

The COO Roundtable with Matt Sonnen

Episode 57 – Featuring Trevor Hodges & Sean Chen

[00:00:04] **Luke Sonnen:** 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 to episode 57 everyone. I'm really excited to speak with both of our guests today. I met Trevor Hodges a few months ago when he joined the COO Society, and he's been an active participant in that community. We've been really lucky to have him. Trevor is the Director of Operations at Sax Wealth Advisors in New Jersey. Trevor has spent his entire career in the RIA industry but he just recently joined Sax Wealth Advisors, which we'll talk about in a few minutes.

Before we get into all of that, let me just say, welcome to the COO Roundtable, Trevor.

[00:00:47] **Trevor Hodges:** Thank you, Matt. Happy to be here.

[00:00:49] **Matt:** Our next guest is Sean Chen, the COO and CCO at Validus Capital here in Southern California. Our listeners have heard me say many times when I'm introducing guests over the years, I've said, "Well, our next guest is a dear friend of mine that I've known for many years," and that's always been the case. I don't use those words lightly. I don't pretend to be friends with people that I just have business acquaintances with.

I have to say that I met Sean in 1997, I believe. We were both working at Merrill Lynch at the time and then we went on to work together at Luminous Capital. We've had a fantastic business relationship. What sets Sean apart from any other guests that we've had on the podcast, I realized this, Sean, as we were preparing for today. Sean and I were 21 when we met, and we would go out and do 21-year-old things together.

I won't expose you here today, Sean. We're going to keep it a family-friendly show, but I do want to acknowledge you as being the only guest that we've had on this podcast in almost five years. You're the only guest that I can say I have thrown up at your house before.

[00:01:56] **Sean Chen:** Oh, geez.

[00:01:58] **Matt:** I'm going to leave it at that.

[00:01:59] Sean: We're going to have to edit that piece out. Let's edit that piece out. Too kind, Matt. You're too kind and flatter will get you everything.

[00:02:05] Matt: With that introduction, Sean Chen, welcome to the COO Round Table.

[00:02:08] Sean: Thank you so much, and what an introduction that was. I appreciate it, and your friendship has meant a lot to me. As I've told you Matt before, I've looked to you as a mentor. You've been a great friend and a colleague. Thank you and kudos to everything you've been doing.

[00:02:24] Matt: Well, thank you. I'll let you recover from that introduction. Sean wasn't expecting that. I'm going to go to Trevor first. Trevor, why don't you tell us about the firm? Tell us about Sax Wealth Advisors.

[00:02:37] Trevor: Okay. Like I said, it's my first 60 days here, so I'll tell you as much as I have figured out in that 60 days. Sax Wealth Advisors were formed in the late '90s, but they really didn't start to take off until about 2002 when they joined AAMP. We actually have a parent company, SAX LLP, which is a large accounting and tax firm that's been in business for over 65 years.

Our total AUM is \$1.7 billion, and we have a team of 21, which includes 9 advisors, 4 associate advisors, 1 portfolio manager/trader, and a service and operations team of 7. Then we have offices in northern and southern New Jersey as well as New York City. We do offer hybrid and fully remote options for our employees. We do have employees scattered across the US.

Then, I would say our typical ideal client is someone in the range from \$3 to \$10 million, and our minimum fee is about \$10,000. We're really looking for someone who wants to go through our planning process, wants to be helped, wants to be integrated with Sax. Historically, I think, we've grown from SAX LLP clients to referrals, but we've also acquired some advisors and their book of business along the way. We've had a great track record of transitioning our advisors into our business, and we continue to look to do that.

[00:04:00 Matt: That's great. A perfect recap. Then, Sean, Validus has an interesting story. Tell us about the firm.

[00:04:07] Sean: Yes, absolutely. Validus was founded in 2022. It was founded by John Krambeer, who also found our predecessor firm that we spun off from. We've all been in the business for a very long time. As Matt alluded to earlier, we were 21, but I think I probably looked 16 when I was 21, Matt. The firm is 13 folks. We also have one person working remotely from Texas. We have an AUM of just over \$1.4 billion.

I think our ideal client is probably very similar to Trevor's, \$5, \$10, \$15 million, somebody that's really looking for just understanding the flexibility of the RIA model

and really just not stuck on the big name, the big brand name of the bulge bracket firms. I think where we've grown is just purely from referrals from our existing client base. John, who's founded the firm, this is his second time doing it.

He is very much a serial entrepreneur, very independent thinking, just solely focused on delivering a client experience and caring about the clients. Many of his clients are very good friends of his over the friendship that he has built over the years. 100% of the clients came over to Validus, leaving the predecessor firm.

[00:05:33] Matt: Great. Well, I mentioned Merrill Lynch and Luminous Capital. You've had an interesting career in the industry. Why don't you walk us through your career path, Sean?

[00:05:42] Sean: Oh, boy. That's a good one. Matt knows this very well. I feel like I've worn every hat in the industry, but to make a long story short, I've loved the industry even before I could understand what these numbers on the screen were doing going up and down. As I learned more about the industry, I just wanted to be part of it. I got lucky and fell into an assistant compliance position at Merrill and came across the paths of John's former partners, and they were just doing something very unique.

Everybody in the regular office was just talking about the Capital Strategies and the Luminous Capital guys and their clients and why they were so successful, just a different way of thinking about advising clients, asset allocation, really no holds barred. Just thinking outside the box. I just wanted to be part of that. I didn't have a great pedigree going through school, but I worked hard. I felt like I had a lot of grit, so I was okay wearing every hat.

As Matt knows, I think in one role, I started as the gopher's gopher. The gopher gets the mail, gets the lunch, I was the assistant to the gopher. Fast forward, I had the opportunity to become an analyst and then being able to work my way through all these different roles, seeing all these different facets of a business, and then ultimately being able to hold the COO and CCO position at Validus.

[00:07:16] Matt: Yes. You tell your story very similar to the way I do. I say my first job in the industry at Merrill Lynch, I was beneath the woman that would order the lunches for the team. I was lower on the totem pole than that. You and I tell our stories very similarly. Trevor, I said it earlier, you've been in the RIA industry your entire career, but walk us through the progression that brought you to Sax Wealth Advisors just a few months ago.

[00:07:39] Trevor: Yes. When I was in college, I was interning for a small RIA, an accounting firm. Similar, jack of all trades, answering phones, getting coffee, helping my boss move rocks at his new house, whatever it was I was pretty much doing. I had known him prior to going on as an intern. It was pretty much an easy transition to accept a position when I graduated from college.

I spent about 15 years there, starting from the bottom and learning the back office, client service, the custodians trading compliance, how we integrated with our accounting firm, and just managing all the RIA operations. Similar to Matt and Sean, I wore a bunch of hats and started from the bottom and grew, but at some point, I really had no idea what I wanted to do next.

I felt I hit a wall there, and I really wasn't interested in being an advisor, but I knew I liked helping the clients and solving problems. At that time, there was no COO society or study groups that I was aware of. I also did not see many job postings in operations at RIAs yet, so I decided to go back to school, get my MBA. Then during that time, I had a new outlook on everything.

I learned that I love managing people, processes, and I got an itch to start looking to see what else was out there. That led me to two other small RIAs that I spent about total two plus years at. My time spent there was very valuable. I was able to take all the education from my MBA, become a better teammate, a leader, but there was still something missing from each of those jobs where I just didn't feel fulfilled. Fortunately enough, a recruiter reached out, and I just happened to answer back just asking what the job entailed, and now here I am at Sax.

[00:09:27] Matt: We've talked about it a lot on this podcast, and both of your careers highlight that it is hard, and that's the only reason why I started the podcast. It is hard to have a career in the RIA space, in the wealth management space, in operations because you all know the chip on my shoulder. Everybody seems to think, "Well, if you're not bringing in clients, you're not as valuable around here."

It's tough to do that, but the one thing you both have done and your stories tell, and we've talked about on this podcast, if you keep raising your hand and just saying, "I can do that. Yes, I can go handle that." One of our guests talked about he called it watering the plants. Just find the plants around the office that aren't getting water. Find the projects that aren't getting done, find the things that are bugging the owner of the office. Geez, if somebody could get to that, if you're willing to just keep raising your hand and take on those projects, take on those roles, it's a fantastic career path, but you really have to take charge and I commend both of you for doing it.

You really have to take charge and, and be responsible for yourself in building this career path on the operations route within our industry. Congratulations to both of you.

[00:10:35] Sean: Can I add something to that, Matt?

[00:10:36] Matt: Of course.

[00:10:36] Sean: I think you make such a good point about I love that analogy, watering the plant. I think you and I both remember one of our old partners that we used to work with, he used to say, the closer you get to the client, more valuable, you are.

Which is true, but that doesn't mean the farther you away from the client, you're less valuable. I think that just goes to show back to the analogy, always having your hand raised, trying to figure out the next problem to solve.

That's really analogous to what we as independent advisors try to do for our clients. Some folks call us generalists, we're always looking at the client's request issues and always kind of raising our hands and saying, yes, we'll put you in touch with an estate planning attorney. We'll circle up and sync with your tax team. So on and so forth, right? A lot of the same ways like our COO roles are, are very similar to what RIAs are trying to do for our clients, in my opinion.

[00:11:38] Matt: Absolutely. Yes. Well, Sean, being that Validus launched last May, you were in an interesting position that you could hit the reset button and design all of your systems and processes from scratch. We actually just spoke with Scott Swanson from Quantum Financial Advisors in the last episode, episode 56. Scott was in a similar situation. They had launched Quantum out of another RIA, just as Validus has just done. Talk to us about how you thought through all of this as you were starting with a-- you just had a blank sheet of paper that you could work with.

[00:12:10] Sean: Yes, that's a great point. The way we approached it was pretty simple and straightforward, and I'm going to sound a little salesy here, right? It's simplify, simplify, simplify. We said, what processes do we need to be able to serve our clients, serve their needs, and try to improve the client experience, whether that's client onboarding or the private fund lifecycle and onboarding. We always said, let's not try to overcomplicate our processes. That's hard. You sit down and you're talking about these processes. You have different stakeholders, different points of view.

I feel as a COO, you really try to distill down to what is the most simple straight-line path that's going to get the job done with the client in mind. It's, simplify, simplify, simplify. One of the ways we did that is just - and I might be jumping ahead here, but just on the CRM, certainly our predecessor firm, we used, the namesake Salesforce, which a lot of folks use. It was just, we overcomplicated it. At the end of the day, I think we spent much time kind of building it, we used it for less than 10% probably if it's functionality.

In this reset, we had the ability to say, okay, what are we trying to do? We have a major function to onboard client demographic information, let's just do that. Let's find a very simple path to do that. Nothing more. Once we figure out what our next challenge is, then let's just build a simple workflow for that. It's just simplify, simplify, simplify.

[00:13:53] Matt: Trevor, Sax isn't a new firm, but being that you're new in the role, how have you looked at the firm with a fresh set of eyes in these first 60 days?

[00:14:01] Trevor: I actually have to give you some credit here because prior to coming to Sax, I had started listening to the podcast in late 2022 and I wish I had

started in probably 2021 when you started it because I finally found-- I felt like someone knew me and knew my job. Every day my wife will always ask me, I don't know what you do, or my kids think I work at a computer or fix things. It was like this huge relief that I had started listening. It created the framework for what my first 90 days would be like here. I read books that were recommended. I listened to others on the podcast and how they were approaching similar situations.

I think one of the first things I did was when I interviewed with our two partners who hired me, Kyle and Marie, was I asked them what their expectations were of my first 90 days if I was hired. They basically just said, analyze everything and come back with some recommendations. They both kept their promise and it's made the first 60 days very stress-free because of their patience as I'm getting to know the lay of the land. Then from there, I was listening to their pain points because they're wealth advisors, they grow the business. I needed to pull stuff off their plates, operations off their plate, compliance off their plate.

Then I met with every partner, advisor, team member, it was like a listening tour and scheduled meetings with our vendors, our custodians to introduce myself and learn all the software I wasn't that familiar with. Then one of the biggest things coming in, I knew one of the goals was to transition the compliance to me. I also began the IACCP program, which I'm about quarter of the way done with courses. That's helped me get up to speed, feel comfortable moving forward with the transition to compliance. Then hopefully after 90 days, I've made enough impact on our processes and building relationships where I've earned everyone's trust moving forward.

[00:16:02] Matt: That's great. I couldn't have planned it better for you [laughs], than what you did. I think that's exactly. You've got to start with that listening tour and then and it's great that the powers that be at Sax gave you the full 90 days and didn't say, "Hey, we expect major things kicked off within the first 30 days," so that's great. That's a great spot that you're in. We all know that competition is fierce in the RIA space. Everyone is trying to differentiate themselves by adding additional services. Trevor, Sax is interesting. Tell us, tell us how you balance both wealth management with your tax services.

[00:16:38] Trevor: I think one of our biggest advantages is that one of our wealth advisors is a CPA and he actually now just focuses on the tax preparation and planning of our wealth advisor clients. He brings this knowledge of tax expertise to better train our wealth associates and be the go-to person for other advisors for specific questions. Then when tax related items come too complicated or specific, we have an entire company of specialists we can lean on. These tax partners, lean on us by referring clients who need our services. It's back and forth. Then also Sax LLP offers private client services as well as capital advisors team.

The end goal is to have our clients integrated with all the services at Sax.

[00:17:26] Matt: In terms of additional services, Sean, I know Validus is offering financial reporting that includes a client's full balance sheet, whether you're actually managing those particular assets or not. You do a full balance sheet reporting and then you hand that analysis over to the client's accountant for them to sign off on. I think you're calling it Family Office 2.0. Talk to us how you're using those services to add more value to the client relationship.

[00:17:53] Sean: Yes, yes. We had a pretty robust family office at the predecessor firm, and that's why I feel like, this time around we're getting to kind of rebuild the family office into family Office 2.0 or the financial reporting. That's, exactly what it is. That's almost like, you can think of it as a base layer of consolidated reporting. We all have investment reporting, but as far as I know, not too many folks do the balance sheet reporting for clients. It's an interesting sort of departure from what we used to do. Really with that kind of base layer reporting, I feel like we have much better visibility into what's going on in the client's lives.

We also just brought on a CPA that's been in the business for 30-plus years, just a wealth of knowledge. He was a tax partner at ENY. With his guidance and expertise, we're building out what we call, the Validus Family Office toolkit where we really help clients discover family office services that they need, but didn't really know how and where to start. Validus will play the role of the chief financial officer for the family. We're going to co-develop the roadmap. We're going to build alliances with the client's network of trusted advisors. Nobody feels like their jobs are at stake and hopefully align everyone's efforts towards the execution of that roadmap.

Then we feel this client-centric approach will result in a much deeper and generational relationship over time, all while reducing the unknowns and gaps that some of these families have in their investment tax legacy and/or succession planning.

[00:19:41] Matt: I assume this toolkit, you're delivering it through the client portal?

[00:19:46] Sean: Yes. Portal is something that we'll use. We are developing it with also another solution in mind. One pain point our clients have had is a lot of our clients have a lot of investment in alternative investments. We're almost past tax time here and every year it's always a bit of a whirlwind and a heartburn trying to deliver the K-1s and figuring out which K-1s are still outstanding.

What we're trying to develop our portal into is just really a one-stop shop where all your K-1s whether it's private investments managed by Validus or other third parties all those documents will be in one place. Clients, maybe especially older clients that aren't so in tune with technology, sometimes get tripped up trying to figure out how many portals they have to go to. It's a pain, right?

Every portal now has MFA and whether it goes to your phone or some authenticator, we're trying to simplify their lives and improve that client experience by bringing it all

in one place and just saying you go to this one place, forget all the other portals, and all your K-1s are going to be there. We can either give their trusted tax team a sub login so they have access to it but it's all in the hopes of simplifying their lives and improving the client experience.

[00:21:10] Matt: Trevor, how are you guys leveraging portal technology for your clients?

[00:21:13] Trevor: The portal's something I plan on diving into more on probably the next 60 days. I do want to look at our adoption rate and how to get some of the clients who still want paper billing statements mailed to them. We do have a decent amount of clients that are using it to review their quarterly billing, the custodian statements, as well as their portfolios and performance return.

Then most of our advisors will use these reports and the portal to run their client review meetings, essentially eliminating the old way of printing out paper or emailing them PDFs via secure links. Then as part of the new client onboarding process, we are making sure all our clients are signing up for the portal as well. We use Orion, so there's some really good integrations where the client can also link their money guide account to view their balance sheet and financial plans in there.

[00:22:03] Matt: I always like asking people about their portal because when you think about RIA technology and the components that make up the tech stack, I'd say the portal is probably the most important client-facing technology. Then if you're thinking inward and not outward, if you're thinking how the firm runs it's probably the CRM that's the most important for firms when it comes to how the firm is run, how you can scale the RIA. Trevor, in your first 60 days how have you approached CRM and the processes and workflows that are currently in place at Sax?

[00:22:35] Trevor: This has been the most time-consuming thing I've worked on so far. We actually use Redtail which I'd never had used previously but it is very user-friendly and anyone can easily jump in and get the hang of it. Fortunately, the team had started building out some workflows and activity templates earlier this year, so there was some good bones in there but I just began to tweak some of the processes. Even today we're still adjusting to workflows. As I told the team, I didn't really want to come here to disrupt what they've started but better scale and organize the flow of the processes.

I also want them to have a say on what's going on and make their job more efficient. There's a lot of back and forth now but ultimately I believe it'll work out in the end. It's hard to get everyone to adopt what you want especially when you're new. If you're a growing firm and you want to get to \$3 billion and you're hiring new employees, the training is so much easier if you have documented processes in place.

It's not only in your CRM I'm looking to have some type of instruction manual for all our compliance processes, billing, new employee hire, and so on. Just to use it as an

example this week, we recently hired two new advisors and I'm starting to make them some training guides with screenshots of processes that they need to know within Redtail. Then the ultimate goal is to have a complete training folder for the next hire. You'll be able to see how we onboard a new client and what role they play in it in our CRM.

[00:24:06] Matt: Then, Sean, you mentioned CRM earlier when we talked about this reset that the firm's going through. You're in that unique position that you don't have all of these legacy problems [laughs] built into your CRM yet. How have you designed and implemented the CRM at Validus?

[00:24:21] Sean: Yes, back to what I was saying simplify, simplify, simplify. First part was really just collecting client demographic information and then client segmentation figuring out which clients associates cover which clients. Then the next most important thing was just how do we onboard and make more efficient the private fund lifecycle, right? The old days where client service would manually fill out a sub doc and we all know those are like phone books today, all that information is form filled using the CRM and then sent out via e-signature. What used to take weeks to fill out all the paperwork and get everything out under a very tight timeline literally goes out with a few clicks.

That's really night and day and making client onboarding easier, but also nobody's pulling their hair out because it's such a simple system that we're actually using it, everybody's using it. It doesn't have a lot of the legacy problems. We got lucky with this reset, but my hope is to continue on with that simplicity is what's the next problem set that we need to solve? Just build for that problem set and then see how it works. Another benefit of not overbuilding is if you're going in the wrong direction you can easily hit the reset again. That's how we're thinking about the CRM.

[00:25:50] Matt: That's great. For our last question, let's finish up this conversation talking about inorganic growth, which is obviously a hot topic in our industry. Trevor, how have you approached the complicated process of onboarding advisors?

[00:26:05] Trevor: I think one of the most successful ways we've grown over the years is to find great advisors who have a book of business or are experienced and they're looking to transition to maybe retirement or they need a team to support them because they've done it on their own. I think this way is a great way of finding great talent. When everyone's looking for good talent out there this is one of the ways to do it. We're able to offer them a great home to grow personally, professionally. We have huge support from Sax LLP to bring on these advisors. I think for me coming in, my priority is for them to feel comfortable from day one.

They know that the clients that they bring over they're in great hands. It's working with them one-on-one, it's having the service team work with them. We have a tremendous

client service team that's dedicated to giving all their clients the best possible experience. This also goes back to the importance of having documented processes in the CRM or a training guide to easily onboard these new advisors to bring them right into the fold and they're not sitting there twiddling their thumbs.

[00:27:17] Matt: Then Sean, you mentioned it's mostly been client referrals but I know just like everybody you're talking to advisors and thinking of adding some. What's the value prop that Validus offers to advisors?

[00:27:30] Sean: Yes, I think for us because this is such a sensitive area, because we're a smaller firm, we've got to find the right advisors that are entrepreneurial. Really the value proposition is we want to look for those advisors that are solely focused on delivering a better client experience and want to focus on their clients. Come to Validus if you just solely want to focus on your clients and not have to worry about workflows and how do I log into this portal or that portal. It's really just how do I deliver the best possible service ideas and help manage my client portfolios?

[00:28:10] Matt: We've talked about on the podcast a lot. We mentioned it earlier, [laughs] I'm trying with this podcast to prove to the RIA industry how important operations folks are. One of the things that we talk about a lot is you can't onboard advisors. You can't attract advisors if the infrastructure of the firm isn't built yet. Folks that listen to this podcast, you're the ones that are building that infrastructure and that is the easiest place for all of us to point to our value, is firms that are doing inorganic growth. It's impossible to attract advisors to your firm if you don't have that infrastructure if it isn't working well, and if the onboarding plan doesn't go well.

Everybody should point to that when you're looking to show your value to your firms. Trevor and Sean, I want to thank you both for being here today and sharing your thoughts with us. This has been a great conversation. I know our listeners have learned a lot from both of you. Thank you both for being here.

[00:29:06] Trevor: Thank you, Matt.

[00:29:07] Sean: Glad to be here. Thanks, Matt.

[00:29:09] Matt: That is a wrap on episode 57 and we will talk to all of you soon.

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