

AMERICAN DREAM

INTERVIEWS WITH INDUSTRY-
LEADING PROFESSIONALS



JASON NAVALLO

American Dream

Interviews with Industry-Leading Professionals

Jason Navallo

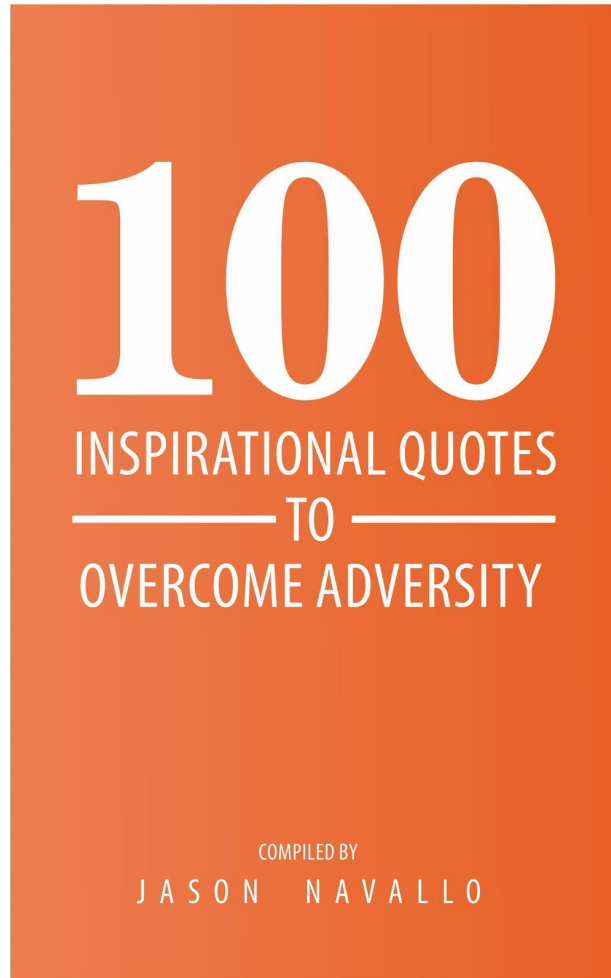


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Introduction

The American Dream stands for freedom. It stands for the opportunity for prosperity and success and an upward social mobility for your family and children, achieved through hard work in a society with few barriers. It's one of the main reasons people move to the United States. However, many young Americans believe that the American Dream is dying, or that it's already dead. In other words, they believe the opportunities their parents once had are no longer available to them.

History shows that we're constantly evolving, as individuals and as a society. In the workforce, the skills required for a successful career today may not be the same for tomorrow. But it's our willingness to learn new skills, by putting in the effort to learn something new, that makes us grow as professionals, and as human beings. We must not be afraid of failure.

This book contains six in-depth interviews I've conducted with some of America's leading professionals in different industries. The focus of these interviews is around their professional lives and the habits they've formed that have contributed to their success, both in business and in life. I've also collected their thoughts on the American Dream and whether or not they believe it's still alive. I was truly inspired by what they had to say, and I hope you'll be inspired as well.

Life is full of opportunities. But we must have the awareness to see them, the courage to pursue them, and the perseverance to see them through. We will face many setbacks on our journey, but it's the determination to get back up, after we've been knocked down, that will make the difference between success and failure. Although industries will rise and fall, the American Dream is not dead. These interviews serve as proof.

Peter Mallouk



Peter Mallouk is the president and chief investment officer of Creative Planning and affiliated companies. Peter's companies provide comprehensive wealth management services to their clients, including investment management, financial planning, charitable planning, retirement plan consulting, and tax and estate planning services.

Creative Planning provides wealth management services to high net worth clients, manages over \$20 billion for clients in all fifty states and abroad, and has been featured twice as the #1 Independent Wealth Management Firm in the United States by CNBC (2014 and 2015).

Peter is featured in every eligible listing of *Barron's* as one of the Top 100 Independent Financial Advisors in America and the only advisor featured at #1 three years in a row (2013, 2014, and 2015). In every ranking since 2005, Peter is featured on *Robb Report Worth Magazine's* list of the Top 100 Financial Advisors in America. Peter is featured in *Boomer Advisor* as the #1 Advisor in America for Baby Boomers. Creative Planning is featured in *Forbes*

as one of the Top 50 Financial Advisory Firms in America, *Investment News's* Top 50 Wealth Management Firms in America, and *Financial Time's* Top RIAs. Creative Planning is also featured in *Ingram's Magazine's* issues covering Best Places to Work and Most Charitable Organizations and has been named the Reader's Choice #1 Wealth Management Firm.

Peter graduated from the University of Kansas in 1993 with four majors, including degrees in business administration and economics. He went on to earn a law degree and Master of Business Administration in 1996, also at the University of Kansas. Peter has also earned the CERTIFIED FINANCIAL PLANNER™ designation.

Peter is the founder, current executive board member, and former five-year chairman of KC CAN!, an organization of volunteers dedicated to improving the quality of life of children in Kansas City. KC CAN!'s signature project is Safety Street, a "real life" street where second graders throughout the city go as an educational field trip to learn about bus, car, bike, pedestrian, and fire safety.

Peter has served on the board of directors for Pathway to Hope, American Stroke Foundation, St. Michael's Finance Council, Kansas City Hospice, and KC CAN!. Peter is married to Veronica and has three children: Michael, John Peter, and Gabrielle.

Tell me about your background.

I grew up in Kansas City, Missouri. My parents were immigrants who were big on education. So I went to school, and to the University of Kansas, where I majored in psychology, political science, business, and economics. Then I went on to get a law degree and an MBA, also from the University of Kansas. After graduation, I returned to Kansas City and spent a couple of years holding various positions with financial and practice management aspects, then quickly found myself in the financial and estate planning world, where I worked with individual clients and helped them with wills, trusts, and taxes (like how to reduce capital gains, estate, or income taxes). I largely did this for other firms' clients. So essentially, brokerage houses and independent advisors would bring me in to help their clients with certain things. I would do my part, then the client's financial advisor would take it from there. I did this from 1998 to 2003. Then I noticed there's a space in the wealth management world for firms that really tailor portfolios to their clients' needs and that are able to do more than just pick some "in-house" mutual funds or other investment products. There was also clearly a need for an advisor that could assist with tax advice, estate advice, and so on. Since 1998, I had handled the financial planning and legal work for Creative Planning's (a planning and investment firm) clients, while at the same time working with hundreds of other clients. I purchased Creative Planning on January 1, 2004. At the time I had dozens of clients and a very small base of assets under management, probably less than a hundred million. From there, I began to reinvent it into what it is today: one of the largest, if not the largest, independent holistic wealth management firms in the country.

How did you come across the opportunity to buy Creative Planning?

It was already a place where I was providing financial and estate planning services for clients, from 1998 to 2004. So I already knew and greatly admired the principal, who was ready to retire. When I found out about this, I thought it was a great opportunity to not have to go through the legal structure of creating a registered investment advisor.

Was the name Creative Planning when you bought it?

It was. At first I wanted to change the name, but have since learned to embrace it. We have also evolved to a point where the name is very appropriate. Much of what we do is really getting to know a client's situation and goals well enough to restructure many of their moving pieces to help them accomplish their goals.

In terms of employees, it was just one person? You were buying one financial advisor's book of business?

I basically came in and just took over that practice, and every employee from then to now is new. So I just started hiring from there.

From day one, were you involved in getting new clients?

Yes. From day one through today, I was and am involved in getting new clients and working with existing clients. From that point on, I was the only owner and I started a process to take care of the clients that were there in a different way. They eventually started to refer new clients, and it accelerated far quicker than I ever imagined.

What were some of the initial changes you made to the business?

Well, one of the things that I observed, going from office to office for so many years, is that the financial advisor world is divided into two groups: 1) There's people who really understand investments, financial planning, estate planning, and/or tax planning, and 2) There's a group that is just good at sales. This is the relationship guy/gal. And if you look at what we call the typical, successful financial advisor, it's usually from the latter group. It's the guy that's networking, golfing, going to parties, and charity events—signing people up. That group seems to have more clients than the group that is really more analytical, actually doing the financial services. This is different from many other professions. Medicine doesn't work that way. Law doesn't work that way. Tax doesn't work that way. But financial advisory does, because there's really not a lot of clear-cut criteria. If you go see a doctor, they went to medical school and passed some tests. No matter what doctor you go to, there's some degree of competence. This is not the case if you meet a hundred financial advisors. The majority of them have absolutely no education with investments and/or financial advice. It's a very unique marketplace, and the people who survive in the industry are the ones who sell more effectively than others. That didn't sit well with me. My dad is a physician, and growing up I knew he had some fairly

negative experiences with advisors. I wanted to build a place that was so much better than the alternatives that clients would come to us on their own. So I was really determined to have a format that would work by attraction. It also didn't hurt that at the time I had zero faith in my ability to sell. I thought, to succeed, I had better have something of value. I just wanted to deliver a service that offered exceptional value that was so separated, in terms of getting real advice from very competent people, that it would attract the clients to it.

Who was the first person you hired?

The first person I hired was Molly Rothove. She was right out of college, and she had been an intern for another financial advisor I had worked with, who ultimately moved to a different state and recommended Molly. I knew she was diligent and also cared about clients. I initially sent her to interview with other financial advisors I knew. She was looking for a job and I wasn't ready to hire yet. She met with them and basically came back to me and said, "Hey, I was offered jobs at all these places, but I don't want any of them because they want me to be a salesperson. They want me to go out and sell to my family and everyone I know. They want me to sell their company's financial products, and I believe that's a conflict of interest." I remember, even then, when I couldn't afford to hire anyone, I kept thinking that this is exactly the kind of person I want to hire. This is exactly what I believe. I believe financial advisors should not be selling their own financial products. This was a novel concept then and unfortunately is still so today. She really felt that way, so she became the first person I hired.

Did you have to raise money to fund the initial growth?

In the beginning, funding wasn't needed. We would grow, add some clients, and then hire someone. We would grow, add some clients, and then hire someone. We got to 2008 with that model. And then we got to a point where, in order to really take the next step, it was going to require a large amount of capital. We were simply growing too fast to ease into hiring. I had to commit to building out serious infrastructure and capacity. So around then I got a loan. At that point, I basically mortgaged the building, my law practice, Creative Planning, and pretty much every asset the banks deemed of value. I used the money to hire the people I needed to maintain the quality of service and get ahead of the growth that was occurring. I didn't feel like it was a risk; more prospective clients were calling than I imagined, and I knew that if I continued to build it, they would come.

Who was your typical client back then?

It was the same as it is now. I call it the millionaire or multimillionaire next door. Probably our biggest group of clients is a household worth a few million dollars. What's changed is now we have a lot more ultra-wealthy clients, so we have the whole subset of the "\$25 million and up" and "\$100 million and up" that wasn't there in the beginning. We also have a large subset now of clients from \$50,000 to \$500,000, which was an exception early on as well. But the typical client today is still "I worked my whole life and I've got a few million dollars."

I read somewhere that you initially targeted physicians because your father was one. Is that correct?

Originally, for a couple of years, I only worked with physicians and I was going to try to make their lives easier by helping them with financial and practice management items. It took me a few years to figure out this was impossible. The practice management side was just so different that you couldn't go from one doctor to another and do it. So then I switched over to pure financial advisory.

Did you initially have to cold call?

No. I grew one client at a time, by referral.

So organic growth, all the way?

The whole way with the exception of a small group that folded into Creative in 2009 with around \$80 million in assets under management (AUM).

Was the business profitable the first year?

Yes. The business was mildly profitable in the first few years and much healthier from then to 2008. Then it was extremely unprofitable for a couple of years while we invested in growth.

Did you ever feel like quitting?

No. I love this, and I feel passionate about what we're doing and I think we have a direct impact on people. This job is easy to feel good about. My favorite part of the job is working with clients and finding ways to improve what we can do for them. Next, I love working with our team, and I especially love watching and helping people reach their full potential. Creative is a great place for someone in the industry to really see what they are made of and what they are capable of, and I love doing what I can to help them accomplish their goals. I can't imagine doing anything else.

Why do you choose Kansas City as the place for your headquarters?

Well, originally, I didn't think this was going to be a national success. I thought, "Hey, I'm going to build a practice, and I bet I can build a successful one. I see an opening in the marketplace." And the opening for me was pretty clear, what would work in the marketplace, but I did not have in my mind the right level of success. I thought, "Hey, we might attract a few hundred million dollars and one hundred clients," but that happened in the first year. It was extremely rapid growth, and that I was very surprised by. But now that we're here, and we've got twelve thousand clients in fifty states, it turns out it is the best place we can possibly be, because we're very centralized in an area where there's a lot of talent with a strong work ethic and a very educated group of people, here in Kansas City. It's a great place to be centralized. Many people

on the coasts love that we're in Kansas City because we're associated, rightfully so I think, with a certain type of values. I know in New York, California, Florida, and Texas, we have thousands of clients that live there, but their money is managed out of Kansas City. Now we have local financial advisors that meet with them, who are employed by Creative, but the money itself is managed out of Kansas City. For me personally, it's turned out to be great as well, because wherever I need to be in the country, it's pretty reasonable travel wise. If I had to do it over again, I'd put the pin on the map in the exact same place.

What are some of your daily habits that have contributed to your success?

I find that successful people share certain outlooks and traits, but their habits are largely irrelevant. For the most part, what they all have in common is their ability to identify a need out in the marketplace or someone else has identified the need and they have found a better way to do it. People may not even know their own needs. Steve Jobs once said, "People don't know what they want until you give it to them." Successful people identify a need, or something others don't even know they need, and then execute. For example, the guy who invented Uber. No one was asking for Uber. He just said, "Hey, there's a need out there. Nobody knows about it," and he created it. It doesn't matter what his habits are. He could be the kind of guy that sleeps until noon. He had a great idea, there was a need for it, and he had the ability to execute on it. To me, that's really the common trait successful people have in common. I work with an enormous amount of very successful people. I work with many of our firm's largest clients, and I've always looked for these common traits. For example, I'm meeting with one client next week who won't meet before 10:30 AM, because he likes to sleep until 9:30 in the morning. And this is a guy worth \$500 million. So I think people are just different, and the most common trait they share is that they're able to identify that need and execute on it, not what they do in the morning.

Do you believe luck has a lot to do with success?

Yes. I believe luck is a big factor and rarely acknowledged to the extent it should be. I've also encountered a lot of people who were born on third base, and they believe they've hit a homerun. Then I look at my own situation and say, "I'm a white, male, college-educated American who's healthy with two loving and encouraging parents." That's quite a head start. I'm always amazed when clients say, "I did all this, and everyone can do it." That's just not true. A lot of how life turns out is derivative of where you're born and how you grew up. Yes, people can always overcome odds. Anybody can become an NBA player, but it helps if you're 6'10". Your odds are just better. On top of all that, you still need luck. So for me, I had a model that I knew was attracting a lot of clients and was going to attract capital. It was more successful than I ever thought it would be. Our firm grew from less than \$100 million to \$500 million AUM in four years. But then '08 and '09 happened, and people came to us in droves. Within two years, we were a \$2.5 billion firm because the way we managed money worked. It was low cost, tax sensitive, and took advantage of down markets. It made a lot of sense. But most importantly, we weren't using any of our own mutual funds or hedge funds. So clients were firing their financial advisors, saying, "Hey, my investments aren't doing well, and by the way, they're your own house's investments." It just attracted a lot of capital to us. And then, after that, you had the whole

Bernie Madoff ordeal. That got everybody looking at their own financial advisor. If people are looking at their financial advisor, and you're doing better than the others, that's good for you too. We got lucky there. Would we have been successful anyway? Yes. To this degree or this quickly? No. The markets created the turmoil that got everyone looking around. We had a great offering, but it was luck that created sudden, intense interest. Whether you're Steve Jobs, Bill Gates, or the guy who invented Uber, somewhere along the way, there was a break for you that was beyond you being smart and having a great idea.

Do you believe in the Law of Attraction?

I think you have to believe you can do something for you to have a realistic chance of it happening, so to some degree yes, but it's not enough. If a basketball player thinks they can't sink a three-point shot, they probably can't. If they believe they can do it, now they are on the right path, but they still need ability, training, coaching, and effort. Believing it will come to you is a prerequisite to success but not enough by itself.

Do you set goals for yourself and your business?

I can write down a goal and say, "I want to manage \$30 billion," but I don't control a lot of the variables that are going to make that happen. So for me, it's about setting goals that I can control. I know I have a certain amount of clients, and I know I want to communicate with them a certain amount. I know I want to have a certain talent of financial advisors in front of them. And I want to have a method in place to take care of them and make them happy so they are satisfied and refer others. I can measure those things, so my goals are always around those kinds of things. So for example, if I have a goal to add \$2 billion between now and the end of the year, but every financial market in the world goes down, I cannot control that, so it's a pointless goal. But I can control if my clients stay with us, if they add funds, and if my clients refer, so my goals tend to be more focused on things that I can control that will have the largest influence on what I am trying to achieve. All of my goals are executed by delivering value. You have to constantly improve and try to stay ahead of the pack as much as possible.

How do you organize your day?

I have some ritual to my daily planning. I take my kids to school in the morning, and then I'm usually in my office around 8:15 AM. My calendar will be stacked from 8:30 AM to 5:00 PM, with the exception of a break that I try to take almost every day, around the lunch hour. I might not actually use it to go out to lunch, but it's the one hour on my calendar that will be blocked to deal with whatever I have to deal with. But the rest of it is scheduled. A lot of people in my profession will do things like, "I'll only do client reviews on Tuesdays or Thursdays, because Mondays and Wednesdays are for me to catch up and Fridays are for me to prepare for the next week." I don't do any of that. So for me, if I've got a hundred clients and they want to do an annual review, I'll do it whenever they want to do it. If they want to do it at 8:30 AM or 4:00 PM, great. To me, it's the same hour, no matter what, for that review. So I may as well be accommodating to the client. But I do make sure that every minute of my day is figured out. I'm using it to be as

productive as possible. Some meetings will be management. Some will be clients. Some will be media and things like that, but every hour is too valuable, both professionally and personally, to leave open.

What's a typical workweek like for you?

For me, it's usually 8:15 AM to 5:15 PM, Monday through Friday, and I check in every day, whether it's a weekend or vacation. I usually travel to another city one day a week and spend an overnight in another city one day a month. I can easily have a more successful practice if I was willing to increase the travel schedule, but right now I have three young kids and I'm just not willing to do that. This is a give-and-take. I run my schedule on an idea that a "yes" to something is a "no" to something else. So I love hanging out with my wife. I love hanging out with my kids. But I also love my job, clients, and coworkers. It makes me want to say yes to everything, but if I've got someone in Connecticut and he's got \$20 million and has to meet tomorrow, but that means I'm going to miss my kid at a spelling bee, I'm not going to do it. So I'm always trying to fill up the calendar, but with a sense of priority.

When you first took over Creative Planning, was your work schedule very similar?

No. When I started, I was bored out of my mind. There were only a few dozen clients. I could literally be working only ten hours per week and dying to be busier. It took a long time to build up a client base where I was busy and could hire people. It kept getting busier and busier to the point I was working seventy or more hours per week. About two years ago, it started to get easier because we got to a scale where we started to attract the best in the business. Now that Creative is one of the largest independent wealth management firms in the country, there are hundreds of people applying here, and we can hire the very top talent, and that means I have more and more people that can do many things as well as I can or even better than I can. Whereas, if you go back three or four years ago, anything that was complex, far away, or a big opportunity I had to be engaged in myself. So now I find myself working much less than a few years ago.

What are some quotes that you live by?

I have them written all over! I've got three written on my desk, so each time I open a drawer, I see a quote. One that I really like is "Dwell as near as possible to the channel in which your life flows," which is a [Henry David] Thoreau quote. So it tries to remind me of the sense of priority—where I should be spending my time. I open another drawer and find Luke 12:48, which is "To whom much is given much is expected." You just realize that if you're really fortunate, really lucky, that you want to have a sense that success isn't really all yours and to make things a little easier for other people.

Do you read a lot? Do you have a lot of favorite books?

I read a lot. I read, basically, anything financial, whether I think I'm going to find it interesting or

not. I'll read a huge amount of financial books, whether they're investments, investor psychology, wealth management, or estate planning. I'll read all of that. I'm reminded of an interview with—I can't remember if it was Kobe Bryant or Michael Jordan, where the interviewer asked, "What do you do when practice is over?" and he said, "I shoot baskets." Usually, I'll find that the people who are really successful at something, they just like it so much that they never feel like they're working. So whether it's a musician, athlete, or somebody in business, you're probably going to lose if you are competing against someone more passionate than you. If you are in the NBA, it's going to be hard to beat Jordan or Bryant if, after practice, they're shooting baskets.

The first book I read that had a high impact was Khalil Gibran's *The Prophet*. My uncle gave it to me as a teenager and I've read it once a year ever since. One of the best books I've ever read is a simple, tiny book that I make everyone coming into Creative Planning read called *How Full is Your Bucket?* by Tom Rath. The basic message is that when you meet somebody, you usually make them feel better or worse. What type of person are you? It raises your awareness to that. Everyone has a bucket, and you're either filling it up or draining it. If somebody is coming into your office or if you see their number on your caller ID and you start to get that negative feeling, they are draining your energy. It makes me more conscious to be the kind of person that makes other people feel good, and also creates a little bit of a servant mentality that I want people to have when coming on board. The most impactful book I've ever read is Anthony de Mello's *Awareness: The Perils and Opportunities of Reality*. You have to be ready for what it has to offer though.

How do you define success?

I think it's if you feel fulfilled with what you've accomplished. Someone can have one play in the NFL and feel accomplished. And someone else can win a hundred games but not win a Super Bowl and feel they did not succeed. I think one trait you see among people who are not happy is they've never predefined success, so when they get there, they constantly redefine it. It never allows them to be happy. For me, if everything were to stop today, I'm totally fulfilled and happy. I set out to be in a position where I could positively impact a lot of people around me at present and for the rest of my life, and I've already accomplished that. One of my clients, who helps their kid a lot, used a quote from the Book of Genesis that goes something like "We're blessed to be a blessing." A lot of people complain about having to help other people or being the one people turn to, but that's a hell of a lot better than the alternative. So to me, that's the definition of success. To be in that position to have that kind of impact.

When faced with adversity, what pushes you to keep moving forward?

What's great about capitalism is you know where you stand a lot. Let's say you've got a sandwich stand next to four other sandwich stands. You can think your sandwich is good, and your mom can think your sandwich is good, but you're either selling more sandwiches than the other four stands or you aren't. So part of it is, when you're having success, you want to maintain it, and you want to go to new levels, and you're competitive. What's great about the

economic society we have in the United States is that it's very easy to try things and see if they work. The marketplace will measure things for you quickly, almost like a professional sports game. So it's a challenge, and it's fun. I also happen to be in a high impact profession. Working with a family on the entirety of their wealth is impactful. Every little bit better we get has a large impact on a lot of people. It's easy to stay motivated with that kind of emotional reward.

What are some of the greatest lessons you've ever learned?

First and foremost, it's to understand what I am trying to accomplish and then be as intentional as possible about making it happen. Whether a goal is small or big, a key component of achieving it is to take steps, small or big, in the right direction. If I'm not focused on being intentional, it's easy to let a day just happen to me. I have much more success staying focused on my various goals even while addressing things that come up along the way that need immediate attention. Being intentional helps with keeping a keen sense of awareness on what I can control. So you can spend all day and all night worrying about things you have no control over, and you can spend all kinds of money or time trying to influence something you have no control over. In my business, I cannot control the market. It makes no sense for me to worry about if the Dow [Jones] is up 1 percent, but many people in my profession will spend their whole day reading and analyzing what the market did that day. It accomplishes nothing. What I can control is my client's reaction to it, the client's allocation, the client's spending, the client's costs, and the client's taxes. Those are things I can control. Whether it's in business or in life, I'm very focused on what I can influence, and I have my energy go just into that.

The other thing I've seen, and that I've learned from some of my clients, basically, is that in my business, you just watch people accumulate wealth. They spend their whole lives working and putting money away, and some just don't enjoy it. When they retire, they can't get used to spending their money because they're so used to putting it away. I've really just learned, from all of it, that you have to enjoy your life. Actually, the meeting right before our call was someone who retired and two years later got cancer. And now she's not going to enjoy everything she and her husband worked their whole lives for. You have to enjoy life along the way. You can't just be focused on the destination. To me, that's an ongoing deal. You really have to enjoy the journey. Enjoy the ride. If you are just trying to get to the top of the mountain, and you don't enjoy the hike, well, you're not going to be happy when you get to the top of the mountain either. You have to enjoy the actual hike too. You also have to stop and celebrate along the way, as well. So I really learn to enjoy everything about a day I possibly can, and I try to celebrate as much as I can. The second lesson is that when you find yourself in the middle of a whirlwind, and in my profession that's normal, just stand tall and let the wind blow all around you. There's a lot of things you cannot control, and you can't personalize them. It's easier said than done, and it's something I have to remind myself of every now and then.

What makes a great leader?

For me, the window by which I want to be viewed is through those of which I am leading. So you can have a guy who wins the Super Bowl and all the commentators and fans say, "That's a

great leader,” but if everyone who ever played with him for ten years thinks he’s a complete jerk or just an unpleasant person, then is he really a great leader? Or did he just have a great outcome? Whenever I’m making decisions, I’m always thinking about how the decision is being perceived by the team that works for me or by whoever else I’m leading. And so if people think that the ship is heading in the right direction, and they believe in you and trust that you’re acting in their best interest, that, coupled with accomplishing the goal, makes you a great leader. I believe you have to have both. And so you can be great. Everyone can love you. You can make great decisions, but if you’re the captain leading a journey and the ship sinks, you’re not a great leader. On the other hand, if the ship makes it to port through the storm in great shape and the crew can’t stand you, you’re still not a great leader. If the ship gets there in good shape and the crew would love to go on another journey with you, *then* you’re a great leader.

Back to the business. You bought Creative Planning in 2004?

Yes.

And you had steady growth up until 2008?

From inception to today, the growth has been extremely rapid; it just really went to an entirely new level in 2008.

What do you think caused that high spike in growth?

I think what happened in 2008 was many people just said, “Enough with all this. I’m not going to use someone just because they’re my friend or they’re related to me or they live down the road. I’m going to try to find the best person.” And what they wanted was a firm that had a lot of experience, that managed money for a lot of people already. Not someone with one hundred clients. They wanted somebody who didn’t have their own products or mutual funds and who had to be a fiduciary to them. And we were sitting there, in a very small group of firms that were qualified to do that. And I think that’s what really drew a lot of people to Creative Planning.

As a business owner, and this is for all industries, what is the key to surviving a recession?

When I’m with clients of mine who are small business owners, I always ask them how their business will do going forward and to share their thoughts and projections with me. They always seem to answer with various scenarios, like “my company grows at 3 percent,” “my company grows at 10 percent,” or “my company grows at 20 percent.” I very rarely hear the projection of “earnings are down 20 percent.” People are often very pessimistic about the world around them but very optimistic about their own prospects within the world. It’s fascinating. It’s very common for me to see a client and say, “What do you think is going to happen with your company?” and they reply, “Oh, the outlook is fantastic!” Then I ask, “What about the markets?” and they say, “Oh, it’s going to be terrible.” So I believe that companies that get through recessions are those that acknowledge things aren’t always fantastic, even for their own business. If I’m in business

for ten or twenty years, there's probably going to be a few years where something happens that I'm not thinking about. Whether it's a terrorist event, financial crisis, or something that hits my specific industry, like the oil industry right now, it's having "built-in" economics to get through that. There's very few places that run that way. They always project the next year will be the same or better than the year before. I've always prepared for that. In 2008, when my competitors were firing employees, I was hiring the best I could find because I had the capital to do so despite the recession.

What do you look for in an employee?

I'm looking for someone who's smart, sharp, polished, likeable, energetic, and trustworthy. I'm basically asking myself, "Would I put my parents in front of this person?" That's the main thing I'm looking for. Now, I'm certainly not perfect in hiring, but we get it right a heck of a lot more than we get it wrong. In our business, it's very consultative, so it's different than working in a typical investment firm. So we're looking for people who can articulate things in plain English, in a straightforward fashion to real people who they're going to sit across the table from.

What is the culture of your firm?

I have a culture where people know I'm going to play to their strengths. I want to find out what they're good at, what they like, and I want to encourage them to go down that road. If we have a seven-footer, I'm not going to teach him how to dribble the ball down the court. He needs to dribble well enough, but I'm not going to teach him how to be a shooting guard. I want to figure out what they like doing, and I want to play to their strengths instead of focusing on their weaknesses. My employees know there's a lot of opportunity here. If they don't like what they're doing in the tax group, maybe they can move to the financial group or the investment group. There's always a path. I think people like to see opportunity, and they like to see growth, and even if they don't take the opportunity to do something different, people like to know they always have that option. I think we have a very energetic environment. I like it when an employee will come and say, "I was the smartest person at my last firm" or "I was the top performer, but here I'm just average. I like that, because there's not as much pressure as there was on me at the place before." I like that we have a culture of excellence and my people have a huge amount of respect for their peers. We're also a very charitable culture. We're very giving; not just the firm financially but also the people who work here are generous with their time.

And you have around twelve thousand clients now, with approximately three hundred employees?

Right.

I believe you touched on this before, but do you still manage clients?

Yes. I think if you read any book on running a business like mine, the book will say that I should not be sitting with any clients and that it's a bad use of time. I feel quite the contrary. I think that

when I have my own group of clients, I know what our clients are thinking, so when I'm writing a newsletter to clients, I am in tune with what they are thinking already. I don't need news to slowly work its way to me. When we're having an internal discussion about what's the best direction for the firm, how something will impact the client, or what type of software we should use, I'm engaged in that. I'm much more informed and much more hands on. So what I think makes me a better leader, and I'm not a perfect leader, is that the people I'm speaking with know that I'm in the game with them. It's the difference between having a general in the field with you and a general that's calling you from a La-Z-Boy chair in mission control. The guy in the field has a lot more credibility, and when the guy in the field says, "Let's go this way," the people are more likely to follow. Plus, and this is a big plus, I actually like being with clients. That's what I'm passionate about. I like sitting with the client and helping put them in a better place. I also enjoy being with my employees. The books say to delegate all that. To me, that's part of leading—being engaged.

Do you choose the clients that you manage?

Yes. I'm dealing with many of the clients I had when I started and clients that are particularly complex.

Have you ever turned away clients?

Yes. I meet a lot of clients before they come on board and are matched with one of our advisors. If a client's expectations cannot be met, I don't want to bring them on. We want people to come and be here for a long, long time. Our typical clients already fired a couple of financial advisors before they came to us. For the typical millionaire or multimillionaire next door, this isn't their first rodeo, so they know what they're looking for and I want to make sure we can give that to them. If somebody comes to us and says, "I want to invest in this and earn 16 percent each year," well, I know that's not possible. I've been doing this long enough to know that's not possible. So I'm just going to tell them it's not possible, and if they don't buy it, and they say, "Well, I'm going to John Doe down the street who says it is possible if I invest in their funds," I say, "Well, you need to hire John Doe down the street, then." I don't want them to come here and not deliver for them. So I would say it's not a daily occurrence, but it happens more than occasionally where I'll say, "Look, with what you want, we aren't the best fit for you." Maybe once per month that happens.

And your primary source for new clients is referrals?

Yes.

What is your vision for the future of Creative Planning?

I believe right now, and this is what I tell my team, there's an incredible opportunity in front of us. The marketplace is speaking to the fact that people want what Creative Planning does. So I basically say, "There's this opportunity right in front of us. I don't know how long the opportunity

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