

**Ep #307: Investment Storytelling: An Interview
with Kelly Klingaman**

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Full Episode Transcript

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Maddy Roche

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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, I'm Maddy Roche, your host. I'm excited to interview Kelly Klingaman, Vice President and Regional Director of Dimensional Fund Advisors, today on the show. Kelly has worked in the RIA space for the past 12 years at DFA, helping advisers around the country understand and communicate investment management strategy to their clients. As Kelly explains, DFA partners with advisers to help educate them on the academic research that DFA builds its principal theories around and discusses how this credibility can be passed through the planning process. What I love most about this interview with Kelly is that we talk a lot about the decisions advisers need to make regarding their investment management program. Do I outsource? Do I do it on my own? How do I sell it? How do I price it? Given that advisers often are limited in the amount of time they can focus on any given part of their business, as well as the fact that many feel insecure about offering investment advice to their clients, Kelly reminds us that the investment story that advisers can tell is often the most important. For example, using anecdotes like why time in the market is better than timing the market, can help diverse investors understand the value of investing and the services that their advisers are offering. If you're interested in learning how to better tell the story of your investment management philosophy than this episode is for you.

Maddy Roche: [00:01:47] 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.

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Maddy Roche: [00:02:21] You can find any of the resources we mentioned during the episode of XYPlanningNetwork.com/307. Also, be sure to go to XYPlanningNetwork.com/VIP to join our private group just for #XYPNRadio listeners. It's the 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. Encourage you to check it out. Again, that's XYPlanningNetwork.com/VIP. Without further ado, here's my interview with Kelly Klingaman.

Maddy Roche: [00:02:49] Hello, Kelly. Welcome to #XYPNRadio. I'm so glad to have you on today.

Kelly Klingaman: [00:02:55] Hi, Maddy. I'm honored to be here with you and excited to catch up.

Maddy Roche: [00:02:59] Yes. Kelly, why don't you introduce yourself to our listeners? I suspect some of our listeners may already know who you are.

Kelly Klingaman: [00:03:07] Of course, Kelly Klingqman. I am the Vice President and Regional Director at Dimensional Fund Advisors. I guess I'm a little quirky in that my background is all been spent while working for the same company. And I know when I talk to my peers about that, they've had a few different jobs at this point in their life. And I've always worked for the same company. I even interned for this company and I was thrown into working with RIAs from the get go. And I think that has been so much luck that I got introduced to the RIA community as this is how you do financial planning. And I've actually gotten to work most closely with XYPN members over the past five or six years now, which has been really fun because I think everything that XYPN stands for and does and the overall movement is really the future of this industry, honestly. And I guess what I do is a lot of consulting around investment messaging and business strategy and really focused on helping advisors incorporate an evidence-based approach to investing. And how do they think about educating their own clients and

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bringing that into their financial planning process? Because we know investments are a piece of the financial planning puzzle. It's definitely not all of it, though. So how do you bring that in really seamlessly without disrupting things and of getting ahead of a lot of tough client questions that might come about around investing. And I do a lot of virtual strategy work. So working with advisors to help them create virtual events, we put on a lot of virtual events. We were using Zoom and Zoom webinar pre-pandemic. It was the way we always interacted with advisor clients. So we have a lot of experience working in front of video and doing a lot of video content in the live virtual content for the advisor community that we serve, which has been really fun. So I'll leave it there and I know we'll get into some more things as we continue the conversation.

Maddy Roche: [00:05:14] Absolutely. Well, Kelly, I must say that you and I, as young women in this industry, probably have some of the cooler jobs, given that we've gotten to work with state registered RIAs as they as they grow into big financial planning firms. So thank you for your work with the XYPN membership community and your work with our RIAs generally. But, Kelly, you said that you've worked at DFA your whole professional career. I must ask you tell us to tell us a bit about that and the decision around building your career there.

Kelly Klingaman: [00:05:45] Yeah, I-I think it was somewhat of a happy accident that I have spent my whole career here. I had no idea, looking back, that that's what would happen. I wanted to go to law school. My original major was in political communication. So the fact that I'm here now talking to you about all of this blows my mind. There's actually a couple of my professors at the University of Texas. I was there at the business school getting my undergrad degree in finance, and they spoke very highly of Dimensional. And the main reason was because a lot of what Dimensional follows and how they build strategies for advisor clients and institutional clients is tied to the academic community. So my academic professors had a lot of respect for what they were doing, and Dimensional was moving their headquarters to Austin, Texas, which is where I was going to school at UT. So I think with with their encouragement, I started to follow the company and just honestly stalked them until they finally put out

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some internship opportunities. They were really only hiring MBAs at the time. And I was this little undergrad, so I really didn't think I had a shot at working there and somehow got an interview for an undergrad internship opportunity. Started working there when I was twenty one years old and have continued to work there for the past eleven years now, which is honestly kind of crazy

Maddy Roche: [00:07:13] And quite beautiful. You know, when-when you find a company that you support and that supports you, you know, unless it's-it's a strong pull out of it. There is no reason to not build a great career there, so can you really climb the ranks and I'm interested in kind of your position specifically now as it relates to the RIA community. Could you tell the listeners a bit about DFA generally and your role there?

Kelly Klingaman: [00:07:38] Of course. What's interesting about Dimensional is we partner specifically with the independent advisory community rather than sell our investment products to retail investors. We do have ETFs now. So technically retail investors could-could buy those, but we don't have any form of communication with the retail world. It's all through the financial advisor community. So we've always tried to build really strong relationships with originally RIAs. And that's really the bread and butter of who we work with, I would say. And that has expanded over the years. I've had the pleasure of working specifically with RIAs and now state registered RIAs and startup RIAs and helping them, like I mentioned earlier, just incorporate this evidence based approach to investing into their financial planning process, because what we do at Dimensional, it doesn't fit cleanly into the traditional passive indexing category. It also doesn't fit cleanly into the stockpicking active category either. It's we've got some similarities to both, but it's altogether a little bit different. And so we spend a lot of time educating advisors on the front end and what those differences are and what the value add is. And why would they want to work with us over using some of those other investment strategies out there? So it's very education focused, which in turn would then help advisors educate their own clients about this approach to investing, because they're definitely going to get questions on why-why Dimensional over Vanguard or things like that. So we spend a lot of time on education in

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general, and I've just loved working with the RIA community that is kind of in startup mode. So these advisors who are maybe leaving other RIAs to go off and start their own business, those particular types of advisors have so many specific concerns to them versus the larger RIAs out there. And me and my team specializes in what their issues are, what they're navigating, all the different hats that they're wearing to get this business up off the ground. And we just want to make their lives easier with the investment piece. We know investments is not everything in their business, but it is an important piece. So how can we make that a streamlined and straightforward as possible for running it in their business and then also educating our own clients about what investing really is?

Maddy Roche: [00:10:07] I love that idea of partnering with the advisor to help them bring investment management to their clients. You even said that you were attracted to DFA as an undergrad, just in terms of the company and the academic approach that they take. Could you talk to the listeners a bit about what that unique approaches to investing and how it doesn't fit in the traditional boxes?

Kelly Klingaman: [00:10:28] Yes, I call it a big lack of ego was why I was attracted to Dimensional in their approach to investing originally, because what I was learning in school at the time was all about star fund managers picking stocks and timing the market and how to do a discounted cash flow model and all these different things. And what I learned about Dimensional is they leveraged the academic community academic research on what was the best way to invest for the clients future. And the way I think about it is you going to think of a school of fish. And when you're looking at a school of fish, you've got individual fish, if you look close enough, are going in all sorts of directions up, down, sideways. And then if you take a step back and looking that closely at it at the school of fish and you see the school as a whole and you see that it's moving in directions and some sort of discernible pattern versus the individual fish within the school, that's really the way that we think about academic research and how it studies the markets, whether that's equity or fixed income. Rather than focus on individual companies that might be outperforming or focusing on individual company research, the academic community tends to take a bigger view of

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the whole market and look for patterns and trends over time and see if any of those hold water. So the co-founders of Dimensional had really close ties to some of the big names and academic research at the time. Professor Eugene Fama, Professor Ken French, who were known for their research on the three factor model. And we've really leveraged their research from the beginning and incorporated it into all of the different strategies that we manage. So it's bringing together academic research on the big picture, the way things work in the market. Kind of emphasizing these patterns that we see over long term data. So we really feel that, hey, you have a pretty high expectation that these will continue into the future. It's not just a fluke in the data and then also bringing that together with a really smart way of trading, because you have to think about trading costs and all the different players in the market that you have to navigate. What's the best way to actually trade these portfolios to pursue that academic research? Because just because it looks good on paper, if you can't actually trade it effectively without running up tons of trading costs, then it won't really make sense for anybody to use that approach. So Dimensional is trying to combine those two together and balance out. What does the research say about what has done well over time and how to incorporate that, but also how to trade that really efficiently and effectively?

Maddy Roche: [00:13:16] Every time I think about investment management, we think of it as a service model the XYPN community can offer if they if they want to. But then there's so much complexity around actually offering it. And I'm interested in how would you discuss DFA's research? And you mentioned the three factor model in a conversation with an advisor who wants to offer investment management in their new firm.

Kelly Klingaman: [00:13:45] I think the three factor model, which is have been expanded now, there's there's more factors that the academic community considers when investing. It's-it's really just a model to help you navigate equity and fixed income markets. And I think about it in terms of buying a house. I recently bought a new house in Austin last year, which if you know anything about the Austin housing market right now, I think others it's just absolutely insane. So I don't know if this analogy will specifically apply to reality, but generally, when you're going to buy a house,

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there are some specific factors that help determine the cost that you'll probably going to pay. And that's things like the number of bed bedrooms in the house, the square footage and the location. And so in the finance world, the three factor model. And now, again, it's been expanded to include a few other factors. It's just a way of looking at equity and fixed income returns to say, okay, what are the bigger things that we need to pay attention to-to that help determine how prices move over time? And so what they saw in the research was small companies tended to outperform large companies, value companies tended to outperform growth companies and then the more recent data shows that profitable companies tend to outperform unprofitable companies. And then there's more research on the fixed income side around term and credit. So it's a way to look at the world to say, hey, if we give a little more emphasis to those types of companies while still being really globally diversified and keeping costs low, we can increase our odds of success or at least the expected return into the future. So it's a great way to again, on paper, there's this model is this kind of way of looking at things and that we can take that and apply it more broadly to real world situations and investing in a more thoughtful, strategic way for advisor clients and their clients long term.

Maddy Roche: [00:15:42] Is it right to think about DFA almost in terms of continuing education, just around investment management?

Kelly Klingaman: [00:15:49] I would say so. It's we're just a hub for the academic community and of bringing in new information. People internally joke that the entire academic community works for us. They just don't know it. So we've got a whole team of researchers who pay attention to data and say, like, okay, does this hold water? Can we incorporate this into our strategies? And we're very, we're not very quick to bring in new things. We have to really look at a lot of data. And, you know, advisors don't have time to look at all of that. They've got a business to run. They've got clients to bring on and marketing to do and all these other things. So what me and my team try to really do for the advisors that we service is say, hey, we're doing all the legwork on investment piece. We've got a really sound, again, evidence based approach that we follow overall, and it focuses on controlling what we can control. It's-it's not a crystal ball approach. We're

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trying to pick stocks and time markets to actually much easier to communicate in general. So let us do that tough work of the research and boil it down to some really sound concepts that you can then turn around and effectively communicate to your clients and a lot of what we do with advisors who work with us in their first year. So brand new relationship with Dimensional is workshopping different ways of communicating these strategies effectively because a lot of our clients consume information in various ways. And for me, I'm kind of a visual learner, I love to see people draw things out. I love Carl Richards and all of his wonderful sketches that he does, but I know other people who are I like to read something. They don't really want someone to teach it to them. They just want to supplement to take in and go off and read on their own and take notes and write things out. Maybe that's how they learn. And then you've got other people who like to learn by listening to analogies and stories about a concept. They don't want to hear the specifics. They just want you to boil it down to an analogy. So a lot of what our team does with advisors is take these really tough concepts from the academic financial world and boil them down to analogies and sketches and is really easy to understand concepts of something really tough so that the advisor doesn't have to think of how to do that themselves. And again, take work off their plate. How can we make the advisors life a little bit easier and streamline that investment storytelling for them?

Maddy Roche: [00:18:21] Investment storytelling. I've got so many questions, Kelly, about this, because where my mind goes is that this really can help sell the services of the adviser. So many advisors throughout the years will say, oh, I'm just having a hard time getting clients, differentiating myself. And, you know, they're offering financial planning and investment management in the works. Have you seen that this story is-is digestible to clients?

Kelly Klingaman: [00:18:46] Yeah. And it's so funny that you bring that up. One of the some of the listeners may have been part of these workshops that we do where we-we consider some tough client questions. And some of those are investment-related, but some are just about the service offering of being an adviser, the value of the advisors advice and how do

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you really communicate that effectively. So we'll break it down into those areas of, okay, how can we communicate this visually? What-what can we draw to really get the point across to a client who's not so sure about working with an advisor yet? Or what are some stories that we can bring in or analogies that might make sense? And again, these are really fun workshops that we help facilitate within the advisor community so that they can think a little differently about how to convey the points that they've got it in their head. But we want to help facilitate a way to get it across to clients more effectively that maybe they haven't thought about before. And what's great is we're bringing in other advisors. So it's really just advisors getting together, peers and bouncing ideas off one another. And we're helping to facilitate those discussions so that everybody walks away with at least one little nugget, a new way of talking about something that they hadn't thought of before.

Maddy Roche: [00:19:58] Hmm. Beautiful. Sixty five ish or more percent of XYPN members currently are CFPs®, 20 some are CFAs. I'm wondering how does that education for those two designations kind of layer into all of this?

Kelly Klingaman: [00:20:14] Yeah, I think about the people that work at Dimensional. And when I started, most of the people were CFA and they would tell me, like, yeah, I got my CFA because it's cool to show that I went through the rigor of that study and the tests and everything and just hearing my peers who've done that. It's an extremely arduous process to get your CFA. And at the time I was considering getting my CFP® because I figured, hey, well, CFA is-is awesome. But I also hear from my peers who are CFAs work at Dimensional that they don't actually use what they learned there. It was just to get that certification was a standard that they needed to be in the industry. And really what we've learned at Dimensional in the academic world has brought us the kind of concepts that we want to use in our practice and educate clients about. So a lot more people these days who work at Dimensional with the advisor community are pursuing their CFP®. And I think that that really is the gold standard in the financial planning world. And now we see other designations coming about that. People are pursuing like Registered Life Planner Designation. And honestly, I'm

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working on that right now. And it's so fascinating. I did y'all's two day last year at #XYPN(ish) for the seven stages of money maturity. And I really feel that so many people are going more down that path of expanding their financial planning knowledge versus CFA and they're choosing to more outsource that, quote unquote, CFA knowledge that they might have needed in the past because investments are becoming so much more streamlined and is the way to choose what you want to focus on without trying to be all things to all people.

Maddy Roche: [00:21:57] Beautiful. And how does this layer with, say, if I was using a TAMP, how would I-how would I use DFA and a TAMP.

Kelly Klingaman: [00:22:06] We think TAMPs are such an important intermediary and it's something that we as Dimensional can't be that TAMP for advisors so a lot of them do choose to layer in a turnkey provider that's going to streamline things even further. So while we're helping with a lot of the concepts in the education and giving you tools to have really effective conversations with clients, we can't actually go in and build your models and do the training. We advise on how to build models and give you a ton of data on what the advisor community is doing but at the end of the day. We can't implement it for you. And so what I love about the TAMP world, XYIS and others that are out there, they're actually going to take it a step further and fully take so much of that extra work off your plate that I mean, again, a lot of advisors just say, I don't want to focus on this. I'm gonna streamline it a bit further. They'll bring that cost in-house, kind of view it as part of their tech stack in a way, just something that they're willing to pay for and that allows them to focus on building their business more, and we've got tons of advisors in the community that we work with who have chosen to work with all sorts of different TAMPs out there.

Maddy Roche: [00:23:17] Yeah. And TAMPs, I mean, they're so great to use, not just because it saves you time, but if you don't feel super solid on offering that expertise it's your fiduciary responsibility to outsource to a TAMP, and then if it's a-if it's a service model that you want to use, you can

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leverage DFA's academic resources and a TAMP at the same time. That's- that's beautiful.

Kelly Klingaman: [00:23:39] There's so many people that are doing a combination that I see these days.

Maddy Roche: [00:23:43] And how-how would an advisor leverage DFA models within a TAMP, do the TAMPs have to offer DFA models, or can they just use the education that you have to to pick and choose what models they're putting advisers or clients into?

Kelly Klingaman: [00:23:56] We see all sorts of things. So various TAMPs out there are long term clients of Dimensional. Maybe they started as an RIA and then eventually built out the TAMP services and they offer other things as well. You know, marketing, sales, training, very similar kind of what XYPN offers in-house. And each one of these creates their own set of models. They all look a little bit different. And we see those trends. We collect that data and we advise advisors on how to build their own. But so many TAMPs out there have done that legwork for them, streamlined it, and they do all the rebalancing in the trading. So every TAMP has a little bit different model. And that's, there's no right or wrong answer to a perfect model. I think sometimes advisors focus a little too much on what the perfect 60-40 model needs to be for their clients. And I think there's general trends you need to think about and stick to. But other than that, it won't make that much of a difference for the client experience. And there's other things that you can focus on to be really effective with clients outside of just that model.

Maddy Roche: [00:25:03] Absolutely. I just love that you and I have spent a number of years getting to know intimately the challenges of state registered RIAs and SEC registered RIAs. I'm interested in your opinion and perspective on where do you see the real challenges bubbling up for advisors when it comes to offering investments and having those conversations with clients? Any themes that you've picked up on?

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Kelly Klingaman: [00:25:28] I love that you said that. I just consider myself a student of the RIA world, a student of especially NexGen focused advisors like XYPN members. And it's just so fascinating studying this business model and what the challenges are. I do see a lot of advisors who are working with younger clients who may not necessarily want to bring investments in-house. They're kind of saying, hey, I advise on it, but I'll eventually, I'll just let the clients DIY it themselves. And they don't have a ton of assets yet, maybe. And they're just not really thinking more long term. And what I encourage advisors to do, and this is just based on working with other firms who have been around longer, who have grown exponentially. And when I think about advisors who want to have growth in the future and where they want their business to go, I always encourage them to think about bringing that investment knowledge and control of the investments in-house because it allows you to really focus in on some of the behavioral challenges that investors inevitably end up having. Even though investors may not have a ton of assets to invest now, they may be saving aggressively in order to get there in the future. And so it's great to get ahead of that, give them some basic investment knowledge. And then once they do have the ability to invest those assets with you, you're already primed and ready to do that because you spent the legwork and the time in the beginning to give them that initial education. And again, when you have a fear of how do I communicate these concepts, I'm not a CFA. I didn't-I didn't even study this in school. That's that's where we can come in and offer that assistance around education. What are the key concepts you want to get across? And they're really high level and basic. Let the markets work for you. Keep costs low. It's about time in the market, not timing the market. We have a ton of evergreen materials that hit on those high level concepts. And then I've got advisors whose clients want to get into more of the details. We've got quite a few advisors who focus their niche into engineering clients or doctors or this or that, who are like, okay, that's great, but I need more information. I need more data. And that's where we can go down the iceberg and say, okay, here's the next layer of information you may want to share with them. And that can go further and further. So will help advisors build out that toolkit of what they want to share top level and then build it out even further if it needs to be more detailed.

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Maddy Roche: [00:28:04] What's the relationship with DFA like? It sounds so good. And if I was an adviser, I would certainly want to leverage the resources and academic study that DFA is invested in. Is it ongoing training?

Kelly Klingaman: [00:28:18] It really is. And I think a lot of people don't realize that initially when I first meet a new advisor, they're like, hey, I'm reaching out. I heard about Dimensional and just want to learn more. It's very educational in nature. And on the front end, it's all about, hey, here's- here's how we do things. Here's how we incorporate the academic research. Here's all the inner workings of the funds. And then here's how you can think about putting it together and how to educate clients about that. And it's-it's more of a consultative relationship over the long term. And once you feel really confident in how you're going to build models and do the investment piece, it shifts more and more focus in the years ahead onto messaging tough concepts that will come up from your clients and also practice management and business strategy focus, which XYPN has so many great resources on that front. And while Dimensional, it doesn't necessarily focus all of our practice management to the XYPN world into next gen investing. We do have our own internal practice management team that puts out one of the largest benchmarking studies in the industry. So many great data points that we've gleaned from that that we love to get advisors involved with do the survey themselves and get a hold of that good data. And we're even doing things like mergers and acquisitions conferences. You see consolidation in the industry here and there. You see people wanting to meet other advisors who might be like-minded and partner up. And Dimensional has really offered a space for advisors to meet one another and-and do a lot of that because they're like, hey, we've got the same investment philosophy like this could actually work out. And if we were to combine forces. So just creating a space for the advisor community overall, it's really community focused and building out specialty communities is really where we're headed now. I mentioned this, I think to you offline. Just we've got a women and wealth community. It's mainly female advisors that participate in those events and workshops. And it came about because we were asking the question, how can we better serve women investors? Like, what are their particular needs and wants that could be addressed here? And how can we help the advisory community serve them even better than they have historically? So different

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things like that are encompassed in this umbrella of working with Dimensional and is a lot more than-just the investment piece, which is why I've truly enjoyed getting to spend my time working with firms. Just being a part of Dimensional.

Maddy Roche: [00:30:57] Yeah, absolutely. I think we both know that time is the hottest commodity in this industry right now for advisors. There's only so much of it to go around. How do you see advisors leveraging the relationship with DFA to save time on investments and save time in their business?

Kelly Klingaman: [00:31:18] It's we're-we're very focused in the initial stages of helping you come up with a go to set of models. I was talking with advisor earlier today. We're talking about small account solution, kind of mid-sized accounts, larger accounts. What sort of model and number of funds should you use for each situation that's helping you streamline all of that? So when you do get a new client or new household that you're working with, you've-you've got all those questions answered of what to do with their investments and how to streamline that effectively so that you can get down to honestly the more important stuff, which is all the different financial planning needs that they're going to have. And the investment piece is-just easy. It's straightforward. So, again, just setting you up for success there from the beginning, doing that leg work. So you're not having to do it every single time you onboard a new client. And again, you've got a playbook to address any sort of tough client question or constantly trying to put out new content that addresses. Yeah, we had some recently on GameStop and Tesla and Bitcoin, any sort of hot topic of the moment. Most of our resources will address that and then we'll kind of bring it back to the evergreen strategy of control that you can control. Here's that investment approach that we take versus what you're hearing in the media. They're really trying to do the work for the advisor community so that they're not having to research these different topics and come up with content for a blog post or an email or anything like that. It's just, oh, had a client ask this question about GameStop. I can go over here, grab this article from Dimensional, repurpose it a little bit, take some talking points, shoot them

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an email or hop on a phone and deliver that message and then get back to whatever I was working on before that and not waste a lot of time.

Maddy Roche: [00:33:12] Brilliant. Very, very smart, I'm interested in kind of what the anecdotes are that you share with advisers, you mentioned just a few and maybe related to that, what objections do you receive to the DFA approach?

Kelly Klingaman: [00:33:30] Maybe I'll start with objections. I think a lot of times people are worried that it'll be too hard to explain versus strategies out there that clients have heard of, like index funds. Dimensional doesn't market what we do to the retail public. You're not going to see a Dimensional commercial or things like that. And I think that sometimes is tough when advisers are communicating this message to their clients and their clients have never heard of us before. And so we've tried to put a lot more resources over the years that will address that so that you can quickly say, hey, Dimensional actually been around for 40 years. They've got interesting ties to the academic community. Here's what you need to know about them. I hear that. And then sometimes people just assume it's easier to go more passive route and index route. And we love to get in those conversations as we think we do have value add over that approach. And actually, one of the anecdotes or analogies that I like to use relates to the big differences between how dimensional trades on a day-to-day basis versus active managers or index managers. And I actually use this example of going to the grocery store and I like to pick up my husband because it's kind of makes it a little fun, quirky. He is the chef in our family, so he does all the cooking, which is wonderful because it frees up my time to do other things. I still do the grocery shopping, though, and I think because it's such a habit of mine now, I do it so often. Definitely done way more curbside grocery pick ups this past year with COVID, but I don't really have to write a list. When I go to the grocery store. I've got a meal plan ideas in my head, general categories that I like to stick to. And then with this, the store I shop at, they do a lot of specials in season specials of different-different foods, different fruits and vegetables. So I really wait till I get to the store to keep an open mind on what I might buy. And I like looking for things that are on sale and just fitting things into that, the

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category that I have in mind. So being flexible with what I'm buying. So it might be leafy green vegetables and I'm just going to look for whichever one is the bargain of that bunch. Same would go for citrus fruit or berries or anything I might be shopping for, though. Don't really keep a list, keep an open mind and stay pretty flexible. And how I shop through the grocery store. Now, every once in a while I do send my husband to do the grocery shopping. And I think because he doesn't go as often, he's got to have a list. So I will write down a list of things for him or we'll do it together and think through what we want to eat for the week. And what's funny about his approach to shopping as he gets to the store and he essentially puts blinders on, he's not paying attention to what's on sale in any category. He's simply looking at the list that I gave him and he's going to buy exactly what we had written down and not stray from that at all. And what's funny is I like to compare our receipts at the end of the day, so I'll look at his shopping receipt and one of my receipts and he tends to spend a little bit more than me because of his focus on got to replicate that list. I can't look at anything else. Kelly says I have to get these items and that's that. And I think of my husband. That rigidity in his approach to shopping for groceries and not paying attention to what's on sale is a little bit like an index fund manager who's focused on the list of securities that they have to buy. And they don't pay attention to trading costs that might be involved in having to get a particular company into their portfolio. Same thing would go for an active manager. Active manager said, I know this company is undervalued. I have to own it. I'm not going to consider buying anything else. I have to purchase this particular company. So both active and traditional index passive managers don't build in flexibility to how they buy and sell securities. And again, very much like my husband shopping for groceries with his list and then my approach to shopping for groceries, sticking to broad categories versus individual items is very much in line with Dimensional's approach too, we kind of don't focus on the individual company names much at all day to day, and we're open to sticking more to our budget and not being forced to buy in a particular company on any given day and what's really great to see is over time you do that iterative process day in and day out for 40 years and you look at what impact that has on the portfolios that we manage and you can see consistency and outperformance versus benchmark returns. And it's just this small savings cost on trading and different things that we're focusing on. And I think that

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having ways of talking about that and more salient data, things that all of us can relate to are what we're aiming to bring to advisors so that they can then turn around and tell some of those similar stories to their own clients to make it an easier concept to understand.

Maddy Roche: [00:39:01] I love that analogy. I think the rigidity of it is really interesting concept, Kelly, when you think about XYPN advisors, they're fiduciary, they're fee-only advisors, how does DFA and your work with them kind of play into that?

Kelly Klingaman: [00:39:17] Now it's the very first adviser who ever used Dimensional was an RIA out of California, and he really set the standard for partnering with independent financial adviser community, partnering with those advisors who put themselves out as fiduciaries as he had come from a world of salespeople, insurance salesmen and and of pushing product versus pushing the overall way of thinking about investing. So Dimensional just and how we started working with the advisor community was so focused on that concept of fiduciary and doing what's right for your clients, no matter what. And a lot of what we talk about and the reason why we don't work directly with the retail public is because we really want to uphold the importance of working with a fiduciary advisor. We think that and now with XYPN just expanding that reach, so many people have access to good financial advice with y'all's model. It just brings that full circle to where it's not just wealthy people who are working with advisors. It's all sorts of different types of people. And we see it's important for young people to have that advice early on so that they're set up for even more success long term. And it really boils down to learning about this way of investing and trying to make that executive decision, like, is this what's best for my clients? We're not here to say that this is you have to invest this way. This is the way of doing it. We just want to be open and honest and show you all the ways that we're incorporating this research and what the impact it has on the different strategies we manage be very much an open book and then allow advisors to, of course, make the decision for themselves. How is this? What's going to be right for my business? And we think that, yeah, that model is-is really important to serving clients.

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Maddy Roche: [00:41:15] Well, so if I'm hearing you correctly, it's very much the approach for an advisor who engages with DFA to take what they love and leaves the rest. They don't have to use anything. They're not signing up for anything. They just are tapping into really what-what the industry considers some of the most elite academic research around investment management.

Kelly Klingaman: [00:41:36] I think a big misconception is, oh, if you work with the Dimensional, you've got to use all Dimensional. And of course, we would love that. It's my job to help educate advisors on why our strategies can add value over what else is out there. But there's no sort of requirement of that. And we're just here to provide that education and partner with like minded advisors and advisors who put themselves out there to be the investment advisor to be, you know, hey, I have a CFA and I'm going to do all the strategic things with your investment portfolio. Those aren't always the best fit and working with Dimensional because they-they view their value add very similar to how we view our an investment manager. So it's not the best fit for everyone. And we just want to be honest with advisors in the front end and allow them to decide if-if it's something they're willing to pursue since there is an education process involved. And a big thing I tried to work on over the past five years was how can we make this education more streamlined for XYPN numbers and make it easier to digest, make it more virtual, since members are dealing with so many different things and our old model was much more about traveling to come to conferences and traveling to-to see us in person. And I was like, this just doesn't work for these startups and smaller businesses. So how can we make this easier for them to learn about? Because it will work for their businesses too. We just have to meet them where they are and make that easier to incorporate.

Maddy Roche: [00:43:15] This has been so insightful, Kelly, I appreciate the conversation and I've so appreciated getting to know you over these years. As long as I've been at XY, you've been at DFA and we've worked together kind of alongside each other for a number of years. And I'm wondering, Kelly, I think we're both really good examples of alternative careers in this industry for women and others that-that you don't have to be

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pigeonholed into being an investment manager or a financial planner. If you're interested in financial planning, you can come and become the Director of Get Shit Done at a startup, or you can take Kelly's route and find a company that you love and grow into a VP there. Kelly, could you speak maybe directly to some of our listeners who-who are even on the fence about being a client-facing advisor and maybe some diversity of options in this beautiful industry of ours?

Kelly Klingaman: [00:44:04] Yes, of course. Again, it's I love, love being in the more of this consulting role, working with the advisor community and have seen so many other roles very similar to that that have come about even within Dimensional. Not everyone likes to be client-facing. So many, many members of my team are just working internally on our operations and workflow and processes. We use a lot of data. We pay attention to data and-and a key performance indicators, much like a lot of advisors do. We've got an entire team here internally that runs all of the inner workings of that and got a member of my team. We kind of consider her our chief operating officer just within our little team because of all the work that she does and none of it's client-facing. So there's so many different options within this industry to pursue that aren't necessarily client-facing. I-I always say when I grew up, I'm going to be a financial planner. I think that's still something that is so appealing to me. I think that's through doing all the CFP® work and now Registered Life Planner work. But even all of that information that I've gleaned from those from studying ongoing studies of the financial planning world just helps me so much in my day-to-day relationships with advisors, with family members. So it's just a great business to have been a part of. And I just see so many offshoots of options from here that especially women can come into that I as a student, had no clue or even available options for me. I assumed I had to go into investment banking or corporate finance to be successful, and it's so cool to realize that that's not the case. So a lot of what I love doing now is just mentoring younger peers of mine, at Dimensional or younger students at the University of Texas, thing like there's so many options for you in the wealth management world. Did you even know that this was a career path? And most of them tell me no. And it doesn't all have to be client-facing. There's other ways of effecting really cool change just within all sorts of different firms, whether that's an RIA, whether it's within a larger firm like

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Dimensional, whether it's at XYPN, that I'm so glad that we're getting more of the word on that out into the industry and beyond.

Maddy Roche: [00:46:29] Yeah, I think it's so important because I think a lot of us are attracted to this kind of work and it's really meaningful work. But when I sat with my head in my hands debating, do I continue my CFP® studies or not, given the trajectory I have, generally I had to decide that being a client-facing advisor isn't actually the-the-the day to day work I want to do. And I've been so grateful for the exposure at XYPN to really understand financial planning and at least our space as a business. And when you can think about anything in a business, you can start thinking about the different pieces it takes to run that business and how you could eventually effectuate change in your own way, doing what you love. And there are companies like DFA that speak to-to young, successful, smart people with great options for growth and opportunity there, too. So don't ever feel like you're pigeonholed listeners. You can you can pivot. And we even see as advisors merge firms that one takes on the role of financial planner and the other kind of takes on that role of business operations and things like that. Kelly, as we wind down this podcast, I'd be interested in any final words of advice to folks that maybe you're hung up a bit on this investment management piece. They want to be financial planners. Maybe they want to be life planners, but this investment thing makes the pit in their stomach pop up.

Kelly Klingaman: [00:47:45] I think that that is a natural feeling. I know when I started it Dimensional, I people were throwing so much jargon at me and buzz words. They were like, oh, you don't know what it is. You don't what? You don't know what like all these different things. And I was very overwhelmed that I didn't have a really extensive background in investing up until that point. And I think that's what's great about partnering with Dimensional is we don't want you to have that. We want, it's great to just come and say, hey, I don't really know what this is. I know it's important, how can you make my life easier? And that's what my role has been, is serving advisers to make their lives easier and take a lot of that stress off their plate and make it salient for them and for their clients to better understand. Though, I don't have a fear about taking more of a focus on

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the investing piece, it is a means to an end. It's not the whole puzzle. And I know you probably want to focus more on other financial planning areas in your business than this could be one place to just get it streamlined, get it taken care of, and then have us as a sounding board, just an ongoing team to support you, which is what's cool about working with us is every advisor has a dedicated service team that is hopefully an extension of their own team. And for a lot of firms who don't have employees, yeah, they outsource so many things. Hopefully that's a natural fit for them.

Maddy Roche: [00:49:11] Great answer. Well, Kelly, it's been a total pleasure to have you on #XYPNRadio today. I know our listeners will have found this conversation insightful and valuable. Thank you for all the work that you do to support XYPN members in the RIA community. And hopefully we will see each other soon.

Kelly Klingaman: [00:49:25] Thanks, Maddy.

Maddy Roche: [00:49:29] 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.

Narrator: [00:50:18] 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

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