

Super Model Case Study: **Simply Money Advisors**

In September 2018, *Wealth Management* magazine published a series of articles written by Matt Lynch, managing partner of Strategy & Resources, LLC, called “Rise of the Super Models.” The entire series is available here as a special content channel: wealthmanagement.com/executive-roundtable-journal.



Here's the premise of the Super Model series:

As the financial services profession evolves, we have seen the maturation of business models to support individuals who want to be independent, but not alone. While the traditional affiliation arrangement still has appeal for certain investment professionals, three business models that support the more independent-minded professional have emerged. The Super Model series discusses the new business models that have emerged to support independent financial advisors:

- The Super OSJ
- The Super Ensemble
- The True Enterprise

Over the coming year in this publication, we will expand upon that information by profiling Super OSJs, Super Ensembles and True Enterprises in the financial advisory space. We may also profile some of the more interesting financial services institutions and wealth tech companies in this publication. Today, we start the Super Model case study series with a closer look at Simply Money Advisors, a financial planning and registered in-



You have the business model; you hire employees to staff it. It does not rely upon super-human effort to simultaneously sustain growth and a consistent client-service experience. It enables motivated people to stay focused on their preferred functional role and ultimately to do their best work.

vestment advisory firm that became a True Enterprise according to the Super Model definitions laid out by Strategy & Resources, and effected a successful capital event. The firm went full cycle — from birth, aging, maturity and successful transition.

The True Enterprise Model, Explained

The True Enterprise is a fully functional retail advisory firm where the focus is on making a professional staffing model work. As the business grows, they're adding employees, not additional partners per se. It's not that there isn't an opportunity for people to move into partner roles, because there are; basically, think about this as if you were going to open another McDonald's. You'd be very interested in hiring and keeping good employees, using professional managers to run the business divisions, maintaining a unified message and brand in your targeted markets, implementing a consistently successful marketing strategy and so forth. You have the business model; you hire employees to staff it. It does not rely upon super-human effort to simultaneously sustain growth and a consistent client-service experience. It enables motivated people to stay focused on their preferred functional role and ultimately to do their best work.

These are the functions that have to be done well in order for a profes-

sional advisory business to succeed and sustain margins:

- Business Development (Marketing/Prospecting)
- Client Onboarding (Sales)
- Financial Planning (Case Design)
- Client Relationship Management
- Client Service
- Investment Management
- Compliance
- Business Management
- Technology
- Human Resources

This business model is designed to outlive founders and current professionals or partners. It's a true business, not a practice. This is an important distinction. We tend to think about this model as comparable to a local, regional or national accounting firm where standardized processes and consistent branding result in sustainable growth. There is planned succession for all roles in the firm and as a result they're able to attract and retain talent.

The True Enterprise, in a nutshell:

- The business is a fully functional retail advisory firm.
- There is a professional staffing model with career paths (think legal, accounting, medical practices).
- Services are provided by company employees and salaried advisors/

planners create the profit.

- Key employees may receive incentive-based bonuses, or even become company shareholders over time.
- The business is designed to outlive founders and current professionals or partners.

Finding a financial advisory firm that functions as a true enterprise and is innovating after multiple years in business is like finding a needle in a haystack. They are rare. Why? It is harder to create, staff and bankroll the company than what meets the eye. But when properly executed against a well-defined strategy, this business model clearly works — and has legs. Now, let's take a closer look at Simply Money Advisors. ■

Simply Money Leads the Way as a True Enterprise

By Marie Swift



Providing financial education through radio, television and print media is a strategy that many financial advisor firms embrace. But at Simply Money Advisors, a firm founded by partners Nathan Bachrach and Ed Finke in 1994, simply “being in the news” was not enough; the partners decided early on that they would form their own media company as a way to produce more consistent results and reliably “own their space.”

The Simply Money business model is also noteworthy. When the founders left the broker/dealer world, they not only created an enterprise-style

business development machine but also moved away from using independent contractors and people having books of business to staffing entirely with W-2 employees who were tasked with very specific and defined roles. Employees did not need to become a jack-or-jill-of-all-trades, nor did they need to wear the rainmaker hat, due to the visionary structure that the founders put in place.

Nathan and Ed’s ability to use the 3 C-Drivers as a strategic lens has made a huge difference as they have charted their course and made capital decisions.

Simply Money Advisors, an independent, Cincinnati-based SEC regis-



THE 3 C-DRIVERS

- Consumer and Advisor Preference
- Competitor Behavior
- Compliance and Regulatory Environment



Nathan Bachrach
and Ed Finke

tered investment advisor with almost 25 years serving individual clients, creates and implements financial plans and investment strategies to guide clients now and through retirement. The minimum investable asset level to become a client is just \$100,000. Simply Money Advisors provides financial education through Simply Money Media, a related company that provides radio and television programming, as well as print and digital content.

Of course, there were forks in the road where Nathan and Ed made capital investment decisions and did things that were not typical (compared with other independent financial advisors) in building and maintaining the firm. It got to a point where Simply Money Advisors became an attractive acquisition target, with a lot of folks calling who said “this is a firm we’d like to have equity in.”

Ultimately, Simply Money Advisors and Hanson McClain Advisors, a like-minded RIA based in California,

last year began a merger to combine resources and expertise — as well as more than 45 years of cumulative experience — to better serve clients across the West Coast, Rocky Mountain and Midwest markets. As a result of the partnership between Hanson McClain and Simply Money, the combined organization is currently serving more than 6,200 clients and managing an estimated \$3.3 billion in assets. Brooke Southall, publisher of RIABiz.com, said in his January 2018 summary article at the time of the merger announcement, that the partnership seemed to be “the nucleus of a roll-up with mind-boggling growth prospects.”

Mindy Diamond, in her podcast interview “The Independent Advisor’s Legacy: Planning for the End Game” (published by WealthManagement.com) in June 2018, said, “Every independent business owner will reach a point where gaining scale and solving for continuity and succession become paramount. It’s then that they begin to wonder: What

does my firm’s end game look like?” Nathan’s advice to other RIAs continues to be, “Run your business every day as if you’re selling it tomorrow.”

I sat down with Nathan Bachrach to learn more about the founders’ vision, and how they thought about the long-term implications of their decisions along the way. Following are excerpts from our conversation. ■

Marie Swift, president and CEO of Impact Communications, Inc.
www.ImpactCommunications.org

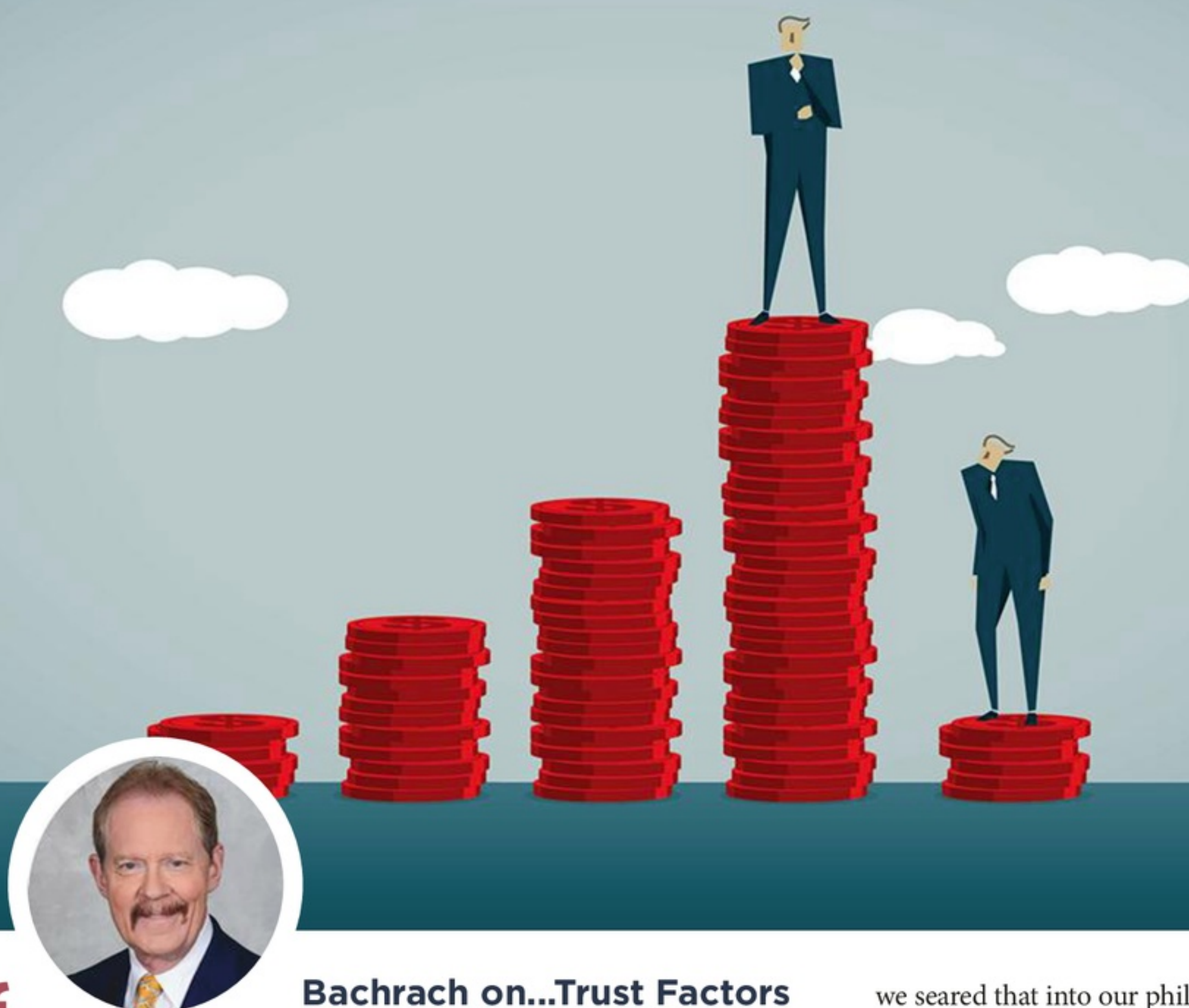


A tenured writer and communications professional, Swift

has over the course of several years worked on various PR and marketing initiatives for Strategy & Resources, LLC. Based in Leawood, Kansas, Swift and her consulting team travel extensively and serve a national clientele.

The Simply Money Way

By Nathan Bachrach, as told to Marie Swift: Nathan Bachrach is never short of opinions. This colorful and articulate CEO has, along with founding partner Ed Finke, built a financial advisory firm that meets all the criteria of being a True Enterprise under the Super Model definition.



“**Multiplication is better than addition.**”

Bachrach on...Trust Factors

I get aggravated when I see articles such as “Forty under Forty” because I didn’t even start my business until I was in my early 40s. I respectfully suggest when you have a couple of young kids and you go out on your own you have no margin of error. Ed and I both started out in this business in our mid-forties with some experience behind us and no clients. I think the first thing we figured out was that multiplication is better than addition. We better figure out how to multiply our efforts. We had each independently experienced that so

we seared that into our philosophy and everything we did.

We determined that if you could, with their support, use somebody else’s trust with a group of people, or their credibility, if you will, you will be able to get in front of a large number of people in a shorter period of time, establish yourself and your expertise and create an environment where sales are much easier to accomplish. Many people in the industry call it credibility marketing, thanks to a wonderful guy named Larry Chambers, now retired, who coined the phrase.



“In business the tradeoff is the opportunity versus security. Most people would like a balance of the two.”

Ed started out doing financial education seminars for the employees of a local college who immediately said to him, “Wow, my employers should do this.” This was the 1990s, 401(k)s were just starting and no one knew how to educate for the self-direction component. Ed called up ten corporations thinking three might see him and one might say yes. He called ten and got eight interviews and got seven seminars with the endorsement of the company to teach people about retirement.

I came from the insurance world, where the mantra for marketing is typically “give me your twenty best friends.” But I understood the power of an implied endorsement and, thanks to the credibility of being part of a credit union family, I knew people would listen to me and I would be able to meet a greater number of people in a shorter amount of time and I could start to get the sort of liftoff we needed.

Everything that we did after that has always been filtered by how we can prove ourselves to markets, organizations, groups of people, and media outlets, where ultimately someone would say, “They’re here because those guys or institution trusts them. They must have something going for them that is different than everybody else because they are trusted by someone or something I trust.” Today, people will say

something like, “Are you any different than so-and-so?” and I can say, “Well, the *Cincinnati Enquirer* trusts us, that’s why we have a column every Sunday. IHeart Media and WLW, which touches 38 states and WKRC, which is the talk station in Cincinnati, they trust us. For many of the years, the credit unions in Cincinnati did, too, and our client list of the corporations that we did seminars for, they trust us. Raycom Media, who has used our segments not only in Cincinnati but also in other markets to be the go-to person when something newsworthy happens in the market or investment related, they trust us.”

That’s how our business eventually developed, but the philosophy was always that doing and building a business the traditional way would get us traditional results and we already spent half of our career trying to get to the point of where we were—which was a little later in life with a lot of kids.

Bachrach on... Staffing Dynamics

In addition to the media investment, which was significant, we made investments in human capital and people. We moved away from the independent model in terms of people building books of business and took significant risks and actually put people on

salary and divided up the functions, which served the purpose of a defined, consistent client service model but required significant investment not only in time, finding the right people and training them, but capital. We had to get comfortable with that.

It’s funny because I had a friend who went and got his MBA and so anytime he had a class I knew the next time I would see him he would give me a lecture to prove to me how smart he was and what he learned last week. First thing he said was, “Never market until you have capacity.” I had always been the entrepreneur who’d market and walk out of the door with a new relationship and think, “How are we going to do that?” That got to be stressful. One day my friend came to me after having taken a finance course and was talking about direct expenses. He looked at me and said, “You know what your direct expense is?” I said, “I’m not sure. What do you mean?” He said, “Well, it’s the person with the pen in their hand. You realize how much they cost?” I started crunching some numbers and the bulk of our revenue was going to the people with pens in their hands and yet Ed and I are doing the marketing. “Wait a minute,” I said, “we need to turn this ship around because at the rate we are going I should give up my job and become a rep because



I'm going to get a better deal than the owner bringing all the business in."

We had to take control to figure out some of our costs so as we grew we could expand our margins. Also, have the operating cash we needed on a daily basis to continue to invest and grow, that was important. In business the tradeoff is the opportunity versus security. Most people would like a balance of the two.

When it's truly a Three Musketeers, one for all, all for one, everyone knows their role, and everybody is committed in doing what they are doing, it then becomes pretty easy in putting together a team. Planners tend to be really good at analysis and people relationships. Most people I know they got into this business to help people.

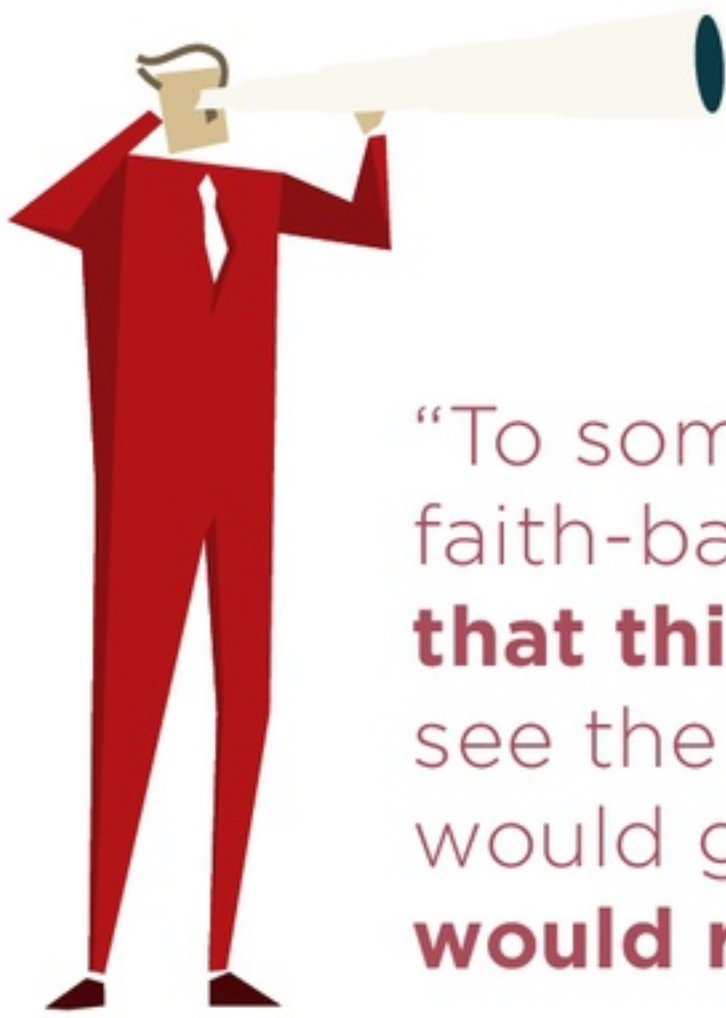
They didn't get in this business to get in their church directory or start attending rotary or doing whatever else it is they had to do to get new business. On the other hand, the best salespeople tend to be the most successful but, from my perspective, not always the best advisors; still, they certainly garner the greater amount of the trophies that are available in our industry.

Bachrach on... Marketing Success

Eventually we had our marketing engine pretty well figured out; at least we had confidence in it when we invested in compacity. From an MBA's perspective, we were willing to forgo a portion of the current reward of ownership and take part of the capital and put it out

there two or three years to say, am I going to get a return on this? We had to decide, yep we are in this and we are going to deploy x amount of capital and roll the dice but fairly low risk because we will get scale.

From a marketer's perspective it was always what have we got to do to make sure everything we are doing is reproducible, transferable, scalable and growable? I guess for whatever reason Ed and I were always content in many years to see the business grow but not necessarily see corresponding growth in our personal income. We felt confident that over time, like priming a pump, it would eventually get us to where we needed to be. We could have invested in lots of things, gold, stocks or bonds; in this case we wanted to



“To some extent, in the early years, we were a faith-based organization. **We had a lot of faith that things would work out,** but we continued to see the kind of growth that gave us heart that we would get to a tipping point, **after which things would really start to build on themselves.**”

invest in ourselves and we had the patience probably because of some of the more successful people we knew and what we'd seen before. We were really focused on building the business and helping our staff. We were, of course, focused on our clients, too, but that goes without saying. We didn't try to maximize our income while we were investing in the health of the business.

Over time, we began to understand the difference between the income statement and the balance sheet. We kept score in that way and, when it got to the end of the year, we'd celebrate the fact that the business grew. To some extent, in the early years, we were a faith-based organization. We had a lot of faith that things would work out, but we continued to see the kind of growth that gave us heart that we would get to a tipping point, after which things would really start to build on themselves. We understood that it doesn't happen overnight, and that we would have to have some patience. We would take our own advice. Just as we would say to an investor, “you have got to give an investment three to five years,” we were always working on the three- to five-year plan. Maybe in a sense we broke a few rules we wouldn't give our clients. For instance, we bought a building

in a week and filled out only about a third of it — and my kids thought the rest was their big private gymnasium. We always were a little ahead of ourselves, but Ed always reminds me Wayne Gretzky was the greatest hockey player because he said everybody always skated to where the puck is, and Gretzky always skated to where the puck was going to be.

We had a couple of beliefs. One was marketing, ultimately, should be the responsibility of the firm. We felt that it was an easy thing to do. We lived modestly, which was important — and we worked like dogs, by the way.

We also got reinforcement from our staff along the way. Two things happened, and I've been hiring people for thirty-five years. The right-fit good staff stayed. But we also had some prospective staff members that said, “I want to continue to be on a variable comp model and I want to own these clients.” So, we basically said, “see you later” to them. Quite honestly, when it all settled out, we had just who we wanted, where we wanted them, on staff. It was part Darwin and part self-selection.

Bachrach on... Running a Business

The most critical thing that we realized was what it takes to grow a business. What it takes to run a business at

different sizes are different skill sets — and that we didn't have them. If you are \$100 million in AUM and you get to \$250 million in AUM, what took you from 0 to 100 is brute force and a lot of work. Once you get to 100–250, another set of skills is needed; and then from 250 to 500; and then around a billion you have to have an entirely different and new set of skills. Those were not the skills that Ed nor I possessed. It also required us to take other people from other industries. I love reading industry publications, but you're just as likely to find me reading *Advertising Age* as you are something like the *Journal of Financial Planning*. They are different industries.

I know where my strengths lie, and I know that really, it's an interdisciplinary approach. For example, at one point, our media company was run by the guy that helped us learn the rating systems the media companies used and how to build an audience. He had been a senior vice president at a major media company and came and worked here until he retired. He came with no financial industry knowledge; he only knew the investment world from what he heard on our show.

So, we utilized people from other industries and were willing to pay for talent. We were able to pay for talent because the structure, ultimately, was

Ask yourself how unique are you really if you went out of business tonight? You don't want somebody to go, **"who?"** about you! Really ask yourself, **are you a differentiator?**



that our success built on itself. In this case, it's a decision. As you develop any good business plan, you will start to see along the way that it's enabling you to run the backstretch like Secretariat; all of a sudden you start gaining on the field and, better yet, start passing the field because of everything that you've done at some point — just like the compound interest table, where it doesn't really look like your money is advancing and then, all of a sudden, it starts to hour-curve. The same thing is true in business if the structure is right.

Bachrach on... Decision Making

If I were on a Board of Directors, or a company in financial services today, whether it be in retail advice or Fintech

or other aspects of the industry or the asset management companies or custodians, I think the first thing I would ask is how different am I really? I would maintain the understanding that clients can replace their advisor with an ACAT transfer in about 10 seconds. So, just being an advisor is not a very unique differentiator in the marketplace. You put a pencil in a glass of water, pull it out, and you are valued as long as that hole remains.

I would hope that people who are clients of ours, if we disappeared tomorrow, would be pretty aggravated because they'd have to go through a bunch of advisors and would likely say after all that, "Oh man, they've made it complicated. That fee structure is not transparent. They are talking such complicated language. I don't trust

them; they ignored my spouse." I can say a whole list of why do people still do that in our business. I would hope that the way that we conduct ourselves and partner with our clients would not be so easy to replace.

So, ask yourself how unique are you really if you went out of business tonight? You don't want somebody to go, "who?" about you! Really ask yourself, are you a differentiator?

Second, ask yourself are you going into a very competitive market or are you going into a market that is still greenfield? Ironically, once you get below the top 1% of our country I think the rest of the marketplace right now is really greenfield. Very much greenfield and very much needing help and not knowing.

The next thing I would say is un-



“If you are finding you are trying to figure out strategy or if your interest or your talents align, they probably don’t. If they do, you know it; it’s the easiest thing.”

derstand your mission statement; are you structured to deliver it and deliver it in a way that is good for your business and, more importantly, good for your clients? And then, certainly if you are trying to grow, be reproducible and transferable, the question becomes can you do it in lots of places and does it meet a need in the marketplace? Is it business, hiring, recruiting or developing talent?

Those would be the first few things I’d look for in terms of evaluating how management was pulling capital or how they were making decisions.

Bachrach on...Becoming a Board Member

Eventually, our success commanded attention from other successful firms, and we had folks approach Ed and me

saying, “we really like your business and want to be part of it.” We finally decided to partner with Hanson McClain and Parthenon Capital Partners to continue the story and continue the growth. As a part of that, I am on a board and need to think a bit differently. I’d like to think that 30 years of building a business has prepared me to think in a strategic level as a director now.

First, a note about the transaction. Just like when you meet your partner in life, when it’s right you know it. If you are finding you are trying to figure out strategy or if your interest or your talents align, they probably don’t. If they do, you know it; it’s the easiest thing. The rest is just dotting the i’s and crossing the t’s. Anything that is a force fit is like the shoe in the story Cinderella—you are not going to end up in

the castle marrying the prince.

From a strategic standpoint, it became surprisingly easy because, all of a sudden, I realized (and I appreciated during the transition) that all the things I’m not good at, I don’t have to do anymore. That enables me to get above the clouds.

In that regard, it’s been a relief and adjustment because change creates stress. You go through a little bit of “give yourself a break,” but, if you are like me, you will find that as you make your transition you are able to really spend your time thinking about things you enjoy doing, which are typically more helpful to the board than whether you know how to construct the three funds that knock it out of the ballpark when it comes to rate-of-return. ■