different structures.

Kit Lisle: Okay, that's great. Now there is probably a formal definition of family office. I'll probably butcher it a little bit, but for our listeners sake, a family office is an entity that exists to manage the affairs of a high net worth family. And as complicated as that can be when you talk about the Family Office Resource Group at Morgan Stanley, are they working exclusively with, you know, designated family offices or could they just be wealthy individuals and their and their families? Well, maybe just elaborate a little bit on what those folks do in advance of a transaction?

Richard Jollon: Yeah. So I would say everybody that starts a family office starts out as a wealthy individual. So the answer to that question is yes. I think what happens over time is more money, more problems, right? So if you think about it from you, start as this individual or family that's had this significant or is going to have this significant wealth of that. There is a kind of a metamorphosis that takes place in a process. And one part of it is your liquid assets to invest here, Morgan Stanley. But there's a whole nother aspect of it, which is, you know, governance. How are you going to govern if you're going to hire external professionals? Are you going to outsource that? You know what? What's your structure going to be? Our family office resource group. Not only do they have the resources we pay for research that pulls down information from family offices all across the country, all across the world, and we can share that with our clients so that they can be benchmarking internally. So what I would say to answer your question directly is it depends. Yes, it can start at the individual level and it can be actually much smaller than you think. I think the entry point was when you start having an estate problem, that's when you want to get them involved and then up from there.

Kit Lisle: Yeah, that's very helpful. And that makes sense. And that's a good trigger. A good benchmark or hurdle for people to be thinking about is

Richard Jollon: When you start it, all me have money.

Kit Lisle: Right, exactly. So, you know, a lot of service providers, experts that I speak with on this podcast that serve the ecosystem of middle market mergers and acquisitions and entrepreneurs, owners of mid-sized businesses, those service providers often focus on industry. Do you guys do that? Is there? Would there be a reason for you to do that?

Richard Jollon: No, we don't. I would say our industry, our focus is business owners, executives and wealthy families, right? As you know, one of the nice things about getting a master's in business is you get to learn a lot about different industries. So I've yet to come across an industry where I can't grasp the things that I need to understand about the industry or, I think, ask the right questions. And of course, I'm always interested in learning something new. You know, the personal wealth transaction aspect of it, though, tends to be pretty similar across industries. And so I would say again that our focus is really those business owners, executives and wealthy families.

Kit Lisle: And it's worthwhile noting that we were introduced a few months ago through a private equity group based in northern Virginia, where we both live. So we both sort of are in the same circles in terms of private equity and M&A. So how do you do a firm like yours, how does Morgan Stanley, how does your specific group differentiate? I imagine. I imagine it's tough. I imagine you're in a fairly competitive field with a lot of folks trying to tout their wisdom or their stock picking expertise. But there's a lot more to it than that, right?

Richard Jollon: Yeah, I think that's easy. I think it's a service, right? I think a lot of people in this industry or even outside this industry think it's about, you know, the best fund or asset management. And I think that's foolish, to be honest with you. Our business is about relationships. If a wealth advisor tells you that they always pick the best stocks or funds, honestly, you should really think about what they're telling you. Because as we all know. I don't care if you're a private equity investor or a business owner. We don't always make the right decisions. Nobody does. And I think the worst part about that is it can cause irreparable harm down the road. It causes distrust between the advisor and the client. And so really, again, we focus on the service and we focus on putting in place a plan and that plan and that service helps create the value for the client. So the value might be the service. They don't worry about their everyday banking needs or how they're going to fund their lifestyle. Or it might be the planning aspect where we're helping them walk through that process of exit on the personal side so they can focus on maximizing the value of their business, which they're very good at already. And I think that's how we differentiate.

Kit Lisle: When you had said something when we spoke earlier about, you know, combating people's natural human behavioral biases and, you know, it really boils down to, you know, a prospect of yours must invest a tremendous amount of trust in in you, an individual that they may have been referred to. Right. But that must be a difficult bridge to build. You know that suddenly someone that they've been introduced to is in charge of or what's the right way to put it, has the ability to dramatically influence some significant aspects of wealth. How do you deal with that and what maybe elaborate on that point about combating natural human behavioral biases? I wrote that down.

Richard Jollon: Yeah. So let's address the trust issue first. We do our business. I say this very often in our business. We are a trust driven business, meaning the product that I think clients buy from a reputable wealth manager or a reputable financial advisor are the product of trust. If you don't have trust in your relationship, there are so many things that can go wrong. I think trust comes from honesty and knowledge base, right? So. For instance, you know, you were talking about building that trust. Let's take your example of somebody who already has a relationship, and that's a difficult situation we face many times. But what we typically find is that when we bring the knowledge to the table and we show them what we can do, how we can help them and how our service differentiates, that's the first leg. Right? And then the second leg of that is we do what we say we're going to do. We deliver on the deliverables. It's not different from any other business in that respect. And that builds a trust relationship. And the other thing is assets are transportable. You know, clients can leave us at any time. But so we really believe that that service and that trust those things kind of go together. And then as far as behavioral biases, you know, one of our biggest jobs as advisors is we have to help clients combat their own individual biases. And that could be the recency bias of we're going to stay in the market because things have been good and we're going to say, Well, you don't need to be right you. You're way past your goal. We've had a great year. We need to stick with our plan. But if you don't have trust, that conversation is complete. Eradicated, it doesn't work because they think that you're telling them so we try to build from a foundation of knowledge and trust and doing what we say we're going to do, so we kind of get that feedback cycle of having a great relationship.

Kit Lisle: Yeah. Yeah. I was just going to say it sounds like consulting. I mean, I spent my entire career as a consultant. Sometimes you have to tell your client things they don't want to hear, and you have to let the facts demonstrate why your opinion is not just opinion, it's grounded. In fact, in reality,

Richard Jollon: It's actually, you know, that's actually a really great way to think about it. I mean, as far as our business, as the clients get wealthier, it does become more of a consulting based relationship. And I would say, you know, kind of, as the old saying goes, if your friend always tells you you're right, they're probably not that great of a friend, I would say if you're a consultant or your wealth manager tells you, you're always right and probably not that great at consulting or wealth management.

Kit Lisle: Yeah. And just out of curiosity when I, you know, I started my own business more than 20 years ago, that business is called Acclaro Growth Partners. Acclaro Partners dot com. If you want to check that out and that business, I didn't take very long for that. We'll just categorize them generally into the wealth management community to find me. And at the time, there were an awful lot of phone calls that would come in. So I got pretty good at screening those and the calls still come. Although they're there, they seem to be fewer and further between. And then I get things in the mail, I get invitations to dinners and so on and so forth. What do you do? How do you find new prospects, new leads?

Richard Jollon: Yeah, I mean, we are basically at this point, referral only if we have a minimum that we work with. You know, typically we want to have a million or more in investable assets, but we will consider situations of emerging wealth, which is, you know, maybe a traditional a nontraditional situation where the business owners wealth is tied up in their business and obviously they're getting ready to go through an exit. That's a situation we see frequently. But we do hold client appreciation events, you know, and we ask our clients if they want to to invite friends who might benefit from talking to us or working with us. But we're not in, we're not in the cold calling area anymore. Trust me, you know, I did my fair share of that and it was fun. You know, it taught me a lot of things I tell people all the time. You can be scared of it, but it teaches you how to talk to people on the phone and you know, you learn a lot from it. And so I wouldn't go back and take that away. But no, we don't. We don't do that anymore.

Kit Lisle: Yeah, OK. So I'm wondering whether there is an example that you could share with our listeners of how you demonstrated value for a client like literally out of thin air in a way that they wouldn't have anticipated or expected? You know, how can you demonstrate value or return on investment or return on time?

Richard Jollon: Yeah, you can turn on experience.

Kit Lisle: Are there there? Is there an example you can share?

Richard Jollon: Yeah. Well, I have to be careful what I say regarding or share regarding actual client situations, but I can give an example that closely resembles something done for a client of Morgan Stanley. So let's use an example. Let's say a client owns a business and they're thinking about selling that business. It's a private business, right? They received a valuation that year, let's say, for 50 million. The owner is happy, but they think with some work with their executives and maybe some recruiters, they can. They can increase the sales, they can improve the margins and they think that they can move the business from that valuation to maybe three or four X. That is, say, three to five years at that point in time. Right. That is a crucial moment for planning. And the reason that's a crucial moment is you're about to create more value. And if your business is already worth $50 million and assuming you're married, you're already over the estate tax limit. Okay. So basically, the estate tax limit is twenty four million roughly for a married couple. If you're not married, it's roughly 12 million. OK. So at that time of sale, they're looking at estate taxes being paid at the first valuation of roughly 40 percent on that additional 26 million. Right. That's the difference

Kit Lisle: between the 50 and the 24.

Richard Jollon: That's exactly right. And so in this case, if the business owner is the sole owner and let's say that they do get to that one hundred and fifty two hundred dollars million proceeds on sale, they're looking at an estate tax bill on something like one hundred and fifty to one hundred and seventy five million. Right. That's a big number, right? So however, if they do some planning in advance, right, they could significantly reduce that liability. And we have helped people do this before. So if you start working with your CPA, your attorney and us, there are ways that we can assist in solving that problem. And that is a major problem that people see an exit because of course, they put all their money, their time, their effort into that business. And then it reaches this valuation level. And actually the same thing I would mention for private equity folks as well, because they would own a piece of a business, right? And they do that exact same thing. Their piece might be demonstrably smaller, but if they're already near that level from other places that they've accumulated wealth. And they get there, and they're trying to make sure they're not paying more in estate taxes, this strategy can work for them as well.

Kit Lisle: Yeah, that's great. That's good. That's a good example. And as you said earlier, given the team that you have behind you, it's a collaborative decision making process that involves people with different skill sets and backgrounds and so forth. So, you know, let's say hypothetically, well, maybe maybe we'll use me as an example. I'm a business owner. When is the right time for a business owner or senior executive to reach out to somebody like yourself? Is it the point that you start thinking about the implications of an exit? Is there a good time?

Richard Jollon: Yeah, I would say. I think any time a business owner is curious about this, it's great to have a conversation, right? Because if you know the business has value, you know, we just talked about an estate planning problem, but I think there are other places we add value, you know, insurance planning for executives and business owners. 401K, you know, as I said, when you move from one level to the next, are you at the right place? A lot of people don't realize they have liability as the operator of their 401K plan. And so we can help with that. So I think any time that you have a question is a good time to work out, but definitely what you just said if you are thinking about exiting. Yes, talk to some professionals that have experience. You know it. It will save you a lot of heartache. In the end, you don't want to find out later that you could have saved all that money. You just. Yeah.

Kit Lisle: Yeah, it's really all about strategy and planning ahead and kind of getting all the ducks in a row well in advance. We see that in many different dimensions in the work that we do in value creation and exit planning from the standpoint of a strategy consulting firm. So I get it. So how do you define success?

Richard Jollon: Well, I've got four kids, you know, I'm really lucky and. You know, I have a great family, and I've been very fortunate in this business, as I said, you know, I started at Morgan Stanley with nothing, right? I mean, we had no clients. So I've been very fortunate in that I've created a great client base. I have a ton of great clients and great relationships. You know, at a certain point, I think you start to define success less by financial measures and more by the quality of the relationships you have. You know, and that's a big factor for us and working with clients. We want to work with people we can have quality relationships with. And so for me, I don't know. I think I think we're successful and we're doing well and I'm having fun. I mean, you know, that success, right?

Kit Lisle: That's good. What age range are your children, if I could ask?

Richard Jollon: Oh, yeah. My oldest is eight, my middle daughter is six and my twins are four. So.

Kit Lisle: Oh, that's right, I forgot you have twins.

Richard Jollon: Yeah, that's

Kit Lisle: even more work well for it. So we only have time for a couple more questions, but I'll let you decide which direction we go in challenges that you're facing: opportunities, dreams and passions. And then and then we've got one last question that I definitely want to ask you, which, by the way, has to do with how our listeners can reach out to you and engage with you. But challenges, opportunities, dreams, ambitions.

Richard Jollon: Challenges. Let's talk about that one, I think in the industry, there's a lot of competition, you know, and I think that sometimes that makes it hard to combat things that people hear out there about, you know, maybe wealth management or what we do or the services we offer. But I think as I would, you know, try to be positive like every challenge has an opportunity. And so we think that's true. We think when you spend more time with your clients and you help them understand and you know, they prosper and they do well because of your services, we think that that is kind of the key to success and the key to where we're going. And then I think about goals, we don't necessarily want to grow our client base. We just want more great clients. You know, like we don't need a new client. We want a great client. And that, I think is what our goal is, is we could have more great clients if we can help people more when they're going through these, I guess more interesting, more difficult situations that would be a goal of ours.

Kit Lisle: That's great. That's good. So I'm going to give you an opportunity to put out a little commercial for yourself. Sentinel Group Morgan Stanley. How do people reach out to you? How do they find you?

Richard Jollon: Yeah. So you can go if you just Google US, the Morgan Stanley, the Sentinel Group, you can find our website. You can reach out to us, you can email me, or you can call in my lines listed on the website. So it's fairly easy to find us on the World Wide Web, and we're happy to have a conversation if you think it's appropriate.

Kit Lisle: Richard Jollon, thank you. It's been a pleasure. And for our listeners, thank you. Thanks for listening. This is the Strategic Growth Council podcast about growing your business intentionally in a disciplined way or acquisitions, mergers and acquisitions as well. So thanks for listening and give us a like.

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