Our Process: What to Know - Transcript

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Tom Mullooly : Welcome back to the podcast. This is episode number 341 of the Mullooly Asset Management Podcast. Welcome.

This is Tom Mullooly and today we're going to discuss the process that we use here at the firm. It's morphed considerably over the years, and I thought this would be a good opportunity to walk through what happens when someone is interested in becoming a client of the firm. It's very, very different than what it was even three or four years ago, drastically different than what it was 15 years ago, very, very different from my many years as a stockbroker. As the process has emerged, we continued to refine it, we continued to add things that we think will add value to the relationship.

The message that we underscore, especially with our new clients is we lead with planning and that can't be emphasized enough. There are plenty of folks in our industry who want to come up with the hot stock of the day or the trading tip of the day or the new investment theme. We want to be on top of that, but we are more interested in working on situations that can help our individual clients. We take, in my opinion, a customized approach to working with our clients and developing a plan that works for them, and so we combine investment advisory with financial planning.

There's a lot of ways to skin a cat in our business. You're going to find that there are investment advisors who are just going to be focused on managing the investments. You're going to find financial planners who couldn't tell you a stock from a bond. You're going to find folks that hang their shingle as financial planners; it's just a thinly veiled disguise as an insurance brokerage. There's a lot of different types of advisors and a lot of different ways to build a business in this industry.

I want to take this opportunity in episode 341, to walk through how we do it, how we think this process can work well for our clients and our future clients. In addition to drastically overhauling our process a few years ago, we were also saddled with the shutdown nearly a year ago from COVID-19. We had to really shift on the fly and become very flexible, as a lot of other firms in our industry also had to do. No longer could we just welcome folks into the office and sit around the conference table and get to know them.

We had been building prior to the lockdowns from COVID 19, we had been introducing this concept of a fit meeting, a get to know you type of meeting. One of the things that a lot of financial planners and advisors will do the first time someone's coming into their office in the past is they would ask them to bring their tax returns and bring their account statements and bring everything you got. We've even done that many years ago.

With our fit meeting, the first meeting that we have when we're meeting someone new is we ask them, don't bring anything. We don't want to start digging into the paperwork. Initially, we want to find out if we are a good match, a good fit for each other. And so we specifically ask folks not to bring documents to this first meeting. We want to get to know you. We want to get to know your situation. We want to hear your story, most importantly, in your words about what's worrying you, what's concerning you, what's worked, what hasn't worked, what are you looking for with an advisor or planner.

So this took on a new approach as the virus started shutting down different parts of our economy. The process that we've built, kind of unfolds very nicely. It's taken us a few missteps, but we think we've got this process down. We recommend to folks who call our office for the first time they want to speak with an advisor, we asked them to make an appointment on our website. We don't have to go back and forth, whether it's over the phone or by email, about how about Tuesday at 4:00 or Wednesday at 10:00? No. What happens now is we direct you to our calendar on the website, you pick the time that works best for you when you have 30 to 45 minutes to chat with us. You can pick the day and time. Our calendar usually runs about two to three weeks ahead, so you can see what works, what matches up with your schedule, and you pick the time that works best.

We typically have three options. Right now we only have two that will work for new clients. The three options are a Zoom call or a phone call or an in-person meeting, which we just can't do right now. We're hoping that that won't last forever. Zoom tends to work pretty well. The technology is great because you don't have to install a whole lot of things on your computer. A lot of people are getting used to the idea of meeting over Zoom. Of course, we'll be happy to speak with someone over the phone as well. It's usually two advisors on the phone with someone who's thinking about working with us, so they can hear more than one advisor's take on things.

Usually this fit meeting runs we typically say 30 minutes. It could be shorter. It could be longer. We've had some Zoom meetings that have gone on for close to an hour. The whole point behind these fit meetings is to answer your questions. Any questions you can think of are fair game for the fit meeting. We'll ask a little bit about your situation, but really what we want to know is what brought you to us today and what's your situation. What can you share with us?

We call it a fit meeting because we know that we are realistically not going to be a match for everyone. That's why we don't want to dig into the documents; it's because we just want to get to know you. We want to get to know your situation. When we were doing meetings in person, what we would typically say at the end of the meeting is, "Here's what normally happens. You're going to get into your car. And there's a traffic light right outside our office. You're going to sit in your car and pull up to the traffic light, and you're going to say, 'I wanted to ask this question. Or, 'I wanted to talk about that.' Or, 'This is really important and we never got to it'."

And so what we typically do at the end of a fit meeting, whether it's on the phone or Zoom and hopefully someday again, in-person is we tell you that we're going to check in with you a day or two later. It might be a little more than that if it's on a Friday, over a weekend. We do that because we know historically that there's going to be more questions that come up after the conversation ends. And so just like folks going out in their car and getting to the traffic light, we know there's going to be more questions, that's why we follow up.

If we've decided that we're a good match and we want to work together, what happens next? What's the next step? The whole premise with this approach at Mullooly Asset is to lead with planning. And so we are going to build the guts of an infrastructure on you. We want to know your situation. The best way for us to do that is to start with the basics; cash flow statement, balance sheet. We used to have situations in the past where someone said, "I just inherited some money and I need to get it invested." Or, "I just had a CD come due. What do you like in the market?" Or, "What do you want to do?" Or, "I just want to get away from my old broker at XYZ firm, and I just want to bring everything over to you." We don't necessarily do it that way anymore. We did in the past. It's got to be a fit. We have to be a good match and we are going to lead with planning.

Every client that we begin with since we've started engaging this process a few years ago, begins the planning process. That starts with data gathering. Data gathering can be garbage in, garbage out. If you give us sketchy information, we're not going to really be able to dig into the weeds. We have some clients who have been absolutely fantastic in terms of giving us information that can really uncover a lot of potential problems not today, but in the future and things that we can address. And so the more details we can get, the better plans we're going to be able to put together for you.

This next step is really discovery for us. We call it data gathering. We'll begin by sending you an investment agreement and a financial planning agreement, but we'll also send you some pretty simple worksheets. These are mostly used for triggers for you. Some of the things on our worksheets are not going to be relevant for you. Some may trigger things that you, "Oh, I forgot about that life insurance that we need to talk about," as an example. We send this information to clients. We have in place, a secure portal on our website, so clients can upload sensitive information to us securely. We begin working on building a balance sheet and cash flow statement.

A lot of folks when we meet them, they want to know, "So are we going to be buying stocks? Are we going to be buying ETFs? Are we going to be buying mutual funds?" We're not even there yet. With the cash flow and the balance sheet, we really want to begin to understand the numbers behind you and behind your situation. So we don't want to put the cart before the horse; we want to really get an accurate picture of where you are at. By building a cash flow statement, it helps us determine the proper level, in our opinion, of savings that you should have and then how much is available for investing.

Unfortunately in 2020 and 2021, there's still a lot of folks out there who are operating without a safety net. We will have, in some cases, lengthy discussions about the value of having a safety net. Too many times we'll find people who have in business terms, an operating account and a long-term investment account. Their operating account on a home basis would be your checking account or money market account, and then you have investments. There's no buffer in between.

There's no safety net. We spend a lot of time educating our clients on the value of having that safety net. It's so, so, so important that people have this because literally knowing that you have money in the bank will curb a lot of people's fears about what's going on in the market and what kind of news headline is going to impact a move up or down in the market.

We will often incorporate the value of having a safety net or some kind of cash reserve at a bank. We don't bill on those assets. We want to keep it safely tucked away so that it's there, and it's there only for emergencies. We've done plenty of podcasts and videos about folks who … you'll see these things online all the time about how it's foolish to have money sitting in the bank earning nothing. You should put it into some crazy investment. You've really just traded safety for risk. We want to operate from a level of safety and comfort so that clients can sleep at night and not have to worry that all of their money is at risk. So we build the cash flow statement and the balance sheet to really get a good base, good fundamental understanding of where you are.

A lot of folks have also commented to us as they go through the process that they didn't realize either how well they were or how unstable they might be. So there's benefits to both us and to our clients on going through some of these basic things. By determining or working on a balance sheet and a cash flow statement we can, as I mentioned earlier, determine the level of savings and then beyond that, how much we can invest.

So then the next question is how much risk can we take with our investments? We do have a computerized test that we send to clients. They can answer a handful of questions. Doesn't take more than 10 minutes. That gives us a numerical score on your level of comfort in terms of how much risk you want to take. But then what we also do is we then take the same approach, the same test, and we build a numerical score based on your current investments.

A lot of times, a lot of times we'll find when we sit down or discuss this with a new client, that they have a profile that wants to be, for example, conservative, and yet when we look at their 401k investments or their outside investments, we find that they have a very aggressive portfolio. No wonder they can't sleep at night, or no wonder they're worried about what's going on in the market, or they feel like they have to stay on top of the news. It's a mismatch between what they're really looking to accomplish and where their money's invested.

We uncover a lot of these things as we go through the data gathering and the planning process. It's not just numerical though. How much risk you should take is based on our discussions that we have as we start with the fit meeting and then subsequent conversations going forward on that. How much comfort do clients have when it comes to this?

You'll notice that to this point, we haven't even discussed should we be investing in Exxon or IBM? Should we be in large cap or small cap? We're not even there yet. That's why it's so important that we get a basic understanding of where clients are before we can even talk about where to invest the money. Again, we don't want to be putting the cart before the horse.

Once we have these plans in place, and we talk about how things ought to be allocated and how things ought to be invested, we get into the specifics of how your account or accounts would look. We also will extend that to your 401k or your retirement plan at work, even though we don't technically manage that and we don't bill on that account, if it's a 401k somewhere, but we can give you guidance if you share with us the different investment choices that you have in your plan. We'd be more than happy to give you guidance on how that money should also be allocated as well.

One of the questions that we get all the time during the course of our introductory fit meetings and subsequent meetings is how often are we going to hear from you? Before I give you the answer, I'll share with you what I was told as a rookie stockbroker back in the 1980s. I was told that once you began with a new client, you should call them at a minimum every 30 days for the first year. The reason for that was to uncover more assets and to do more transactions with them. And then at a minimum after the first year, you should be contacting your clients every 90 days. That was, as it was explained to me, to continue uncovering new assets and generate sales opportunities. Sometimes folks come to us and they expect that we're going to be calling them all the time to talk about what we're buying or selling or what new crazy investment opportunity is out there. That's not the case.

There's a lot of discussion that goes on with folks, especially as we're getting going, because we are sharing documents, we're talking about planning outcomes and we're discussing how we're going to be moving forward. So there's a lot of contact in the first two, three, four, five months. What happens after that? I used to say that our level of contact was meetings on demand. When a client wanted to have a meeting, we would set up a date and time and we would talk. Some clients want to talk once a year. Some clients want to check in on a quarterly basis. Everyone's a little different.

What we've adopted over time has been a system where if we don't hear from our clients in three months, we're usually going to reach out by email or a quick phone call just to check in and see how you are doing. We may find out that everything's great, no need to make any kind of changes. Terrific. That's fine. We also use that opportunity to just keep people up to speed on what's going on. Now, some clients will say, "Hey, you know, this is too much. We don't need to check in as frequently as we do." Others are in contact with us by email or by phone a lot more frequently.

One of the things that I'm very proud of here at Mullooly Asset Management is that we started as a blank slate and we have morphed into this process that we have, even while acknowledging that every single client has a unique set of circumstances, a unique story, a unique situation, we have a process here and we've refined it over time and it works. I'm very proud of that in the sense that we know that a potential client is going to schedule a call, whether that's a Zoom call or over the phone. Hopefully, as I mentioned earlier, we can go back to meeting in-person. I hope that day's coming real soon.

That kicks off the process where then we answer all of your questions, then we lead to data gathering, then we build your plan. Everything that we do here is driven. We lead with planning. This process works. It's not something that's set in stone right now. It'll continue to emerge and move forward. We're very, very happy with this process, and we hope that our clients are too.

I wanted to take this time to talk about our process. Sometimes that kind of gets lost in the sauce, and so we don't really get this opportunity to share it. Thank you for listening to episode 341 of the Mullooly Asset Management Podcast. Speak with you in the next episode.