10 TAKEAWAYS FROM THE MARKET COUNSEL SUMMIT 2017

South Beach in November – check. My favorite Twitter follow, Josh Brown – check. First class speakers and great, topical information – CHECK MATE!

The Market Counsel Summit 2017 was awesome, and for those of you who couldn't make it, I've pulled together my key takeaways.

PRECONFERENCE: T3 ELITE ADVISOR SYMPOSIUM

You know that sinking feeling that you got to the party late? I had that feeling on Tuesday morning when I found out I missed a pre-conference workshop. The inaugural "T3 Elite Advisor Symposium" took place on Monday. Hosted by T3 Tech boss Joel Bruckstein and Nexus Strategy's Tim Welsh, the workshop focused on best practices around all things digital and client experience.

Takeaway #1 – Next time, I'll read the program more carefully.

There was plenty of pre-conference buzz about Advisor Engine CEO Rich Cancro's talk on "The Platform of the Future" (spoiler alert: it's "open", flexible, with smart workflow, and automation build in and allows the advisor to offer its client a "rich" and "seamless" experience.) Technology, of course, is the way to scale and compete. Here's a striking statistic from Rich's talk: 45% of prospects eliminate a financial advisor from consideration just because of their online presence.

Takeaway #2 – Online presence, including (but not limited to) a professional website, is increasingly table stakes for every advisory business – technology is the engine of growth.

DAY 1: LEARNING FROM THE BAD GUYS

You know you are in for some serious discussions when the first speaker of the day is John Brennan. (Yeah, *that* John Brennan, former head of the CIA, serving under six Presidents.) And you might ask how that is relevant to an independent advisor conference? As it turns out, when it comes to things like business continuity, succession planning, and disaster recovery, there's a lot we can learn from terrorist organizations, believe it or not. How? They think about these issues all the time (for obvious reasons) – they obsess about it, plan for it and it's part of their day-to-day operations.

Most advisors and advisory firms (and many businesses, in general) would rather not even talk about it, let alone plan and practice it. These are hard problems to figure out: What would my clients do if something happens to me; what will happen to my business if something happens to me; what would I do if there is a natural disaster or terrorist attack, or an important person from my organization was incapacitated for an extended period of time? These are all things that organizations should be planning for, documenting, and actually practicing to ensure the plans are rock solid. If you are acting as a fiduciary, this is a must.

Takeaway #3 – According to Mr. Brennan, there are many examples of where we can learn "best practices" from "bad organizations".

Keeping with the theme, Professor Jacob Shapiro of Princeton discussed interesting aspects of the management and compensation systems of these same terror networks. You'd be mistaken to think that large terror organizations don't have an org chart, strong operational and management policies and even compensation plans

– they do. Documents recovered during military missions provide us with valuable details on how they do it (which has helped us make great progress in our battle with them). What's interesting to note is that many militants in these organizations are willing to be paid less (in some cases much less) because they believe in the cause, albeit an awful one in this case. Incredible re-affirmation of a key point about compensation:

Takeaway #4 – The most important factor is NOT the amount of compensation, but how well your organization's strategic goals align with the values of your hires.

Day 1 was rounded out with more insights from the "good" guys:

● A panel of media experts, talking about the fast paced industry and keeping up with the rate of change. Good tips for advisors on gaining media engagement: send an email, (don't call), "thoughtful" interaction with online content and, this goes without saying, be professional and polite, even if you disagree with the reporting.

● A fun "around the horn" game with a few market counselors (a VERY sharp and fun bunch, including Marisa Tuch, Dan Bernstein and Sharron Ash.

● Last but certainly not least, a fire-side chat with Brian Hamburger and Greg Fleming, (former President of Morgan Stanley Wealth and Asset Management) about the future of the advice business and the great opportunities in the profession. Greg noted how critical it is that advisors adapt to a changing landscape. *What's out*: Stock picking, predominantly active management, sole proprietor model, male dominated advisors, no generational representation, coverage of patriarch only. *What's in*: great service, client engagement over many channels and "comprehensive and holistic financial advice".

DAY 2: BULLISH ON GROWTH

Celebrity advisor, David Bach (co-founder of AE Wealth Management), kicked off the second day with a great presentation that could be summed up in one word: MARKETING. It's the most important thing advisors should be doing each and every day. David stepped through a TON of great ideas (willing to share and encouraging the industry to do more of it), mostly focusing on marketing, but also other best practices around asset management and technology that independent advisors can leverage to drive exponential growth.

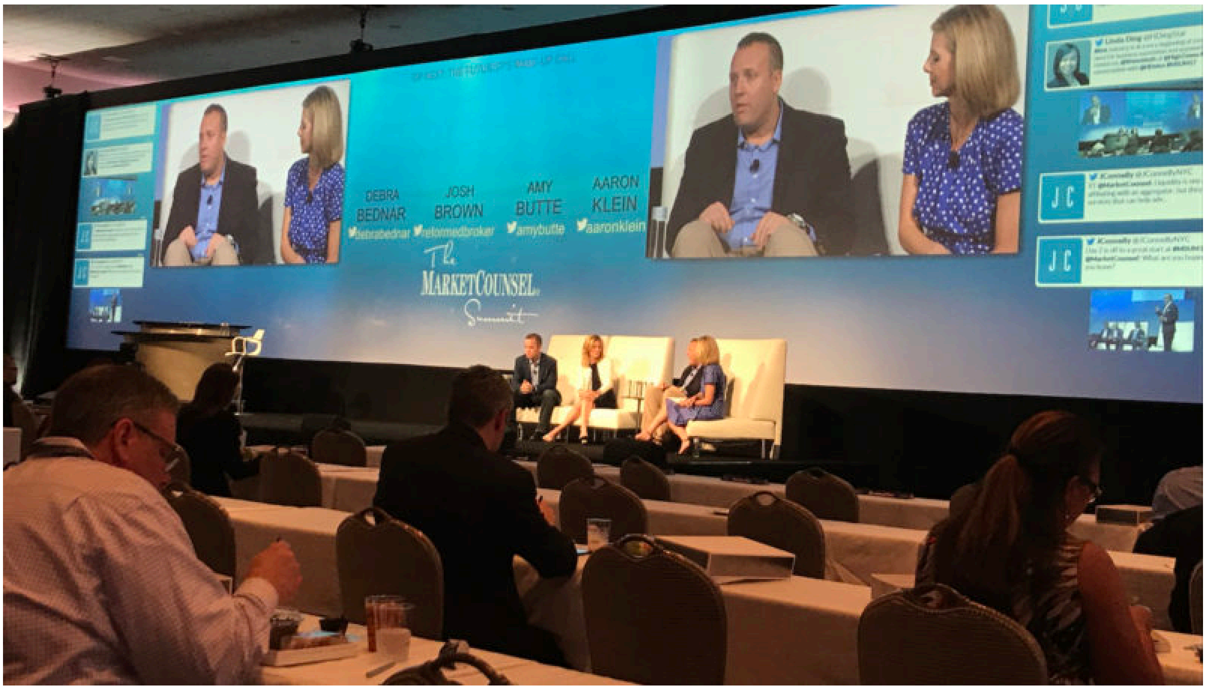
Takeaway #5 – Advisors need to focus on selling and outsource everything else.

Growth through acquisition was the topic of a panel, featuring Rich Gill of Wealth Partners Capital Group, Marty Brickell of Mariner Wealth, and Shirl Penney of Dynasty Financial Partners. They discussed how much capital is flooding the industry (in various forms and sizes) driving great opportunities for growth. Critical mass and the ability to scale are key business characteristics that capital is chasing. While valuations are getting "frothy," no one on the panel thought we were in the late innings here, suggesting "several years" of good sustained growth and capital availability are in the cards for the industry.

Interesting point: panelists felt the industry profitability had more to do with cost control than fee compression. They were also quick to point out that clients are expecting "more" for what they are being charged. While "affiliation" is a tempting strategy, there are many different affiliation models available, so it's important to understand your goals for your independent advisory business before you affiliate or agree to be acquired.

Next up, Brian Hamburger and Elliot Weissbluth (CEO of HighTower) discussed growth, the amazing opportunities in the market and "the true cost of capital infusion and OPM" (other people's money). Think about outside capital or full or partial acquisition this way: "A stranger is literally moving into your house." Make sure there is alignment on what everyone wants and needs.

Takeaway #6 – Consolidation in the wealth management industry is happening and will continue.



One of my favorite sessions was a lively social media conversation with [Josh Brown](), (CEO, [Ritholtz Wealth Management]()) [Aaron Klein]() (CEO, [Riskalyze]()) and [Amy Butte]() (Entrepreneur, Advisor and Speaker), discussing pros and cons of social media. While regulated businesses like wealth advisory need to have a clear social media policy in place, the opportunities for connection with an audience leading to more business opportunities are astounding.

Takeaway #7 – Be authentic, share original, thought provoking ideas, but have common sense and pick the right content for the right platform.

Perhaps even livelier was the conversation next about cultivating the next generation of advisors. Panels participants included Luke Dean from Utah Valley University, Kylie Felker, COO and CCO with Foster Victor Wealth Advisors and Kurt Heissenbuttel VP and Head of University Relations at Fidelity. While the succession gap in our industry is pretty well understood, fewer know precisely how to solve it. The panel raised some very interesting ideas and, frankly, challenged attendees on their views and biases that are holding us back. For instance:

● FACT: There is a HUGE age, diversity and gender gap in wealth management. Our clients are diverse, so we should be as well.

● FACT: the next generation cares about different things: helping others, helping community.

● FACT: our business is changing – so we better adapt.

● FACT: the next generation sees a tarnished reputation for our profession, so we better fix it.

Takeaway #8 – As an industry, we need to search out different places for our successors, train them and educate them in ways that were less important to our business in the years past; for instance, help them develop skills in human relations, therapy, counselling, psychology and sociology.

All of these great ideas about growth are for naught if we fail as an industry to address the growing cybersecurity threat. This was the message from Tony Scott, former United States CIO, who challenged the wealth firms to think about how confident they were about their security and data protection strategies. Legacy technology, Scott pointed out, lacked a “security by design” approach, since we didn’t “know enough or realize the importance of protecting our data back in the day”. He stressed the importance of leadership acting both strategically and tactically.

Takeaway #9 – Practice your security breach response BEFORE it happens by thinking about, planning, testing and practicing for cybersecurity events.

Finally, if you haven't heard Ric Edelman speak about "exponential technology" it's something not to be missed. Ric's a successful advisor (ranked #1 Independent Financial Advisor in the US by Barron's for several years), author (New York Times Best Seller, *The Truth About your Future*), speaker and futurist. His view, in short, is that advances in biotechnology, nanotechnology, robotics, and neurosciences, are bringing change in ways and at a pace that very few understand and are ready for.

According to Edelman, AI and robots will eliminate 50% of all jobs in the US in the next 10 years, and this will require us to be life-long learners. This idea that we grow up, go to college and study "one thing", then retire is out the window. We will likely go to college (which will be as online prevelant as ever and drive costs lower), get a job, take a sabattical for what might be several years, then retrain for a second, third, maybe fourth career, before retirement. These will be better, more fulfilling, more enjoyable jobs where the monotonous "paper-pushing" will be completely eliminated.

When you step back and think about a world like this you see that it will/is significantly altering the financial planning industry. We need to think about things like "college planning" and "retirement planning" in completely different ways.

For the industry, Ric sees "mass" consolidation ahead, a reinvention of the broker-dealer model to align with where the profession is headed, and a profession that is more fun and interesting with the mundane non-client facing work handled with automation.

Takeaway #10 – Pay attention to future-looking advisors, like Ric Edelman. As Yogi Berra once said: "The future ain't what it used to be."

CLOSING OBSERVATIONS ON FIDUCIARY AND BROKER PROTOCOL

While Brian Hamburger pointed out at the top of the event that the controversial DOL Fiduciary Rule was NOT going to be a big topic for the conference, he was quick to point out that he thought this 18 month delay might spell the end for this chapter. (Although the fiduciary standard is NOT a topic that is going away – this cat is WAY out of the bag.)

Throughout the conference, time was spent on the implications of the changes in the participants in Broker Protocol: why, what it means and its potential impacts to "broker mobility". There was pretty widespread agreement that the wirehouses no longer want to keep the "door open" for advisors who want to go independent. But the migration will continue, and these changes will NOT stop advisors that want to make a change, they will just need to be better planned, more well-orchestrated and thought out.

Finally, I really love what The Market Counsel event is trying to do – build a community among independent advisors to share ideas, best practices and challenge each other to help foster connection in the industry and improve the profession. In a business that seems to be engaged in a never-ending fight for credibility, helping each other by sharing our best ideas contributes to improving the profession immensely.

I can't wait until next year's conference. Hope to see you there!