

Level Up Your Client Engagement Game with Elements' Revolutionary Diagnostic Tool

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Full Episode Transcript

With Your Host

Maddy Roche

XYPN Radio With Maddy Roche

Maddy Roche: Hello, Reese Harper and Carl Richards. Welcome to XYPN Radio. How are you both today?

Reese Harper: Hi, Maddy. Hey, Carl. How you doing, buddy?

Carl Richards: Maddy. Thanks for having us.

Maddy Roche: Oh of course it is so nice to see both of you this afternoon I'm excited for our conversation. Those listeners who have been with us for a number of years may remember Reese Harper's story from episode 336, back in June of 2022. We are here today as the intro said to talk about a new partnership that XYPN has rolled out with Reese's technology, called Elements, and we are going to dive all into the backstory of the creation of this tech and why it is so important right now for advisors to tune in, listen and try this really impressive and new approach to advising. So, Reese, why don't you give us before we dive into the tech itself, a little background about your advisor experience.

Reese Harper: Thanks Maddy I think I want to just say that my experience with this has been so much a team effort with working with Carl and everyone at Elements. I learned so much from everyone, every day. This is a dream come true for me to be able to be a part of building a piece of software that has so many cool people involved.

It's just been a real gift. And Carl's been one of the people at the top of the list in terms of people that I've really enjoyed working with. So I'm excited for this conversation today and hope that advisors can learn something from it. To apply to their own practices and just enjoy the conversation.

So, to, answer your question directly, I can, just be brief. but my background has been being inside of a, big broker dealer 1st, for 3 or 4, about 3 years, and learning. That it was very hard to do business the way I wanted to with so many rules and red tape I left and started an advisory firm that eventually became a company called Dentist Advisors, and that advisory business today has a CEO that runs that business, Matt Mulcock, and, Justin Copier, the COO and Ryan Isaac, one of the lead advisors there,

they're really in charge of strategy and content, but we have dentists in every state now. And. I'm really proud of that business. I sit on the board and, currently chair it and that just getting a board was a whole, that was a unique experience being able to bring in really seasoned people to serve on a board and see those people, have an impact.

What a fun experience that was for me to go from being the first advisor to training one advisor to, seeing like a company if you position it right and, serve your client well, that it can grow, anyway, as the business started to grow, I got really interested in I went to a conference, called the Yankee dental convention, and I was a speaker in a breakout session that had a few hundred dentists in it.

And after my presentation, they lined up and realized that their question probably wouldn't be answered for another hour or so.

Because when someone asks you a financial question, man, it, takes 20 minutes to unpack the information that they're sharing, to collect the details, to understand them well enough to like shape a piece of advice. And that's when I started imagining what if I was giving a presentation where people were filling out their information already while I was giving the presentation so that when I saw them afterwards, they could just ask me their question and I could reference

maybe a scorecard of some kind to help me answer the question quickly and not have to make them wait in line so long. And that's where Elements was born, was in that moment of watching the line just get longer and realizing I would never get to it in my entire lifetime, I would never get to the line. To serving every person in the line. And a lot of it was because none of them had not, hardly any of the people in line had very much money. people that stand in line, They usually stand in line cause they don't have money. That's what makes them stand in line. That's why they're willing to wait.

And, and so it kind of just made me start getting curious about what is it systemically about the industry that causes us to only work with people with lots of liquidity and how are we going to solve this problem because we should have a wider continuum of care. We should have broader access and we should have different levels of service.

That people can access and it shouldn't just be as simple as one service for everybody And, that was where Elements was born and we created a set of financial vital signs, 11 of them that measured like a doctor measures, blood pressure or cholesterol readings for a patient in advance of showing up.

we've tried to do that with finances so that the, financial advisor could, interact with their clients efficiently and answer questions very quickly and determine the next, step to go down rather than having to go do, as Michael has written a lot about, on his, in his blog, it could be 15 to 20 hours of work to collect enough information to even begin a conversation with somebody.

Carl and I really felt like that was the problem that we wanted to solve was shortening that time down to be able to get to quicker diagnosis faster. And, I'm sure Carl's got a lot to say about this. So I'll pause there, Maddy, for you to interject and ask any follow up you want to say before I turn the time over to Carl.

on this. Sure. No, I am interested, Carl, from your perspective, what was it about the vital signs that, made this more scalable than the way advisors had been doing planning before?

Carl Richards: I think it's a huge problem because we all know that, what people have as financial questions, I'd never in my whole career had I been asked for a financial plan.

I actually made that claim on a podcast and I went back and look through the emails, the thousands and thousands of emails from New York times readers to verify. I've never been asked for a financial plan. What I've been asked is a financial question. And so what I remember about that is we all know, like every advisor or planner listening to this knows that when somebody asks you a financial question, you normally have to say, well, it depends. And I need two years of tax returns, 24 months of brokerage statements in the DNA of your youngest child, to start the process of answering that question. Well, how could we get there quicker? How could we get to a, and really the work I did, like, when I wrote one page financial plan, it was a forcing function to the same idea of like, how can I make it simpler?

How can I get there quicker? And I realized like there was no, like there, there's no standardized objective set of measurements. And I, when I started making that connection between financial vital signs and health vital signs, and I started talking to some of my doctor friends, I was like, can you, how would you do medicine without, and they were like, I don't know, what are you talking about?

Like you couldn't. We've got to quickly get to some, what is your heart rate? what are like cholesterol level, weight, height? there's some basic fundamental things that we need before we can give you any more suggestions, but with them we can quickly identify just a next best step.

And that's what people really want. Can you help me make progress right now on this question that I have? No, it may not be. The best answer, and to what did John Bogle used to say, he used to say, there, and he was talking about investment advice specifically. "There might be investment advice that's better than this, but the amount of advice that's worse than this is infinite." So the idea of like always having the best, the best, the best. Can we quickly get you to the point where you can take action and that connection between financial vital signs, between like health vital signs that I can see and their objective and their standard, we have no standardized language for this.

And so that, that's where the connection was to me. man, I could help more people faster with what they want. The presenting problem. I might be able to give them an answer. I can at least point them in the right direction. If I have this basic information. Okay.

Reese Harper: Yeah, I just to piggyback on this briefly, Maddy is, let's take one of the vital signs and Elements, which is liquid term score. it it measures, it takes someone's total liquidity, their bank account balances and their after tax investments that can be collected in a couple of days. And it divides it by their annual personal spending.

So that's a vital sign. We could call it liquidity. We, We call it the liquid term score. Sometimes when we're talking to clients, we just say your liquidity score. but if you go into Elements and you see that, and someone asks you the question, Hey Reese, I'm thinking about making a, buying a new house.

And I want to know if you feel like I'm in a good position to do that. And if I look at that liquid term score, and it's a 0. 5 or less, meaning they have less than one year's worth, less than a half a year's worth of liquidity. I probably just get cautious like right away, you know, cause I don't like to see that liquid term score be less than a 0. 5, you know, as an advisor, like six months worth of liquidity to me is like kind of the beginning of financial strength. And so do I need to go do a lot of in depth analysis to answer this question? or can I just have a conversation with them about this principle right now and see how they feel about that level of liquidity?

If if they're going to go down to two months worth of liquidity or one month worth of liquidity because of this new time home purchase, then they might not want to do that. They just haven't had the information reflected to them in a way that would let them make sense of it. You know, If I tell someone their blood pressure is atypically high, they're going to be more likely to start improving their diet.

Then if I just say, Hey, you should improve your diet in a kin, you know, the same way, if I tell someone to save more money, they're not going to save more money unless I give them some reason why they're a typically low or that they have a low savings rate or a low liquidity score, like we mentioned. So.

That's just an example maybe, of, of how I would apply this, you know, just very quickly. go ahead, Maddy. I can tell you were about to ask a follow up there.

Maddy Roche: Yeah, my mind's going with a number of different questions, but this, it's so refreshing to hear a new conversation about how to give a diagnostic to clients about their existing picture. But I'm wondering, how does this change from what an advisor would do typically when they onboard a client?

Like how much time are we talking about saving someone in terms of getting all their information into Elements versus the homework that we assigned to them typically?

Reese Harper: Oh, Carl, I'd love to hear your thought on this. I'll respond briefly as a starting point, which is I like, I use Elements as sort of, Like my patient vitals chart, like a doctor would use. And it's my main thing. Like it's my hub, right? I want those vitals to be regularly collected, maintained and accurate so that I'm constantly able to do more preventive financial care.

I'm able to diagnose quicker. I'm able to quickly get to the depth of conversation around the right topic that I want to go to. And then of course, like I'll, I'll use, projection software to, much like a doctor might prescribe a particular, pharmaceutical or exercise routine. Like, when you want to get into modeling something that is sort of a very complex set of sequencing of decision making, like Carl said, there's the best, or maybe, I would shape that to say the most accurate.

Like the most accurate advice is always expensive to deliver. And so you, I would use it, as a way to say, look sometimes I need hyper accuracy, right? I need in depth accuracy and a, and a, very in depth diagnostic but sometimes I just need a general diagnostic. Like if someone's savings rate is 2%. I know that that's the first place I got to go.

That would mean they literally only have 2 percent difference between their spending and their gross income. Like it's just, they're tight. Their cash flow is too tight. And so I don't need to model a retirement projection for them right

now. I can tell them right now they're in trouble. They're in trouble at a 2 percent savings rate.

So it saves me 15 hours. And to your question, how long does it take? I could probably get the information I need in between five and seven minutes, you know, from a client in putting 22 data points that give me these these diagnostics, I could save myself significant time. Carl, you're, you want to add to this?

Carl Richards: Yeah, look the one thing I would, I just want to emphasize real financial planning is about being a little bit less wrong tomorrow. It, we can't be precisely correct. that's something we all hang on to. And I know this audience particularly, cause we all care so deeply and we're deeply trained with spreadsheets and calculators and we really want to deliver certainty but you, we can't, because the only thing we know about the financial plan for sure is that it's wrong.

We're just not sure how. And so if you believe that, and the deeper dive into that is if anybody wants it is like you're operating in a complex adaptive system. If you understand what that means, it means the way to navigate a complex adaptive system is to just focus on being a little less wrong tomorrow.

So we're supposed to have, instead of being precisely correct, sometimes I use Kitces as a verb. Like it doesn't matter how much you Kitces it, you can never be exactly correct. So if that's true then Maddy asked me a question. Thinking about buying a new house. Thanks for the question, Maddy.

Like what I used to say was Maddy, if I could get two years of tax returns and your, your balance sheet and 24 months of brokerage statements, I could help. Now I can say, man, I've got this tool that helps me quickly. At least get you pointed in the right direction. Let me just send you a link real quick.

And if you'll just go through it, we find it takes on average about seven minutes and 37 seconds. Sorry, eight minutes, eight minutes and 37 seconds. Let's just say under 10, right? If you'll just go through answer these questions it will at least give me enough information so that we can look together. Just try and get you at least pointed in the right direction. It allows us to quickly answer that next question. Now, of course like we said, we may want to order a CT scan, right? of course, and those existing tools are beautiful and lovely and let's just keep using them. But those tools, the one thing to point out is those tools were really built for us. Those are tools built for planners. Elements is really a tool built for the client.

Maddy Roche: And that's where I'm excited about this. Tell us from a client's perspective, what do these Elements mean to them? Would they need an advisor to read it to them or would they get it?

Reese Harper: Well, we've. Made it, like one of

the, The cool parts about this evolution is it didn't, it wasn't intended to be used without an advisor, like it, I built it to help me give advice faster. I didn't build it to not give advice anymore. I didn't build it to sell to a client, right? I built it to sort of simplify what was already happening.

And the first version of Elements was on a picture frame that my team at Dentist Advisors helped us build. It was just paper on a wall. I mean, it was just an idea. It was a concept. And that alone helped us educate clients for a long time. You can imagine if you're a client and you're like, what is financial planning? And then you like, listen to an advisor, explain that to you. It's going to be so different advisor by advisor and firm to firm and person to person. And years of experience will, and who, which advisors lean more towards functional jobs and which ones lead more towards emotional jobs. Like advisors are going to explain that and it's going to sound just as confusing to them as it does to us in the industry.

Like, I don't know what financial planning means still. Maddy, I can't tell you, like I just, when I compare it firm to firm, it could mean managing index fund portfolios for half a point. With no conversation about any other topic, or it could be unlimited topics, at a fixed rate of \$10 a month. I mean, I've seen that, you know, like, and here's the issue is that it doesn't matter how cheap you make it.

Right now we don't have very high activation energy coming from the client themselves I mean the number one thing I hear from advisors about their financial planning software is like I can't get my client to use it I can't get my client to log in. I can't get my client to update the data I'm, like well, it's because it's it's like it was built for us to do very complex financial projections which coincidentally the data shows us that we don't need to do those very often for every human.

Like that function grew out of the need to provide wealthier people with very precise estimates of the costs of their decision making, which is a very important tool. That tool will never go away. Like that tool will always be in place for a wealthier person that's like okay. Okay. what if we buy the cabin?"

What if we, want to pay off our house? What if we give our kids 100 percent of the money for college? But that's so different, Maddy, than the beginning of the conversation, which is so different than that, than what we do at the end. And so I for me to, to kind of put a, put a bow on this, I feel like clients, what they get out of this is an understanding finally of what financial planning really means.

They see what it means because we say there are 11 financial vital signs. One tracks retirement, one tracks your business, if you have one, one tracks taxes, one tracks savings, one tracks spending, one tracks retirement accounts, qualified plans, and we just have this pretty picture and it all makes sense.

Once you explain it to the client one time, and our UX helps the client make sense of it, especially as we're getting better as a company, like at the our next release I'm super excited about just because it's so intuitive to the client and the goal of the development of our product team was to make it possible for the client to orient themselves quickly.

To what is going on so that they could ask their advisor the next question they want to ask. So it's it's less about telling them what to do more about pointing them towards what question to ask next. And I think we're trying to stimulate that client advisor interaction by engaging the client with a portal that was essentially, you know, built for them around vital signs not a replacement for all the other advisor tools that the advisor is using. I just think that any advisor who's listening to this is going to know the difference between a complex

Reese Harper: retirement income analysis and the first conversation you want to have with a prospect or the first conversation you want to have with an early stage client. They're just very different and so we're designed to sort of be the, that that place where the client can orient and make sense without the advisor having to do a ton of work.

Maddy Roche: I think the focus on the end consumer is a beautiful investment and anytime we can get more engaged in the process and more, driving the direction of their financial plan, the better and less time are they engaging an advisor and not really certain about, what they can do to make change.

Okay, I so appreciate the perspective of just how it engages the client to empower them to ask better questions and take ownership over the direction they, want with their financial picture.

But , could you lay out how it changes the experience from the advisor's perspective? Like, where do you begin to use Elements and then when do you stop if you ever do?

Reese Harper: Carl, I feel like I've hit this, already a little bit. So I'd love to get your perspective on it. But I I would say for me, Maddy, it's the, it's the way I define comprehensive or holistic with a prospect. So I would always engage. I try to engage at the top of funnel, middle middle of funnel and bottom of funnel with this.

I think that advisors are going to convert more clients. When they do it in the context of actual client data, so if you can get a prospect to actually give you information about their situation, and tell them that you'll be able to compare that information to a database of people that are similar to them and tell them where their blind spots are, you have a much higher conversion rate at point of sale, whether you're at the top, the middle or the bottom of your funnel.

And then the fact that you don't have to relocate the person into a new, system until that job is required. because for every client and every prospect it's going to be different you know, at, at When you need to go to Holistiplan and say, look, it's time for an in depth tax analysis now.

But there's a lot of more important conversations that need to happen early on, if you really want to convert the client. or convert the prospect like values and purpose and mission driven questions, financial meaning

and so we think vital signs do a better job of empowering the right kinds of conversations to build the foundation. And then we think that there's amazing software that we're on an every quarter, we're building more and more integrations to try to make these advisor tools that were built for advisors,

more effective for advisors. So they don't have to be messing around with entering data into multiple systems. But that's kind of how we are using it. At least our, our best customers and our core philosophy is, you know, going down that road. Carl, you probably have some shaping on that.

Maddy Roche: Yeah. Carl, tell us a bit about how you think this changes the sales conversation for an advisor.

Carl Richards: It changes it in like almost every, way in my mind. And the reason is first forever, we just haven't had a set of standardized objective measures. To help somebody quickly understand where they are. and I think

that's the primary question. There's always a presenting question, like I've got a problem, like an acute problem.

I'm going to go to the ER, but behind that question is almost always am I OK? Am I on the right path? And I think being able to quickly help somebody see that, not just hear it or read it in a 25 page printout or a 200 page printout. I have built my entire career around trying to help somebody see something visually that they didn't understand before.

And I'm just, I just got, the reason that happened is because I got super addicted early on to that moment when somebody said, Oh, I get it now. And it was like two circles and an arrow on a board. And I had spent 30 minutes trying to explain this concept. And in an act of like desperation, I would stand up and say, no, like this.

And then I'd get that moment. Oh, I get it now. And I think if we can help in terms of the sales conversation, if we can help somebody have that moment quicker where they're like, oh, I see it, in a modern, beautiful way on their phone. that what happens is you become linked and embedded to that moment of understanding.

Like it's almost like in their brains. That moment of understanding was brought to you by, Advisor X. And I think the sooner and the more frequently we can give somebody that moment of clarity, then that's the magic moment that the advisor now will never lose a client. Because there's been this moment of I see it now.

And that's why I think it changes the sales process pretty dramatically. Cause we can make things simple, quick.

Reese Harper: I want to highlight one other thing, Carl, that you made me think of, and that's that Elements is, it was designed to bring people into the present moment. And determine the next action, which is very different, I think, than where we've been having conversations in the past. We've been having conversations about 10 years out, 5 years out, 15 years out, 20 years out.

And for most of us, we don't relate to finances that way. We don't relate to life that way. we're making decisions usually. That unlock pain from where we're at today. Like we just are trying to kick, move the ball down the field a yard or two, a five yards, 10 yards. we're not trying every time we sit down with our finances to knock the ball out of the park.

We're not trying to hit a home run. We're not trying to live 20 years out. And. I feel as an industry, we've I think in an effort to maybe just gather assets quickly, I think we've just pushed people out and showing them how big their pot of money can get in the future if they just make changes right now, but that's, I think we've lost trust, as an industry with the client, because we're not offering them real advice that can get them five yards down the field.

We're offering them advice that is somewhat unrelated to their highest priority pain, which might be different than their retirement account balances. Their investments might not be the problem they're facing that's the deepest right now. So I think as an advisor, the reason I like using Vital Signs as like a primary place I reference is it's always bringing people back to the present and it's always bringing them back into what is going on right now.

And how can we improve your situation, to help you feel better tomorrow by just making an adjustment today, that might look like saving \$500 into a brokerage account, but it might look like refinancing alone. It might open up a whole new world of advice. That we weren't giving before around how to earn more money and make more money.

We're not touching the revenue side of the conversation at all as an industry. And I think that as we start to develop data sets that help us push into comparative analytics and benchmarking, tracking Vital Signs over time advisors are going to start to have more beneficial conversations that bring both income generation and expense management.

And cashflow management and asset location conversations, all the things that we've done traditionally, we'll still do them, but I think we're going to be able to start to advise people on new types of advice. If I meet a web developer, that's currently at a salary of \$98, 000 in 2024, and they have 10 years of work experience, that's going to be well below the median income for a web developer.

So should I really talk to them about their savings rate? Or should I be talking to them about how to go and apply for a new job? Because somehow in the job that they're in right now, they're being undercompensated. Why isn't that part of our industry? Like, why aren't we talking to people about how to grow the pie?

I think once Vital Signs become more of a, an accepted way to start giving advice, I think advisors are going to be very creative in terms of where their advice practice could go, decoupling it from just purely AUM and going to a

place where clients find this piece of advice valuable, because not everyone wants to do a Monte Carlo simulation, it's just not where people are at.

Maddy Roche: It does really sound like this will change the way advisors advise and

Reese Harper: we hope so.

Maddy Roche: client experience, from the client side. Is, that what you're sensing too, Carl?

Carl Richards: Why, tell me what you're thinking. I'm actually really curious, Maddy.

Maddy Roche: Well, it's interesting because as Reese says, Monte Carlo simulation isn't, that's not what we show up to advisors doorsteps for. That's, not why we seek that. I wouldn't know what that would mean to me without an advisor telling me that. But the whole service calendar of we start here and we focus on, the next 20 years, get you to retirement.

It follows this linear path, whereas it appears that Elements is going to really bring us closer to the North Star faster of what we need help with and that does change the annual service calendar for an advisor.

Carl Richards: Yeah.

Maddy Roche: It does sound like we're going to shake things up a bit with this technology of, letting the client and their financial picture actually drive the decisions and the conversations.

Carl Richards: Yeah, no, I love that. And I don't, it's in no way, does it, discount the value of all the work we're doing or all the subject matter that you need to work through to get your CFP® and every one of the seven steps and all those things are still incredibly important. I like to think of it as just something we're going to lay on top. That like all of that stuff was, but nobody, I told you, nobody asked me for a financial plan. Absolutely. Nobody in the history of the world has ever said I need a Monte Carlo analysis, please. And so that doesn't discount the value of that tool. And then the other thing that I think, keep in mind is a lot of these tools were built for a time that no longer exists. Like you, the, days where you had a pension and you worked till you were 62 or you retired at 65 and you on average died at 62, that's when the retirement law was

put in place, you, worked till 65, but average life expectancy was 62, like a lot of our tools were built for that and, things have changed a bit.

Maddy Roche: and tools were built for wealthy people, quite frankly. And when, in the XYPN world, when we're talking always about expanding access to financial planning, I can't tell you the number of times my peers say, well, I can't get a financial planner. I don't have any money to manage. It's well, now actually we have a tool that can start us somewhere that is applicable to where you're at to move you in the right direction.

Carl Richards: Yeah, and it's even, I think even beyond that, like the tools that a lot of the tools that we use, we're built, listen, the primary tool we use for project Monte Carlo was built for, by rocket scientists. You know what I mean? This was nuclear bomb, atomic bomb technology.

So we've taken a lot of those tools and we thought, okay, they're really good for, and I'm talking like family office size, right? Really good for them. So obviously these tools, we must just adjust them. For everybody else, but it's a different problem set. And on top of that, let's get away from those tools are incredibly valuable.

Let's just assume that they are, cause they are what we need. Those were built for us. So some overlay on top of those, I think what we'll end up seeing is what we want to create. And I think we're like the revolutionary phrase I've used around Elements Is largely because we have an opportunity as a very small segment of this profession inside this really giant industry that most of us don't love.

Like we don't really love being even called an industry, but unfortunately we're part of the financial services industry, along with the financial pornography network and all the other folks, right? This little profession has a chance to establish a language of their own. We don't have a common language right now.

We don't have common metrics. we don't, we have some, have a hunch, we have some feelings, right? But what we don't have is an objective set of language to say, that's replicatable from advisor planner to planner, right? You don't walk into a doctor's office and get a different version of blood pressure. It has never happened. The blood pressure is blood pressure. And so having a tool that sits on top of that, that can quickly, I think what we'll end up seeing is. The advisors that use Elements will quickly learn, and it takes a little while, but they'll quickly learn that the only thing they want their clients looking at, they're still going to do all those tools and the clients are going to know all those tools, but

what the only thing they really want, the only thing the clients are going to care about is, Hey, how, and this is the other thing that is really interesting, how, and I think most of the people listening will relate to this,

imagine you just met with two of the doctor. and their spouse. You're walking. What's the question they ask on the way to the door? It's almost always on the way to the door. After the first meeting, they'll just quietly say, Hey, how do I compare to other doctors? This idea of knowing like, where am I, how am I doing?

And how do I compare? And then what if your advisor could set a target range for your, for each element, which they can, right? Because you're not, just the average person. You're somebody else. Like we have a specific target. Well, now suddenly I can say, how am I doing? Am I making progress? Am I closer to target just like you can with blood pressure?

Oh, has my blood pressure gone down? Oh gosh. Good. I was worried about that. So I think that's where the revolution comes from is, the ability to have an objective standardized language as a profession. That allows us to orient quickly at how am I doing today? What's my next step to doing a little better?

Okay, what's my next step to doing a little better? And how does that compare to other people? Which we could maybe refer to as benchmarking.

Maddy Roche: Great. And let's stay on that. Can you tell us a little behind the scenes and under the hood of how this benchmarking works? Where's the data coming? Reese, you just gave the example of you quickly identified that the developer is not making enough money. where, how do we, trust the numbers and the benchmarking within Elements?

Reese Harper: Well, we started with, I mean we have over 10,000 end- clients now in our system and that's way more than you need to have a statistically relevant sample the problem is you have to be responsible with how data is aging. What is a comparable data point? And who, if an advisor enters it. Do we trust it?

Or if a client enters it, do we trust it? Who should we trust for which data point? there's a whole, lots and hours have been spent on this. what we've started with, that everyone will get to enjoy this year. as soon as our next, mobile release is done, which we're targeting, to do, sometime before the end of, April is our goal. is inside of the. mobile application, when a client clicks on any of their element scores, it will map their score onto a heuristic that we suggest as a

standard heuristic for the data sets that we have seen on top of that standard, Let's take savings rates, for example. Let's say your savings rate, is 6 percent of your gross income.

That's your estimated amount of money of your total gross income. You think you're going to save and have scheduled like auto drafts for this year. It will show a scale, zero to 5%. We will call a typically low five to 10%. We would call low, 10 to 20%. We would call typical. 20 to 30%, we're going to call high and 40 percent or greater,

we would call atypically high. The client, if they have a 6 percent savings rate would see that they are in the low area, then they would see their advisors target score. Maybe was even either higher or lower than where they're at right now. Maybe they're in medical school. Maybe they're just going through a tough time.

So their advisor says, you know what? It's okay. You're actually doing better than I expect right now. You're saving something. And I wanted you to be at 5%. Even though Elements is saying that's low, that's not low for you in your circumstance right now. that's actually great for your circumstance right now.

So we're allowing the advisor to overlay their recommendation on top of the standard score range, but we're also exposing to the client, based on the data sets we see, for savers that are working with financial advisors in our database and our experience which is higher than the average person.

we're not the average consumer making 55, 000 median income. That's not the average financial advisor or customer. We want to move down to that in time. But the current heuristics skew towards people with some discretionary savings, the average income inside of our database. is at six figures, right?

So that's typical of what we see and we're allowing that to be exposed right now in the current system. Benchmarking is another level of complexity here where we're going to be working towards a future where the advisors data set In their own practice, combined with very specific data sets that they can extract from, our data set, could be used to create proprietary benchmarks that were useful for comparative purposes from live, data sets.

That's different than heuristics and that's different than an advisor target, but we're going very deep in this world because we think this is where, the next level of advice can be unlocked.

Maddy Roche: I follow that. Thanks, Reese. Any thoughts, Carl?

Carl Richards: I think the ability for you to see what looks like average and the advisor to say, yeah but. Or yes and. This is where I want you, this target range thing is going to be super helpful because again, back to the, I hate to harp on the medical thing, like the doctor will often say, Hey, for you, this is where our target is.

Let's see if we can improve that, but that gives, look, the client's just, all I want to know is can I get an answer to my question and am I improving? Oh, sorry. First, where am I today? Am I doing okay? And how can I make progress? And so if I can see that my savings rate went from six and you actually wanted me at 10 to change Reese's example, and I went from six and the next time we met, I was at eight.

I'm feeling really good about that. And that gives the advisor a really concrete source of value. So I, yeah, I love all that.

Reese Harper: Yeah, this is a philosophical question for the industry, which is, should we be managing our clients goals towards. A theoretical future state, or should we be managing their behaviors to the present day. And optimizing for present day behaviors. If a 6 percent savings rate makes my Monte Carlo simulation be 100 percent complete. But that's still atypically low relative to the population. Should we challenge the client to save 10 percent and vice versa? What if someone doesn't really have a retirement goal? Work optional for them is not a focal point of their life. Why are we forcing them to save higher amounts of money?

Just because we say savings is the most important. You got to save, What if they want to live? What if they don't want to save? What if they get a year's worth of savings piled up and they're like, I don't care anymore. I'm done. I just want to work my 20 hours a week because I love the job I do.

I'm going to do it until I die. And I'm fine with this scenario. that kind of allowance. I think, or that flexibility, of how we deliver advice to help someone's overall emotional well being is so important.

I couldn't agree more I am

Maddy Roche: fascinated and impressed by the focus on how much this calls on the advisor to have a relationship with the client and understand their own personal goals, and then work on the behaviors associated with those goals, as

opposed to here's a spreadsheet and here's what you got to do, because we know humans are complex creatures.

We know that there's a million different pieces of data coming to us at any point. That change our even feelings around money. And so having a benchmark like that and being able to track it and be a doctor in the room, a supportive thought partner with the client really begs the advisor to be present and have that relationship, which is really what people are paying for, in our space at the least.

Reese Harper: Yes. And it letting them get involved in entering data, updating their information, participating in the process. This is these are their financial vital signs that ultimately they are the ones that have to give us the information or the vital signs are not going to be accurate. And so I think I like that pressure from the get go, it decreases overhead substantially and engages the client in a really material way.

Maddy Roche: And how frequently are we needing clients to upload or add information to Elements to be accurate?

Reese Harper: As often as we're having conversations, probably using the conversations as the focal point to get them to engage and update, we have in app processes that are running, quarterly to maintain data, and we're trying to right now, determine how to give the client the emotional benefit or the badging, to help them feel like they're being a good partner in maintaining their data.

but we would say that financial pain comes in spikes in people's lives and it's very, it's, unpredictably infrequent. Multiple times a year, but it's up to the person to decide when they have the financial pain. So if the pain spikes, that's the moment we engage on the vitals, as a general best practice.

So imagine this is more of a meeting prep, and conversation, phone call prep as the north star. And then, more than that would just be incredible to have that much data. But we think that at a minimum using these, pain points of financial pain as it naturally occurs, it's probably the best way to get data to be updated quickly.

Maddy Roche: Reese as we begin to end this fascinating conversation, I just want to tip my hat to you and your own experience here as someone who started at a broker dealer, climbed his way into his own firm and built that firm to be quite large, that you gave yourself your own permission, that you followed your own intuition, that there was a next step for you.

And as I've worked with clients over the years and members at XYPN, I've sensed the same itch for them that at some point they. They do make it, they've built the firm, they've served the clients, they love it. But many of them do feel called to go to the next thing. And I'm, wondering, what was it about this next thing that, drew you so confidently into it and, out of the advisor space?

Reese Harper: Oh, Maddy, that's a really nice compliment. And I want to just start by saying. Man, it was a lot less orchestrated than it probably looks, and it was a lot less perfect than it looks, and there was a lot more mistakes, that I made. and, without people like Carl and, man, the list of people's names I would have to list that helped me, it's just too long to mention.

But, for me, I guess I can just speak to my experience is that it was always hard at every turn, like every decision has been really difficult to make because I was giving up, some security financially. from a current income point of view, to pursue something that I really cared about. I think it boils down to the way, I would leave something with our audience would be, I think it boils down to understanding your own values, just like you're understanding your own clients values, values to me are 1 word

at a time, there's probably 80 of them that I've, I think exist out there from challenge, adventure, wealth, humility, wisdom, friendship, family. Everyone has an inherent set of values, I think that drive their life. And, mine happened. One of them is, challenge for me and passion. for causes that I really believe in and I'm happiest when I'm in a challenging situation and passionately building things, that I think helped the world, find a little bit more peace of mind and that I could be proud of to look back on and be happy that I was a part of, just like I know Carl, has his values that drive his life and we share a lot of common values.

I think that, that was what really was driving it. It wasn't that strategic. It wasn't that orchestrated. I wasn't, aware of what I was building when I was building it. It was just, I knew when my values weren't aligned. And I was able to shift in my body and figure out what's next for me. And, and then just give all I had to that thing that I was working on.

And I think everyone on this call is going to have different values that drive them for me specifically, being true to those values was probably the most important lesson that I took away from that experience. I'm sure Carl would have some comments on this though, because he saw me go through, sees me go through this struggle and encourages me sometimes to slow down and pursue my values.

but I, did that answer your question, Maddy? Before I turn to Carl, I'd love, his opinion on this. Cause we've spent so much time together on it.

Maddy Roche: It sure did. And beautifully said. And, I do think it's a testament to your mind and body connection to know when the right time is to continue to fight for the causes and the values that you cherish. And I, witness a lot of advisors get blocked with knowing what their real truth is,

and a lot of the reason people continue to seek coaching or advice from podcasts is to find that, that connection again. So, I applaud you and thank you for, trusting it and creating something really beautiful for our industry.

Reese Harper: Oh, thanks. I hope it helps a lot of people and I've got a lot of hope in what it's, what it can do because it came from a good place and it's a lot of, got a lot of good people pushing in the right direction behind it. So, Carl, what's your thought on that?

Carl Richards: I don't know that I have any, I think I just need to say amen. I, think, I think.

Reese Harper: That's nice

Carl Richards: Maddy, I just think one word that you used twice, which I loved was permission. And I, there was a point in one of the columns, I made myself the self declared king of permission granting. And I got like a wand, like a thing that I would like, like grant permission.

And the whole point of it was. Sometimes we just need, sometimes what's interesting is none of us, and we should all remember it. Nobody needs to give, you don't need permission from anyone. And sometimes it helps to just have somebody say, Hey, you know what? If you need permission, I'm happy to grant it.

And I see that in like the work that you do, Maddy, like you and Arlene both, right? That's a big piece of what you're doing is saying. after somebody defines the thing, or at least some step towards an unspoken thing, I love to think of it as like the unspeakable thing, but I can feel it in my, I can feel it in my chest.

Like I know there's a thing. Sometimes I call that dancing with dragons. I know there's a dragon out there and I want to go that direction to see what it is and they just need somebody. We all just need somebody often. Maybe it's just somebody believing in us. Maybe it's somebody just saying, Hey, go do that.

Go do that, take the next step. And I've watched you and Arlene do that with so many people. And I think that's massively valuable. It's been fun to watch Reese. Reese is dancing with dragons and dragons are fun and dancing's important. We don't want to slay any dragons around here. We just want to dance with them because on the other side is the gold, like they always guard the treasure.

So I think the more we can give each other, and I, we see this a lot in our industry, right? the spreadsheet and calculator person trapped in the spreadsheet, the creative person trapped in a spreadsheet and calculator saying, Hey, I want to, there's a book I want to write.

There's a play I want to do. There's a thing I want to start. Go do it, So it's super fun to watch saying that's a beautiful question.

Reese Harper: Carl inspired me with what he was saying and I'll just end, wanted to end with this. He, when I first met Carl, he was so busy and he had so much going on, I think I had to like, chase him literally down at the top of Round Valley in Park City several times to like, try to express what I was seeing, Elements might be, and I remember he had so much good advice for me about the direction to go, we just were a natural fit as, partners in this, current venture.

And, we became good friends after, a few short conversations, but, he left me with something at the end of our second conversation where, which he said, a lot of times people don't realize this, but they're actually looking for places to hide in their work. they're looking for places to hide. and rather than letting their work shine or letting their work be, just on display their deepest, most passionate work. And I remember when I first started at Elements, that was one of the biggest incentives for me about starting, these financial vital signs was that it wouldn't give my financial advisors at Dentist Advisors, any place to hide because they would have to have an opinion.

About personal finance that was values rooted and driven by their understanding of the client and that they would have to have an opinion. They would have to share it because there would be no deliverable that would get them out of this, this conversation that we were just going to force advisors

to have to get deeper relationships with clients to determine what they believed was, their opinion. And I think that's been hiding from clients for many years. what do advisors actually think? And I just want to hear advisors say that more often because what they feel is usually the right direction.

Maddy Roche: And that is why clients hire advisors, is that there's opinions on the other side here that they, the more authentic advisors can be about their values, their beliefs, their theories around money, their specific niche. The more attracted the humans are to them to work with them. and Carl cheers to you for bringing up the permission word here at the end of this call, because I think if we've got listeners right now, the permission that Reese has demonstrated of giving himself and seeking it quite frankly, from leaving Northwestern Mutual to starting his own firm to growing it to the size that he wants to the permission to say, I see a challenge in this industry and I want to find a solution for it.

I don't. Want to have to give advisors permission. I think it's a practice for entrepreneurs to give themselves permission and to, regulate that way. But let all three of us today give each of our listeners, you out there listening today, permission to follow the dream that you really, truly believe in and whether that is leaving the firm and starting your own or starting a tech that will revolutionize financial planning.

I hope this is a good podcast to get you motivated to do that. Any final words from you wonderful, guests

Reese Harper: Amen,

Maddy. Wow. Just amen to that.

Carl Richards: Yeah, likewise, that should be the last Maddy's got the last words. Cheers, Maddy. It was amazing.

Reese Harper: Thank you, Maddy. It was a lot of fun.

Maddy Roche: Thank Thanks guys. Hey, thank you for what you've both done for this industry. So appreciate, and honored to have you on the podcast listeners. we are so, so, so stoked, to have included Elements in the XYPN tech stack. you can find out more in the show notes and of course, learn more on their website that we'll link here below.

Take care, everyone. Bye, bye.