Ep #296: Transitioning an Established Practice to Fee-Only: A Conversation with John Mason and Tommy Blackburn

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Full Episode Transcript

With Your Host

XYPN Radio with Maddy Roche

Maddy Roche

Narrator: [00:00:01] Join your host, Maddy Roche, as she brings you into a community of fee-only financial advisers who are successfully building profitable businesses that serve the next generation of clients. Learn from innovative advisers whose unique stories will inspire you to dream big and take action on your goals. Are you ready to live your best life and help your clients live theirs? Then you're in the right place.

Maddy Roche: [00:00:24] Hello and welcome to #XYPNRadio. It's Maddy Roche, your host. I'm excited to have Tommy Blackburn and John Mason on the show with me today. John and Tommy are not only best friends, but their partners at Mason & Associates, a fee-only firm out of Newport News, Virginia. Tommy and John have a really interesting experience as they joined John's family firm that was started in the early 80s. They always had a goal to transition into the fee-only world out from under their broker-dealer. And it wasn't until last year that they were able to execute that. This interview is fun and you're going to feel the energy, the Tommy and John have around their work. They talk a lot about what they gave up and what they gained by moving away from the broker-dealer. And they share some really sage advice about how preparation can be your best friend in a transition like this. Tommy and John also talk about the radio show that they have together on their local radio station and how it's not only a great opportunity to just talk a bit about their work to the listeners of their community, but it's been a primary source for them and it's allowed them to further their mission by expanding their reach and impact, by educating their community members. If you're interested in what it's like to transition an existing firm into the fee-only space and to do it with your dear friend, then the show is for you.

Maddy Roche: [00:01:44] Avocado toast. Selfies. A mountain of student loan debt. Gen Y is anything but traditional, and with over seventy five million people, it's a population you don't want to ignore. Learn more about how to serve this unique population in our guide called Attract and Profitably Serve Millennial clients in your RIA. Discover three key ways to tap into the millennial market and six things that they want from their financial advisor. Visit XYPlanningNetwork.com/Millennials for your free copy.

Maddy Roche: [00:02:19] You can find any of the resources we mentioned during the episode that XYPlanningNetwork.com/296. Also be sure to go to XYPlanningNetwork.com/VIP to join our private group just for #XYPNRadio listeners. It's a community of advisors we've all been looking for that's there to provide support when we need it the most. Best of all, it's free. I encourage you to check it out. Again, that's XYPlanningNetwork.com/VIP. Without further ado, here's my interview with John and Tommy.

[00:02:47] --swish--

Maddy Roche: [00:02:47] Hello, Tommy and John. Welcome to #XYPNRadio. How are you both doing?

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John Mason: [00:02:53] Oh, Maddy. It's great to be here with you. We just couldn't be happier to be on the #XYPNRadio podcast. I'm excited to be across the table from one of my best friends and business partners, Mr. Tommy Blackburn.

Tommy Blackburn: [00:03:05] Thanks for having us, Maddy. We're doing great and we're really excited to be a part of this.

Maddy Roche: [00:03:09] Awesome. I've been really looking forward to this interview. There's always a special dynamic when we get to friends together, especially folks that work together. So let's dive in. John, I'll have you start us off. Go ahead and let us know a little bit about the firm yourself. And Tommy, I'll ask you the same.

John Mason: [00:03:25] Yeah, Maddy, we are we're a fee-only financial planning firm located in Newport News, Virginia, so we're-we're really uniquely positioned in the Hampton Roads or Tidewater area. So our niche market is federal employees. The neat part about our area is we're right next to Langley Air Force Base, Norfolk Naval Base, NASA, Langley. So we have a really interesting dynamic. We have a lot of federal employee clients. And so that's our niche market. And as far as the firm goes, we registered with the SEC in the fall September of 2020, but we've been doing financial planning and Hampton Roads, Virginia, since 1987. So you'll learn a little bit more about our firm, Mike and Ken Mason, the founders of the firm. Their transition from AXA equitable as insurance salesmen through the transition to broker-dealer building our RIA business that fee-only business and then ultimately that transition away to launching our firm, registering with the SEC fall of 2020.

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Maddy Roche: [00:04:29] Oh, so we have a real example today of a successful succession plan, a successful transition from broker-dealer into the fee-only space. We've got so much to dive into. Tommy, go ahead and introduce yourself, please.

Tommy Blackburn: [00:04:42] Hi, I'm Tommy Blackburn, CFP®, CPA. John is a CFP® as well. I joined the firm in 2019, but John and I, we studied at Virginia Tech together in the CFP® program there. We did our senior project together. We hit it off and and we've been in touch ever since 2010. And John joked when I finally joined the firm in 2019 that he had been recruiting me for ten years roughly, -

Maddy Roche: [00:05:06] (laughter)

Tommy Blackburn: [00:05:06] - And it's been great since we've been here. So I haven't seen the entire history of the firm, but I feel like I've been a part of it since 2010. Just vicariously through John. I was at an RIA in Richmond, Virginia, joined the firm, helped make that transition to the RIA and now business partner and everything is great. Couldn't be happier. Really excited to share our story with you.

Maddy Roche: [00:05:30] Awesome.

John Mason: [00:05:30] In the mean part Tommy, about-about our relationship is over the last ten years before we were even working together, we were impacting each other's businesses, even though we didn't work together. So we would do annual recruiting trips to Virginia Tech. And Tommy would have like a really cool idea. Hey, we just implemented Calendly. So I'd come back and I'd implement Calendly or we would revamp our website and then a few days later their website was updated. So it was just really neat that we always had that synergy and we were constantly working to improve each other even before we were business partners. And that synergy just continues and-and Maddy, I think the relationship that Tommy and I had is exactly like the relationship that we have with other XYPN members. You know, that that idea of like cultivating this mutually beneficial group of advisors who are all working together towards a common interest rather than some sort of like arbitrary competition amongst the members.

Maddy Roche: [00:06:29] Totally. Oh, that synergy is so precious too to continue to cultivate and for it to turn out to be a working relationship is really impressive. I want to dive more into the dynamics of working with friends and all that. But, John, go ahead and let us know. I'd love to know the number of clients you serve and what percentage of those are federal employees.

John Mason: [00:06:48] So we serve about 400 families right now. We have four senior lead financial planners. So you've got Mike Mason and Ken Mason, the founders of the firm, and then Tommy Blackburn and myself. Mike, Ken, and I are serving about one hundred to one hundred and twenty five families each. Tommy has been with us since 2019 and is up to 30 families now. -

Maddy Roche: [00:07:09] Wow.

John Mason: [00:07:10] - As far as the proportion of federal to nonfederal. We believe that about 50 percent of our clients are federal employees, now probably a higher number of that have some connection to federal. So we found over the years that you may have somebody that works at NASA who's married to a Virginia retirement system, school teacher. -

Maddy Roche: [00:07:31] Got it.

John Mason: [00:07:32] - Or works at Huntington Ingalls or Sentara. So we have like these little pods all over Hampton Roads and these different private sector and industries. But about 50 percent of the clients are federal, probably more like 70 or 80 percent have some sort of federal or military connection.

Maddy Roche: [00:07:50] Fabulous. What a great niche. Tommy, what were you doing during the years that John was recruiting you?

Tommy Blackburn: [00:07:58] (laugh) So we-we both graduated from the Virginia Tech program in 2010. If you recall, that wasn't a great economy to graduate into, particularly in the financial planning space. So I decided I wanted to you know, I felt like tax was pervasive in all areas of financial planning. So I wanted to specialize a little further. So I decided it wasn't a bad time to continue my education and stayed an extra year to get my master's degree at Virginia Tech in tax. And so I could become a CPA from-from there was recruited by PWC, went into their private client services. So I was trying to trying to direct myself in the CPA world into that personal financial planning space. I was there for a year and then a firm I had interned with out of Richmond reached out, the economy had recovered, their business was, their financial planning business was picking up. So then I went I went back and directly into financial planning for an RIA in Richmond, a rather large RIA at the time that I joined they were probably around four hundred million. I think today there they're over eight hundred million, was there for seven years of doing fee-only financial planning and tax prep, and all the while keeping in touch with John and learning from each other. And, you know, it was is one of those things where all the time we kept in touch was like, wouldn't it be great if we could work together? And eventually John just says, hey, our practice has grown to a place. We know you're doing really well where you're at. But I really would like to talk to you. And it just was amazing. I remember coming back from that first meeting when I got to meet Mike and Ken and going down there and me thinking like, you know, this probably is nothing's going to come of this. Like, I think we'll be friends. But we're I just I don't know why I didn't think it would happen. And I came back from it. I remember looking at my wife like that went extremely well. -

Maddy Roche: [00:09:51] (laughter)

Tommy Blackburn: [00:09:51] - This is-this is really, you know, a good probability this is going to happen. And then it happened. And it has been it's-it's been amazing. Feel truly fortunate and blessed. The synergies get along great with Mike and Ken. What we've done with the firm, I think is amazing. I guess it's-it's all relative from each person's perspective. But we've done a lot while I've been here. And it's just it's like a storybook.

Maddy Roche: [00:10:17] Sounds so fun and and really meaningful. John, tell us a little bit about your back story. And was it always the plan to join the firm?

John Mason: [00:10:26] So backstory is I really had no idea Maddy when I went off to Virginia Tech where I was going to go, what I was going to do, and I went in as a civil engineer and quickly found out that that was not absolutely not the path for me. I really, really struggled. And one of my best friends was like, why aren't you doing financial planning? I said, well, because my dad's doing financial planning and I don't want to do what my dad does. I said maybe 10 years after graduation, I'll explore that path. And he basically called me out and said, that sounds like a really silly plan. So the basically the next day I put in the transfer paperwork, left the business department and I'm sorry, I left civil engineering and switched over to financial planning, had to play a little bit of catch up, had to do some summer classes to try and graduate on time and get caught up. But I'll never forget Maddy the first day I sat down on a financial planning class and the teacher said, does anybody know what a Roth IRA is? And I was like, well, I do, you know? And-and I was like, I'm home. I'm finally home. Like, this is my dad used to read me bedtime stories about Roth IRAs and things of that nature.So I grew up attending leaders conferences. I grew up going to financial planning conferences because that was our vacation. -

Maddy Roche: [00:11:44] Totally.

John Mason: [00:11:44] - There were some hard years in the business where we were building the firm. So that was our getaway. And I remember shaking hands and meeting other financial services professionals. So this was the environment. We joke that I was kind of born and bred for this in a way, but I didn't really know it until I knew it. And that was that was junior year of college. Graduated in May of 2010 on a Saturday, started at Mason & Associates on Monday, worked eight to eight on Monday. Oh, past the various examinations CFP® November of 2010. So we've been hitting the ground running since day one and it's just been an awesome relationship. I couldn't be happier. You, you can't pick your parents but I've got great parents, I've got a great uncle and if I had to pick business partners that would be Mike, Ken, Bobbi Mason, my mother, who's always, who's at the firm as well, truly just blessed to love them as family members and love them as business partners.

Maddy Roche: [00:12:40] Wonderful.

Tommy Blackburn: [00:12:42] I had to as you mentioned, this series licenses, that was one of the fun things about me going from an RIA to a independent BD firm. And then, of course, now back to RIA. So I got to when I joined the firm well into my career as a CFP® and CPA. Got to go take the Series seven and I think another series exam only to give them up again, probably within a year. So that was a lot of-a lot of fun, but a necessary part of this process.

John Mason: [00:13:12] Well, it showed Tommy so much confidence that you had in me and Mike and Ken to take that leap because you weren't really excited about leaving fee-only and going to that hybrid broker-dealer model. And we all had visions Maddy that eventually we would end up in the space. We just didn't know how quickly. We didn't know how fast. We didn't know if it was something that Tommy and I would do after Mike and Ken retired or would we do it with them. So it's really just like good faith and and trust and everything that we're doing that, yes, we can be a fiduciary inside of that hybrid broker-dealer world, even if that's not where we want to be right this second. So he did you took that leap of faith, Tommy, and I'll never forget that.

Tommy Blackburn: [00:13:56] Oh, yeah. It was a leap of faith on both sides and it all worked out. It's just it's funny how things work out when I look back at it. Just somewhat comical to, you know, already be a CFP® and a CPA have done me thinking that I had knocked these regulatory exams out years ago and kind of going back to it with the knowledge that probably going to end up just giving this up and and a couple of years, maybe ten years. You're right. It was a leap of faith. I had no idea happened much faster than either of us would have anticipated.

Maddy Roche: [00:14:26] I'm so interested in that draw towards wanting to be in this space. It's you, both are so lucky that you were-you were through college, introduced to financial planning and John much earlier than that. But, you know, not everyone knows that one, financial planning is a career path. And especially they don't know that fee-only financial planning is a career path. So I'm really interested, where was that kind of intrinsic draw to be fee-only? Where did it come from?

John Mason: [00:14:55] I think Maddy that it really didn't used to be there, to be frank, it really didn't used to be there. Back in the day, if commissions were kind of the way that-that people operated and it wasn't looked at as a negative or bad thing back in the day, there were some really pretty awesome variable annuities and other insurance products that-that offered great guarantees that were marketable. Over time, these-these products have been come watered down. They're not as strong as they used to be. And then the overarching theme of commission based salespeople are bad starts to take a toll on you after a while. And then when-when potentially Reg BI and these other things that are happening that say, well, if you're affiliated with a broker-dealer, then maybe you can't use your CFP® designation. And then we-we couple that with just the the enormous amount of paperwork and compliance requirements when you live in that dual and hybrid space is just onerous. And it was causing us so much more work that it was actually taking us away from our mission of serving our clients. So now, because we're a fee-only firm and we've eliminated so much of that burden, we can focus on our mission and our vision, which is delivering exceptional service and world class financial planning to federal employees and Hampton Roads and across the United States, eliminating a lot of that-that stuff has really enabled us to get back to our core competencies and focus on what's important.

Maddy Roche: [00:16:26] Wow. How did that conversation go with Mike and Ken? Were they is on board about the fee-only spaces you to work?

John Mason: [00:16:35] Tommy, will have an interesting perspective on this, say that initially no, initially because they grew up in the world, that was that was not demonized. They grew up in a world where they weren't the bad guys are looked at as the bad guys. And then over the course of time, that has changed. And it took we've probably been talking about going fee-only or leaving the BD for four or five years before we actually did it. -

Maddy Roche: [00:17:01] Wow.

John Mason: [00:17:01] - And I don't remember exactly, Tommy, maybe you do, but there was a tipping point, and I think it was something with Reg BI that Mike was just like, we have to leave tomorrow. Like, we cannot, we just can't function in this world anymore. So there was a tipping point, something happened legislatively or the potential to and then they got on board really, really quickly and have never looked back.

Tommy Blackburn: [00:17:24] I think in hindsight, they think it unquestionably was the right thing and the future looks even brighter than it did before we made the switch. I think they're 100 percent behind it at the time. Yeah, I think your recollection is-is probably what my recollection is. I'll never forget John and I will go on walks occasionally. And I think it was during a lunch walk we were talking about eventually going to fee-only. He's like, you know, Mike and Ken are on board with it. Apparently we're going to do this now. And I-us just thinking, you know, I mean, I thought we were going to have to wait ten years, you know, until they retired, probably before, you know, it was us. And now they're which is great because we have the extra help and the, you know, their wisdom. I mean, it's much better to do this when we've got all four of us then when they-when they've left and retired. So I remember getting that piece of news. My perspective is a little different because I didn't I haven't been connected to financial planning since the 80s. You know, John was connected to it from birth, apparently, whereas I discovered it in college and I kind of fell into it backwards. I think an advisor tells you, you know, maybe this is a path you should go. Cause I kind of described what I thought I'd like to do? I'd never heard a financial planning. They said, we've got this program, you probably should look at it. And I felt like I knew very little. So I felt like I was playing catch up as well, trying to, you know, up-up my knowledge. And I just fell in love with it, but being exposed to it at that point in time in the college setting. I think maybe it was positioned differently to me than probably what John had, John had a practical positioning of it and drawing from his dad and his uncle, Mike and Ken, whereas to me it was kind of all right commission somebody else is paying you fee-only it's only the client paying you. I think that's the way I want to go and say you do tax planning. Everything just kind of like this seems less restrictive and seems more just transparent and clear as to the direction I want to go. So that was kind of the direction as I got exposed just where the profession was or was heading going in that direction. And then I think it was probably interesting when I joined in 2019 and I got to see what the BD world would look like. And you know, there was unquestionable that our firm, Mason & Associates was doing the fiduciary thing, doing financial planning. Right, doing everything. But then as a sitting in with clients. I'm just going John, this is impressive what you have to go through with FINRA and the fact that there's somebody in between us that we have to go through our old BDs. You know, there's just there's too many people in between us and our clients, even though we're doing the right thing, which is the page they were on, that they probably just didn't know. What does it look like in the RIA space? And I'm saying, well, there's additional responsibilities we'll have to do based upon what I see as doing right now. We've got no worries. We should do this. And I'll never forget one of my first clients that we took on as we were going through all the paperwork, which I thought we had to do a lot of paperwork in the RIA space, but little did I know. As we're going through the paperwork, the client looks at me and do you do this a lot because -

Maddy Roche: [00:20:26] (laughter)

Tommy Blackburn: [00:20:26] - sign here, sign here, sign here, you know, I mean, it's just so much paperwork. So and a great client, great relationship. But I mean, to me, that was one of those moments, too. It's like the client is saying what in the world like? Why is there so much disclosure?

John Mason: [00:20:41] Well, Tommy, you hit on a few great things there. And if I can just piggyback for a second Maddy on-on those. You have like the educational world, college world of financial planning, then you have the practical world of financial planning. And one of the things that I know was really tough for Mike and Ken is because we always wanted to be the hub. We always wanted to be the firm that our clients came to to solve every single problem, whether that was a fee based investment, a commission based investment or a life insurance policy, a long term care policy. So I think they were and I was, too, a little bit hung up on. But we just now going to ignore this entire section of the industry. Are we just going to ignore variable annuities or are we just going to ignore life insurance policies or are we just going to ignore a long term care because we don't want to get paid on them? And for years, sifting through all of those and understanding the nuances of a John Hancock policy or the difference between a 90 calendar day elimination versus a 90 service day elimination, we feel like that that practical training that we got has enabled us to be even better advisers. So now we're committed as a group of four. Although we're not going to be receiving commissions going forward, we're not going to ignore that section of the industry. So I think that was scary, just thinking about not being that central hub or now having to outsource life insurance or what have you to somebody like Lolo.

Tommy Blackburn: [00:22:10] I was going to say and the world has evolved. And so I think that was maybe a little bit of light I was able to shed when I came in is that, hey, there is Lolo out there. Now, we have XY Tax Services to help potentially fill that prep need. You know, there's-there's another one out there now. There's another insurance one. We now have fee-only annuities. So the world has changed as well.

Maddy Roche: [00:22:30] That's such a valuable perspective that you're both talking about. And Tommy, I love that you're coming in from the fee-only space into a very established BD relationship. And John, would you mind kind of explaining a little bit more about your responsibility to the broker-dealer and what kind of sense of business ownership you had before you registered, SEC registered firm?

John Mason: [00:22:52] We are doing essentially the same thing now that we were doing six months ago, the biggest difference is we are now one hundred percent and completely independent. So as we think about Mason & Associates, the firm, Tommy and I were talking about this before we jumped on today, is that we still do our radio show. We still specialize with federal employees. We still use right capital for our financial planning software. We still use Holistiplan. So life looks almost identical. We're still paying our rent. We're still paying our team members. Like really no difference from a organizational structure or a really a client relationship experience. The hardest part, I think, for leaving the BD, was the BD is a really big company that has a lot of money. So you think, well, maybe they have better legal support or you think if something happens, they've got my back or you think, well, maybe I'll have access to better technology because they have deeper pockets. And what we found is, we feel really comfortable with our securities attorney. We feel very comfortable with the professional advisers that we've put in place. We've eliminated quite a bit of cost of being affiliated with a broker-dealer. So the previous BD, Maddy, was really hands off. You know, there were some discounts available, but they didn't come in. They didn't tell us how to run our business. They didn't provide leads. They didn't provide prospective clients. So it was really just like this umbrella that facilitated investments, facilitated a few technologies, had-had some conferences throughout the year, had some training throughout the year. But as far as Mason & Associates goes, there was never really any direct involvement into like them coaching us or them telling us what we needed to do on a daily basis.

Maddy Roche: [00:24:44] Fascinating.

Tommy Blackburn: [00:24:45] And it's interesting is that I think through that question a little bit and kind of got me going down the transition. What that look like is one, there's always that fear of the unknown, and that's even me coming from an RIA into this space. And you're still, you know, what this other world looks like. And you now know what this one looks like. There's still a fear of how do we get out of this one into the other one. So we all had that fear of the unknown and we had to do a lot of homework and research too, as John and I were talking, preparing for the worst and hope for the best. And we think we we think we got the best and very pleasant experience now thinking back to the client situations as we let them know what was happening. You know, clients for the most part like so it sounds like nothing is going to change for me other than I'm still a client of Mason & Associates. And it's like, well, actually, technically, you were a client of the BD. Now you're going to be our client. And that's what I thought I was all along. This sounds great. I was really worried y'all was going to sell the firm or, you know, you guys were going away. So is everything staying the same for me? This sounds great. This whole fee-only thing sounds like probably where you should be. So we're all on board with it.

Maddy Roche: [00:25:50] Fascinating. So let's-let's talk about the details. What was the transition like? I mean, if we're scared of paperwork, I imagine that that was probably a heavy lift.

John Mason: [00:26:00] It was very scary. -

Maddy Roche: [00:26:02] (laugh)

John Mason: [00:26:02] - It was very scary and we overcame those fears along the way. So XYPN really helped us throughout the transition from the BD, transitioning over to an RIA. One of the best things that-that you guys did for us, Maddy, as you introduced us to our attorney, Chris Stanley. And Chris has been a wonderful partner for us the entire time. And-and he's been very patient with us. He's been very, very patient with us because we have a lot of baggage. We have 30 years of BD FINRA baggage. And he's like, hey, you need to log this. So we immediately think like we need a piece of paper with logging. And he's like, no, you just need to track it somehow, you know? So he's been very patient. Compliance was the biggest fear. As we left the BD, we-we were worried. We were like, oh my gosh, we have to go find our own E&O policy or oh my gosh, we need to go find our new cyber policy. Well, you guys facilitated that. You helped us. You gave us the resources. We're a little bit different than some of the other members. So we needed, you know, maybe not the off the shelf cyber policy or the off the shelf E&O but the contacts between Stanley and the other ones that y'all provided really were very instrumental and helpful in this process. Then as we really began to leave, I think we we started those conversations Tommy, probably fall of 2019.

Tommy Blackburn: [00:27:26] These are the client conversations

John Mason: [00:27:28] No so internally. Me, you, Mike and Ken of -

Tommy Blackburn: [00:27:32] Nineteen. That's right. Because 20 was when we launched.

Maddy Roche: [00:27:34] So fall of 2019 Maddy we were like we're doing this and we were pretty committed to launching on April one of 2020.

Maddy Roche: [00:27:42] Oh great month of 2020 (laughter) yeah.

John Mason: [00:27:45] Then the pandemic. And we're like well this, this is going to put the brakes on things. -

Maddy Roche: [00:27:50] Oh no.

John Mason: [00:27:52] - Maybe we can circle back to how we really think that COVID allowed this transition to actually be easier for us, because I do think there are some-some benefits to that and and some helpful things developed along the way. So conversations started September of nineteen. In June, July, August of 2020, it got really serious, it was crunch time, all the manuals were drafted. We had filed the preliminary with the Securities and Exchange Commission and talking about why it's so valuable to have two different generations years. The founders, my Uncle, Ken, he said, I think we should personally call every single client, not every single client that is coming, every single client, regardless of the outcome. -

Maddy Roche: [00:28:41] Wow.

John Mason: [00:28:41] - We weren't able to continue to serve every family that we were serving pre-RIA launch. So Mike, Ken, and I had the brunt of this work and we literally picked up the phone, called every single family, explained what the transition was going to look like, explained if they were being transitioned to a new financial planner, how that would look, how we would support them, how we would facilitate that. And Maddy, that was the single best piece of advice, single best idea, one of the best ideas we had throughout that transition, because, one, it smooth it over, two it paved the way for an efficient transition of paperwork. And then, you know, we we've been a staple in this community for a long time. And-and we wanted to make sure that our clients are taken care of regardless of if we were the firm that was going to be able to continue to do that. So really, really proud of how we handled that. And there were some tough days. There were-there were some really hard phone calls. And-and it was heartbreaking. Most of those people were understanding. Most were really supportive of us. But it was about a year, year in the making from beginning to end.

Tommy Blackburn: [00:29:48] If we could show you the Gantt chart we had as we kind of brainstormed and just thought, this is everything we've got to do and we're trying to check off. I mean, it was a pretty imposing list. And I think back through some of them. It's amazing because as it happened, as we got the DocuSigns out the door, and that was one of the blessings of covert. You know, one of the silver linings was everybody got used to virtually everybody got used to electronic. So that was very efficient. Actually, the paperwork, very few people have said I need to sign in person or-or do anything along those lines. Everybody was comfortable. So that went extremely fast. I mean, we transition the farm in less than a month of what we wanted to have done once we pulled the trigger, which John and I laughed about. And Mike and Ken as this all happened after the fact is like, wow, how what a buildup, you know, and you just think it's going to be this climatic. So much work goes into it, then it's almost so anti climatic, so smoothly. -

Maddy Roche: [00:30:45] We're done (laughter).

Tommy Blackburn: [00:30:46] - Right. Which I guess was a testament to how much preparation went into it. But that was a lot of work with, you know, we had to negotiate with our-our now subadvisor because we had a different relationship with him through our BD leading into this. So we-we had to negotiate with them. We had to negotiate with our custodian. We had to have conversations with them with E-Trade, and then eventually, of course, with our BD. So there was a lot of work that went in behind the scenes. And-and then it's amazing because it looks like almost nothing went on when you actually pulled the trigger. But there was a ton of work leading up to it.

John Mason: [00:31:23] We actually thought, Tommy, that at one point the four of us were going to get in our cars and drive to everybody's house to get these signatures.

Maddy Roche: [00:31:31] I was just thinking about that. Oh, man.

John Mason: [00:31:34] I mean, we were like, oh, my gosh, we're going to be working seven days a week. We're going to be driving all across the state into North Carolina. And, you know, we, a testament to us, but also a testament to our clients who have been supporting us since 1987, executed these forms in a timely manner, you know, and within 30 days, transitioning the entire firm was amazing. And again, the support that E-Trade gave us and and other folks along the way, as we develop these DocuSign templates and the efficient workflows and to the Mason support team, we have total team members here who imported all of those signed agreements into ------ added all the metadata, you know, updated the various fields and Wealthbox. And and it was just a monumental task that-that everybody participated in.

Tommy Blackburn: [00:32:25] Well, and we don't want to belabor these points, but that you just said ------, I guess no big deal. As I think about it, that was another thing that led up to this transition, is because we didn't have we had everything on a server or in paper files. So we needed to get a compliant you know, I was compliant for the broker-dealer and they probably had their own systems in the home office that they were documented with. But now we-we need you know, that was part of it. We set out to how do we have our own compliant cloud storage. So we had a whole ------ transition and building that out. So it's we're gluttons for pain at times. We just-just pack everything we can.

Maddy Roche: [00:33:04] I love this perspective so much because what I'm really getting from you both is that. The firm was with the BD very much for kind of the structural support that it provided versus, oh, we just want to make commissions and sell insurance, it's very much that it was that umbrella that gave you some reassurance that things were kind of buttoned up. You're not the only ones transitioning from a BD or looking to transition or planning to or have successfully done so. What was the conversation with the BD like? I mean, did you sit down at a big mahogany desk and tell them we're done? Or what was that like?

John Mason: [00:33:38] It was really, really great. -

Maddy Roche: [00:33:40] What cool.

John Mason: [00:33:41] - It was really, really great. We-we planned for the worst possible situation and we did not get, we couldn't have had anything further from that. We-we Maddy were very fortunate at the BD that Mike, Ken and I were part of like a speaking tour or speaking engagement. So we had these conferences every year where-where they were advisor driven. What are you doing? What are you doing well? So like one time I did a presentation, keynote address on how to conduct a virtual client meeting. You know, looking back, I feel like maybe a lot of these advisors should have paid a little more attention to that. But doing these various speaking tours, we were-we were friends with the leadership at the BD, personal friends, really good business relationship and personal acquaintances and friendships. So, again, Mike and Ken provide a tremendous amount of value because they're like, we just need to tell them now it's not going to be a bad transition. They are going to support us on this.

Tommy Blackburn: [00:34:40] Well, and that's where their experience was great in that relationship. But it was also great to have Chris Stanley on our back and in our back pocket because we talked to him and it was so great to have and he continues to be such a great resource of just okay council, here's where we're at. Here's what we're thinking. What do you think? Like where are the gotchas, what do we need to be worried about? And so he read through our agreements with the BD and he said, here's where it's at, and basically concurred that, yes, you should go ahead and tell them. And it's probably going to work out the way you guys think it is based upon what you told me, your relationship is with them. And if it doesn't, here's our- here's our backup plan. So I think it was great because Mike and Ken read the situation correctly, but it was reassuring to have the securities attorney kind of coaching us through it.

John Mason: [00:35:30] We had to plan for if we give our notice and they terminate the relationship in thirty days, we had to be ready for that. So that that's scary. And luckily, when we gave them the news, their reaction was like, well, you told us you were going to do this five years ago. What's taking so long. And it was amazing because we're like, wow, that's really great. And then one of the most important things they did for us, Maddy is, the clients that we were not able to continue serving, transition to other advisors that we had close relationships with at the BD. -

Maddy Roche: [00:36:02] Interesting.

John Mason: [00:36:03] - So the BD really helped us in that transition. The paperwork necessary to move it, move clients to different advisors was-was very accepting and agreeing to, like we have some clients who still have annuities on the books. We have clients who still have insurance policies on the books.

Tommy Blackburn: [00:36:22] And when you say on the books, not our books,

John Mason: [00:36:25] Not our books, but what we look at in the financial plan. So they still have those annuities that maybe they purchased in 2015 or earlier. And we're serving those. And-and the broker-dealer has agreed that they're not going to cross market these people because they know that they're clients of the RIA. So they're holding those assets. If we need to do service on it, they're there to help with the service work. They were very, very agreeing and very, very helpful saying, hey, guys, we just want to make this as simple as possible and we want to make sure all of your clients have have an awesome experience throughout the transition.

Maddy Roche: [00:36:59] Wow. Well, my next question is about the client experience from-from their perspective, what really does change? And when it came down to discussing this change with them, how many clients did-did you have to leave or break up with? I think most people are very afraid of those conversations. And I'm wondering what kind of the nitty gritty of it is.

John Mason: [00:37:20] I don't have an exact number for you Maddy on how many people we weren't able to continue to serve over the course of time. Mike, Ken, and I were guilty of-of one thing, that was really not the best thing to be guilty of, but also a really good thing to be guilty of. And that is we just wanted to help people. So over the course of time, we did overcommit ourselves. We did get into a situation where our passion for helping people do financial planning, maybe sometimes a lack of clear vision on what's the succession plan going to look like, what's the world going to look like five years from now? Ten years from now. So we overcommitted. I would say that easily between the three of us. It was fifty families each that we had to have that breakup conversation or that transition conversation with maybe-maybe a little more, but I would say at least 50 each.

Maddy Roche: [00:38:12] Wow, fascinating

Tommy Blackburn: [00:38:13] From a from a client experience is I think that was part of your question to what has changed from experience. And I-I don't know that a lot has changed because they were already at E-Trade, their portfolios while they've been tweaked. And we worked with our subadvisor to continue to enhance our portfolios. That's all stayed pretty similar. We were already using RightCapital. So the financial plan, tax plans already in place. We've enhanced the services, but I don't. And I think that's what most of them said, as we told them, was just kind of like, well, who is your BD anyway? Like, we've never really for them -

Maddy Roche: [00:38:49] Who are these people?

Tommy Blackburn: [00:38:51] They don't understand why their name is on these statements. So I don't think the client experience has changed at all other than it's gotten simpler, more aligned, and we just continue to enhance the services that we offer to them.

Maddy Roche: [00:39:05] Great. Thank you so much for walking us through that transition. I know that that's a real pain point for a lot of advisors as they consider this transition. A lot more folks would be part of XYPN if they could be part of it with-with an affiliation to a broker-dealer. Let's shift a little bit and talk about present day. Given that the transition only happened just last year, you two host a podcast together, I would assume that's not something you would be able to do at the broker-dealer, is that right?

John Mason: [00:39:32] So we don't do a podcast, but we do have a live radio.

Maddy Roche: [00:39:35] That's right.

John Mason: [00:39:36] That's a live radio show that we do on the first and third Tuesday of every month. And it's a local talk radio AM 790. And it's pretty neat. We've been doing this for I think 2003 is when we started doing radio advertising. And then it used to be called the Ask the Expert Radio Show. It still is the Ask the Expert, but we-we format it is the Mason & Associates Financial Planning Show which has been tremendously successful for us Maddy probably -

Maddy Roche: [00:40:06] I bet.

John Mason: [00:40:07] - 50 percent, upwards of 70 or 80 percent of our clients have come from some version of radio marketing and radio program, which is mind blowing. You know when I-when I joined the firm, I'm like, there's no way this was in 2010. I'm like, there's no way this is going to work. We have to switch. We have to do social media. There's no way. Right. Kept working and then Tommy joined and he was like, you guys are doing radio. I'm like, dude, it's great, you'll never believe it. I don't get it. And then now he's the co-host and after every show, he's like, I can't believe this is still working like it.

Maddy Roche: [00:40:40] Oh, that's so great

John Mason: [00:40:42] It's so fun. We did do it with the BD. We're very, we don't talk about performance. Right. So we don't-we don't talk about our portfolios. We don't talk about returns. We just talk about concepts. We talk about financial planning. And last night we had four call ins, I think, on the radio program. And Ken, I'm sorry, Tommy and Mike hosted the program last night. We had four call ins, which was great and didn't even get to all the content that y'all had prepared.

Tommy Blackburn: [00:41:09] Yeah, it's-it's-it's kind of interesting how the show changes over time. We've kind of recently been on this kick where it's almost like a podcast where we're just talking to each other and talking about concepts and has us wanting to do our own podcast because we've got the material and kind of the equipment to do it. But last night, I think with tax time, we're starting to get a lot of tax call ins and questions about tax planning and just general tax questions. So we very quickly we're unable to touch on everything we wanted to last night. But, yeah, it was-it was a blast. And one of the calls, the initial calls was like, you guys talk about financial planning a lot. All I hear from you is financial planning, what is financial planning like explain it to me, at the end of the show, we're saying, like, everything we just talked about is financial planning. We're fielding calls of people. You know, how much can I put into my 401k should I do traditional? Should I do Roth and granted we can't give advice, but we can give education a back door. The Roth IRAs and the five year rules on Roth IRAs. As we're going through all of this, like all of this is financial planning,

Maddy Roche: [00:42:12] All of it.

John Mason: [00:42:14] Too Maddy, because inside of this radio program, not only is it a prospecting tool for us and it's a way for us to get new clients in the door. It's also a way for us to just help the general public. And-and we get calls frequently. Thank you, Mike. I've been listening to you since 2003. I'm not a client, but I took survivor benefits because of you or Thank you I've delayed Social Security because of you or thank you I didn't screw up A, B, C and D because I've been listening to this program for twenty years and that's just very heartwarming and really fun. So although our mission is to-to make sure we just deliver world class financial planning to our clients, the radio show enables us to help a lot of people in the area. And then finally, it's actually an avenue that we can communicate with our clients as well. So occasionally we'll send out like an email through constant contact saying. There's a open season for life insurance with the federal government, and we're going to be talking about it on Tuesday. Please tune in. So we-we kind of use this show for many facets.

Tommy Blackburn: [00:43:23] And yet another example of what you just said, not only open season, but because, you know, we just went through the pandemic and the market crash and subsequent very fast rebound. But around that March timeframe, that's when we did send out another. Not only are we calling clients to touch base with them, but we said, hey, we're going to talk about what's going on in the market. Not-not returns necessarily, but we're going to talk about it. We're going to talk about financial planning. Please tune in. And we're going to have our subadvisor here with us. And that was a great radio show. And we talked about rebalancing, tax loss, harvesting, Roth conversion and how we take advantage of the situation and also how your financial plan should have been designed already to weather this storm. So we shouldn't-have we shouldn't have been on planet on the fringes. We should already been prepared for this. And that was great.

Maddy Roche: [00:44:11] Oh, what fun. I-I often wish that there was more radio shows about financial planning. I think I would have probably come into this industry a lot earlier had there been some. I'm wondering you to really have an impressive relationship and working with dear friends can become dangerous and that a lot of eggs are in one basket. How do you guys manage this relationship?

John Mason: [00:44:32] As we were thinking about preparing for this Maddy, we-we looked at each other and we said we wouldn't have never been here if it wasn't for this implicit trust and 100 percent confidence in each other. And that's where Tommy said, you know, you can't-you can't pick your family, but you can pick your business partners and I picked you guys, and they were like, well, we picked you, too. And so was I ever nervous? Yeah, I was, of course, you know, I had very, very high expectations of Tommy. I knew everything that I thought he was capable of and thought he would add to the firm. And I remember just saying just to my wife, Sarah, one night, I said, I really hope Tommy's as good as I think he is because I think he's awesome. I just really hope that when he gets here that he likes us, that-.that we don't scare him away and that he's as good as we think he is, because this is going to be an awesome, awesome relationship in the year and a half, almost two years that he's been here, we haven't had one fight. We haven't ruffled any feathers. And there has never been a time where, at least for me, where I think we've been disappointed or regretted being in this relationship.

Tommy Blackburn: [00:45:40] Never and that's as we were thinking about this. That was one comment I made, is you get to choose or you can get to choose your business partners, which is what we did. And we kind of feel like we have been dating, so to speak, since 2010. We did that senior project together and realized we had a lot of synergy and keeping in touch. So-so this was a conscious decision and it just feels natural. So to all of John's points, there really hasn't been any contentions. It always feels like synergys. It feels like we built off each other. It's been a great relationship with Mike and Ken and and I think Mike has made comments from time to time where he's just like you guys are like brothers. And I think he says it out of a sense of pride to see how well this is working, that we just we all gel very well together. It seems very natural. And truthfully, this is one of the things that when I talk to my wife about, you know, we think about fear of the unknown and leaving the situation, we had to to come down this road. It was how awesome is it going to be to, if this works, to work with a good friend partners in business for potentially thirty years? How often does that opportunity come around? So that was part of the weighing of the decision, was that this can be not many people, a lot of people are, do have business partners at work and, you know, you get along. But I don't know that you really like each other where we hang out outside of work, we enjoy having our families together. So I guess it could have blown up on us. But so far, it seems to be a very powerful combination.

Maddy Roche: [00:47:09] Yeah, what a beautiful combination. There's really those types of friends where and I have them. I'm lucky enough to work alongside some of them where a majority of the time I just don't ever disagree with them. You know, every everything they're saying, I just totally agree with or I'm learning for them, you know, and that level of trust, if you can cultivate that healthy space and do your own work so that you can show up to the relationship strong, like like your-your-your father and your uncle, you can make it work for a really long time. And what a beautiful way to approach building your own business, to do it with someone that you want to do it with. And I think that that's so much about the flexibility you get as you built your own business.

Tommy Blackburn: [00:47:46] It's-it is truly awesome. And as I was thinking through this, too, we recently had an owners meeting. So I say owners, partners meeting just where we kind of want to strategically plan for the year. Our plan originally was to do offsite, get out of the business to work on the business. But the pandemic kind of ruined. As I say, we unplugged all the phones I just met here in the office. One of the strengths was Bobbi, John's mom. She pointed out to us was. The amount of implicit trust we have partners. And I remember telling John saying, you know, it is such a strength, and it's one I take for granted until she pointed out. But it's yeah, we-we completely trust one another, all of us, and not just me and John, but with that, with Mike and Ken as well.

Maddy Roche: [00:48:28] Yeah. Beautiful. If you can believe it, we are coming up on time. And I want to ask both of you a final question. And let's speak directly to our listeners, because we know we've got some listeners out there who have been sitting in a position similar to the ones that you've been in before, thinking about breaking away, whether they want to break away, keep the firm and keep it and turn it independent or break away entirely and create the firm of their dreams. Anything from your experience that you haven't talked about already on the podcast today? Any tips of advice, anything that you would change? Tommy, I'll start with you, if that's okay.

Tommy Blackburn: [00:49:04] Actually, I want to let Mike, John go because it seems like -

Maddy Roche: [00:49:06] Let's do it.

Tommy Blackburn: [00:49:07] - He had a thought there.

Maddy Roche: [00:49:08] Yeah. John, what about you?

John Mason: [00:49:10] I feel like. What we do with our clients, Maddy, is and one of the questions that we talk about all the time, a client comes in and they have this financial planning problem or a financial plan that's maybe not ideal, and we want to try to optimize it to the best of our ability. So one of the questions or like our process is we think about a financial plan is to dream of the best possible outcome and then start asking factfinding questions that take you down that path. Right. So what's the best possible thing that could happen in this situation? And let's see if we can make that happen. And if we can't, then we move to plan B, Plan C, Plan D. But we start at the best and we ask those questions that lead us to that best possible outcome and then work backwards from there. I would never -

Maddy Roche: [00:49:56] Great advice.

John Mason: [00:49:57] - I would never throw the BD community under the bus. I would never say you should absolutely be a fee-only you should absolutely be an RIA. It was right for us. -

Maddy Roche: [00:50:07] Love that.

John Mason: [00:50:07] - But if the best possible outcome for you is fee-only, if the best possible outcome for you is less onerous paperwork, if the best possible outcome for you is being in a world where you're eliminating some more of those conflicts of interest than breaking away from a BD can be life changing. It really has given our team a lot of a lot more balance. It's given the client relationship a lot more simplicity because we're not spending 20 minutes every meeting doing paperwork. It's truly been a blessing leaving that world and coming to our new world. Obviously, you have to have some plan whether it's ready access savings or a good book of business or good clientele who you're fairly confident is going to come with you. You've got to have a plan having resources like XYPN, having resources like Chris Stanley, having other advisors and other friends who have been through this before. We support the community of advisors and Maddy. If you ever called us and said, hey, we have a firm that's thinking about breaking away and they're scared, would you guys talk to him for 15 or 20 minutes? We would drop everything, maybe not that day, but we would absolutely have that phone call. We would have that conversation and we'd be willing to help. So I guess the biggest piece of advice I have is, it is scary. But this world, once you're here, is not as bad as you think it's going to be. If you put those right people in their places, if you have that right support system, it's really not that scary. You're probably overinflating or building this up way too much.

Maddy Roche: [00:51:54] Great advice.

Tommy Blackburn: [00:51:55] That's it. You said it real well, John. I think if you're thinking about breaking away, the chances are you probably should. And it's just doing an assessment of what do you think you're getting from your BD? And it's not to throw them under the bus, but it's just do an assessment of what you're supposedly getting from them, what you are getting from them, and you'll probably be surprised what resources are out there to replicate that. And then if-if you're happy in the BD space, my guess is you're probably not thinking about breaking away from it. So it's not really something you need to think about. But if you're thinking about it, chances are it's not as scary. You do need to do a lot of planning, but there's a lot of resources out there to help you. And our firm is certainly happy to, you know, let someone pick our mind for 15 minutes, 30 minutes to share our experience.

Maddy Roche: [00:52:39] Awesome. John and Tommy, you two are so wonderful, so dedicated. I'm envious of-of the working environment that you've created for yourselves and for your team. Thank you so much for all the work that you've done in this space and for being motivators and inspirations to a lot of our listeners. I guarantee-guarantee that we've got listeners who have learned a lot today. And the other final words from you, too, before we sign off.

John Mason: [00:53:05] This was our pleasure. We-we sincerely enjoy and appreciate that you guys think enough of us to have us on your podcast. And we just really like being members of XYPN attending our first virtual conference last year that you did a wonderful job. You know, you kind of the emcee, right, it was your position first thing every every morning getting everybody hyped up for the conference. So we really enjoyed that. And we're just really excited for this year. And stay tuned. Hopefully more to share from Mason & Associates and constant innovation. But smart, we're not going to grow too fast and in the wrong direction, but constantly looking for improvements.

Maddy Roche: [00:53:46] No doubt.

Tommy Blackburn: [00:53:46] Thank you so much. That's our excitement. And we really did enjoy and we're getting ideas from the virtual conference that was very well done. We were very impressed. And perhaps we'll have a chance to share more because I know there was a lot of topics we didn't touch on, like surge, XY tax, explaining niche. We've got-we've got a lot of material. So we've certainly if we've done a good job, we would certainly welcome the opportunity to do this again.

Maddy Roche: [00:54:12] Absolutely. We could have talked for a number of more hours, but this was such a good interview. Folks, thank you so much.

Tommy Blackburn: [00:54:19] Thanks, Maddy.

John Mason: [00:54:20] Thank you.

Maddy Roche: [00:54:24] Avocado toast. Selfies. A mountain of student loan debt. Gen Y is anything but traditional, and with over seventy five million people, it's a population you don't want to ignore. Learn more about how to serve this unique population in our guide called Attract and Profitably Serve Millennial clients in your RIA. Discover three key ways to tap into the millennial market and six things that they want from their financial advisor. Visit XYPlanningNetwork.com/Millennials for your free copy. Be sure to join our VIP community at XYPlanningNetwork.com/VIP to hang out with other #XYPNRadio listeners, ask questions for future mailbag episodes, and finally to find a community of like-minded financial advisors. Thank you so much for joining me today. We'll see you next time.

Ep #296: Transitioning an Established Practice to Fee-Only: A Conversation with John Mason and Tommy Blackburn

http://www.xyplanningnetwork.com/296

Narrator: [00:55:15] You are not alone and you are not crazy is scary starting, building, and growing your own financial planning firm. And that's why we put together a free private community just for you, the cutting edge financial planner. Go to XYPlanningNetwork.com/VIP or text #XYPNRadio to 33344 and join a network of thousands ready to change the lives of Gen X and Gen Y clients.