

The COO Roundtable with Matt Sonnen

Episode 62 – Featuring Megan Hannah & Spencer Rand

[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, everyone, to Episode 62. We are blessed with another two fantastic guests today and we have a great conversation planned, so I want to jump right into it. Megan Hannah is COO and Portfolio Manager at Emerald Advisors. It's interesting to have an investment-focused COO on the podcast, so we'll be talking about that in just a bit. Emerald Advisors is in Bellevue, Washington, where Coldstream is headquartered. After I joined Coldstream and started traveling to Bellevue on a regular basis, Megan and I connected and have been networking together and sharing COO war stories, so I knew she would be a fantastic guest and I'm excited that she's agreed to do this today. Megan, welcome to *The COO Roundtable*.

[00:00:57] **Megan Hannah:** Thank you so much for having me.

[00:00:59] **Matt:** Great. Then joining Megan is Spencer Rand. He's the Director of Operations and Chief Compliance Officer at Five Oceans Advisors. I've been talking a lot lately with my network about the fact that I live in Los Angeles, but I'm the COO of an RIA headquartered in the state of Washington. Five Oceans is headquartered in Los Angeles, but Spencer actually lives in St. Louis, Missouri. This is the new world that we live in. In fact, their entire firm is fully remote, which again, I'm sure we're going to touch on that in just a minute. Welcome to the podcast, Spencer.

[00:01:34] **Spencer Rand:** Thank you, Matt. I'm looking forward to it.

[00:01:36] **Matt:** Spencer, I'll go to you first. Other than being fully remote, tell us a little bit about Five Oceans Advisors.

[00:01:43] **Spencer:** Sure. Yes, it all started back in 2016 when one advisor named Mark Campbell, he was looking to connect with other advisors in the area. This was in Southern California, and he found a list online and was clicking on different people's websites. He found a website of another advisor named Chris Girbés. He was struck by some of the similarities that they had. They shared a similar take on the industry and where they thought the wealth management industry should go. He reached out to

him, Chris agreed to meet, and they spent a number of years getting to know each other.

They would walk up and down the beach on sunny California. Yes, after a number of years, they decided that they wanted to go into business together. They left their respective firms, and fast forward to 2020 when they founded Five Oceans Advisors. As you mentioned, Matt, yes, we're based in Santa Monica, California, and we are 100% remote. We've got eight employees, four of which serve in some sort of advisory capacity. The other four, we cover everything else. We're a fee-only firm and have about 500 million in assets. Yes, relatively young firm, but that's the history.

[00:03:13] Matt: Megan, give us some info on Emerald Advisors.

[00:03:17] Meg: Certainly. Emerald launched in November of 2019, which was just four months before COVID hit. It made for a pretty interesting first year of business, not what you anticipate when you first launch. Mike Smith is our founder, and he left Merrill Lynch with his team to start Emerald. Today, we manage just over 700 million in assets across approximately 200 households, and we have clients in 32 states.

We have seven employees today. I'm hopeful by the time this airs, that count will be at nine. Our ideal client is a corporate executive working at a publicly traded company that really wants to maximize their company benefits, but may not have the bandwidth or the knowledge to start. We really look to come alongside them in helping them to capitalize on those benefits as well as looking at some opportunities for diversification.

[00:04:16] Matt: Great. Let's talk about your career path, Spencer, in looking at your LinkedIn profile. You've been in a few different industries in addition to wealth management. I will say you've been very geographically diverse as well. You've got Illinois, Washington DC, and Virginia. I mentioned you're now in St. Louis, but you're working at a firm in Southern California. Tell us a little bit about your career path and what led you to Five Oceans.

[00:04:43] Spencer: Yes, sure. For most of my career, where I lived was where I was working. As you pointed out, it's now my job is following me. Since graduating, yes, I've had jobs as a business consultant for a Fortune 500 company. I've been an investment consultant on the institutional side, and also worked a little bit as a data scientist. Along the way, I decided that I wanted to be a portfolio manager. That's where I said, "Okay, this is what I really want to do." I was able to land a role as a portfolio manager at an RIA back in 2012.

For those of you who don't remember, I'll paint a little bit picture of what the environment was like back then. It was actually pretty good timing. The financial crisis was in the rearview mirror. Volatility was low. It was a pretty easy time to make money, relatively speaking. Despite having one of the best environments that you could probably ask for, it seemed like everything was going up. There was a small pullback in

2015. I quickly learned how stressed out I got when I had to sit down at the table across from clients and go over their portfolio and explain why some of their investments had gone down.

That's not really a great quality for a portfolio manager to have, since you're always going to have to be defending some stock or some fund that's underperforming. At that point, I said, "You know what, I want to stay in the industry somehow, but I want to see if I can find a role that isn't interacting with clients on a day-to-day basis." Let me back up and say, Chris, one of the co-founders, he and I were college classmates and former teammates as well. We played college baseball together and we'd been keeping in touch.

One day he reached out to say, "Hey, I've started this new business, it's an RIA. We're growing enough that, I don't want to do operations anymore. I want to pass that off to somebody else. I need to be out there trying to meet with prospects and I don't want to do this anymore. Would you be interested?" When I was a portfolio manager at the other RIA, I wasn't really sure what that meant because we didn't have somebody dedicated in operations. After talking with him about it, I said, "Okay, yes, this sounds like a great opportunity." I jumped at the chance and been there for almost three years now and it's been a great fit.

[00:07:24] Matt: I love your story because it's somewhat similar to mine. Very young, coming out of college, I was thinking, "I want to pick stocks for a mutual fund someday. I'm going to go get my CFA and this, that, and the other." Then I wound up the first opportunity I had to just get my foot in the door was operations. Then later I was given the chance, "Hey, if you want to start working with clients, you can." I had that same pit in my stomach of, "I don't really like talking to clients about, why their investments are doing what they're doing. I think I'll just stick with operations." I came to the same conclusion that you did.

[00:07:59] Spencer: Yes, there you go.

[00:08:00] Matt: Megan, you've been in investment management your whole career. You mentioned portfolio management and research in particular. That's where a lot of your focus has been. Tell us about the various zigs and zags in your career that led you to Emerald Advisors.

[00:08:16] Megan: Certainly. Yes, I would start by just saying from a young age, I think I've always enjoyed organizing things. That is probably what first drew me into investing. I liked that idea of being able to take a lot of data and organize the information and come out with a buy-sell-hold decision. That was pretty intriguing to me. My first job out of school, I joined a traditional money manager where I primarily focused on evaluating IPO opportunities in the height of the Internet bubble.

Six months into the job, the PM took me to lunch and said, "I'm going to start a hedge fund. Do you want to join me?" I looked at him and said, "Not sure I even know what a hedge fund is, but I'm 20-something. Sure, I'll take the risk." We launched a three-person firm in 2000. I was brought on to be the analyst, but pretty quickly took on a number of operations responsibilities that taught me quite a bit about managing clients and a business.

After a few years there, I was ready to make a change. I joined a firm called Quellos, where I worked in the research group for their fund of hedge funds team. Our team was responsible for managing the portfolios, including monitoring our existing hedge fund investments, and identifying new investment opportunities with a particular focus on early-stage hedge funds. We would literally cold call new hedge fund managers that were still operating out of their garages and ask them to tell us about their funds. It was a pretty fascinating time to be in the alternatives world, which has certainly exploded quite a bit since then.

In 2007, Quellos was acquired by BlackRock, and that's when my role started to shift a bit more into a focus of building scalable processes, managing new team members, and designing a strategy for client communications. I also worked very closely with our technology team in enhancing the proprietary tools we had to better accommodate that expanding team and the greater demands from clients. I left BlackRock in 2019 and took several months to spend some time with my children who were seven and 10 at the time.

I tried to do everything I couldn't do when I was a mom working full-time, and I quickly learned how fast a day can fill up. As I started to evaluate what my next step would be, it didn't take long for the RIA world to become an area of focus. I knew I really wanted to be in a smaller firm where I could have a real impact both on our employees and our clients. I was introduced to Mike through a mutual connection at Schwab just as Mike was getting ready to launch Emerald Advisors. I stepped back and figured, what better way to learn about the RIA industry than to help build one?

I came on board as a portfolio manager. Even on launch day, it was pretty clear that role would change when I was running around trying to figure out how to make the phone system work so that we could get in touch with clients. Today, I split my time between managing the portfolios and managing the business. I'm definitely that COO that, Matt, you refer to regularly on this podcast where I wear a lot of hats, but that has always been what I enjoy most.

[00:11:48] Matt: I love both your stories, and I think I've said this on the podcast before. I've had the opportunity to speak at a lot of college info sessions, and these poor college students, they all think that we all had this grandmaster plan to where we are today. Both of you have very pivotal points in your career where, and myself included,

you were given an opportunity and your response was, "I don't really know what that entails, but let's give it a shot." That has been one of the keys to your success.

I try to tell these college students, "Just keep raising your hand. That's all I can give you, but you don't need the plan, but you do need to have the willingness to just keep raising your hand." I appreciate both of you going through your stories. That's great. I mentioned it's rare that one of our guests has their CFA designation, but both of you are CFA charter holders. Megan, you mentioned how you're juggling your time between portfolio construction and then the operations responsibility. Talk to us a little bit more about how you're dividing your time and your energy every day.

[00:12:52] Megan: Wearing all those hats, it's definitely an exercise in time management. At a basic level, I do try to block my day to ensure that I'm available to do the portfolio work during those market hours, and then focus on more of the operations-related duties after the market close. Like all of us, I really live and die by that to-do list. I think at a higher level, my background in investments and work in portfolios today, I believe makes me a much better COO. I really think that to be a strong COO, you need to have a good foundational understanding of all the roles in the business. Some COOs have grown up in operations and it works great for them, but they may have a more cursory understanding of that investment and advisory side of things.

For me, running the portfolios not only gives me a great appreciation of the investment side, but it also gives me a natural opportunity to get to work with our clients. Thankfully, we have amazing clients, so I haven't had to have a lot of those hard conversations that, Spencer and Matt, you guys have both mentioned of trying to defend your performance in there. I really enjoy that opportunity to sit down with them. Through that, I'm able to really get that hands-on experience at each stage of a client's journey, which allows me to be more holistic when I'm thinking about how to build and implement scalable processes across the team.

[00:14:23] Matt: Spencer, you tackle a lot of the trading responsibilities at Five Oceans. How has your background in investments driven your approach to operations?

[00:14:33] Spencer: Yes, for most of what I do, my background investments doesn't directly come into play, except for trading. We rely on our fund managers for stock selection and we have a pretty passive approach to our asset allocation. Our equity portfolios, they try to mimic the broad stock market in terms of their weighting and our financial planning tool tells us how much fixed income to hold and what that mix is. We're pretty hands-off on that front. I'll occasionally have to answer a question or two from a client about their performance or weigh in on characteristics of an ETF or a mutual fund.

Trading is the big one where it comes into play, and how it actually fell into my lap is funny. When I was interviewing for the role with Chris, he said, "Oh, don't worry, you're not going to have to do any trading. We outsource all of our trading. You might have to do it in a rare circumstance, but they handle it all." I thought, "Okay, great. This is what I'm looking for. I want to expand into other areas. This is perfect. What could go wrong?" Those were famous last words because about six months after I joined, our trading vendor decided to not keep us as a client any longer.

They gave us advanced notice, but we had to decide, do we go out and look for someone else to replace them or do we bring it in-house? Fortunately, I had that background. We could fall back on that. We decided to bring it in-house. We don't have a ton of activity. We're not picking stocks, like I said. The workload is definitely manageable. Megan's really flexing her CFA muscles with what she's doing. The trading and order types, that's just a tiny sliver of the CFA curriculum, but I was glad that I at least had that background. It's a use in case of emergency type of situation.

[00:16:40] Matt: As operations professionals, I know one of your focuses is ensuring that the firm is scaling and growing as efficiently as possible. I know of no better way to scale the business than to get really clear on what client you're serving and how you plan to serve them. Spencer, in looking at your website, right on the landing page, it announces, "We empower Gen X and Gen Y Founders, C-Suite Entrepreneurs, and their families to be who they want to be in the world." Looking at the scroll down a little bit, looking at the client testimonials portion of the website, there's some very young and hip-looking folks on your website. What work have you done? Clearly, you've defined it. What work have you done to define your ideal client?

[00:17:24] Spencer: Yes, I'm glad that message came across like a hammer right on the website, like you said, front and center. The co-founders definitely gave this a lot of thought. Their first step was to say, "Okay, we have an existing book of clients. Who would we want to replicate? If we could clone any of these clients and start getting more of them, which ones do we find that they're like-minded and they're profitable and they're fun to work with?"

They gathered this list and then they took it a step further and hired a firm to help them think a little bit more, and were asked questions for things like, how old are they? What's their educational background? Where do they spend their time online? What language do they use around certain pain points? That's where they painted this picture of what they thought this hypothetical client would look like. As you pointed out, Matt, you're right, it came out to be Gen X and Gen Y. Someone who's roughly in their 30s, 40s, or 50s, and that they're a founder or an entrepreneur or a C-suite executive that has an illiquid asset, private shares in a company.

That criteria, they did that. That is easy to determine if someone meets that criteria. It's fairly black or white. The second step they did was to look at the ideal client's mindset

or what's their approach to finances. Every advisor appreciates a client who trusts them and takes their advice. We wanted to specifically call out clients who were more interested in asking the question, "do I have enough money? What is enough for me?" As opposed to the other side, which says, "Hey, I've got a whole bunch of money. How can you make this grow as much as possible?"

The first question it's when you're saying, do I have enough money? It's quantifiable and it's achievable. There's financial planning tools that can help you answer that. Whereas the other one, when you just say, "Hey, can you help me grow as much wealth as possible?" It's not as quantifiable. We think it's a recipe that's going to make someone unhappy in the long run. We've got the characteristics on one side and the mindset that we want our clients to opt in into. That's what we think an ideal client looks like.

The next step was to build that service offering and that fee structure, and start making some marketing efforts towards them. For example, last year we launched a podcast mini-series called the Exit Planning Toolkit, aimed specifically for small business owners or business owners, and you can find that in our website as well. On the podcast, we had experts come in and talk about what it's like to sell your business and talk about tax considerations and estate planning. We went through this whole set of exercises and launching that podcast was just an exciting step to take in that direction.

[00:20:37] Matt: I love the way you laid it out. I think that's exactly right. You figure out who you want to serve, so who is it? Then you figure out what you're going to do for them, so what's your service offering, and then how much are you going to charge? What are your fees for those services for that client? I think that's exactly right. Megan, earlier in the podcast, you mentioned your client niche. How has Emerald Advisors focused on the perfect client for your firm?

[00:21:03] Megan: I would say for Emerald, like a lot of firms when we first launched, we were pretty happy to take on any client that wanted to join us, but we were really fortunate that nearly all of Mike's clients did follow him over from Merrill. We saw very quickly, even before we had an opportunity that really defined our ideal client, that our ideal clients started to find us. It really goes back to that corporate executive that's so busy managing their day-to-day, they don't have time to understand the benefits that are being offered to them, or really even focus on how to build for retirement. We tell our clients our goal is to give them back their valuable time so they can focus on other things, and I think we're pretty successful in doing that for them.

It's led to a lot of clients talking to their colleagues, sharing their experiences with Emerald, and has generated a fabulous pipeline where nearly every new client we are bringing on today really fits that ideal client persona that we've developed, or they're on a very clear path to it. I think we've augmented that by doing some things like presentations at some of the workplaces to better educate employees and being able

to offer a more unbiased educational platform for those employees, because we aren't trying to sell the 401k product or the deferred comp product, or tell them they need to sell all of their RSUs, but instead looking at how you bring all of those together to work together.

[00:22:49] Matt: That's another great point. Spencer laid out how this typically goes, is again, figure out who you want to serve, figure out what services you want to give to that ideal client, and then what are you going to charge for it? That's how you do it on a whiteboard. I think Megan described how it normally happens, which is exactly right. When you start your business, you take anyone that's willing to work with you, and there's nothing wrong with that, and everyone should do that in the early days. As you get older and you're trying to scale, and you're trying to put some efficiencies into the business, you do have to take a step back and figure out, "Hey, is there a niche hidden in here of all these different people we've taken on over time?"

I think that's exactly right on how it evolves. We're going through this at Coldstream as well. I think every firm needs to take that step back and figure out, okay, this is the year that we're finally going to start to scale the business and really hone in on who we're serving, how we're serving them, what we're charging them, et cetera. I appreciate both your answers to this one. Talking about services, Megan, outside of just the traditional wealth management services, what else are you offering clients?

[00:24:07] Megan: A driving force behind Mike's decision to leave Merrill and launch Emerald Advisors was his and the team's desire to better serve clients. At a very basic level, that means providing advice on assets held outside of Emerald, everything from being able to do that 401k rebalance or finding that mortgage for them. We have dedicated a lot of time to understanding deferred compensation plans, which sometimes can be overly complex to employees that don't live and breathe the finance world.

We have worked with them, with our clients, to use those plans in building up their retirement funds to serve them in their first 10 years of retirement as a goal. This takes a lot of careful analysis, some really complex modeling, and a lot of client education. We talk a lot about how these are all things we don't get paid on today, but we also do know that in the long run, it really serves us and our clients very well to get that set in place.

We also offer family office services for some of our largest clients. That might include your typical family office service like a bill pay, but we've also done some event planning. We put together an event in Hawaii for a client and several of her close friends to recognize her deceased husband's birthday. Another example is Mike has taken clients to Italy and done everything from arranging tours, transportation, entertainment, lodging, but also adding his own personal touch that comes from his several years living in the area.

He was a career Navy person. I feel like every time we talk to Mike, he's lived in some place that someone else mentions, which provides a lot of fun for our clients as they start to explore the world in retirement. In short, we really try to over-service our clients in every way possible. Probably sometimes that's to our own detriment, but we can't help ourselves because we really do enjoy working with them and being able to see them reach their goals.

[00:26:28] Matt: Spencer, what services are you offering clients to make those relationships hopefully more sticky?

[00:26:34] Spencer: Yes. The first thing we do is we make all of our clients sign up for the Five Oceans timeshare, which as everyone knows, those are impossible to get out of. No, I'm just kidding. I'm kidding. Just kidding. In case, this, for my compliance team, that's just-- No, seriously, our view is that traditional wealth management, it's basically a commodity. You have to provide investment management and financial planning, but while they're necessary, it's not sufficient if you're really trying to grow and stand out.

The offering that we have, we believe it strengthens and deepens the relationship between clients and advisors, and we call it life strategy. Much like you would help a client with their financial strategy, we have a dedicated member on our team whose role it is to look at the bigger picture, go beyond their finances and the numbers. Our clients will have two conversations a year with this person who we call our life strategist. In these conversations, there's a framework that we've developed where we're exploring the values and their goals, their priorities, their aspirations that a client will have in five key areas of their life.

Those five areas are finances, career, relationships, health, and fun. We call those their personal five oceans, hence the name of the firm. The purpose of this is not only to help our clients take the time to think about these types of questions, but also to make sure that the advice we're giving is centered around what's most important to our clients and what's meaningful in their lives. Clients and their advisors, they get a summary of this conversation about what was talked about, and everyone's clear for these five areas, what are they focusing on in the short term or the long term?

Is relationships and health a priority? Because they haven't been giving them as much attention. Maybe it is finances and that's the main one they want to focus on, that's fine. That's what we want to come out of the meeting with a better understanding of. We have these same conversations every year and they always follow the same structure. We track this information every year so we can see how things are progressing over time.

We can look out for opportunities to bring their lives into alignment with this vision that they have for themselves. That's life strategy in a nutshell. We really think it's those types of conversations that will give us more insight about our clients as an individual

and what their hopes and dreams are. From the advisor's side, it helps us better connect the dots on what the clients are trying to achieve, not only with their financial resources, but also with their time and their energy.

[00:29:43] Matt: I love that you built the five services into the title, the name of the firm. That's fantastic.

[00:29:49] Spencer: Yes, it's become a joke. We have to do everything in fives now. It used to be like in threes, no, we've upped it to five.

[00:29:59] Matt: That's funny.

[00:29:59] Spencer: There we go.

[00:30:01] Matt: On the topic of growth and scale, I know both of you are actively hiring right now. Megan, you mentioned you're hoping to go from seven to nine, so you've got two open positions right now. How are you approaching the hiring and recruiting process?

[00:30:18] Megan: That is the ongoing question, I feel like, whenever I talk to an RIA. How do we recruit? How do we find people? We do have those two open positions. We have offers out on both of them, so I'm very hopeful that those come through and possibly we can be done recruiting for a bit. That might be my famous last words, we'll see. We've used recruiters in the past, but more recently, we've been able to pull together pretty strong candidate pools, posting directly on LinkedIn and Indeed.

Whenever we decide to post a position, I always set a deadline for how long I'll keep that position open before I try to enlist the help of a recruiter. Having that timeline seems to help us stay focused on the applicants and also allows me to be more selective in which candidates I'm going to move on to an interview. We all know what a time-suck recruiting can be, and I try my best to be protective of my time when I can. Those first-round interviews, I find I can usually tell in the first 15 minutes or so if there's something there or not. I never schedule them for more than a half hour, knowing that we can always spend more time together in the next interview round.

One thing that I have found very effective in the hiring process, particularly for administrative and support staff roles, which can be really hard to find, is putting together a case study. We provide candidates with a client profile and custodian paperwork, and we ask them to complete the paperwork, keep track of any of their questions they might have in the process or any missing information that they can't find, and also draft an email that would go to the client. I found that not only is this a great way to see the candidate's attention to detail, but also quickly weeds out those candidates that aren't really interested in the role and willing to put in the time.

[00:32:16] Matt: That's a lot of actionable advice in that answer. Everybody needs to rewind and listen to that again. I like the only scheduling 30 minutes for the first interview. I think that's a good one. I love the case study to get a good gauge of the candidate. That was fantastic.

[00:32:37] Megan: Thank you.

[00:32:37] Matt: Those are some great tips there. Spencer, I believe you just hired two new employees. Any lessons learned through that process on the hiring or recruiting front?

[00:32:50] Spencer: Yes, of course. My lesson for Megan is, since you're a small firm like us, don't hire two people at the same time.

[laughter]

[00:32:58] Megan: Thank you. I'll keep that in mind.

[00:33:01] Spencer: No, it's working out fine. To add on to what Megan was describing about the case study, I did something similar where I printed out a redacted performance report and I intentionally put errors and things like that in the numbers. Then I slid the report across the table and I just said, "Tell me what you see here. Explain what's going on with performance, the numbers." I would see if they could pick out some of the intentional errors like, "Oh, why are two stock portfolios up 10% and this one's down negative 50?" or something like that. I love the case study one as well.

What I was going to say, the big lesson for us is finding a cultural fit is just as important as finding someone who has the right skill set. Now, obviously, that's easier said than done, so how do you do it? The first way we've tried to do that is through referrals, much like we love it when a client refers us to potential new business because they're usually a good fit. Our approach to hiring has been similar where a lot of our new hires have come from leveraging networks of our current employees. Now, granted, it helps that we're 100% remote so that basically anybody you run into is a candidate.

If you need to hire somebody local, it shrinks the pool down. We've been fortunate so far we haven't had to publish anything to LinkedIn or any public postings yet. I think that's for two reasons. First is we've tried to build an environment where people like coming to work and they really like working with the team. If you can make it a fun place to work and everybody generally is happy with the direction their career is going and their team members, then if something opens up, then they'll make a strong sales pitch to their friends or former co-workers and say, "Hey, you might want to come check this out."

The second reason that I think it's been successful is that, much like defining our ideal client, we've also spent time defining our company's core values. We did this a couple

of years ago, and when we went through the exercise, I wasn't sure if it was going to be just a whole bunch of fluff and end up as a successories poster on the wall somewhere where we're never going to talk about it again. I'm happy to say it actually, these things have ended up in our conversation. During meetings, we will quite often refer to these values.

We use them and refer to them when we're trying to make hiring decisions. As far as referrals go, that only works for so long. You can't endlessly ask your employees to hopefully find someone that might be a good fit. Like Megan's going through, my recommendation there is, yes, the case studies or trying to find some creative interview questions, something beyond just the, "Tell me about your skills," and "Tell me about that." I want to share a quick story that I thought illustrates this. There's no magic questions that you can ask somebody that's going to reveal their personality or their values.

This one interviewer did a couple of things that I think tried to go down that road. The first one was, so he asked me a pretty standard interview question. It was something like, "Tell me about a time when you were dealing with conflict." I sat there and I answered the question as best I could, didn't think anything of it. As soon as I finished, he very bluntly goes, "No, that's not what I'm looking for. Try again." I kind of go, "Whoa, okay." I'm thinking to myself, "I thought I did a pretty good job, but all right, whatever, I'll answer it again." I answer it and the interview moves on.

The second thing he did were more interview questions. Then out of nowhere, he asks, "Have you ever been in a fistfight before?" I go, "Whoa." I can feel my face, turning red. Then I start sitting up and I say, "No, have you?" I just immediately turned the question back on him. He answers and we finished the interview. During the rest of the interview, I'm going, "What? What did this have to do anything with the job description?" I could not figure it out. I ended up getting hired and after a few years when I got a little more comfortable being there, I asked the guy, I said, "What was the deal with those questions?"

He said, "Oh, yes. I wanted to see if you got flustered at all on the first one when I just flat-out rejected whatever your answer. Whatever you said didn't matter, I was going to immediately say no, and I wanted to see how you reacted. I was like, "Okay." I said, "What about the second thing?" He said, "Oh, yes, that one, I wanted to ask something so off the wall, something you've hopefully never heard before. I, again, wanted to see your reaction to hopefully get a more authentic picture of you."

Talking with this guy, I learned that I think he valued somebody that wasn't really going to get easily rattled. I was going to be talking with clients and you never know what their mood is going to be like. He just wanted to see how I would handle that. Because you can't ask somebody, "Oh, are you easily rattled or not?" They may not be honest with that or you're not going to get something like that.

Now let me caveat this and say, your HR team might not want you to ask about someone's history with physical altercations, but I think the point is still valid that you got to be creative with your questions to try to get an authentic response. Yes, my big takeaway is we're trying to find a cultural fit, leveraging our employee referrals, and then trying to ask some sort of behavioral questions or case studies, like Megan said, during the interview process.

[00:39:14] Matt: Yes, the only thing I'll throw out there, you both have given good examples on the case study. I've seen everybody seems to-- you're always looking for a CSA. Everybody's hiring CSAs. The case study I've seen for a CSA, because it's so much of what their job is, you have a brokerage statement. You obviously, you cover up any client information, but you have a brokerage statement, say, here's 25 positions. Then just in Excel or whatever, you put together, the landing of those positions. Then here's what's sitting at Fidelity or Schwab or whatever it may be. Reconcile this account transfer.

Either, there was 25 positions, and there's only 23 or whatever. You could also do partial. There was 10,000 shares of Microsoft and there's only 8,000 in the account. You're looking for their attention to detail, Megan mentioned. I've seen that one quite often on CSA ones is just making them actually reconcile account transfer. You both gave some great examples there. Spencer, I'll ask, now that you've onboarded these new employees, what do you do from a cultural standpoint to keep your employees engaged?

[00:40:31] Spencer: Yes, that's the million-dollar question. As you pointed out, we're 100% remote. We've got employees in multiple states in all four time zones, so engagement, I feel like, is extra challenging. I'm trying not to have too many Zoom meetings and check-ins and things like that. We have some just to make sure that people are staying on track, but I'm trying not to go overboard because I don't think you can really develop the same rapport when it's face-to-face.

One small thing that we do, which I find helpful, is at the beginning of our meetings, again, this is all over Zoom, is we take five minutes and we talk about something on the personal side instead of just jumping right into business. It can be anything from, "The weather was nice and I took my dog to the park," or "I went to this new restaurant or I saw a funny movie." It really doesn't matter. The point is, these are things you would normally do in an office when you run into somebody Monday morning, "Hey, how's it going?" or in the break room.

When you're virtual, we force these conversations upon our team, just again, so we're not diving right into business and being like, "All right, here we go," and making it a soul-sucking meeting. We've got that. Then the other thing is we do two in-person meetings per year. We fly the whole team out and typically meet in Los Angeles and try

to have some fun. We've done things like a beach cleanup or gone to a comedy show. One year we went to Las Vegas to watch some college basketball.

This past year, we met in LA and went to a place called the Magic Castle, which is a private invitation-only place where you can go and see magicians and entertainers perform, and it was a lot of fun. We're always looking out for those types of activities. I'd love to get people to do one of those mud runs where you're crawling under barbed wire and stuff, but I realize not everybody's into that, so it's an uphill battle. For us, 100% remote firm. Our main focus is getting together in person at least twice a year to reconnect and keep people engaged.

[00:42:59] Matt: That's great. I love those ideas. Megan, beyond recruiting, what do you do to hopefully retain your employees and keep them happy?

[00:43:07] Megan: Yes, as Spencer said, it's the million-dollar question. I really see employee retention begins not only with the firm culture but at a root level with relationships. Just like your stickiest clients are the ones where you've built a non-transactional relationship, so too your stickiest employees are going to be the ones that know and trust you. We really strive to be a family and hopefully not a dysfunctional one. We see that part of being a family means understanding an individual's needs and that we have lives outside the office.

We try to be really respectful of people's family time and very accommodating as they need it. I know I personally have appreciated the flexibility I've been granted to be able to be present in my children's lives, make it to that soccer game, and I really look to extend that same respect to my colleagues. I think similar to what Spencer was saying, one of the most important things that we've done to build our culture is an annual team off-site. We have some remote employees that occasionally end up in the office anyway for client meetings.

We're very intentional that once a year, we get everybody together and create an opportunity to really focus not only on some strategic planning but also focus on that team building. Some might argue that strategic planning discussion should be held more at the executive level. I've really found that giving everyone a seat at the table to voice their opinion in the direction of the firm, especially when you're dealing with a small firm, it goes a very long way in building that employee loyalty and also getting that employee buy-in as we start to implement the initiatives.

After a day of pretty intense meetings, it's always great for the team to blow off some steam. I think we need to come up with some more ideas because we've done a lot of mini-golf of late, but trying to find some other activities. We go grab dinner together, have a conversation focused on life outside the office, and this is usually a couple-a-day event. We really get away, and those conversations don't have to be as forced or as time-constrained as they can be when you're doing that quick morning check-in

call. I think we always come away from these times together a tighter team and more excited for the path ahead.

[00:45:40] Matt: Spencer and Megan, I cannot thank you enough for sharing all of your experiences and your approach to RIA operations. I know our listeners have benefited from all of the actionable ideas that you've shared today. Thank you both for being here.

[00:45:54] Megan: Thank you.

[00:45:55] Spencer: Yes, thank you, Matt. Appreciate it.

[00:45:58] Matt: That is a wrap on Episode 62. I think our next episode is going to be a monologue rant of mine, so hopefully everyone will indulge me on that one. We will talk to everyone soon.

[00:46:28] [END OF AUDIO]