

Ep34: Industry Trends with Sterling Shea – Global Head of Wealth Management for Barron’s

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PATTI BRENNAN: Hi, everybody. Welcome back to the “Patti Brennan Show.” Whether you have \$20 or \$20 million, this show is for those of you who want to protect, grow, and use your assets to live your very best lives.

I have a terrific guest. I am so excited. Sterling Shay has joined us. He is the Head of the Global Wealth Management for Dow Jones and Barron’s. Sterling, I’m not sure what state or what country you have come in from, but welcome to the show.

STERLING SHEA: Thank you so much, Patti. It’s a pleasure to be here. I live in New York now, but I’m a Chester County native, so it’s always a pleasure to come back to this part of the world.

PATTI: Now, are you going to see your mom and dad while you’re in town?

STERLING: The sad part is, a lot of my family has moved away from this area. I still have a lot of affection for it. It’s so fun just driving around seeing the road names and all the old places where I grew up.

PATTI: Yeah, that’s terrific. That’s terrific. Well, Sterling, I have something that I want to announce to you and to all of our friends out there. Ed and I have literally eclipsed a major milestone in our lives, 32 years. Something happened yesterday that has never happened before. You want to know what it is?

STERLING: Yeah.

PATTI: OK, here’s the deal. For 32 years, I have been saving for my four children’s college education, and I wrote the last tuition check yesterday.

STERLING: [laughs] How does that feel?

PATTI: Amazing. Now we still have our mortgage, that’s our next major milestone, but it really is. If I were to look back 32 years ago when Michael was born and look forward to this day, because that was always really important to us. I do practice what I preach, and that is real



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financial planning and really thinking about what's important.

I think it's so interesting to have you here today as the Head of Global Wealth Management for such a prestigious organization. I really want to talk with you today about what trends you're noticing in the industry and what you're finding with Americans today. What are the major needs?

STERLING: Sure, Patti, I'd love to talk about that. I hope your son doesn't come back and say he's found a nine year graduate school PhD program.

PATTI: Yeah, you and me both.

STERLING: Might not be the last check.

PATTI: If he does, he's on his own. He's got to have some skin in the game. All of my kids had skin in the game, so I thought that that was important so they really appreciated it. I sent the text out today, and they all sent a huge thank you, so it was very much worthwhile. Let's talk a little bit about your career, Barron's, Dow Jones.

You've had an amazing run. How did you ever get interested in journalism and what led you to this incredible role at Dow Jones now?

STERLING: Great. Thank you Patti, I'm happy to talk about that.

This is my 22nd year at Dow Jones. It's been an amazing run, I'm really proud and excited about the opportunity I've had with the company. Dow Jones, if you don't know it, is a publishing company that publishes the "Wall Street Journal" and "Barron's Magazine."

This is the 98th consecutive year of Barron's magazine, which publishes weekly. Now it's a global multimedia destination, publishing across print and online. We've really grown newsletters and all of the different channels in which we're distributing content. Our sister publication, the Wall Street Journal, is designed to give you daily news and information.

Barron's is publishing weekly, but provides a greater context and analysis and forward looking comprehensive market analysis.

PATTI: That's really interesting, that's a great way to distinguish between the two, Sterling. The Wall Street Journal is, this is what happened yesterday, this is the markets, the economy, there's some news, whereas Barron's tends to take a deeper dive into real analysis and helping all of us, Americans, advisors, etc., understand not just what happened, but what we should do about it.

STERLING: Sure, yeah. Clarence Barron was the, interestingly, owner of the Philadelphia Stock



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Exchange at the time. He left that position and founded Dow Jones & Company and became publisher of the Wall Street Journal. He came out at that time with the idea that the Journal would give you news each day to help you live your life and make decisions.

Barron's would be published on the weekend to give you forward looking analysis while the market's closed so that you can be prepared for the week to come and understand what was going to impact your investments and other facets of your financial life.

PATTI: That's terrific, that's fascinating. What is really interesting is that you guys are breaking away from the pack. In other words, you are going digital and you're really giving timely advice or at least guidance in terms of thought leaders in the industry, both in America as well as abroad.

STERLING: Yeah, we're trying to be global in our coverage. We are constantly looking for new ideas to better inform investors. We want it to be a decision making platform.

It's evolved a lot over its 98 year history. The print vehicle is still important to us, but we're agnostic now as to how you access Barron's content, be it through an app on your mobile device, be it through the website, or in print.

PATTI: Given your history and given the number of years you've been with both organizations, is there anything that has changed or are there any trends that have surprised you?

STERLING: Yeah. When I started at Barron's, I was on the commercial side of the business. I was in Boston at the time and a lot of my friends were financial advisors, other friends were in the financial services industry.

One of the things that fascinated me was it seemed like in the mainstream media, there wasn't enough positive publicity around the good work that the very best financial advisors were doing. The mainstream media seemed to focus on the bottom one percent of the industry, bad people doing bad things, the criminal element, which really painted a false stereotype.

When we went out to meet with great financial advisors, we saw people of tremendous acumen and talent and passion trying to help clients have better financial outcomes. No one seemed to be telling that story. We looked at the opportunity of that to cast our spotlight on people who we thought were doing a very good job.

By focusing on the very best financial advisors that we would identify through a journalistic process, we would be able to tell a better story to investors and our readers to enable them and encourage them to find quality financial advice. That's changed a lot over the two decades that I've been here.



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We've seen that evolution and we've seen more attention being placed on the very best people in the wealth management industry. I think that's to the betterment of investors.

PATTI: I would have to agree. I think that what I am seeing, and I think that you are as well, is that there is becoming less of an emphasis on performance and investment management, and more of an emphasis on holistic planning. Is that what you're noticing? Or should I say, maybe you guys, and I do think there is an element of this, you're driving that, in a way.

STERLING: Thank you. I think we have a small role to play. I would agree with you in that evolution of the industry. I think the business of wealth management has changed from what was a performance driven, benchmark oriented process to what is more now of a client driven, outcome oriented solution. Sounds like a subtle shift, but it embraces the wider financial needs that a client family has.

One of the things we're adamant about at Barron's Magazine when we assess and rank financial advisors is we don't consider investment performance as a metric, because investment performance should be a function of individual, client directed risk tolerance and investment goals. I don't want to penalize someone for taking a very conservative client base.

The best advisors should deeply understand what their clients are looking to achieve, what the intent of their family's wealth is, and build a portfolio, an investment approach, and financial planning and estate planning all around that individually bespoke tailored client need set.

PATTI: That is really interesting. When you think about and when we look at the industry in general, you've got different segments. You've got the wirehouses, the Merrill's and the Morgan Stanley's in that group, and then you've got independent, you've got family offices, private wealth managers. There's different segments of the industry.

Is there anything that you've been seeing within each segment or in general?

STERLING: We're agnostic completely as to the different channels of wealth management. Frankly, I see both excellence and mediocrity sprinkled across the business. There's not one channel that's better positioned or even, frankly, differently positioned to serve clients.

It's more about the individual talents of a given financial advisor and their ability to communicate well, deeply understand client needs, and then serve those needs. In terms of the industry trends at large, regulation has impacted the industry. There has been a lot of necessary evolution of process within wealth management.

Wealth managers still have to get product, they still have custody their assets somewhere, they have to get services so then they can provide banking services along to clients. That's



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changed and evolved, and there's lots of nuances that and to your point, there's 50 flavors of ice cream here that individuals can choose from.

That's a good thing for consumers to have that robust choice, and I would encourage an investor who's considering an advisor to meet with a lot of different ones. Worry less about the structure or what you might think you know about that particular channel of the industry. What's much more important is the degree of trust and ease of communication between the client and the advisor.

PATTI: One of the things that I've always appreciated about your conferences is that you are truly agnostic. I've had the wonderful opportunity of meeting people in those different channels, and they're really good advisors.

The stereotype of the big Wall Street firm doesn't necessarily ring true. They're terrific people who do great work in those business models. It's just the level of comfort, as you say, in terms of who's really doing what they're promising to do for their clients. It really comes down to the follow through, don't you?

STERLING: Yeah. Again, it's much more about the individual than the structure of the business. What our intent is, with the conferences that we host that you're referencing, we try to bring the top advisors across the country together, to have an open and robust exchange of information.

We think really people who are at the top level of the industry see others in the industry more as peers less as competitors. The idea, if I can, as an advisor, share something that we're doing to create better outcomes for our clients and build a robust business around that.

Then a rising tide will lift all boats. That exchange of information will raise the standard of excellence in the industry, and the end beneficiaries of that information exchange will be the clients themselves.

PATTI: No question about it. For me, just going to the conferences, learning about the importance of teams, has really impacted the decisions that I've made in my business. We're seeing it across the industry, aren't we?

STERLING: The team thing is very important right now. We have strong conviction. It takes a village, and it's going take a lot of people, a lot of resources, a lot of expertise, and various functions across an advisor's business to deliver a superior client experience and better outcomes.

One of the things that we focus on our events is the business of being a financial advisor, propelling growth in your business, propelling profitability. We often get asked, I get asked



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by friends of mine and consumers that I meet.

“If you’re so geared towards creating this better outcome for clients, it’s all about the individual, about the client, why do you spend so much time in your business talking about growth and marketing and team development and that sort of thing?”

We believe, absolutely, those financial advisor businesses that are most likely to provide superior outcomes, better experiences for clients, better investment experience, are robust, thriving, profitable firms that can reinvest in the business, that can hire better people, build better technology solutions.

It takes a robust business engine to create that. Those financial advisor practices that are most likely to do subpar, have subpar outcomes for clients, are the ones that are struggling, unprofitable, and low growth.

We think there’s a direct corollary between the degree to which business is thriving and its ability to provide superior performance and superior outcomes for clients.

PATTI: A lot of advisors went to school for economics or finance. They’re not necessarily business owner type people. It’s something that you learn as you go. To be able to have that format, to be able to do some brainstorming, find out what successful people are doing, and then just model it.

STERLING: Absolutely, and there’s no one right answer. There’s lots of different ways to approach this business.

That idea of the advisor graduating, becoming CEO of their business, and at a very high level orchestrating a team of people to both grow, develop, and reinvest in the business itself, that also benefits the clients because they’re creating that optimal experience, they’re reinforcing investment processes.

They’re leveraging technology within their firm to create a better, easier solution set for clients to engage with.

PATTI: There isn’t a better time for that to be occurring than now as we’re learning more and more Americans are wanting a trusted advisor. You guys have algorithms for almost everything. I found it fascinating this year to learn from you, what’s really happening in the industry as it relates to this gap that seems to be occurring.

STERLING: There’s still some fundamental factor. The American investor public, as we see it, remains under advised, under invested. When they are invested, they’re not diversified properly. There’s such an acute need for people to engage with quality financial advisors.

The industry has evolved but the industry is facing challenges. There’s a lot going on right



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now in wealth management. Frankly, financial service is at large.

PATTI: What kind of challenges?

STERLING: Many would argue that this is a late stage cycle in the investment of capital markets. The fact is that businesses has grown over the last course of last 12 years with double digit equity market tailwinds.

In fact, that period from 2008 to 2018, on average, the US equity markets returned about 14.4 percent. Looking forward for the decade to come, the people that we're talking to are suggesting best case scenarios in the five to seven percent range.

Who knows if that's going to happen? You can read Barron's magazine to see very conflicting opinions on what the capital market forecast is going to look like. We believe that it will be characterized by greater volatility, lower returns across asset classes, and an unpredictable interest rate environment.

That's going to make it harder for investors to earn the kind of returns that will fuel these better outcomes. It also make it harder, frankly, with greater volatility, for advisors to shift to that behavioral coaching methodology, to make sure that clients are making the smartest decisions across the breadth of their financial lives.

Some are going to thrive in that environment because they're very capable, they've been looking forward to that opportunity to provide deeper, more meaningful advice to clients.

Others whose business is predicated on more of a transactional or brokerage type model that are simply providing access to capital markets, we think are going to struggle in that paradigm.

PATTI: Because if you're just being measured on performance, and performance isn't there for anybody, then the client might say, "Well, what have you done for me lately?" "What's happening here?"

To your point, it comes down to the outcomes, especially when so many Americans are not tracking well to retirement. They go from that accumulation to decumulation, which makes that future environment even more challenging.

STERLING: The greatest wealth holders of this country, the baby boomer generation, that's the Americans that were born between 1946 and 1964, while they're less than 25 percent of the American public, they hold more than 80 percent of consumer personal finance assets.

That group is turning 65 at a rate of 10,000 people every day. As they make that transition from the accumulation to the distribution phase, as you referenced, we think their need set



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is going to fundamentally change.

What they value and are willing to pay for from financial institutions and financial advisors for the decade that's past will be very different, we believe, than the decade that is to follow.

PATTI: Some of the fundamentals, such as sequence of return risk, when you're taking money out of a portfolio. I think a lot of clients don't really understand how risky that really is. There's a mantra that they should be more conservative.

What does that really mean, this need for all of us to really educate our clients through that transition and process is going to be greater than ever.

STERLING: Absolutely. The best and strongest portfolios will be anchored in fundamental comprehensive financial planning. The advisor's ability to root out what that need set is what are the conditions of this family? Look at the estate as a total financial entity, and then build a portfolio around that. They will be the ones who we think will really shine in this environment looking forward.

PATTI: What have you noticed, if anything – is there a difference between men and women – in terms of how they approach financial advice, financial planning? What are your thoughts on that?

STERLING: Well, it's something that we've studied very carefully and we have very strong conviction around the role of female wealth holders moving forward. It's estimated by 2023, that two thirds of all global wealth will be controlled by women.

If you look at the baby boomer generation as a whole, that I was referencing, on average, females are outliving their male spouse in the baby boomer generation by 10 years. We think they might seek to do business with people whom they identify with.

They might want to have a different kind of insight than their male spouse into the way the money's being managed. That could manifest in a myriad of different ways looking forward, but we think there's a huge opportunity for female financial advisors.

Now, historically, females have only been about 16 percent of the business. That hasn't changed for as long as I've been at Barron's.

PATTI: I find it interesting because I found that going to conferences, when I first started over 30 years ago, the numbers were even more dire as it relates to women versus men. It's such a wonderful industry for a woman.

We can pretty much make our own hours, really develop deep relationships and really help



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people. It's a great industry.

I think that there's this perception of it that isn't necessarily true.

STERLING: Yeah, I would agree with that if I think about the wealth management industry. There's a lot reasons why it's not attracting as many young people, particularly female young people, as it should.

I think there may be a misperception that it's a sales business. There may be a misperception that somehow the financial services industry is corrupt among the millennial generation.

Neither of those are true. Or, it could frankly be the fact that the bulk of American's have almost zero exposure at the high school level to financial proficiency and financial literacy.

PATTI: It's wonderful because I think that you guys have launched this Barron's in Education. I think that's a wonderful initiative. I'm going to get involved in it. Why don't you talk a little bit about that?

STERLING: Sure. The Barron's in Education program is about 18 months old, and it was a program that was born on the idea that we need to do something to increase financial proficiency at the university and college level. The idea is that we would give a financial advisor or financial entity the opportunity to, in fact, sponsor access to Barron's digitally for an entire college, university, or business school student body.

Over those 18 months, we now have 66 colleges that are enrolled. We have over 100,000 US students that are going to get access to Barron's. Just that engagement, that access, we think will foster curiosity, people want to learn more and better understand capital markets.

We're planting a seed that we understand it's going to take a long time to grow, but we have to do something to increase financial literacy in this country.

PATTI: I think it's amazing program in terms of what you're doing for each of the universities and colleges.

I know that every week, you guys are sending out bullet points for professors to use in their lesson plans, assignments to give to the students, with really good, deep analytical content so that they can plug and play and really introduce these concepts not just to the business majors, which I think initially was who you thought it would go out to.

But we're looking at providing this for medical students or kids who are studying communications, because there's some basic fundamentals that if these kids understand



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them, they graduate, they can begin to apply them and they can really make a difference in their long term outcomes.

STERLING: Sure. Simply the power of compounded interest, the idea of fostering investments over time. If you stay invested and diversified over a long period of time, it's almost hard to not have a positive outcome.

PATTI: No question.

STERLING: For us, the idea at the base level, maybe if it was simply creating a more educated investor base. That has great value in it. We're hoping people will be inspired to maybe work in financial services or perhaps wealth management, but just exposure to that financial proficiency and an increase of awareness and interest in having better financial outcomes is a really important endeavor.

PATTI: You have gone global, haven't you? We had the wonderful opportunity to go to London for the Barron's Global Summit and looking forward to Australia. Tell me more about those initiatives.

STERLING: You did a great job for us over in London, Patti. The Brits loved you, what can I say.

For our own business, we want to expand globally and what we've thought is, where can we replicate this formula of thoroughly investigating the wealth management business in a non US market, journalistically creating a ranking of top advisors in that market, and then disseminating practice management content from that ranking that we've learned.

We've been active now in Australia for four years. It's a very structurally similar market, although they recently had a rather cathartic regulatory overhaul of the business there that's really fundamentally changed the structures underlying the financial services industry. But from an advisor to client level, it's pretty similar.

We're very active in the United Kingdom, where you referenced the event where you spoke in July. It's a heavily fragmented market there, but the same paradigm exists. The average United Kingdom individual is under advised and under invested.

PATTI: I found that interesting. They're really under invested, aren't they?

STERLING: Yeah, it's a culture of savers, but they need to get more invested in capital markets, the industry. There are great people over there doing incredible work, and the word's getting out, but it's been a period of political distraction in the United Kingdom of late as well. We're starting an initiative in Canada and Switzerland as well.

PATTI: That is terrific. Think about the impact that you have on a global basis and what it could



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mean for individuals and families. This is a big deal. As we look at the gap between the people who have and the people who have not and the pressure that it puts on governments to provide social programs to help them, something does need to be done.

As you said, it comes down to basic good advice and someone that you can talk to, to be accountable to, to check in with. You've heard the saying, "You get what you measure and what you measure gets done." To have that process of measuring, progress.

STERLING: Thank you. We're trying and we're constantly trying to evolve our methodology, we're constantly trying to make the ranking better. There's a deep journalistic process that goes behind that.

From our view, when it comes out, we are creating that journalistic ranking, but it's less about 100, it's more about our message to our readers, and by effect, the American investing public.

You might not think there are good people out there. There are lots of them, here's an example of 100.

PATTI: It does, it gives people hope and an understanding that there are excellent people out there providing amazing advice and making a huge difference to families all across America.

STERLING: Absolutely. We say you shouldn't go it alone, try and get some advice, try and get people that understand your needs, understand where you're going, get counsel, and you'll make better decisions based on that. There's such a breadth of different ways that you can access good advice now, be it a full service planning based advisor, great firm like yours, or digitally if you can't afford that.

There's lots of different ways to find advice right now.

PATTI: I often tell people when we're talking about things and we're going through really rough times, I say. "Probably one of the most important things I do for clients is to save them from themselves." To help them to understand what's happening, that it's not going to be permanent, we go through cycles, and they're going to be fine.

Just stick with the things that we've agreed on that need to occur on an ongoing basis. I think that that's so valuable. You've also taken this initiative of this hall of fame. What's the hall of fame about?

STERLING: There's a lot of things going on in the wealth management industry. We've been ranking advisors going on 16 years now in the pages of Barron's Magazine. We do a state by state list, we do top women advisors, top advisors, top independent advisors.



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One of the things that we've noticed is this notion, among the very best firms, of succession planning, and the importance of succession planning and plotting a future for the firm.

It's not just about the continuity of the business beyond the principal and founder, but it's really about making sure the clients are taken care of over the breadth and long term future of the business. Many advisors who are in that ranking are starting to implement succession plans.

Some are, some aren't, but they're starting to say, "What's this going to look like, structurally, across my business? Am I going to give equity share of ownership in my business to others? I'm going to foster that succession plan."

Some of those advisors inevitably are going to step away from that business. We wanted to create a mechanism that identifies advisors who have been consistently ranked in Barron's Top 100 Advisor List for a decade or more.

PATTI: Not an easy feat.

STERLING: It is an intensely competitive list. Those people who have achieved that hall of fame status, like you have, – and congratulations on that – ...

PATTI: Thank you.

STERLING: ...we're recognizing them as Hall of Fame members. I know in your business there's no big changes planned in the future, but there are others out there whose businesses are going to go through a transition of sorts, and we wanted to create this mechanism around a permanence of recognizing those who are in truly elite status within the industry.

PATTI: It's also important that we all recognize that the most important thing that we do for our clients is not necessarily create this dependence on me, the advisor, but to help them to understand that we're going to be here for the rest of their lives, one way or the other.

STERLING: Multi generationally, in fact.

PATTI: Ideally, absolutely. We get to know the kids. It's an incredible...What a wonderful, rewarding business this is. We get to develop relationships and become real friends.

Again, sometimes we have to give the tough advice, but it's advice that we believe is always in their best interest. For them to know that they can rely on us, not matter what happens in their lives, what a privilege that is.

What an opportunity it is for young people to recognize that this is out there, and that they



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can do not only well for themselves, well for their families, apply this information so that they get to be like Ed and I that just made our last tuition payment, but also have incredible impact on other people. Long ago, this has never been about the money for me, it really hasn't.

It's really fun. I love this. We have a blast. To be able to hug our clients and to have them come in...Sterling, I will tell you this story. We've had several meetings over the last...lots of meetings with clients. We're doing a lot of year end tax planning.

I had a woman in my office yesterday, a widow, who basically went into tears. She looked at her statement. We talked about the idea for some tax planning for her, identified how much money it would save her. She looked at me and she said, "What would I have done without you?" Does it get any better than that? It's amazing.

STERLING: What's interesting is that feeling that you just described that you had, of helping someone through an incredibly difficult period, and helping them realize the security that comes with financial wherewithal.

That's emblematic of great advisors that we meet across the country in all different kinds of structures, whether they're with big banks on the west coast or financial planners or independents, what have you. That desire to help people feel more secure and achieve true financial freedom is so empowering.

The way you speak to that's very eloquent. It paints a great picture, but it's very consistent among the very best people we see in the industry.

PATTI: I'm going to tell you another story. It's something that happened about a month ago. I have a dear client who's been a client for 25 years. She had a stroke. She's in one of these continuing care communities. She had a stroke. She couldn't come in. We needed to meet with her, so Stacy and I drove out there, and we sat down with her.

Long story short, one thing led to another, and she told me about something that has happened with a mattress. She was, frankly, being completely exploited. She bought it from a department store, took the first one back because it was too soft, then the second one was too hard, then had the stroke, so she needed to lower...

Long story short, the third mattress was \$15,000, and it didn't work. It was supposed to go up and down. It didn't work, but they wouldn't take it back. I was so mad. I was so angry. I literally said, "Susan, get me the name of the person you were dealing with. Get me the name of the manager."

It happened to be right here locally in King of Prussia Mall. I marched myself out there and, long story short, she got a credit back on her account. It's those little things. She was



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like, “I can’t even believe that you took the time to do that.” I was so mad about it, and I literally shamed them into doing that.

Those are the things a lot of people say, in fact, there’s a lot of things that people say, “I didn’t realize that a financial advisor does that.”

STERLING: The best financial advisors...You have to be a good investor, you have to be a good planner, you have to be thoughtful, but you have to be a protector too. That’s something that is very consistent among those people we think highly of.

PATTI: Well said. Well said. You have to advocate in all areas. Well, Sterling, this has been terrific. Thank you so much for your time. Thank you so much for making the trip.

All I can say to you is, you are the visionary that we’ve all been looking for. Your ability to see the trends and to elevate the entire industry and to let Americans know that there are people out there that can make a big difference all over the country in all business models.

STERLING: Thank you for having me, Patti. I appreciate it.

PATTI: For all of you, thank you so much for joining us today. It’s been a wonderful, wonderful talk about something that is different, but important in all of your lives.

If you have any questions, please go to our website at keyfinancialinc.com. Give us a call. Send us ideas of anything else that you’d like to learn about.

In the meantime, I hope you have a wonderful day, a wonderful year as we end this decade and go into an incredible future for all of us. Until next time, I’m Patti Brennan. We’ll see you in the next episode.



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