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SUCCESS IS A HABIT:

How Stifel's
Ron Kruszewski
Navigates Change
and Continues
to Innovate
After 24 Years



Ron Kruszewski – Best of Both Worlds

The Industry's longest serving CEO shares some wisdom with advisors.

When Ron Kruszewski reads about the growing popularity of the RIA, he smiles. He has met thousands of financial advisors over the course of his 24-year tenure as CEO, and for all their differences, he knows that the best among them all have two things in common: independence and entrepreneurship. The rise of the RIA does not refute what experience has taught him – it's an extension of it.

"It's a real thing," Ron said, referring to the nascent RIA crusade on a Zoom from his home in St. Louis. "The motivating issue here is the ethos of the RIA movement. I think it's the key factor for RIA growth. Advisors are tired of what they're getting at the wirehouses and that includes feeling like a cog in a machine, being used to *distribute* product" – a term he emphasizes with sarcasm, one he does not allow to be used at Stifel – "and not owning the book they worked so hard to build. RIAs are capitalizing on those emotions and creating a product geared to that demand."

"But," Kruszewski continued, "the RIA model does have its limitations and is certainly not right for everyone. It comes with a price – in terms of time, energy and product limitations. An RIA, by definition, is limited to fee-based compensation models. Not being a broker-dealer, RIAs may not

offer many products that may help clients achieve their goals. The list of products they can't offer includes commission-based bond ladders, IPOs, other new issue and secondary underwritings, structured products and many others. Furthermore, possible changes in the

capital gains tax rates, higher payroll taxes and increased regulatory scrutiny, coupled with REG BI, have lessened the advantages to an RIA model. Not to mention the fact that the advisors are largely on their own should any legal or compliance issues arise."

So, advisors seemingly have two stark choices: an RIA on one hand and a big box firm on the other.

The Big Secret

When asked how his firm, Stifel, fits into that divide, Kruszewski just smiles and says, "Best of both worlds." Ron explains that at Stifel, advisors can manage clients with a 100% fee-based structure or maintain a mixture of fee-based and brokerage business. They can offer bank lending products, *but at their discretion*. The advisor, together with the client, determines the mix. Furthermore, the company gives advisors a choice between a full-service, employee-based model or an independent contractor model.

I tell Ron at this point that he buried the lead (as did I). If Stifel is making a serious foray into the RIA world why keep it a secret?

"It's not a secret." Ron says with a smile, "...not anymore."

In many cases, Ron believes, the employee model is best for highly-focused advisors looking to grow their client relationships and assets. These advisors want to focus on client service and acquisition and are not interested in being a landlord, a facilities manager, a technology leader, a compliance expert, an HR director or a branch manager.

"At Stifel," Ron added, "these advisors receive world-class product access, including fee-based, brokerage and bank products with exceptional support, while receiving marginal payout rates, including benefits, approaching 60%."

Simply put, these advisors see time "managing" as time "not growing."

All that being said, there are advisors who want to manage their business under an independent contractor model. "When properly managed," in Ron's estimation, "this model can add 5%-8% to an advisor's payout."

To Ron, the choice of model is a deeply personal decision grounded in finding the right fit – which is why Stifel proudly supports both models. "At Stifel, each advisor personally weighs this trade-off when choosing to have an employee-based or independent status."

While Stifel has served independent advisors for decades, it recently announced a renewed focus on its independent channel. It now has a new President and CEO, industry veteran Alex David, who takes

the helm after spending the last 13 years as Head of Branch Development and Marketing at Wells Fargo Advisors Financial Network (FiNet), the independent brokerage arm of Wells Fargo Advisors. It's also in the process of rebranding, transitioning to a new name – Stifel Independent Advisors. With these changes, "We expect to see significant growth as we become the premier destination for advisors seeking to go independent," said Ron.

"When I say we are the *best of both worlds*," Ron clarified, "I mean we embrace entrepreneurship but we also provide you the products, technology and support you need to grow your business. We maintain all the professionalism, resources, bricks and mortar and practice management capabilities of the largest firms..." He adds with a laugh, "With one major difference – we own the bank, the bank doesn't own us!"

Experienced at Change

Ron graduated from Indiana University and a mere 16 years later became CEO of a 100-year-old unknown regional firm named Stifel Nicolaus. For the next 24 years, he guided and grew the firm from \$100 million in revenue to nearly \$4 billion, with its market capitalization growing from approximately \$40 million to over \$6 billion. He has the distinction of being the longest serving CEO in wealth management.

Under Ron's leadership the firm is still experiencing tremendous growth, despite a pandemic and volatile economic and political times. "You have to embrace change, both as an advisor and a CEO. This business is always at the leading edge of whatever is happening in our country. It's constantly in motion."

What's the best part of having experience in dealing with all that constant motion?

"You don't get seasick." Ron says. "You have to take the long view as a CEO so that while you are embracing change, you're clearheaded enough to include it in your plans for the future."

He thinks advisors, and the advice they render, are more critical now than ever. He also thinks that volatile times like these won't suffer fools gladly.

"Now is the time for advisors to earn their keep." Ron stops and is thoughtful for a moment, "It's more than that...why did you get into the

BY TONY SIRIANNI

Ron Kruszewski – Best of Both Worlds



business in the first place, if not to help people achieve their financial goals? Isn't that why we're really here?" He warms to his subject. "If you can't be bothered to get really educated about what's happening now in society and the markets and what's coming with taxes etc., you don't deserve to work in our business. The best advisors, those whose primary goal is to help their clients navigate a confusing world, will rise to the top. They will master new technology to grow their businesses and thrive. Those that don't will wash out."

2020 is a year we are all not likely to forget. Our business has undergone changes that will impact finance for the foreseeable future. 2020 accelerated processes, such as Zoom, that were growing

before the pandemic and decelerated others like the need for expensive real estate. The changes and uncertainty about the future can be anxiety producing, but Ron takes it in stride.

"We'll get through this," Kruszewski says. "We've seen a lot of things that made it appear as if the world was going to end yet, thankfully, it never does. Our business is very resilient, because advisors are entrepreneurs – they're adaptable."

Ron is particularly proud of the way Stifel's entrepreneurial culture met the challenge of office closures due to COVID. "We didn't issue a rigid, top-down edict to close offices and respond in a certain way. We didn't have to. We empowered our associates to evaluate their situations and

make the decision that made the most sense for them, in compliance with state, local, and national guidelines."

Culture is King

If anything, this pandemic has reinforced Ron's belief in the value of advice and the emotional intelligence that can only come from a human advisor. "I'm not worried about Stifel advisors because I know their hearts and minds are with their clients."

What does he worry about then? "I worry about things truly out of my control. Economic booms and busts, geo-political risks and political discourse."

Does he worry about competition? In many ways, according to Ron, some of his best recruiters work at the competition, many of whom have the apparent goal of homogenizing advisors to offer proprietary products to clients. Again, to Ron, this is an opportunity.

How do you take advantage of this? Ron looks straight at the monitor and gives a one-word answer... "Culture."

That's a one-word way of saying it's not solvable at the biggest firms. As the AdvisorHub culture survey has documented, advisor perception of culture at the wires is far less positive than at regionals or RIAs.

"It's a firm's culture, one that values the advisor, that ultimately

benefits the client. In an entrepreneurial culture, the advisors own their books, they're encouraged to think and understand the markets, they're empowered to deliver advice and they're given the tools to do so. They're trusted to do their jobs."

Ron's phone rings and he pauses the interview to answer it. It's an advisor who wants to chat regarding a client. Later he gets another can't-miss call from a prospective advisor thinking about joining Stifel. There are other calls in the course of our conversation that he does not take. Why answer those calls and let the others go?

"Those were advisors," he says, "I always answer them if I can. I never forget who keeps the lights on in this place." **AH**

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