

# BNY Mellon | Pershing

*Forge Strong Multigeneration Relationships to Drive Growth*

## CORPORATE PARTICIPANTS

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## PRESENTATION

### **Robert Sheahan**

Good afternoon and thank you for joining the Pershing Webcast Series. Today's webcast is Forge Strong Multigenerational Relationships to Drive Growth. My name is Rob Sheahan, I'm Head of Consulting for Pershing Advisor Solutions and I will be your host. The Pershing Webcast Series is designed to showcase Pershing's array of products, services, and industry expertise.

A little bit of logistics before we get into the topic. Throughout the presentation, you may submit your questions to Ask a Question tab located below the presentation. We will review them during the Q&A portion of today's webcast.

So, back to the topic. Having a sound strategy for attracting the next generation of clients is a quality of all successful wealth management firms, their ability to look at the whole family, offer bespoke advice to young and old alike has become the standard. These firms know that teamwork, a holistic approach to meeting a family's complex needs, and strong communication plans are essential to building a robust multigenerational business.

Today's webcast features Lyle Wolberg of Telemus Financial Life Management. Lyle is one of the founding partners at Telemus and is responsible for working with some of the firm's largest relationships. Lyle used to be a financial advisor at Merrill Lynch and a Senior Vice President at UBS Financial Services and has 27 years of industry experience across all facets of wealth management. Lyle is also a graduate of the University of Michigan. For today, we're not going to dive into the state of their football program, we'll leave that for another day, Lyle, but you're very active in the community, which is great to see. You serve on the board of directors at Sterling Bank, you're a trustee for the Children's Hospital of Michigan Foundation, and you're the past president and co-founder of the Berkley Educational Foundation.

Lyle, thanks for joining us today.

### **Lyle Wolberg**

My pleasure, Robert. Glad to be here.

### **Robert Sheahan**

I'm looking forward to the conversation and I know the commitment that Telemus has to the financial wellness of your clients and their families just from our history of working together, and if any of the attendees happened to review your website prior to this webcast, and found the Code of Honor, the quest, and Code of Honor page, they would probably agree with me.

So, for those who haven't done a little internet sleuthing, which is common nowadays prior to the webcast, can you tell us a little bit about yourself and the Telemus way.

### **Lyle Wolberg**

Yes, Rob. Well, I'm one of the three founding partners in the firm. We started in 2005, we came out of, as you said, Merrill Lynch and UBS and the wirehouse background. I don't know who is on the call today, but one of the main reasons we left the wirehouse world was that we felt that there was too much of our day spent protecting our clients from the work we worked for, versus just taking care of our clients. And we also wanted to create a business not just a practice, and we thought we felt that starting up, when no one else was really

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starting up and leaving the wirehouses, we could have a succession plan for our kids and grandkids and create something that would have longevity in our marketplace. So far, it's been a great ride and we're continuing to grow and experience new things along the way.

**Robert Sheahan**

That's great. 2005, we're still in the infancy of the independent advisor model, but 2005 was really considered the beginning of time almost for this particular market. So, today, we're really going to focus on cultivating relationships across the family and connecting with that next generation. That's so important. So, how does Telemus go about presenting this to the primary client? What are some challenges that you've seen along the way, and maybe even some lessons learned?

**Lyle Wolberg**

Maybe I will step back. Our ideal client is \$5-25 million investable asset client, mostly on the individual side, not on the institutional side. One of the things that we struggled with... when we started the firm, we were Telemus Capital and one of the things that we realized early on was that the space of a wealth manager, investment manager, it was all kind of blending together as far as what did those names mean. What makes us different?

And so, we went through a branding experience internally, and we went through it and we came up with this idea that we're not just wealth managers, we're not just investment managers, and that's where we came up with this "financial life management". So, it's just a holistic way to look at the relationship and it's not just doing investments or just doing financial planning. So, we've added insurance, liability management, some tax and estate planning, and that's what we're trying to do when we cultivate these relationships across the family. Because I think we all agree, being in this business, that there is going to be generational wealth transfer like we've never seen in our history, and our biggest competition in our minds is ourselves, because if we can't get to know the kids and grandkids of, what I call, G1 or our current clients, we're going to miss out on this transfer of wealth.

So, what we do... I think one of the things that we learned early on was that we didn't want to try to stuff the kids and grandkids into the same peg or hole that the partners and grandparents were in. They have different needs. So, what we're looking to do is create an experience that's not just for the generation of the clients that we currently earn our fees from, but we're also looking to basically use as a loss leader some of the services and advice that we're giving to the kids and grandkids of our current clients.

One example that really worked out well, we don't make a lot of money off of these decisions or these advice services that we're doing, but we had one... we have a situation where we approach insurance as an advisory service, so we're not selling the insurance, we're just asking our client to let us do an audit or review, and we noticed that they had some cut and paste insurance taken from the commercials, but the kids were driving the boat on the lake up north and they weren't really insured or properly insured with the umbrellas that they needed to be, they were adult children, and through this audit process, we found that there was an opportunity to bulk up their coverage.

Now, I would love to tell you that they did it right away. Ultimately, what happened was the kids were boating, got in an accident and got sued, and the client and the kids never bound the policy over, but quickly thereafter, they realized what we were doing and what we were trying to do is just offer some advice, even though it wasn't a direct investment management decision.

**Robert Sheahan**

Interesting. So, just to dive a little bit deeper there, you mentioned that you offer a number of services to your clients and their families. How do you make the decision as to which one you will take in-house versus which one you're going to find that trusted partner?

**Lyle Wolberg**

That's a good question, Rob, because I think we've tried it all since 2005. We've tried to take some things internal and we've added some things that we've outsourced. Using insurance as an example of something that we were using as a referral, and we were just sending it to partners of ours that we thought we could trust, it's a different mind-set. Insurance agents are typically looking to sell as much as they

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can, and even deductible levels to them, a higher deductible means less premium revenue for the insurance agent. Whereas our perspective is we want to get the coverage, but most of our clients who have this net worth, they shouldn't have deductibles that are too low, because they're not going to make a claim anyhow, if it's not a big enough loss.

So, that's one that we decided to take internal. We have an insurance group, and we did it, again, not so much out of a moneymaker, although we're starting to see some more insurance opportunities from an estate planning perspective, but we did it as an active protection move and we were sure that we were getting the attention nor the perspective that we wanted to be advisory not sales.

The other side of the coin is on the banking side. We actually looked, a number of years ago, at opening up a mortgage division, because we knew our clients were refinancing, needed second homes, and we looked at all the different options out there. do we refer it out? Do we just bring a mortgage broker internal and let them use a wholesale option? But what we ultimately found – and this is not meant as a plug *per se* but it is – is BNY's banking products, because of our relationship with Pershing had some really innovative ideas and we were able to take care of the kids, the grandkids, the second homes using the collateral of their investment account, which has really worked out well. And the pricing is something that we couldn't compete with on our own.

The non-purpose loans, the banking side of the equation, we've utilized BNY's services for that, and that's just one that we looked at doing internal, and we just decided not to.

**Robert Sheahan**

That's great, and I don't mind shameless plugs, so I appreciate it. So, we were talking about generations and connecting. Each generation has a different perspective and they have different habits, a different way of consuming things, and building a firm that can service, not only service, but really engage with all members of the family, it must have been challenging. Can you share anything about your service model?

**Lyle Wolberg**

The service model is really built around longevity for the firm. We understand the generational transfer of wealth that's going to happen, and so what we've tried to do is create a firm... we're a family as a firm, we view ourselves as a family, we have those core values that we live by, but what we try to do, and we've created, is this idea that whatever financial decision anyone in the family is facing, we want to be a resource. And that's easy to say, we all like to say, we want to be the first call, but we believe the way the structure is setup, we have... and we've paid for, it's not like it was cheap to pay for this, we hired a CPA and it was a tax partner at a big audit firm, a tax firm, and he is our Chief Wealth Officer. So, we all have chief investment officers, and COOs, and CFOs, but we think we're unique in this wealth officer role. We originally thought he would be on the sales side, and attract a lot of new business, but ultimately, he's not the guy you want to put in front of a prospect, because he's a CPA and he's not going to sell. But we've put him in front of relationships and families that we had a piece of the business. We just were... I like to say they were customers, they weren't clients, because they did one piece of the business.

And actually, this one large family, we put Andy (our Chief Wealth Officer) in front of, and since then, their own legal team, tax team will only do meetings with Andy involved. He is that integral. He found some things that had not been documented properly. he is not billing by the hour. It's basically part of our full service that we offer his services to our top clients. And in this example, which I know we all never like to think that we're going to lose an employee or an advisor, the family – and it's a large, large family – the advisor that was with our firm decided to go out and start his own firm, but the family because of our relationship with Andy and Telemus with the wealth advisory perspective, they decided to stay with us and not go with the other advisor when he setup his own firm.

So, again, we're now getting to know the kids, the grandkids, they're doing transactions and Andy is the center of that universe. He is the center of their financial universe and it worked out extraordinarily well. So, we do that.

We just launched a family office service platform, so we found another CPA who was just sick and tired of doing tax returns. She's a little bit younger, and she left the tax prep business and we created this family office service. Basically, we created a platform where all the

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different generations of a very wealthy family get their own login and portal to see what's important to them. She is organizing the K1s and she is organizing and looking at real estate deals to make sure that they're accounted for properly and looking at their true rates of return.

Again, this is not something that we're making a ton of margin off of, as a firm, but what we're doing is we're creating communication and dialogue with kids and grandkids of our current clients.

**Robert Sheahan**

That's great, and it's clear why "family life management" is in the name of the firm. I always feel like you're successful when your clients turn to you on matters that are outside of performance. I just want to dig a little bit more into that and your approach there, because it sounds like you're executing it across a number of different services, but just want to give the audience a little bit more clarity on what that family life management really means to you and your firm, and your clients.

**Lyle Wolberg**

I touched on it earlier that, I think, the space that we're in is getting cluttered. I think when I started in the business, everyone was a stock broker, and then we became financial advisors, and then we were wealth advisors, and now I think firms are all kind of merging into this wealth management space, and what we try to do is separate ourselves a little bit. I like to joke with clients – and we talk about this – basically, if Mrs Smith, she should call us and she wants to know if she wants to rent or buy a toaster, obviously we all get the calls all the time about should I buy or rent a car.

So, we're trying to – in this financial life management or the family life management – is really how many different ways can we, as a firm, attach ourselves to a client's financial needs. There was a presenter back in the wirehouse days when we went to one of those meetings or conventions, he pulled someone up on stage and handed that person a rope, and he turned to the audience and he said, 'this rope represents your connection to your client, and this particular rope represents investment performance'. As he was saying that, he quickly ripped the cord or the rope away, and therefore, there was no connection to the client anymore, there was no string attaching. And then he took out about 20 different ropes and handed it to the volunteer who was on stage and said, 'now, each of one of these ropes represents a different connection you have to your client, one of which is investment management', and then he, of course, ripped away the investment management because, ultimately, while we like to say we're experts on the market and we know... we're going to make some bad calls over time, you're not going to be in the top quartile every single moment of your career, and you might... you're looking for ways that instead of just having an investment performance connection to your client, you're doing their financial planning, you're doing their wealth advisory, insurance work, you're doing their banking needs. You're educating their kids and grandkids. Those are going to be the connections, and that's what financial life management is about.

**Robert Sheahan**

Thanks for that. So, I want to shift a little bit to client experience. Somebody wiser than me once said, "Your last experience is your next expectation", so you think Google, Netflix, Apple, they all have our attention and they really drive consumers' expectations for user experience in the digital age. So, with that in mind, what's been Telemus' strategy to create a client experience that is attractive to those digitally enabled clients?

**Lyle Wolberg**

We've struggled because the technology hasn't been there. We've wanted to do this for years and we think we've finally figured it out. But one of the things – and Rob, you and I were talking before this conversation – what can you learn from things that you've done in the past and maybe things that just didn't work out. One of the things that we learned is that a younger generation doesn't necessarily want the same client experience as their parents do, and trying to do things for their benefit that maybe they're just not looking for.

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So, one of the things that we've done is we've spent a lot of time on our client portal. We use Orion and we give them access to their portal. We also have created what we are calling a Bionic Solution. All of us on this call understand that it probably, from a cost perspective, costs just as much money to manage a \$250,000 relationship as it does a \$2 million relationships, but the margins and the numbers are much more in favor of handling the 2 million, so you need to use technology to leverage the costs of the back office. And so, we created a platform using index funds, primarily, using a slick client portal, using chat functions where we know the younger generation wants to be up in the middle of the night at 12 a.m., and looking at their portfolio, doesn't ever want to talk to someone, they just want to text and get an answer the next morning. So, we created this digital platform.

The other thing that we're looking at right now and we're finalizing is an innovator portfolio. We have some clients who are very wealthy, they're going to inherit a lot of money, they're not looking for an asset allocation diversified portfolio when they have a little bit of money to invest, so we're creating a portfolio of maybe 5-15 individual stocks that they can follow on their iPhone, but own individual stocks versus an index, and so we're creating that portfolio as we speak.

So, we're out there looking for ways that we can meet the expectation or the needs of the next generation, not just on investments.

### **Robert Sheahan**

That's great. You have to go where they hang out, that younger generation, so it's great that you guys are thinking the way they think, I guess you could say. So, some of the best firms out there they're able to combine that digital aspect that you just mentioned with the human touch, and the latter shows – it allows for more of a personal connection, that we've kind of chatted about, that goes above and beyond just performance. And I know that you have some programs that you run internally to help deliver that personal feel to your clients. Would you mind highlighting a couple of those?

### **Lyle Wolberg**

So, one of these that we spent a lot of time in the last few years is this differentiation, and we're calling them Communities. So, we're looking at small business owners as a community, or independent women investors as a community. Obviously, younger generations would be a community. And so, what we're doing is trying to focus our communication to those communities that's going to speak to them.

Today, we send out a weekly email blast to just over 7,000, maybe 8,000 female addresses that we've accumulated over the years, and it has a brief market comment and maybe a little current event type of thing, feel-good story, asking a question, but ultimately, we also include articles of interest and we tailor... each community gets a different set of articles. If we know that we have younger clients, maybe we'll put a little bit more tech focused stories in their email blast.

And then the other thing that we're doing on top of that with our communities is we're doing different events or webinars that are tailored towards what they're doing. So, this week we have a bourbon tasting, hopefully we'll get it off with the COVID situation, but it's tailored towards the 20 and 30 year olds and our younger advisors' prospects, because they're not as worried about being out socially as some of our other clients. So, you're trying to tailor a marketing pitch, but also a communication to each one of those communities.

### **Robert Sheahan**

That sounds great. Let me know if you need my address for that bourbon tasting, and if there's a spot to fill there, I can clear my calendar. That was a great overview of the firm and how you serve your clients.

So, what's next for Telemus? How are you positioning the firm for future growth?

### **Lyle Wolberg**

So, we're looking, obviously, for organic growth just like everyone else, and how can we keep that going. We've had tremendous success. But we understand that Telemus can only be around for multiple generations if we cultivate a next generation, so we're working teams,

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we bring on younger advisors, we have them learn the business and go after the kids and grandkids of our current clients and try to establish relationships with them as a way to build a foundation for Telemus. And we have a clear path for partnership for everyone who is working at the firm, and we encourage and we want them to become partners of the firm.

We've done a few mergers and acquisitions, some have worked, some haven't worked. The thing that we've learned, obviously, inorganic growth is difficult, you have to have a cultural fit, you have to have an idea of what you're both about. We did one and we quickly realized that it wasn't going to work out because they were just looking for a place to get away from their current firm, not necessarily they're coming to Telemus because of what we offered.

I would say to everyone out there, we spend a lot of time on the marketing, technology, we have a director of people and places, we worked on this Code of Honor, so we have an HR director, we have a compliance... we have the infrastructure, we're looking at opportunities to grow inorganically. I would encourage anyone who is in that position, either they're leaving their firm or they're actually looking at merging, look at what's out there before necessarily going at it on your own, because I would say, today, there's so many options. Telemus may be one of them, but there's a lot of options with good firms that are out there that have done a lot of the legwork and setup a lot of the things that we've talked about today that doing it on your own, or just being a small piece of a bigger firm may not be the right thing.

So, that's where we're headed. We want this business to be there for many generations to come, and we think we've done a pretty good job of building a business, not just having individual practices.

### **Robert Sheahan**

I absolutely agree. Truly a professionally managed firm, where you have the people in place there that can make strategic decisions, while others really focus on the client experience and client relationships, I think it's terrific.

So, that's all the questions I have, but the good thing is the audience has a few questions for you as well. So, let's start with one related to CRM. So, what are the processes to share new information on the families with the rest of the team? I think this question is really focused on the CRM system that you use and what type of efficiencies, if any, that you've built into it.

### **Lyle Wolberg**

Rob, you're spot on, CRM – we can't deliver without the CRM. We use Salesforce, we've looked at them all, and gone... we were originally on Junxure, and we've been all over the place with it. We have our CRM customized to a certain degree to address our needs, but we have specific metrics and we have our marketing person following up on each advisor's metrics. We set a certain number of goals for how many financial plans we want to offer our clients, how many insurance reviews we're going to have, and you have to have the CRM, because it's a click of the button to the advisor when they're talking to the client, but it gives us the metrics to go back and look at is it getting done, is a younger advisor doing what they're supposed to be doing, but also, are we delivering this. We call it a Wow Client Experience. Are we delivering that to our clients? And the only way we are going to know, for sure, if we're delivering what we can offer is if we have the CRM to track those things.

### **Robert Sheahan**

It's oftentimes kind of the heartbeat of the firm, the central nervous system to kind of know what's going on across all of your clients. Another question here related to regulatory. So, you mentioned a lot of different services and different types of advice, so how do you deal with the potential regulatory or legal issues with respect to giving so many different types of advice?

### **Lyle Wolberg**

We have an internal Chief Compliance Officer and without that, I'm not sure that you could do this. It's a burden. We try to standardize as much of what we're doing. So, there are templates when we're going out and offering the family office service. We have a template,

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through our CRM and email system, so we can track who opens it, how many times they forward it, but also from a compliance standpoint so that we're storing that information.

But I think the idea would be we're relying on expertise of our Compliance Officer, he is not what I saw when we were at the wirehouse, which we nicknamed our compliance officer, Dr No, because that's all they ever said to us, so we're trying to find solutions and ways to get things done in the regulatory, but ultimately, we've got to live within the rules that we're given and it's hard. There are times where you scratch your head, but ultimately, without disclosures, a lot of things can get done.

**Robert Sheahan**

Nobody likes compliance or regulatory, and I have to deal with it, it's a known. I'll just leave it at that. In our past conversations, you mentioned this, which I thought was really cool and I don't think you brought it up today yet, your work with Genevity. Can you just give the audience a little peak into what you do with that and how you use it to connect to various family members?

**Lyle Wolberg**

This came from the same discussion we're having today, it is how do we go and find not only the younger generation or the kids that we don't already have a connection to, but what about – and I think we all have these that we work with, you have one client that is your primary contact, whether it's the husband or the wife, and the other you just don't connect to very much. And we're just trying to figure out ways to connect to both and then also the kids. I was fortunate enough to have some contact with this woman who created this website or this company, and what their idea was to create a family tree, but instead of [www.ancestry.com](http://www.ancestry.com), which is just DNA, they were going to let each individual of the family create their own health history based on actual – what they have.

We were in a pilot program, and they still offer this, and there's a fee to it obviously, but what we ended up seeing was that... first of all, we got to know so many different members of a family that we had no idea were around, because they live out of state, and it was one person – the person who kind of becomes the flagbearer for this software and to create this community, only the family members get to see their health history, but we got to see across the country who their family members were, and again, got to know these other people that we didn't really know were out there and we created some really good relationships there.

So, that led us to another thing that we do, which is on our website, you guys can all use it if you want, but it is a longevity analysis. So, Genevity went to creating HALO, which is just looking now at longevity, we include it in our financial planning, trying to get better analytics on life expectancy based on health history.

**Robert Sheahan**

That leads me to my next question, which I think can be a difficult topic to handle with clients, especially of a certain generation. I know when I look at my parents, I think they're always going to be healthy and nothing is ever going to go wrong with them, and maybe I don't see certain things that I should see, whether it's declining health, memory, what have you. So, how do you... in those scenarios where you kind of meet with your clients on a regular cadence, but enough time passes between the meetings that you notice that Mr or Mrs Jones is in – something is just a little off and they're kind of at that age where maybe somebody should be handling their affairs. I imagine that's a difficult conversation. I've never had to have one, so I'm just curious as to how Telemus approaches those situations.

**Lyle Wolberg**

We've had those situations. We had one where a client was, basically, part of one of those schemes and was targeted and no matter what we did to try to educate the client that – this one was a gold scheme from Africa or something like that – but no matter what we did, we couldn't get the client to see it, he was having some struggles. So, along with the regulatory question which came up earlier, we had to create a standard... we created a form where the client – and we now have our clients, when they're 70, we have the authority to communicate to the kids if we suspect anything, and I think the industry has had some guidance since we implemented this and there are those regulatory opportunities out there. It just goes another step to say while you're talking to a client, I don't really know your kids,

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and if anything were to surface that I'm concerned about your wellbeing, why don't you introduce me to your kids now and, oh by the way, I have a team, a younger advisor who would be able to be your kids' advisor for any questions that they have.

That's how we're handling that.

**Robert Sheahan**

One more question before we close things up, and I kind of figured this question would come up and I mentioned it to you last week. How do you structure your fees? Again, everybody is hearing all these services and how you approach your clients. So, any insight you want to give there?

**Lyle Wolberg**

I think we've all looked at our fee structures and tried to change them. We are right now more of a traditional asset under management, and we give away the services, except for family office which is a separate setup. She's paying bills, preparing tax returns, or at least dialogue with the CPA. So, that's a separate hourly rate fee structure. But for the most part what we're doing is the AUM, traditional break points that you see. What we have talked about, and it's really hard, obviously, we can't do it with the existing relationships, because once you get them into a fee structure, it's kind of hard to move them away from that, because we've offered them up, but going forward, we're really exploring the idea of a complexity charge. So, investment management might be a lot less, but we'll go towards a complexity charge, so if you do want some of the family office services, the wealth advisory, we can add on this complexity charge as well as a fee or a flat fee type of thing.

**Robert Sheahan**

Very interesting, complexity charge, I'm curious to see how that works out in the future for you, and it makes total sense, I think, for the type of services that you offer.

I just want to thank you, Lyle, thanks for joining us today, thanks for the insights, and really the candid responses to my questions and all of the questions from the audience today.

**Lyle Wolberg**

It's my pleasure. I hope I could be of help and I appreciate you inviting me.

**Robert Sheahan**

Absolutely. So, for the audience, I would like to thank you for joining as well. You can take advantage of the resources we've created that may help you cultivate relationships across your clients' families. In our follow-up, we will share the link to the Multigenerational Relationships page on [www.pershing.com](http://www.pershing.com) where you'll find a brief video and several tip lists. A replay of the webcast will be posted there as soon as it is available. You may also download a copy of the presentation by clicking on the Attachments tab. If you would like to provide feedback on the webcast, please use the Rate This tab. All feedback is welcome. So, we appreciate your responses and we continuously strive to improve the Pershing Webcast Series.

Have a great afternoon everybody.