

The COO Roundtable with Matt Sonnen

Episode 77 – Brad Cox & Michael Walliser

[00:00:00] Hi, I'm Luke Sonnen. Welcome to the COO Roundtable, powered by Coldstream Wealth Management. Here's your host, Matt Sonnen.

[00:00:14] **Matt Sonnen:** Welcome everyone to Episode 77. Two quick updates to share with you before we jump into today's episode. First, I wanted to let everyone know that Sage Mountain Advisors has hired a COO, which we're very excited about.

[00:00:27] We had Tony and Whitney on for Episode 76, and we went through their COO job posting and what roles and responsibilities they were going to assign to their new COO. And it was a really interesting conversation. And any of you looking to hire a COO, I would suggest go to the episode notes of episode 76 and take a look at their job description.

[00:00:48] I think they did a really good job with their COO job description, and obviously it was successful because they have filled the position. So thank all of you for sharing that and getting the word out for them. And then the second announcement is that The COO Roundtable Podcast: we've been nominated for the Wealth management.com Industry Award, and we're in the industry-focused podcast section.

[00:01:09] We've been nominated alongside ten other podcasts, and the irony in all of this is not lost on me. We started this podcast six and a half years ago because I felt that RIA operations professionals - we were all ignored in our industry. And the point of the podcast has always been to shine a light on the amazing work all of you do every single day. And to get some recognition for all of the importance of operations. And now this little podcast that was dedicated to a section of our industry that I felt was completely ignored is now nominated as a top podcast in the industry. So that's pretty cool.

[00:01:43] Our previous - we've had 135 guests on the show, and so I owe a lot of the credit to them, but also to our listeners: the hard work that you put in, the incredible value that you bring to your organizations. I feel that this award nomination - in my mind, it's an acknowledgement of all of you. So congratulations to all of us for getting the word out there that operations is what makes our industry thrive.

[00:02:07] And on that note, let's dive into another operations conversation with two more incredible guests. Brad Cox is the COO, CCO, and Partner of Diversified Portfolios, Inc. in Bloomfield Hills, Michigan. Brad's bio states that his role is to oversee all systems, processes, workflows, and procedures in order for diversified portfolios to continue providing best in class service to its clients. So we're gonna dive into all of that today.

[00:02:37] But first, Brad, welcome to the award nominated COO Roundtable Podcast.

[00:02:43] **Brad Cox:** Well, thanks Matt. I'm honored to be part of it.

[00:02:45] **Matt Sonnen:** Thank you, and then joining Brad is Michael Walliser, the President and CCO at Condor Capital Wealth Management in Martinsville, New Jersey.

[00:02:55] Michael's been at the firm for 22 years. He's held a number of positions over that time, and in addition to his operations duties, he also meets with clients on a regular basis, which I'm sure we'll dig into as well. Welcome to the podcast, Michael.

[00:03:09] **Michael Walliser:** Thanks for having me, Matt. Great to be here and congratulations on the nomination.

[00:03:13] **Matt Sonnen:** Thank you, appreciate it. Well, Brad, I'm going to go to you first. Why don't you give us a little rundown on Diversified Portfolios?

[00:03:22] **Brad Cox:** Sure. So, the company was originally started in 1993, but as it currently resides, the current version was started in roughly 2010 when our three founding partners merged their firms together to become what is now Diversified Portfolios.

[00:03:39] Over the years, we've grown to now just under \$1.8 billion AUM, and we actually just hired our 19th employee starting next month. We focus on low-cost investment management, asset allocation, as our name says, you know, diversified portfolios. And then financial planning.

[00:04:01] And over the time, our growth has been mostly through client referrals over the years; however, we've just started on some work with a marketing firm. And as part of that was identifying, you know, our ideal clients. And we really don't have like a specific niche per se, but we did kind of discover our ideal client is more of a multi-generational family that really shares the same values that we have as a firm.

[00:04:36] **Matt Sonnen:** I love that about: they have to align with your values.

[00:04:39] I don't know if a lot of firms focus on that. So how do you - how do you go about kind of identifying that - if they're a value fit for you?

[00:04:47] **Brad Cox:** Yeah, but I mean, it starts with our core values. It's: make it together, care more than necessary, be authentic, and see further. And so, you know, as we're looking at a couple: oftentimes you might have one partner who is the money person or the investing person, and they do all the talking. Sometimes even the other person might not show up. We only want to work with couples who - both partners show up and are invested and, you know, we want to - we say we want to sit at the same side of the table as them when they come in. Everyone participates and it's really a group discussion.

[00:05:28] Very often, couples have different relationships with money. That could be something that happened early on in their life. And so we really want to talk and kind of get at the root of that. So myself as, you know, the COO, it's - you know, how do we create a client experience that exudes our values? And you know, it's - for me, it's really, well, we do that by creating a team that exudes our values. And so, we really want to bring in people that - and bring in teammates that - it just comes natural to them. You know, their first day in the office, we don't sit them down and say, all right, you know, you need to - this is how you be

authentic. You know, we want someone that naturally is authentic and that naturally does care more than necessary. Because clients can sense that.

[00:06:21] **Matt Sonnen:** I love it. That's great. Well, Michael, give us an overview of Condor Capital.

[00:06:27] **Michael Walliser:** Sure. I'm with Condor Capital. We're out here in Bridgewater, New Jersey, founded in 1988, managing just over \$2 billion in assets with about 28 full-time employees.

[00:06:37] We really have two ideal client types and have kind of structured our firm to, to handle these two different types. Number one: high net worth individuals with about \$2 to \$5 million. These are typically married people with children, often small business owners or healthcare executives. Here in New Jersey, we have a bunch of healthcare firms: J&J, Merck, et cetera.

[00:06:58] The other ideal client that we have are ultra high net worth individuals. Those are \$20 million and above. The needs are different there. That particular group usually has a need for alternatives, family office services - which we provide in-house - and more complex financial planning. So again, two main types of ideal clients there.

[00:07:17] Historically, we've grown from organic growth, so referrals from existing clients and centers of influence. You know, I'm a big believer that your advisors are your front line of business development, so a goal for us over the last year or two has been staffing up. It's not been easy. The advisor market has been tight, but we have filled some positions recently. I'm looking forward to those advisors getting out there and bringing in some new business.

[00:07:40] **Matt Sonnen:** Great. Well, Michael, I'll stick with you. I mentioned during the intro that you joined Condor Capital right out of undergrad from Rutgers University, I saw in your bio. Walk us through your career progression at the firm.

[00:07:53] **Michael Walliser:** Sure. So, I graduated in December of 2002. I'm not sure if you guys remember what that time in the market was like. But it was a terrible time to be looking for jobs in the wealth management industry. We were still in the wake of the internet bubble burst, 9/11, all of that. The market didn't really bottom until March of 2003. So I went on a ton of terrible sales position interviews. Every one of these interviews, they'd have me make a circle of life, which is basically where they ask you for your family and friends' names, and contact information so they can pitch products to them. So I knew what I didn't want to do pretty quickly after college. Condor Capital had an opening: somebody went to grad school, left an open position. I started with the firm as an analyst researching stocks, bonds, mutual funds. ETFs were pretty new at the time, so we were getting our feet wet there.

[00:08:48] I did that for a while, kind of wanted a more holistic experience with the firm, so I started meeting with clients. Realized I liked that as well. So, did that, kept some of my old duties.

[00:09:00] Back in 2013 or so, we really had a shakeup internally at the firm. We had a clearing out of some partners. We had five at the time. Three left. Some of them were voluntary, some of them were involuntary departures, but it was a real clearing out. I think it really refreshed the culture at the firm. I took over as COO at that time. Took over as

President in 2002, which - 2022, excuse me - which is the position that I hold today. I still have my foot into the research and client service waters though.

[00:09:32] **Matt Sonnen:** You're talking about all those bad interviews. It reminds me - I haven't thought about this in a long time. 1997 is when I graduated and I went to interview - it's a reputable firm, I'm not gonna say their name, they're still around today - but I couldn't believe... it was a, you know, a group setting. And the guy at the front of the room says, you know, if you're our top salesman this month, and he holds out this like gold coin: it was very - it was very similar to Ben Affleck sliding his car keys across in The Boiler Room. And this is the car I drive. If you're here long enough, you know, you can have a car like this, but this guy says you'll - the winner of our monthly sales contest got a gold coin this month. So, I know those bad, those bad meetings really well, those bad interviews.

[00:10:18] **Michael Walliser:** Matt, it was helpful to have the - it didn't feel like it at the time, but I think it was helpful to have that experience just to really know what else was out there and know what I did not want to do.

[00:10:28] **Matt Sonnen:** Yes, exactly. It's pretty obvious when you're in those one of those rooms, you go, okay, this is not what I want.

[00:10:34] Absolutely. Well, Brad, this is your 25th year in financial services and you're going to hit your five-year anniversary with Diversified Portfolios this summer. So, tell us about your career path that led you to where you are today.

[00:10:47] **Brad Cox:** Sure. Yeah. And I'm a little jealous of Michael's path, you know, jumping right into the RIA industry. I really didn't know about it until my early thirties, honestly. I - out of college, I really had no idea what I wanted to do and I took a position - it's kind of like a business analyst / help desk analyst with, Evergreen Investments, which is the asset management arm of, back then First Union, down in Charlotte.

[00:11:16] And it was rolling out like a trading and order management platform to portfolio managers and traders all along the East Coast. So it was a good mix of technology and business. I knew I didn't really want to go full bore into a technology career, but I also wasn't really sold on what I wanted to do on the business side of the industry, other than trading. I was a little interested in possibly joining a trade desk. So, as my career progressed, I continued in a similar type role. Without knowing it, it was really setting the stage and building skills that would become helpful for me now. As you know, as you train people, you're dealing with a lot of different personalities and you learn how to work with people, and so I didn't know it at the time, but it ended up being pretty helpful being in some of these roles.

[00:12:07] I finally made my way to Michigan and joined an institutional asset manager and as like an operations role. And I quickly realized that the trade desks were shrinking, just because of the increase in technology, and that wasn't going to be a great role for me going forward. However, a friend of mine had just taken a position with a local RIA, and they were looking for just a centralized trader, an operations person at the RIA. So I jumped over there and right away I kind of realized: all right, this is where I want to be - this type of company in this section of the industry. However, I really still did not know where my exact fit was.

[00:12:51] And I think it was actually on spring break in 2019, I was - we were driving home and I came across Twitter and happened across a post by someone named Matt Sonnen

talking about a recent episode of his podcast and which was actually Episode 3 with Shaun Kapusinski.

[00:13:08] Yeah. And in that, you know, you obviously talked about the role of the COO and Shaun mentioned, you know, HIFON, his networking group. And I left that podcast and right away said: that's it, that's what I want to do. I went to the office the next day and told our President, hey, I want a thousand dollars to get a membership to HIFON.

[00:13:30] And eventually, about a few months later, I actually approached the owner of the company and said, you know, hey, we're missing some of this role of things that a COO can offer. I would like to do some of that at this company. And, I actually asked for a raise to do that work in advance of doing it. And to his credit, he went along with it and I was able to start, you know, working on different projects and initiatives at the firm to help really advance the firm, you know, outside of just trading and operations. And unfortunately, at that firm there wasn't really a career path for a future COO. So I had someone reach out to me about this role at Diversified about a year later. And it was just the perfect fit.

[00:14:15] **Matt Sonnen:** That's great. Thanks for telling that story. I did not know that story about the podcast. That's cool. So one of the frequent questions I like to ask our guests is: where do you - and you know, you just mentioned the podcast - but where do you turn for continuing education, you know, how do you keep up on best practices in our industry that's always evolving? And the two of you know each other from a study group that you're both involved with. And that's actually how I met both of you because Anne Marie Stonich, who sits on the executive team here at Coldstream - she's a member of your study group, and she raves about it. She gets a ton of ideas from your group. So, Brad, tell us a little bit about your study group.

[00:14:52] **Brad Cox:** Yeah, we are called the Council of Independent Financial Advisors, or CIFA for short. It was actually started 32 years ago with three firms, kind of came together looking for like support, camaraderie, and a place to share best practices.

[00:15:11] And over the years it's grown. At one point it was up to 11 or 12 firms, like now we reside at eight. We really - we share a mixture of common traits. So, like size - we're all roughly, you know, billion, couple billion dollar firms. We're all independent. We all have a very active G2 leadership, but then also there are some differences in that we have different service offerings. For example, we have one family office, another firm that is more into active equity management, and then, you know, a firm that's more in the financial planning - heavy planning and low-cost investment management, and then also different geographic locations. We're kind of pretty spread out around the country.

[00:15:57] But the most important part is that everyone is actively invested and participates. One other thing I'll mention is that we realized a few years ago - we meet - we have a couple calls during the year, and then we have one in-person meeting. And what we typically did was we assigned one person at these meetings to take notes and to sort of keep track of the time, and just also to organize the meetings. But we all became so busy and it was hard to really create a good experience for everybody. And it's also hard to really actively participate when you are taking notes or when you're monitoring, you know, monitoring the time.

[00:16:38] So a few years ago, our firm, Diversified Portfolios: we work with, Katie Calagui from Katie Calagui Consulting, for, you know, coaching workshops, retreats. We actually ended up hiring her as the facilitator for CIFA and so she now moderates our meetings, you

know, sets agendas, and keeps track of notes and follow-ups, and it really allows all of us to just show up and to really actively participate.

[00:17:07] **Matt Sonnen:** That's great. And then Michael, I'll ask you, what advice do you have for our listeners who may be involved in study groups of their own? What do you think you guys do in CIFA that makes the experience so impactful for all of your members?

[00:17:20] **Michael Walliser:** Yeah, so I think complete honesty, is first and foremost something that's extremely helpful. Not only because it makes it a safe space, but it provides some accountability as well, right? There's someone listening to what you're saying and kind of following up on things every six months, year to year, however it may be.

[00:17:37] I think active participation in the group is extremely helpful. You should be sharing your experiences. You know, as Brad said, we're not all cookie cutter - we're not all structured exactly the same, but at the end of the day, I think people are going through a lot of the same problems. They've tried solutions and some of them have worked and some of them have failed, and hearing about kind of the details of that I think are extremely helpful. You know, some of the things they've tried may be things you haven't thought of. And so just hearing that's pretty good.

[00:18:06] You know, one thing Brad said that I do want to just harp in on a little further is that facilitator that we recently hired - I think that's really going to help take things to the next level. We're all busy and as Brad said, it always depended on someone to take some time out of their day to get things going. Bringing that facilitator on, I think, really helps take things to the next level and gets a level of buy-in that may not have existed before from everyone.

[00:18:30] **Matt Sonnen:** Yeah, I agree. I know a ton of our listeners have tried or are implementing traction at their firm's EOS and same thing: you can do it yourself or you can get a EOS facilitator and obviously there's a cost to it, but things go a lot faster when you have that facilitator. So I think it's great that you guys have brought that in. Brad, what advice do you have for structuring the group so that the members get the biggest bang for their buck?

[00:18:58] **Brad Cox:** Yeah, you know, I'll go back to the values topic. We sat down a year or two ago and we were looking to expand and add a few firms and we talked about what values, you know, we currently have and what we want to see in potential new firms. And so, you know, our values are: supportive, trust, openness, candor, and engaged. And so we want to encourage that for anybody who - whether you are looking to create your own study group or to join an existing one - is to really just be open and be engaged.

[00:19:33] You know, I'll even - I'll go back to my first month here at Diversified. I think I maybe had. Joined one CIFA call, didn't know anybody or anything yet. And, I had a question about - and maybe it was Salesforce that we were looking to implement, and so I reached out to one of the members of CIFA and just sent an email asking a couple questions and she responded back a few minutes later, cc'd a teammate of hers at her company, and she said, you know, so and so, Brad is with CIFA, we're an open book with CIFA. Please answer any question he has. And I was like - wow, that was cool. That's kind of stayed with me over the years.

[00:20:21] **Matt Sonnen:** That's great. So, i'm sure one of the things that you focus on is supporting growth right? At the respective firms? And one topic that I'm always interested in

for our guests is how, as your firms have grown, what processes have broken and you've had to change over the years? And so Michael, I'll go to you first. You've been at Condor Capital for 22 years, so I'm sure you've seen a lot of change over that time.

[00:20:46] So, talk to us about the adjustments in processes that you've witnessed at the firm.

[00:20:52] **Michael Walliser:** Yes, a lot of change is probably an understatement, Matt. Yeah. But at the end of the day, I'd say probably the attribute that's had the biggest attention on it, because it's had the most difficulty associated with it, has just been growth in the number of employees.

[00:21:05] You know, we have 28 today. Uh, we had ten when I first started, and over that time, between ten and 28, communication and interaction has just become much more difficult and has had to change. You know, when you had ten employees, everyone knew what was going on and what everyone else was up to, so we've had to institute a bunch of changes.

[00:21:24] I would say a few of the things that we've done that have been very successful have been quarterly employee meetings, getting everyone in a room once a quarter, going over how the company's doing, what we're looking to implement, updates from all the division managers. That's been helpful.

[00:21:38] Annual offsites. We do an even bigger, full, complete day offsite once a year. Again, just to get everyone in the room, establish our goals, get everyone on the same page, tell each other what those goals are, so there's some accountability within the teams as well.

[00:21:54] To supplement that, we're doing departmental education meetings. That's something we just started, you know, we'll have an entire team meet with one person from another team, and they'll do some sort of an education session. They'll cover one or two topics just to keep everyone involved with what's going on. I found that very helpful from a knowledge basis, but also from a friction reduction basis.

[00:22:17] You know, sometimes people get instructions and they're wondering, why do we do things that way? Well, these educational meetings, I think help to kind of clue people in on why we're doing things the way we do.

[00:22:28] I'd say the biggest thing that we've done recently, though, is we used to work completely off of email. That was fine when we had ten people, but it's been email overload for the last couple of years, so we've shifted our entire workflow into Salesforce, and so now when a new task comes in, someone puts it into Salesforce, initiates it, and every time a step's completed, it gets kicked off to the next person in line until that task is completed.

[00:22:55] **Matt Sonnen:** Yeah, that's great. That became such a problem during COVID is just the email overload, right? Because that was how you were communicating with your employees. So a lot of firms have had to find different ways to, okay - internal communications have to be through a different channel than email because you want to try to leave email open for client communications and you don't want to lose an important email from a client buried in - what's for lunch today? Emails that are going around internally. So I think that's great. Yeah, moving tasks into CRM is definitely, a good way to do that as well. So I love that one.

[00:23:28] Brad, what changes to processes have you initiated at Diversified Portfolios as the firm has grown?

[00:23:34] **Brad Cox:** Yeah, when I joined here in the middle of 2020, we had actually started that year with roughly a billion in assets, 500 clients, and seven employees. And so my position was brand new.

[00:23:49] And you know, the goal is to take the company from a practice to a business. And so that just involved upgrading our technology, you know, we had one cloud-based platform. Everything else was on an internal server at the time. So really getting everything to cloud-based platforms and then also building and implementing our internal workflows.

[00:24:12] You know, I think we had maybe one - literally one workflow - at the time. Now we have at least 15 different workflows in our CRM and those spin off into another additional probably 20 workflows. And then the other part has been more going away from a culture where the employee, everyone wears multiple hats to now, some cases, more of specializing.

[00:24:37] You know, you often hear - I don't like this term, but you hear people talk about A players, so like we only hire A players - and it's really when you have somebody who - if you hire - if I was to hire two operations people who both have their sights set and really want to be COOs, that's great, I'm sure they're great, great employees and great teammates, but they're likely going to be here for a short period of time until they want to move on and want to start expanding their careers. So we want someone who's - who's really right for the specific role we're hiring for. And so it's not that you're looking for the absolute like best rockstar for every position. You want someone who is a right fit for the role and for the company and that we are the right fit for as well.

[00:25:26] **Matt Sonnen:** I just wrote about this actually, because this is - I've witnessed this problem as well. When you're - when the firm is new, you have the hiring mentality of let's just hire really smart people and they'll figure out where they go.

[00:25:39] And that works in the early days when there's so much to do. But you have to start specializing. And the article I wrote, I had just - I had been thinking about this because we're struggling with it at Coldstream, you know, a lot of people I talk to are struggling with it. So I had it kind of in the back of my mind. And then I was reading just the sports page, and one of the WNBA teams, they drafted a guard and then cut her like shortly after, because she was the best available player on the board during, you know, at that draft - you know, I forget which number it was - the 28th pick or something. Oh, well the best available player is so-and-so, and she's the guard, so let's draft her. Well, they forgot they already had like six guards on their roster and they were like, you know, they realized after a couple of weeks we don't have room for her - we've got too many guards. We've hired for the, you know, a position we already had.

[00:26:24] So this is a big problem, because all of our RIAs - we all started as these tiny little, you know, ten-person businesses and you grow and grow and grow. And so I love that you brought that one up because I'm seeing that more and more as people are realizing we've got to specialize now and we've got to have specific roles and hire for those specific roles. So that's a great piece of advice there. Thank you for that one.

[00:26:44] So let's switch from process to tech. One interesting thing that I've witnessed in our industry as the industry is evolving is the concept of best-of-breed technology tools to round out your tech stack versus an all-in-one technology solution that covers - you know, usually they recover reporting, trading, CRM, and even sometimes financial planning is all embedded in one system. In the old days, it used to be - well, we want a best-of-breed, you know, reporting tool, we want a best-of-breed trading tool. But there's been so much M&A in the RIA tech space, I feel like the vendors now - they're all building all-in-one solutions and they're trying to convince all of us that that is the way to go - the all-in-one as opposed to the best-of-breed.

[00:27:28] So, Brad, how have you approached your tech stack at Diversified Portfolios?

[00:27:33] **Brad Cox:** Yeah, I'm still partial to the best-of-breed approach. Though, like you said, you know, the, the recent changes have made that a little harder. I feel like with the size of the firm we are, that's not as much of an issue. It allows us to be more flexible. Obviously, if you're a \$15, \$20 billion firm, it's a lot harder to just make a change, to pluck out one system and pop in a new one. But being our size, I really want to keep us flexible in that nature and be able to use the best platform that works for our team.

[00:28:09] That said, in terms of like new technology that's out there, you know, our general belief is we don't want to be the early implementers. We want to kind of sit back and watch and let other people test it out and see what works and doesn't work before we kind of jump in. If somebody in our team wants to try out a new software, we're not going to tell them not to, but generally our philosophy is, all right, let's, you know, let's see what others' experiences have been, and then we will kind of make a decision from there.

[00:28:36] **Matt Sonnen:** Great. And then Michael, what's been your approach? Do you prefer that all-in-one solution or do you take the best-of-breed approach?

[00:28:43] **Michael Walliser:** Matt, I think in an ideal world, we'd have an all-in-one sort of solution, but that just hasn't worked out to be that practical.

[00:28:50] **Matt Sonnen:** Right.

[00:28:51] **Michael Walliser:** I think Tamarac's a pretty good example of that. We like the portfolio reporting, but didn't love their CRM, so we're on Salesforce. I think the trading is okay there, but I don't love it. I'm excited by what's to come. The tech that's come out in the last couple of years looks really, really good. So I can only imagine what comes out in the next two or three years after that.

[00:29:12] You know, the pace of improvement just seems to be quickening year by year. I agree with Brad. We don't want to be the number one early implementer of some new system, especially if it's something very important - trading portfolio reporting - but something smaller than that, we're definitely willing to try a bunch of different smaller things.

[00:29:31] Our contract with Tamarac runs out in 2027. There are some new up and coming portfolio reporting software providers that I hear about, so I'm interested to see what comes out in the years ahead in that space.

[00:29:45] **Matt Sonnen:** I hope your Tamarac rep is not listening to this podcast. He just got very nervous about your 2027 renewal.

[00:29:51] **Michael Walliser:** That's, hey, I hope they are, Matt. That's - they should know.

[00:29:57] **Matt Sonnen:** It's true. Good point. So you both just said you're not early adopters. And I take that stance as well. I like to let other people be the first mover and get all the bugs worked out. But I find it interesting that you both just said that because I know both of you have been big proponents of the use of AI at your firms.

[00:30:17] You know, I don't think we can have a tech discussion here in the summer of 2025 without talking about AI. So let's do it. But I'm interested because I believe both of you have implemented some AI tools at your firm, even though you have this idea of, well, we don't want to be a first mover. So, Brad, talk to us about your approach to AI and what tools you've implemented and which ones you're still on the fence about.

[00:30:39] **Brad Cox:** Yeah, I'm definitely a big proponent of the AI notetakers. Although, we've been keeping an eye on them. We recently just implemented, are in the process of implementing Zocks, so we've been keeping an eye on them and following it. But, you know, true to our philosophy, we kind of sat back a little bit and took our time instead of just jumping right in.

[00:30:59] It's funny - talking to people who are in maybe other study groups - and what it seems like is one person in that study group tried out one of these solutions and then everyone else in that study group then uses the same one. So, you get some people that are all - groups that are all on, you know, Jump, for example, and other members in study groups are all into Zocks.

[00:31:21] Yeah. And that's - we decided to implement Zocks. It was more going through from a compliance aspect what our firm is comfortable with. You know, as we know, the SEC has not really issued any strong guidance yet in terms of books and records requirements. So it's sort of left up to us right now to make that decision.

[00:31:42] And we just - we weren't as comfortable having, retaining video or full transcripts for our books and records. And so we went with Zocks. They just do the audio or the - I'm sorry, the, written transcript. And, they also have a very strong integration with Salesforce.

[00:31:58] **Matt Sonnen:** Yeah. I've had - I'm getting a lot of pressure from folks at Coldstream saying, why aren't we looking at these?

[00:32:04] And it's not that we're not looking at them, I just haven't implemented them yet. But I've talked to a lot of people that have looked at - I mean, those are - seem to be - the two front runners, Zocks and Jump are the ones that everyone's talking about. But there's a lot of other ones out there that are coming or are already out there and established.

[00:32:19] But those two do seem to be the front runners. We're moving to Financial Services Cloud. We've been on Salesforce for a long time, but we're moving to Financial Services Cloud, and there's a lot of AI, you know, with what they call Einstein in there, and so, right or wrong, I don't know yet - time will tell, but I've sort of said, well, let's wait and see. It would be great, you know, kind of talking about that all-in-one versus best-of-breed.

Wouldn't it be great if Salesforce is where we want all of these workflows and things, and the meeting notes, anyway, so if it's native to Salesforce and they've got all the AI tools in there, so I've been saying, let's wait and see if we can just get it in Salesforce. Again, time will only tell if I've made the right decision or wrong one.

[00:33:00] But Michael, I believe you've implemented Zocks as well. So what lessons have you learned and what advice do you have for our listeners around AI?

[00:33:08] **Michael Walliser:** We have implemented Zocks and it's gone really well for us. I'll just mention the study group again because that's kind of how that idea got to both Brad and myself.

[00:33:17] But whether it's Zocks or something else, one thing that I've learned is, you know, it's one thing for me to research a new piece of technology and tell everyone, hey, this is great, start using it. The implementation doesn't always seem to go that well when that's the strategy. Right.

[00:33:30] I think what you need is an internal champion of sorts. So think about the end users, the team most likely to use this, and pick one person: someone who's going to be able to really get up to speed on this, and learn about it with them. Have them in the process from the early part of it, the investigation, the testing, the entire thing. Because you need someone who's actually in the user group to be that internal champion.

[00:33:55] And this way, day to day, when someone's got questions, they can go to this person who's now a pseudo expert in that piece of software. I think that's helped a lot. You know, you want to talk about it a lot too. I mentioned we do these quarterly meetings. When we do those, I almost always dedicate time, whether it's the beginning or end to AI or something new in the productivity or efficiency space that we're trying to roll out. Not just mentioning it, but in those meetings, I'll have managers come up and give real life examples about what they're doing, how they've implemented it. You know, just seeing someone else have success with it, there's something infectious about that and it makes other teams want to follow suit and have some success stories to share it themselves.

[00:34:37] **Matt Sonnen:** Yeah, that's great advice. Whether it's implementing AI or implementing any other technology, that the steps you laid out there are critical. Absolutely. Another big piece we should talk about in the summer of 2025 when it comes to tech is cybersecurity. I know that Coldstream - we've witnessed noticeable uptick just recently in phishing scams and a lot of nefarious emails coming into various employees at Coldstream. And I've talked to a few other people and they've said they feel like - I mean, it's been around for a long time, and we've all dealt with this for a long time - but it feels like there's more now than ever.

[00:35:12] So Michael, what steps have you taken to protect your firm, your employees, and your clients from from cyber threats?

[00:35:19] **Michael Walliser:** Yeah, Matt, I think you're right. It's only getting worse. Yeah. And I think that trend is what's going to continue. You know, look, at the end of the day, the way it usually goes is your people are your biggest point of weakness, right? Phishing emails, that sort of stuff. That's the easiest way for a nefarious actor to get in.

[00:35:35] So constant education really is a big part of it, drawing attention to it. Again, if you've got some sort of whole company meetings, dedicate some time to talking about this. Just getting it in people's faces I think is a really big deal. One thing we've implemented that's helpful though is phishing training.

[00:35:53] The training itself I think is pretty good, but what goes along with that training, these test emails go out and they're phishing emails from this service that we've hired, so there's really - there's no actual penalty to failing this, except that you've got to go on and take another training course.

[00:36:09] Yeah. No one wants to do this training course, Matt, okay? I have failed one of these phishing test exams before. It's not fun. No one wants to do it. Just knowing that this is coming has everyone's guard up watching out for these phishing emails coming in. You know, the same on the client side. We send out client mailings regularly, educating them about phishing, asking them to do two-factor authentication, giving them, you know, guidelines on what makes a strong password. I think all that stuff is very helpful. You know, we recently brought Schwab in for a cyber engagement. I thought that was pretty good. A lot came out of that. A lot of educational lessons came out of that.

[00:36:49] I think what we're ultimately going to do with Schwab is a client event and we'll do it live and it'll be a Zoom and we'll have clients be able to, you know, chat in with questions and things like that. And I think that'll be pretty helpful for the clients.

[00:37:02] **Matt Sonnen:** We do the exact same thing on the, on the employee education. We do fake phishing emails and same thing - if they click on it, any of the links or the attachments or anything in there, they have to go watch videos. And so I do think that's extremely valuable. And, also, I mean, I'm not part of CIFA but it's funny because I'm doing a lot of the same things you are.

[00:37:20] We also just had Schwab come and speak and I thought they were fantastic and our instruction to them was, please scare the bejeezus out of our, out of our employees and they did a good job.

[00:37:32] **Michael Walliser:** I like that. I like that instruction, Matt.

[00:37:34] **Matt Sonnen:** Yes, exactly. And you know, of course employees say, why are we doing all this training and there's too much and you're sending me too many of these emails.

[00:37:41] And it's a cliché, but it's such an important one when it comes to cybersecurity. It takes one time to fail. I mean, you have to be a hundred percent on this. That's right. You click the wrong email at the wrong time and your entire network is compromised. So you really do have to be at a hundred percent accuracy on this. And so it's scary.

[00:37:59] Brad, what have you implemented at your firm with respect to cybersecurity?

[00:38:03] **Brad Cox:** Yeah, I mean, as Michael said, employees are the frontline defense and it's really where having a phishing training program, a password manager, and making sure you use multifactor authentication on all your systems.

[00:38:20] Those are really table stakes now. I mean, if you're not doing all three of those things, you've probably already been hacked at some point.

[00:38:27] **Matt Sonnen:** Yeah.

[00:38:27] **Brad Cox:** Without even knowing it. And then also, you know, we utilize a local managed service provider, you know, for our IT and our networks.

[00:38:36] But if the SEC, you know, comes in, they're gonna want to see what we're doing in terms of risk management and what's our incident response plan, you know, which that's a big piece of Reg[ulation] S-P, which is required later this year. So, you know, a lot of large firms might have a in-house CISO. The majority of us though either have an in-house IT person or use a managed service provider.

[00:39:02] And you know, while those providers, they might provide risk management services, you know, do they specialize in it? Probably not. Yeah. And you know, the other thing is, a big problem is the communication gap between your internal stakeholders and an MSP. You know, you just, you don't speak the same language, so oftentimes you don't know what questions to even ask them.

[00:39:27] So what we did, started last year is, we partnered with a firm called Palisade Cybersecurity. Their founder, Tony Brumley, spent over ten years as the CTO of a \$2 billion RIA. So he knows the industry, especially from the compliance perspective. So we have Palisade interact with our MSP. We receive a monthly executive summary of any critical and high vulnerabilities if they've been remediated. And, if not, what's the plan to do so? And then, you know, in terms of an incident response plan, the one we had was outdated. It just - it had not grown with us as a firm. So, you know, a benefit of working with Palisade is he sat down with myself and our compliance consultant to craft that plan and making sure, again, we're asking the right questions and that we're arriving at the ideal response plan and solution for us as a firm.

[00:40:26] **Matt Sonnen:** That's great. Well, guys, I can't thank you enough for being here today and sharing your insights with all of our listeners. You're both obviously deep practitioners in all of these areas, and I know everyone has jotted down some very actionable ideas that you've shared. So, Brad and Michael, thank you both for your time today, and thank you for being here.

[00:40:46] **Michael Walliser:** Thanks for having us, Matt.

[00:40:47] **Brad Cox:** Yeah, thank you so much, Matt. It's been great.

[00:40:49] **Matt Sonnen:** Well, that is a wrap on Episode 77, everyone. We will talk to you soon.



© Coldstream. All rights reserved. May not be reproduced, republished, or distributed without prior written consent. Information drawn from third-party sources believed to be reliable but not guaranteed as to accuracy, timeliness, or completeness. None of the information provided constitutes an opinion or a recommendation or a solicitation of an offer to buy or sell any particular security. Coldstream analyses are not intended to provide, and should not be construed to constitute, complete accounting, insurance, legal, or tax advice. The investment strategies and securities shown may not be suitable to you. Past performance is no guarantee of future results.