

Casey Mullooly:
Welcome to the Mullooly Asset podcast. This is episode 360.

Tom Mullooly:
Always on, 360.

Casey Mullooly:
This is Casey Mullooly. I'm here with Tom Mullooly.

Tom Mullooly:
Hello.

Casey Mullooly:
Just the two of us this week. Let's get into it.

Tom Mullooly:
We were starting the business. I was an investment advisor and so the way the business started was people would swing over their account from Merrill Lynch or Morgan Stanley and I would just start managing it. And the deeper we got into the fiduciary role that we play and being an investment advisor and being a financial planner, it's now morphed to this. And so for the last couple of years, this is the approach that we've been taking with all of our new clients.

Casey Mullooly:
And why did we implement this?

Tom Mullooly:
Because we have a fiduciary obligation to our clients. We have to know their situation inside and out before we can build a plan for them and make recommendations. Because the reason, part of the reason why we did this was because we found that there was a mismatch between how much risk people were taking and how much risk they really wanted to take. And so when the markets would go down, the people who were super nervous or needed the money sooner would be the first ones to call and they'd usually be more emotional than it had been in the past.

Casey Mullooly:
Right. That was something that we should have ironed out ahead of time so that money wasn't at risk at all.

Tom Mullooly:
Right. And we've done a better job of going back and smoothing those things out, but going forward, here's how we do it.

Casey Mullooly:
Right. How does the process start?

Tom Mullooly:

The process starts with a fit meeting and fit meeting all by itself is pretty unique because I don't think people have this. And I think that's part of the hesitation, why people are reluctant to come into somebody's office, whether they're a broker or an advisor or a financial planner, because it's like going to the car lot. You go down to the dealership. It's like, okay, I know I'm leaving with a car. No matter what happens, the best of intentions, I'm leaving with a car today. And that's just the way it works. And so I understand people don't want to come down to the office or even engage with a broker or financial planner or an investment advisor. Because it's like, this may not be a good match for us. I am nervous about this.

Tom Mullooly:

We set up the fit meeting to be 25, 30 minute let's get to know each other, kind of a meeting. You can ask all the questions that you want to ask. We don't even want you to bring any paperwork or forms. Nothing. We don't even want to know your situation in terms of details. We're not going to talk about Apple versus Amazon, we're not getting into any of that stuff. We want to hear your story. We want you to ask all the questions you can about us and then we're going to give you a day or two to think it over and see if we're really going to be a good match. And the reason behind that is because we've begun with some people in the past who we didn't have the fit meeting with and we found out about a month or two into the process, wow, this is, we are going in completely different directions. This person may want a day trade and that's not what we do. And so it finds people who are a good match, a good fit for each other.

Casey Mullooly:

What questions should folks be asking in a fit meeting?

Tom Mullooly:

They should be asking how we get paid. They should be asking, are we a fiduciary? And what does that mean? They should be asking, what's going to happen in terms of what happens after today? And that's important to know because most times, well, I can't speak for now, but in the past I would hear folks say, "Yeah, I called this financial planner or I called this investment advisor and the first thing that they said, we didn't even get to exchange names and addresses. The first thing we were told was we're going to need two years of tax returns and your account statements."

Casey Mullooly:

Wow. This is us buying you dinner first.

Tom Mullooly:

This is the get to know you a meeting and that's all we want. We don't want commitments. We don't want to know the specifics of your investments. We want to hear a little bit about your situation. Ask us, ask us, ask us questions and let's form an opinion.

Casey Mullooly:

Yeah, sometimes people come in and they want to get a head start on it and they want to give us all the information upfront. And we're kind of like, whoa, whoa, whoa, we don't even want to do that. But

they're thinking, let me get these guys the numbers so they can...

Tom Mullooly:

Get to work.

Casey Mullooly:

Get to work ahead of time. But it's really more, like you said, seeing if we're a match personality wise, goals wise, how we work communication wise, it's kind of almost a quality control.

Tom Mullooly:

Yeah. Working with someone is a lot easier if you like them.

Casey Mullooly:

Right. It's a relationship.

Tom Mullooly:

It is. It is. And so it's good advice to just get to know someone first and if you feel a certain level of comfort, then we can move forward. And one of the things that came out of the pandemic was prior to the pandemic, we had people coming into the office. And honestly, sometimes people would know after 10 minutes that this wasn't going to be a good match. Meeting over. We're not going to try and we're not going to bend like a pretzel into a certain position just to make something fit.

Casey Mullooly:

Yeah. We're not going to be everything for everyone.

Tom Mullooly:

I heard a great line from one of our friends in the industry, Josh Brown, who said, "This is not Burger King." Their slogan for 30 years was, have it your way. Not that we're rigid and inflexible, but we have guardrails in terms of this is or process.

Casey Mullooly:

And those are there on purpose. For both the client and for our.

Tom Mullooly:

Mostly for the client.

Casey Mullooly:

Right. Okay. We have the fit meeting.

Tom Mullooly:

Oh, sorry. I was getting away from the point, but prior to the pandemic, we had people coming into the office. We started doing fit meetings over Zoom and talk about even less stress. You don't even have to come into the office. I got to be on the level, I kind of prefer it. If people just meet face to face over Zoom it's so unstressful. Spend 20 minutes or 25 minutes with us just getting to know each other a little

bit and then we can go from there.

Casey Mullooly:

Yeah. Decreases the range of outcomes even less. The stress is this is people's life savings so it's like, am I going to be doing paperwork on the spot? Or is this just like a, they don't know what to expect. By setting the expectations for the fit meeting that nothing is going to get signed, nothing is going to be handed over that day. I think it's a really good way to lower the stakes and to, like you said, start the relationship out on the right foot.

Tom Mullooly:

Casey, let's presume that someone met in a fit meeting and we want to move forward, both parties want to move forward. What's next?

Casey Mullooly:

Well, we reach out a day or two days after the fit meeting and see if the potential client would have any other questions.

Tom Mullooly:

The story behind that, again, sorry to grab the microphone. But the story behind that was we found that people would leave the office after a fit meeting, they would get in their car and they would get right to this traffic light right out here, outside the office and they'd be like, oh, I wanted to ask them this. And so we have found that if we follow up a day or so later, it gives them an opportunity to think, to ask more questions that they thought of after the call or after the meeting. Sorry.

Casey Mullooly:

No, no, no. That's exactly where I was going. Yeah, just another opportunity to ask questions, gauge interest in both directions. And then if we're both ready to move forward, then we move forward with what we call our data gathering stage of the process. And the data gathering stage, we create a secure portal for you to upload and share documents with us. We'll send out a link for that and then we'll send out a document with a list of documents that we need to formulate our opinion further. That's where we really dig into the weeds, get things like tax returns, account statements, any sort of benefits or maybe health insurance, any sort of pension information. What else am I missing?

Tom Mullooly:

Wills, trust documents.

Casey Mullooly:

Right. All of that, you can upload it straight into the portal, we'll see it and then we start digging in right away after that. There might be some back and forth if we don't get what we need or some things are missing or we just want to clarify what's what. There might be some back and forth. Over this stage, there will be some back and forth pretty much every single time there is some questions at least.

Tom Mullooly:

In my opinion, data gathering is really where the relationship sparks. This is where things really, you

start to get a feel for how this is all going to work because there is a lot, like Casey was talking about, there's constant communication back and forth about this. Two of the building blocks that we begin with at this stage, is we start to build a cash flow projection and we build a balance sheet and there has to be. We're constantly sending you, here's an updated version of the cashflow projections. Tell us what you think. Is this on track? Does the balance sheet look right? What changes should we be making? And so there's a lot of feedback going round and round during data gathering. And that's really critical that we complete that step because that helps paint a better picture of where you're at.

Casey Mullooly:

You got to know where you're at to know where you're going to go.

Tom Mullooly:

Well said.

Casey Mullooly:

Yeah, that's the cashflow. Cashflow and balance sheet are the two, like you said, building blocks. Pretty much everything stems from that. And then once we have those settled, then we move on to taking your temperature.

Tom Mullooly:

Taking your temperature is again, we wouldn't put a step in if we didn't think it was important. And so we want to get a measurement of risk and it's two parts. One part is what are your feelings and attitudes about risk? And so we give you a test. It's actually online and we ask specific questions and you can score, okay, I'm okay with this much loss in my portfolio. And instead of using percentage terms, since percentages are always a little nebulous, so we'll say, "Hey, if you're okay with a 10% loss, that is..."

Casey Mullooly:

Yeah, it asks you how you have to invest. You enter that and then say you have a million dollars and you move the slider down to 10%. It shows you that you would be risking a \$100,000.

Tom Mullooly:

Right. And so it's going to come up with a gauge of how much risk you feel is appropriate. And we ask people to just take it honestly. There's some people who have taken a test in years past and I think they answered the way we thought they were thinking. Oh, I want to answer this so we get the most aggressive portfolios. Don't do that.

Casey Mullooly:

It's the wrong way to do it.

Tom Mullooly:

Yeah. Now the other part of this is we also use the very same tool to x-ray your current investments. And your current investments are going to spit back a score to us. It tells you how much risk is actually embedded in your current investments. We've nipped a lot of problems in the bud and uncovered a lot.

We've learned a lot about our clients by just showing them the results because we'll see someone who wants to be conservative or at least moderate, but they've got a super aggressive basket.

Casey Mullooly:

Yeah, they've got an all stock portfolio.

Tom Mullooly:

Yeah. They've got a super aggressive basket of stocks in their portfolio. No wonder these people are nervous every time the market goes down.

Casey Mullooly:

But they're diversified because they own eight funds. These are real problems that we run into.

Tom Mullooly:

These are real examples.

Casey Mullooly:

And that mismatch between what someone wants to take and what they are taking is a huge deal and it kind of heads off some of the problems that you talked about at the very beginning, where we're taking more risk than we should be and that just creates more stress for the client and then that creates more stress for us because they're stressed, we're stressed, everyone's stressed. It's like, just figure this out up front. Make things a lot easier on both of us.

Tom Mullooly:

A lot easier. Casey, once we go through measuring the risk, what's next in the process?

Casey Mullooly:

At this point in the process is when we discuss specific investment strategies. Like you said, as fiduciaries, we're required to go through this before we can even talk about what we're going to do in terms of investments. But this is kind of the, I don't want to say the pinnacle, but this is the final stage. Once we have your risk measured, we have all of your planning sorted, that this is when we get the accounts transferred over to us, implement the accounts in our portfolios, in our models and then we're up and running from there.

Tom Mullooly:

I'm going to read a line. We have this particular discussion as a page on our website, but I'm going to this next part because I think it's important. We're fiduciaries here at Mullooly Asset Management. We've included this line. It is a fiduciary responsibility of financial planners and investment advisors to know everything possible regarding a client situation before making financial planning suggestions and investment recommendations. For the same reason, I don't know, Case, I'd feel a little nervous if I went into a doctor's office and he'd be like, "I have a prescription for you."

Casey Mullooly:

What?

Tom Mullooly:
You don't even know me.

Casey Mullooly:
What?

Tom Mullooly:
That would make me a little nervous. But yet this happens on a daily basis in our industry.

Casey Mullooly:
Yeah. The reverse side of that is also, I think doctors kind of cringe when patients come in with a printout from WebMD saying, "I check this box, this box, this box. I must have this."

Tom Mullooly:
I must have this. Right. Yeah. Give me a prescription for that.

Casey Mullooly:
Prescribed me this and the doctor's like, "Whoa, whoa, whoa, whoa, whoa. I haven't even examined you yet."

Tom Mullooly:
Yeah. Keep your shirt on.

Casey Mullooly:
Yeah. Come on, buddy. Some people might think that this is a slow process. Some people want to move quickly and just get everything transferred in and then get on board. And we've found over the last couple of years that this really works. It really develops the relationship. It really gets everyone pulling in the same direction, which just smooths the ride out. And that's all we're really trying to do here. Like we said, this we're dealing with people's life savings. We don't take this lightly. The process is this way for a reason.

Tom Mullooly:
Right. We've built this process over time. It wasn't always this way and it's evolved to this point. It may continue to evolve as we go forward. One thing I don't want listeners to walk away from is thinking that this process is long. Doesn't have to be long.

Casey Mullooly:
Doesn't have to be depending on the responsiveness of if folks are eager and ready to get going, then so are we. It just depends on the responsiveness.

Tom Mullooly:
Yeah. The log jam is often during data gathering where we don't get all the information we need from the clients. I don't like using this phrase too often, but I think it's relevant right here, garbage in, garbage

out. And we've had a couple of folks who have started the process and they give us round numbers, no details, no account statements and that pretty much stops the process in its tracks and does say, "Hey, you really want to do this?"

Casey Mullooly:

Look, we're not going to be dragging our feet with this. We want to get the investments on board as well. But we're not just going to stick a square peg in a round hole. We got to smooth it out and circle circle kind of thing.

Tom Mullooly:

Yeah. I think Casey, the whole concept of the fit meeting just throws people off because we get messages all the time from our receptionist, who says, "Mr. So-and-so wants to come in and he wants to transfer his account over from Merrill Lynch." And we're like, "They have to go through the fit meeting. We're not just going to take accounts." Now, share with you a story that back in the day, I hate using that phrase because it makes me sound old.

Casey Mullooly:

Hit the rewind button.

Tom Mullooly:

Yes. When I was a stockbroker at Morgan Stanley, I would say 50% of the new clients that come into a branch in any given month are people from across the street at Merrill Lynch. And they're just mad at their broker or mad at the investment or mad at something and they take their statements and they march into Merrill Lynch, Morgan Stanley whoever's across the street and it's considered the broker of the day call. And I would say this was 20 years ago, 50% of the new accounts opened in the offices where I worked were broker the day calls where people were just coming in. You know nothing about them, they're ready to sign.

Casey Mullooly:

People come in and they're upset with their last advisor or they're upset with how things ended up with people they were working with before, they're going to come in hot and then they want to work with us. And it's kind of like, we got to cool down and get to know you first like we said, and then figure out what you want. You got to figure out what you want. Obviously something went wrong over there. We kind of take a step back and analyze that and try and diagnose you before we prescribe you something. How does someone get started with this process? Where can they go?

Tom Mullooly:

Easiest way to do this on our website, mullooly.net. If you're on our website, we have scattered on every page of the site, a big ugly orange button that says, "Schedule a meeting." Click it. That's it. Just click it and it will take you to our office calendar. We work together as a team so we're going to meet with you. It's not like you ask for a specific advisor, but pick out the day and time that you can make it and let's meet.

Casey Mullooly:

And it's not like once this process is over, then you fall through the cracks.

Tom Mullooly:

Yeah. Let's talk about that. There's a lot of contact as we're going through this process. A lot, especially during data gathering. What we do is we tell our clients once we've been through this process that it's not over.

Casey Mullooly:

It's only just begun.

Tom Mullooly:

Thank you. That's right. If we go two or three months without contact with our clients, either to or from, we're going to pick up the phone and call you. If you prefer to work by email, we're going to email you, but we're going to reach out to you and just say, "Hey, we haven't heard anything or want to see what kind of questions you have. We like to follow up after you've gotten statements so that you understand how to read them." There's another process for that. We could do another podcast on that part.

Casey Mullooly:

Yeah. There's a lot of touch points along the way. This is the process to get started. But once you're in the door and you're on the team, then we keep in touch. It's just good practice. Life changes, we need to be kept in the loop on those changes because that can impact your investments. That can impact your plan. Life changes, your plan's probably going to change too. If we don't know about those things as they're happening, then we're kind of in the dark. We like to stay in touch and stay on top of all of that as well.

Tom Mullooly:

Keep us in the loop.

Casey Mullooly:

Definitely. It only took us 360 episodes to get the process ironed out. But now that we got it, sure, we'll be spinning until 720 and then who know from there. This was episode 360 of the Mullooly Asset podcast. This one was all about our process and we will see you for 361.

Casey Mullooly:

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