

**Ep #326: Starting an Equally-Owned Firm with Friends
& Transitioning Away from Broker-Dealer**

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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: [00:00:25] Hello and welcome to #XYPNRadio, I'm Maddy Roche, your host and this is episode 326. Today, I'm interviewing the three founders and owners of AVID Planning, a fee-only firm out of St. Petersburg, Florida, that's had its doors open since 2016. Right out of the gate with this interview, I'm struck by how much fun running a business could be when you do it with friends. Jack, David, and Kevin all met back when they were working at Edward Jones. They all shared a stint at an independent broker-dealer of sorts and eventually broke out on their own to do things differently. Today, they talk about what the math looked like as they decided to become really independent, what it meant to leave the broker-dealer, and why now they feel more fulfilled, working as co-owners of their own financial planning firm. They talk about how they structure their business and equity, how they break down their accountabilities, and how implementing the money quotient process has changed the way they work with their clients long term and help them serve them in a more fiduciary way as they discuss. If you're interested in what it's like to start your dream firm with a friend or a colleague or multiple, then the show is going to be for you.

Maddy Roche: [00:02:30] Tax planning and preparation is an enormous value-add for your clients, but taxes can (very) quickly become overwhelming as an advisor. XY Tax Solutions is the tax team in your

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corner that works with advisors to offer expert tax services to their clients, with three different client engagement options to choose from to meet your unique needs. Partner with XY Tax Solutions to integrate tax preparation and planning into your firm, and don't sweat tax time this year. Visit xyplanningnetwork.com/xytaxsolutions to learn more.

Maddy Roche: [00:02:38] Also, be sure to go to XYPlanningNetwork.com/VIP to join our private group just for #YYPNRadio listeners. It's a community of advisers 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.

Maddy Roche: [00:02:58] Hello, AVID team. Welcome to #YYPNRadio. So nice to have all three of you on today's show. How are we?

Kevin Stevens: [00:03:06] Good to be here.

David Harpool: [00:03:07] Thanks, Maddy.

Maddy Roche: [00:03:09] It's good, but I always love the opportunity to interview multiple people at once. I love our solo interviews, but I get some really great feedback from our listeners that multiple teammates and multiple stories are always super helpful and insightful and the dynamics always fun. So why don't we let one of you introduce the firm and then each of you guys can kind of introduce yourselves individually? How's that sound?

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David Harpool: [00:03:33] Yeah, I think that works good.

Kevin Stevens: [00:03:36] Yeah sounds good.

Maddy Roche: [00:03:36] All right. Who would like to do the honors.

Jack Arnold: [00:03:39] I'll introduce us. So we're AVID planning. We're in St. Petersburg, Florida. I guess you could say we kind of operate as an ensemble firm, so we don't operate as siloed advisors doing individual things kind of work everybody together, which I'm sure we'll get into more as the kind of podcast goes along. We've been an independent RIA since 2016. We are operating at an independent broker-dealer in 2012ish or so, before that. And we've been friends and known each other and kind of been in the same business since kind of 07 to 09 timeframe. So known each other for quite a long time.

Maddy Roche: [00:04:18] Can't wait to dive into the story. I also just love kind of the fun aspect of this that you guys can do business with your friends and actually have a good time as you build something that you can have in perpetuity. So let's do a little background on each of you. David, why don't you start us off kind of who you are and what your background was? And we'll go Kevin and then Jack.

David Harpool: [00:04:36] Sure. David Harpool, born and raised Akron, Ohio, moved here and Florida in 2007. As I was getting back into finance, my degree in college was finance spent a couple of years at Ameriprise, hated it, got out of the business, got back in with a firm Edward Jones and

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have been in St. Pete ever since then. Married just turned forty five. We have two kids, Clayton seven, then Cecilia about to be five, so that's me in a nutshell.

Maddy Roche: [00:05:05] Oh, beautiful. Thanks for sharing that. Kevin, how about you?

Kevin Stevens: [00:05:09] Yes, I'm Kevin Stephens. So I am originally from Toledo, Ohio, and grew up there. Made a pit stop in Knoxville, Tennessee, for 14 years in the University of Tennessee as well. Go Vols and yes. And then I moved to St. Pete in 2009. I had an opportunity that I joined Edward Jones in Knoxville and then had the opportunity to move to St. Pete with Jones. So I took advantage of that and stayed with Jones in 2011. I went to Merrill Lynch for a couple of years and then made my way to AVID in November 2014, October 2014. So I've been here ever since and it's a much better life.

Maddy Roche: [00:06:00] I imagine that, and that's pretty cool. Each of you got pulled down to Florida. I don't know what we're all doing here in Montana, but we must have missed that boat

Kevin Stevens: [00:06:10] As a pipeline from Ohio straight down.

Maddy Roche: [00:06:14] I know. Smart move, smart move. Yes, Jack, how about you?

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Jack Arnold: [00:06:17] Jack Arnold, I'm from Florida, so I don't know anything about the snow or anything of the sort. It's nice. Been in St. Pete for a very long time, kind of pretty much grew up here as far as professional life. I started at T. Rowe Price in 2003. I really liked working there, but that's more of a it's not really an advisor relationship that you have with people. I mean, you're definitely talking to people. I learned a ton there. It was great first stop, but then left from there wanted to kind of be an advisor, I guess you would say, went to Ed Jones. This kind of obviously a common theme, and that's kind of where we all met. So that was in 07 was there from 07 to like the end of 10 or so and then went to independent LPL after that. So pretty much so at this point, which is crazy to say and kind of advise and clients face to face since 07, which is a really long time. It doesn't seem like it's been that long, but it's been a while.

Maddy Roche: [00:07:12] Fabulous.

David Harpool: [00:07:12] And I'll-I'll speak up for your wives. Both of you guys are married. Don't forget about them.

Maddy Roche: [00:07:18] Yeah, there you go. There you go. Always give a shout out to those partners that keep us afloat.

Kevin Stevens: [00:07:25] Thanks, Dave.

Maddy Roche: [00:07:27] So how did AVID come about? It's so interesting. So many stories are, Oh, I've wanted to serve different people into a differently and folks break out on their own, but you all kind of broke

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out together, it sounds like, and I'm interested in that, who wants to tell that story?

David Harpool: [00:07:44] I mean, I can give you a little overview. I think we all met at Jones. So we were brought up kind of in the same mold with some fashion and training. And as our tenure kind of progressed there, we all felt as though we were missing a component of really one having our own business, but two craft in the way we work with clients. I would say from a sales standpoint, it became very production oriented and I think at the end of the day, none of us felt great about constantly being pushed to sell things. So that's really where the conversation started. And I think we all put about five years, three to five years in there. Jack was the first to leave. Kind of was in my ear about it. And, you know, once you kind of start the train going, so to speak and what's on the other side of the coin, it's hard to stop. So I ended up leaving after five years. Kevin mentioned he jumped out with Merrill for a little bit. We were in his ear like, let's just all pull this thing together. And that really was the idea behind AVID, forming our own business and really being able to craft the way that we work with clients and who we serve and have in our own business name out there not working so hard for somebody else technically.

Maddy Roche: [00:08:55] It must have been a huge loss to Edward Jones and the other organizations you were part of to lose you three and or do they try to prevent this at all? I mean, is there-is there conversation around like you're not allowed to talk about other business activities or things like that? I mean, any rules?

Jack Arnold: [00:09:11] Well, I mean, I guess I would say it was a huge loss for them. I don't know what they would say, but as far as, yeah, I

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mean, they, you know, there's definitely a an element of there's a lot of talk while you're there about how horrible it is really anywhere else, much less doing it on your own. You know, there's a lot of talk of that. And then certainly there's a lot of talk like if you leave, how hard it's going to be. And yeah, I mean, you're all kind of. You know, you're all captive to the same system. Nobody really knows even the people that are telling you that it's not great outside of that. They've never even been there. So it's just kind of the blind leading the blind as far as what it's going to be. And that's not to say none of us internalize that. I mean, definitely, it's not like I was saying, you guys are totally wrong and I was just like, this maverick. It was more like, Yeah, I believed it, that that was the case. You know that if I left this place, that I would be just going down hill. No doubt about it. This is the peak. And it was not, obviously.

Maddy Roche: [00:10:14] Were they trying to attract you and keep you long-term, where the salary super competitive? I mean, was it tough to pull away from?

Jack Arnold: [00:10:21] No, I would say at a place like that, you're kind of a commodity. They're just running through you as fast as you can, and if they burn you out and, well, you know, it is what it is. It will get somebody else in here because they're always bringing in new people. And it's, you know, if we burn you out after five years and we burn you out after five years, if it takes five advisors to get this one office going, then so be it. That's what it will take, and you'll just be one of the five. I guess there's no real. They're not very interested in retention, I wouldn't say in particular.

Maddy Roche: [00:10:52] So you all transitioned over to an independent broker-dealer. What was that like?

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Jack Arnold: [00:10:56] I would say my first, me going into it was I was probably just kind of scared. There was nobody over there to really go to. So I was kind of scared of doing it. But I think as we kind of talk some more, I think a common theme again will be things that we were afraid of, just were not things to be afraid of in hindsight. So I think I was kind of afraid of it when I first did it. But then once I did it, it was like, I should have done this a long time ago.

Maddy Roche: [00:11:22] Other thoughts on that?

David Harpool: [00:11:23] I'm was just gonna say, I think the biggest thing that came away from that first step, like Jack said, in hindsight, I wish I would have went, did it sooner. Was you just immediately you were on your own, which is good and bad? I think the positive to that was there was no pressure. There was no requirement to do something specific. So it took the, I guess, sales pressure out of the business experience that we had before and just said, OK, here-here you go. And that was pretty liberating to finally get to that point to say, right, this truly is my business, our business, not someone else's. And I think that's been was a great first step.

Maddy Roche: [00:12:04] Did you and Jack start your RIA under that independent B-D together?

David Harpool: [00:12:10] No, not at first.

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Jack Arnold: [00:12:11] Yeah, not at first. We, I went. Dave came a little bit after that. Dave and I talked about, we should kind of join, you know, kind of join up and work together. I think part of the point of being AVID was I didn't want to be out there selling LPL and just run into the same situation later where I was like, I'm going to this new place. It was always going to be AVID, whether that was LPL or TD now or Schwab or whoever it might be in the future, it's like, that's infrastructure. That stuff will change on me. And AVID's, AVID. So that was some of the impetus of doing that. We can talk a little bit about experience, I guess in a minute, but we didn't start it there. We started doing fee based things there. So we were doing asset management for a fee there. But that was under kind of LPLs, corporate. We are just representatives, but that's how it was done first.

Maddy Roche: [00:12:59] Got it. Kevin, where did you come into the picture?

Kevin Stevens: [00:13:02] Yeah, I came over, took a little short stay at Merrill. So when I was at Jones, I had, you know, I was being recruited by a couple of firms, went and looked at those opportunities and end up going that route. I had discussions with David and Jack prior to that about, you know, future possibilities and all of that. But at that point, Merrill was offering a really, you know, it was a nice compensation package. It was a good transition for clients using, they had a lot of resources and-and people to help with that. So that was attractive. But, you know, I signed, I think, a seven year contract at that point, and I was talking to Dave a lot about it at the time. And I was, you know, at some point I was never committed to Merrill long-term. I wanted to eventually move over to AVID and get on the independent side at the time or in an RIA in the future. But after about almost two years at Merrill, I realized that, you know, I was just kind of drawing this out. I was delaying the inevitable may as well just go ahead

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and jump ship. I had to work on a contract dispute that, you know, that put me into to get out of. So that was two years in at Merrill. I just, you know, it's the same experience. It was the same type of atmosphere and environment as far as just pushing with commissions and sales and try and gather assets at all costs and that sort of thing. And it wasn't really building a business that I wanted to build and doing things the-the way that I thought, you know, it should be done. So that was, you know, we were all good buddies and I had been in communication with them. And so at about the two year mark, we looked at going ahead and doing that. So I jumped ship. At the time we were, we were not RIA. We were just, you know, independent. But so it was when I made that move, it was very daunting. It was, you know, it was a second time I was asking clients to move in two and a half years basically. And, you know, that's a lot. That's so the people that did move that showed a great commitment and that showed a commitment to me and not to Merrill or not to Ed Jones. And you know, that's-that's the beautiful thing about this business, too. It's-it's about relationships. Like Jack said it. We don't want to be selling LPL. We don't want to be selling whatever company that is, and it's just better to do it on our own.

Maddy Roche: [00:15:55] Totally. And I'd love to hear about how you transition clients. But before we get there, what was the experience at LPL like?

Kevin Stevens: [00:16:01] Um, for me?

Maddy Roche: [00:16:04] Anyone.

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Kevin Stevens: [00:16:04] It was, yeah, coming from Merrill. It was a little bit messy because, you know, we didn't have I didn't have the-the help, the assistant to be able to do all the processing for the paperwork. And you know, all of that was it just wasn't there. So it was a much more difficult process. But you know, it was well worth it. Difficult things often lead to happiness, and that was certainly the case.

Maddy Roche: [00:16:33] Well, I appreciate all of your drive to do things differently as opposed to just make more money or do things, you know, you really were were driven by a sense of this would complete me in terms of how I want to work and who I'd want to work with. And that's what you all chased. David, what was your experience working at the independent B-D?

David Harpool: [00:16:52] I mean, I think it was, you know, in hindsight, it was actually a really good experience. I didn't have anything to compare it to other than Ed Jones. So just being on your own. The downside was you were on your own. Nobody really cared, but that gave you the flexibility to do the things you want. We had started really towards the end of Ed Jones. They were relatively new to the program, were managed accounts fee based. So we were going in that direction anyway. And then we went independent. It was pretty much one hundred percent fee-only. We didn't sell many products at all, still did some life insurance, so it worked well. Then we got to a point where we wanted to really do nothing but fee-only, and I think that's where the rockiness came in with LPL because we were still tied to the Series 7s. We still had those license which comes out of compliance, and we just couldn't market and do the things that we wanted to. And I think ultimately that's what led us to say. There's got to be something better and did some research and found out this RIA component existed and what it could help us with. At the time, LPL was going through some massive changes, so their customer service was kind of dropping the

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ball and we experienced that as well. So we had some moving forces to compel us to the RIA and to leave LPL. But while there, I would say it was a great stepping stone to where we're at today.

Maddy Roche: [00:18:14] Totally. I see that in advisors that those that are coming from independent B-D channels come with such great experience, a lot of fear around compliance, marketing and things like that. But I mean, what better experience than to be able to do it under the umbrella of something like a broker-dealer at first? But independent B-D is a misnomer, isn't it?

Jack Arnold: [00:18:33] I mean, yeah, it is a little bit of a misnomer. I think there's like, yeah, you're not well, you're not their employee, I think is about the only thing that's independent about it is, you know, you're not their employee outside of that, you work within their systems and you work on their agenda. And if you want to, you know, like, let's say, you know, this is like something you would run into. We wanted to do more written financial plans for people. They want you to do it a particular way. So even if you just doing fee-only and whatever, if you wanted to charge to do an up front plan like they had particular ways that they wanted you, that you had to do it and you really didn't have a lot of flexibility and you pay-you pay for that stuff. I mean, it's not inexpensive what you're paying for. And as you know, as time would go on, we would realize like are paying a lot of money and we're not getting much of anything for this. Short of, they give you the platform to do things that we weren't doing. They'll give you, you can sell non-traded REITs and they'll give you all these brokerage products that you can sell. But we weren't doing any of that. So we are paying the cost of being able to do that. But we weren't doing it and it was. It just got to the point where it's like there's got to be a better way that we can more tailor our services and what we're doing to how we want to do it. Versus, like you

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said, you're not really independent. You're just working in a different employment relationship

Maddy Roche: [00:20:03] That cost comparison. I know folks really think about and it's really hard to do, quite frankly, and then be able to really know what you are paying the broker-dealer for and how much you would be able to recoup if you went out on your own. I mean, how much time did you spend on that calculation, David?

David Harpool: [00:20:19] A lot. I mean, a lot. I think that was that was some of the biggest fear we had because even going independent, we were able, if I remember, I think it had Jones. We kept, let's say, 40 percent of any type of production or revenue that you generated at LPL. I think it probably was about 80, which was a big attraction to even leave in the first place. And then once we realized what that 20 percent cost of being associated with LPL didn't provide, we thought it provided one thing. And then as we really started to dive into the line items and really looking at the details of it, we realized that we're not getting much for 20 percent of revenue, which we're not a huge firm. I'm sure we'll talk about this, but we weren't a huge firm at the time either, but 20 percent was a lot of money. So then you compare that to RIA, where you can charge what really kind of disguised limit you could charge what you want. We charge one percent, but we keep one hundred percent of that. So we realized that the benefit of leaving was more for long-term. It wasn't going to catapult our paychecks, so to speak. But it definitely was going to give us the flexibility as a firm to control literally every single line item on a profit loss statement, which now we look at very detailed and we have ability as a business to to really control that.

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Maddy Roche: [00:21:45] Hmm. Yeah. I think we at XY want to spend some time helping kind of create a worksheet or some sort of resource to help advisors who were in your position five, 10, 15 years ago that want a transition and just see the price points and how it compares. You all launched in 2016. That's right.

David Harpool: [00:22:05] Yeah, as an RIA.

Maddy Roche: [00:22:08] I love some of the conversations in the VIP group right now that some of the folks who launched in 2014 through 2016 are like, man, we did this before it was cool and before it was easy, quite frankly, because we see a lot of our new advisors just hit strides much faster than a lot of you did. And I'm interested in 2016. The space wasn't as big. This independent RIA space wasn't as big as it is now. How did you hear about it? How did you know that this was the route that you wanted to take and what went into that decision?

Jack Arnold: [00:22:37] There was there was at LPL. I can't remember the name, but if somebody knows the Tampa Bay area, they could probably say who it was. There is a big firm that was kind of a advisor role up in some sense, and they would roll everybody up, put them under their RIA. I know this kind of, in hindsight, put them in their RIA and then they would pay them out. You know, it was like ninety six or ninety seven percent, maybe it was ninety five. I don't remember exactly what it was, and I remember thinking, how on earth are they doing? What are they doing? I don't even I couldn't figure out what it was that they were. It's a comical that I'm so ignorant that this stuff existed. I just didn't know what they were doing. I didn't know how that worked. Like what was the relationship. So just figure it out like, Oh, I know what they're doing. They're getting a

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hundred percent because they are using LPLs and RIA custodian. They're doing whatever services that you would pay for for five percent, probably two percent and then charging you some kind of markup on that and then paying you out. But that's what they were doing. And that's when I was like, Oh, well, we could just do that, but we could just go one hundred percent RIA on our own. And then it was just a matter of, OK, we need a custodian to do that. And then it was St. Pete, like a big Raymond James area. So we talked to a few people that were we talked to a Raymond James RIA. We talked to maybe you talked to a Schwab person, I'm not sure talked to TD Person. So we talked to a number of people that were RIAs, which to their credit, were very helpful. This is how it works. This is it gave us a lot of kind of confidence to say, OK, I think once we started getting in like knowing how it was working, it started to make more sense, like, OK, I got it, it makes sense. And also one other thing to your point, it's almost it's incredible how much technology and stuff is out there now to do almost anything you can possibly think of and then some, and it's almost impossible to keep up with. There were things around in 16, but it definitely wasn't like it is right now and a lot of those kind of infrastructure, things that maybe people are thinking, Well, who would do this and who would do that? I promise you there's somebody that does that now, and it's probably relatively inexpensive for what you would be doing. So that's been a huge help.

Maddy Roche: [00:24:47] Oh, awesome. Let's talk about how you run this firm. How were the first few years launching a business is really hard, let alone with two dear friends. How did you do it safely and respectfully, right out of the gate?

David Harpool: [00:25:03] Yeah, I mean, I think some of it's been like just a pretty smooth process. I think we all went into this together saying that

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we we want to do it together. So there was never David versus Jack, Kevin versus David type of setup. And we were just trying to figure out how we did that. It was a little interesting to merge three independent client bases because all coming from Ed Jones and Merrill, we had our own relationships, so we slowly had to integrate that, which is it still is a little bit of a work in progress for some of our clients. The majority of them, they now know everybody and can talk to anybody, and it's pretty open. But that was definitely the mindset. This is going to be a firm approach to financial planning. And when it came to the actual business structure, we figured the only way to do this would be to do it equally. So our structure is thirty three percent across the board, so we have equal share in it and we have one administrator, EC, we call it everything coordinator that helps us run things Madia. She's a great help. Awesome asset to the team. But that's kind of been it. And then we've just along the way have developed kind of roles and expertise and things that really matter to us to try to focus on that so that we can continue to grow and build the client base the way that we see it as being our ideal.

Maddy Roche: [00:26:24] Totally, what kind of -

Kevin Stevens: [00:26:25] Sorry, Maddy, I was just going to add to that. I think prior to us going RIA, David and Jack were working with clients together, as you know, a planning team instead of just one on one with their clients. And that really led into us trying to take that approach with all new clients. And then, you know, trying to bring that back into with my clients as much as possible because I had an individual book. So that definitely helped that they started working together. And it kind of gave us that guidance, gave me the guidance at least. And it's a good way to transition into working as a team, I guess.

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Maddy Roche: [00:27:05] Totally. I just imagine you have a number of archived communications to clients trying to explain all this and some of the changes and things like that. How has the transition for your clients been even just David, you and Jack teaming up at the B-D to serve them?

David Harpool: [00:27:21] It was good. I mean, we just got to a point where we really why AVID even was formed as we literally was working in the same office setup, renting space from other LPL advisors that owned the building. So we're constantly talking about what we were doing. And finally, you know, we kind of lunchroom was like, why don't we just do this together? Like, we might as well merge things together? We'll split it equally. We'll do, you know, four years or better than two and appointments. So we just started doing it and just said, we're putting things together and this is our thought process and our personalities are different. Some of our background and experience is different, so we figured that was helpful. And I also do think because we've had this huge passion to have the right experience with clients and fulfill ourselves personally and professionally, it hasn't been money driven. So we were able to separate that component and say, if we want to build this right, let's just do it. The money will come eventually. It's like our famous motto team, but I think we just jumped into it. And I mean, like Kevin said, it made for him bringing it in, definitely an easier transition to say we, we always do things as a team. And here's the benefit.

Maddy Roche: [00:28:34] Hmm. Oh, I love that part of XYPN, our work with the EOS model, the entrepreneurial operating system model, is that everyone is tied to an accountability and that there is no one, two people with the same exact accountability. Do you guys have that all delineated? And if so, can you kind of explain who owns what

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Kevin Stevens: [00:28:51] I'll jump in on that. Yeah, we are.

Jack Arnold: [00:28:54] I would say just as far as like the workings of one, it's always a work in progress. I don't think that's ever going to change. Things are just the business changes, opportunities, change, things you can do change. You do something and you realize it doesn't work or you do something and realize it's great and you want to do more of it. Like it's just I don't think that will ever change. There'll always be changes in the business and how you're doing things. But it's also a matter of. And I'm definitely guilty of thinking like, I should just know this stuff like it. Be running a business as a skill, a different skill than being an advisor. That's different. So you have to learn like you have to learn, like how to delegate properly and how to structure the business and roles. And if you're going to use something like WOS, like these are all things you have to learn, which are completely separate of being an advisor, it's a totally different skill. And I would, you know, somebody listening to this thinking, I would say it is a skill to develop and it will take time and to not beat yourself up about it, like you're not going to be a great business owner the day that you start being an independent RIA it takes some time. So we've gotten way better. We probably have a long way to go. We've gotten much better at delineating roles as to who does what and who's responsible for what. We're getting better at putting people in places where they can play to their strengths and not, you know, kind of, you know, not everybody's work on everything and be great at everything. But like I said, I think that will continue permanently. I think we'll always be getting better at something and running the business better. And if you did this in five years, I think we would be doing things different than we are now.

Maddy Roche: [00:30:24] So-so David, who-who owns what?

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David Harpool: [00:30:27] Well, I'd say right now what we have been working on and moving forward, Jack and I are essentially the lead planners. The two of us would be in every client facing appointment at some point one of us, either, depending on how the relationship became about. Let's say I was referred yesterday by a close friend. So I would essentially be the lead planner. Jack would be the co planner to that relationship as we get them through our process and move forward. Kevin's role has really turned into, I guess, the operations of the firm. So how things run, how our processes are repeatable, how we keep things, store things, stay in contact with clients. All of the inner workings of that has really been not only taken on by Kevin, but built out by Kevin, which we used to just rely on other CRM and other things. And I think again, we just we want to be completely on our own and just said, let's just build this thing the way we want to. So Kevin, over the last two years literally has built the technology side and operations from the ground up. So today that's where we do. And I mentioned Madia or Everything Coordinator. She helps with the, I guess, tactical things to the business, opening accounts and talking to TD Ameritrade our custodian and following up on appointments and things of that nature.

Maddy Roche: [00:31:50] Great. I'm interested in what the clients get working with you. What's-what's your elevator speech and then what? What could a client expect to experience if they engaged AVID?

Jack Arnold: [00:32:02] I would say we are big on the qualitative side of planning, so what I would say, maybe we talked about this the other day. We are joking that we use Money Quotient. I know it money. We can talk about that. But Amy, who is kind of runs Money Quotient, said the other day. She says people call these things soft skills, but they're not soft skills. These are the hardest things. It's like, how do you deal with money and

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what are you really trying to accomplish? And the quantitative things, the investment allocation, tax planning, those things are great. Those are super valuable. But that's maybe 20 percent of it. The other 80 percent is how does how did those things relate to what you are trying to accomplish with your life? And how can we tailor those things to match that instead of making a great quantitative plan and then jamming your life into that and make because that's the-that's the most efficient, quantitative way to do it. It's like, let's figure out the stuff that really means something to you, and let's let the money match that instead of the other way around. So we're like, just like evangelists like this is the way to do it. Like I always say, when I got to be an advisor, I thought, this is what I was going to be doing is talking to people about their money and what what's really important to them and what they want to accomplish. And when you first start out, that's just a waste of time. You're there to sell stuff, whereas now it's no, that's what's the most important thing. I've got a million techniques. I don't worry about that. I got all the taxes you can think of. I can do that. But let's first. I don't know who you are if you want me to do what's in your best interest. Well, you got to tell me what's in your best interest and then I can do that. I can't just assume that your best interest is a 60/40 stock bond portfolio rebalancing. Like maybe there's lots of other things that are important to so

Maddy Roche: [00:33:49] Totally in terms of kind of client cadence. What's the meeting structure experience like?

David Harpool: [00:33:55] As Jack mentioned, we rely on or have Money Quotient. You know, they have a true wealth process, five meetings that we've adopted full heartedly at two years, two and a half years now. So every new client goes through these first five meetings, which is really a combination of getting to know you your core values, building up to this ideal vision of your life, covering transitions and concerns, and all these

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goals and kind of prioritizing them. That's really the first part of the process. And then we do that in five or six week process and then the rest of that first year is really taking those big picture items. Whittling down into what steps do I need to do to actually start making progress to whatever this goal or aspiration is? How do we help you build net worth, reduce debt, alleviate anxiety, make your your dreams come true, so to speak, but financially so that we do it in a system that you drive that Maddy, not us. We just give you the steps and tools to do it, and we coach you along the way and make sure that happens. Because I think that's one of the biggest complaints with people in financial plans is I give you this great deliverable and then nobody does anything with it. And we believe that nobody does anything with it because they didn't spend the time thinking about, why am I even doing this?

Maddy Roche: [00:35:13] I love that connection to the fiduciary responsibility that you all have to your clients, that you have to actually know them before you give them a plan. And that makes so much sense that the more you know about your clients, you really can say that this is in the best interest of you, and I'm hard pressed to think about how to do that without really getting to know them. So kudos to you. Money quotient is-is, you know, we hear a lot about George Kinder's life planning, but I love this Money Quotient component of your business. How have your clients responded to this?

Kevin Stevens: [00:35:47] I'll speak to that. Man, they've loved it. First of all, Money Quotient provided us with a framework to work with people. We were trying to write these financial plans and and do all of these things and accomplish and help track. But Money Quotient had this process already laid out. So that gave us the ability to walk through in, like, Dave said, five meetings with a client before we actually take action with a client, you

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know, before we're implementing a lot of things, we are meeting with them, asking all kinds of interesting questions. And the Money Quotient side provides a lot of exercises that a client will fill out in advance of the meeting. And it also gets them into the right mindset, thinking about these things ahead of time, and they're a little bit more prepared going into it. But as far as client response goes, I mean, I thought we had helped people in the past, but some of the reactions that we have received and like the change that people have made and expressed back. To us in many wonderful ways, like it's-it's just it's-it has to be the most fulfilling aspect of this business for us. You know, it's it's been incredible.

Maddy Roche: [00:37:14] I know one of the objections to doing something like Money Quotient or following the Kinder Life Planning process is that it's not scalable that-that, you know, the amount of time you spend with clients and follow up and going in depth. That just prohibits you from being able to accumulate as many clients as you need to be able to hit your financial goals. So what would you say to that?

David Harpool: [00:37:36] I would say -

Kevin Stevens: [00:37:37] Ours is a work in progress.

David Harpool: [00:37:39] - Yeah, but I do think a lot of that comes from the model to which you came from, which I would say still, the vast majority of advisors RIA is run an AUM model. I need assets to generate money. You do a lot of work up front with the hopes that they roll assets or you get paid eventually over time, that builds and builds and builds. And then we have we've been paid for all the early on efforts, and part of the drive to be

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the RIA was to say, you know, we're all in our newly forties, but we're in this age group where all of our net worth, for the most part, is either in my house or my business. I don't have a ton of liquid investable cash. I can't go out into St. Pete and go and do an advisors office because I don't qualify for them. So how do we serve them? So the way we are monetizing it is we are taking the first year relationship and it's a flat fee. It doesn't matter if you invest with us, never. We're going to get paid for our time, we will promise you. In fact, we have a money back guarantee that you're going to make progress on your situation based on whatever we go through in those five meetings and throughout the year. And that in itself will help you in the future, whether you ever invest with us or not. We do have a component. We can manage money for a fee, but it's not a requirement. So I would say that the person is, yeah, it's not. You can't monetize it. You can. And we don't want to have four hundred clients. We want maybe a hundred and fifty, two hundred, true wealth life planning. They-we rely on each other mutual relationship and we'll be compensated for that.

Maddy Roche: [00:39:15] So, Jack, would you mind explaining kind of your fee structure, what is the flat fee? What's the ongoing fee if they don't, if you-if you don't charge a AUM?

Jack Arnold: [00:39:25] Yeah, right now it's just we were breaking out the really the first the true wealth process and then we had an implementation component that was after the fact they were two different fees. We just just now are just combining those into one. Well, fifty five hundred dollars to do that, bill you the first five, which is really like an exploratory what are you trying to accomplish? Is pretty in-depth, spent a lot of time on it. I would say we do those over five or six weeks. I would say in five or six weeks, we get to know the person better than a lot of times. We would have gotten to know them over two or three years. There's a lot packed into that, and it's-

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it's incredible. It's great that does a really good job of saying, Oh, this is what we're trying to accomplish. And I would say from the time that we start until 12 months, this is done. I would. I mean, we've had people say I've made more progress on student loans in the past year than I've made in the last 10 years because I kind of went through this. I don't know that that's any kind of magic dust that we sprinkled on them. It's just helping them get focused on what they're trying to do and be more comfortable with how they're spending their time and their money. So that's up front. And then we just have a monthly fee if they want to stay on. We do two meetings a year. Most people end up having something that they want us to manage and invest, even if it's fifty thousand or one hundred thousand something small. But usually people, that kind of our ideal client would be something that is higher income. Maybe they have some debt. Student loans is a big one, but eventually they're going to be saving pretty big chunks of money. The expectation is that we would grow with them over time. If you're making a few hundred thousand or something, you're saving five thousand a month or something, depending on who you are, that adds up pretty quick. It is a longer term play, but I'm fine with that. I have a long way to go, so I have no issue with that at all. I do think longer term building this stuff out, I think it is a way that we could bring on younger advisors. I think going back, I would say if I when I was twenty five and I wanted to do this where I would want to go to a place where I could actually grow as an advisor and not have to focus all my time on a sales conference where I learned how to sell the next product. So I think we can build a business like that, and I think that that's infinitely scalable. But at the same time, my life isn't, I'm going to scale myself to death just so I can max my income forever. I want to make sure that I'm getting some fulfillment out of what I'm doing, too, and some things just don't scale. It's not a software business, so and I'm fine with that.

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Maddy Roche: [00:41:51] I'm interested who is your ideal client outside of folks that that could work through a process like the Money Quotient process, but I mean any profession or any specific niche you're focused on.

David Harpool: [00:42:03] I-we've talked about this all the time, and it's hard to-to say this profession is better than another. So I think more of it's-it's more of a mindset. I would say from a financial standpoint, it's probably someone, let's say you're a couple, you make two hundred fifty thousand dollars, you have maybe have some kids, you have some debt, you work. You're not worried about paying the bills and eating every month. You're-you've got that handled. It's now. How do I get to the next level? How do I do better with what I have to make sure I'm doing everything I want and maximizing my potential. So I think it's that framework financially. And then from a mental standpoint, it's the same person that is confident paying a somebody to work out as they're at the gym. Jack goes to the gym. It's a great analogy. He doesn't pay a monthly fee for the weights. He goes for the accountability, for the community, for the drive, for somebody to push him, to make sure that he's doing it better and better and stays on top of it. And I think that's a lot of what we end up doing long term with clients is becoming a lot of a coach aspect.

Maddy Roche: [00:43:08] Incredible. You're rounding out year five together. I'm interested in the future. I've heard Jack mentioned possibly training up some other advisors. Has the money come as you guys referenced? And what will you do with it as as you continue to make it?

David Harpool: [00:43:25] It's coming. I'd say it's coming. I mean, I think we're all an open book here. We're our business from an AUM standpoint is not crazy. It's a 40 million or so. So we split that evenly. We don't get paid

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handsome amount. But like Jack and Kevin said earlier, this is a vision that we have to build the lifestyle and the client relationship and the company that we want. So as we continue to grow and change, you know, we're getting paid more every year, which is a nice thing.

Maddy Roche: [00:43:57] I bet-I bet. Do you think you will hire additional advisors? And if so, is it, would it be at the partner level or what do you think?

Jack Arnold: [00:44:05] I would think so. Eventually I would. I mean, who knows when the time comes, but I would think it would be great to do that. I think to be able to provide a place where somebody could go that wants to be an advisor, wants to learn, wants to have a relationship with clients is really into the kind of craft of financial planning. I think it'd be great to have a place that somebody can go and learn and get better at a place like that, for sure. I would love to do that. So. And you know, I'm not old, but I'm not 25. You know, I going to get some younger people and like, keep us up on what's going on. I think that would be it would be good. I'm very bullish on. I love all the financial planning programs that are going on across the country, all these different colleges, even talking to some younger people. We've gone to some conferences and talking to younger people. I love it. I think it's great and I would love to give people like that a place to go where they can actually be an advisor and not have to worry about selling product all the time.

Maddy Roche: [00:45:03] I love this shift. I see in so many advisors after year four or five, they really want to start giving back whether they want to host webinars for XY or speak at the conference, or they want to start training up younger advisors and bringing them into their firms. And it's a

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really hard point for advisors to get to to realize like, how are we going to continue to do this without training some new talent? And then that decision, are we ready to manage? Are we ready to really grow and figure out all the nuances of what that takes? And not everyone will pull the trigger on it and do it. Kevin, what are your thoughts?

Kevin Stevens: [00:45:37] I was just going to add that, you know, we also Dave mentioned Madia in our office earlier, and she's an Everything Coordinator for us now. But she's also in her spare time taking classes at Kansas State in the financial planning program, and she is aspiring to become a planner as well. So we've got a little internal growth there. And so that's yeah, she's bought in and loves it and you know, she's got a future with it, too.

Maddy Roche: [00:46:03] So, yeah, when did she join the team and what? What inflection point of your firm did you say we needed in Everything Coordinator, David?

David Harpool: [00:46:12] Let's see. It probably would have been 2014. So she worked in that same LPL building that Jack and I were in as the front receptionist. So she knew us. We were the three youngest people in there, so she would inadvertently meet our clients and schedule appointments and get bored and say, Hey, how can I help type of thing. And so she started really early knowing us in our clients and then when we left to do become an RIA and 16, so I guess it would have been 17. We said, Hey, if we're ever in a position financially to afford you, would you would you be interested in coming aboard and helping us run this thing? And she's like, Oh, yeah, for sure. So I think about a year later, we're like,

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we cannot keep doing all this paperwork and making phone calls. So we bit the bullet and it's-it's been great.

Maddy Roche: [00:47:02] Love it.

Jack Arnold: [00:47:03] That was another thing. It was one of those things where, like we were like nervous about, are we going to be able to do this like every time we've always thought, I don't know, man, this is going to be tough and just did it anyways. It's it's nothing. It's like it's always like we totally over blew it as a problem, and it's just it was fine. So that was another thing we thought was going to be a really difficult and it was fine. It was great.

Maddy Roche: [00:47:25] Yeah, you all have this demeanor where it just it doesn't feel like much faces you, which may be required for business ownership.

David Harpool: [00:47:33] But when you start, when you start knocking on doors in 2008, the markets down 40 percent and you're trying to sell investment. Not much is going to faze you after that.

Maddy Roche: [00:47:43] There you go. There you go. No experience is bad experience.

David Harpool: [00:47:46] That's right.

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Maddy Roche: [00:47:48] Jack. You did mention that and I appreciate your-your-your tipping your hat to the fact business ownership and being a business owner is a skill set and it takes time to develop. What do you think was the most important in your development in terms of learning how to be a business owner versus a planner?

Jack Arnold: [00:48:06] Well, I think the first thing is awareness. Knowing that you need to do that, that's a big thing. Not kind of, you know, treating it as not recognizing that it is a skill that you have to develop. I mean, that's a big thing. I think the other thing is just want to like, you just have to want to get better at it. And I would love to say like, Oh, here's the path. And here's kind of the thing, but it's kind of just like, you know, you bump into these problems and you think I can either blame somebody else or curse the gods or something, or I can just learn how to do this better, and I just need to figure out how to do it. I can't be the first person dealing with this. So what's out there? Get on Google and start doing some work and trying to figure this stuff out and keep trying. And you know, like I said, don't beat yourself up about it, just try to get better. And it has been good. Also, we've worked with business owners. I think, you know, like Warren Buffett says, like being an investor has made him a better business owner and being a business owner has made him a better investor. I think that's very true. Working with business owners, you kind of see yourself in the mirror a little bit sometimes. It's easier to look at somebody else's issues, but when you look at yourself, you're like, Oh, I think I have some of the same issues that this business owner has that I'm looking at. I need to fix myself too. That's been a huge help. So dealing with business owners has made me a better, us better business owners too for sure.

Maddy Roche: [00:49:29] Kevin, what about you in your role? How to help scale the firm? Where you learning it? What are you looking to?

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Kevin Stevens: [00:49:35] Well, we're I'm learning it from is just a lot of self learning. A lot of Google searches like Jack just said.

David Harpool: [00:49:43] I would throw in there that part of what you're doing and how you're able to build it out is because you've been an advisor. You've been a planner.

Kevin Stevens: [00:49:52] For sure.

David Harpool: [00:49:53] You've ran the business. And now you say these are the components we need and we can't-I can't do both. I can't be the planner and do the back office, and I can't also blame the back office if I'm the planner. So you know what? I'm just going to be the back office and figure this shit out. That's my take on it.

Kevin Stevens: [00:50:10] Yeah, very much so. And having that experience with the clients, not only from our perspective, but, you know, working with the clients and knowing what helps them and what really hasn't helped in the past is a big contributing factor to, you know, building this out in an effective way for us to use and hopefully improve the lives for every one of our clients instead of me being able to just work with, you know, a certain amount of clients. So from my perspective, scaling the business, I can touch and influence each person with, by improving our processes, of course, but also the systems that we have within the platform to improve and, you know, help the clients with accountability. And you know, the thing is taking the small steps, tracking their progress, and all of these things are little items that we're building out in the program that, you

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know, contribute to the client's overall success. And the scalability side of that is hopefully we can touch more clients in the future and, you know, they'll be able to benefit.

Jack Arnold: [00:51:27] I would say one good source, which is, I hate to say these things didn't exist. I'm sure things of this sort of existed for a while. But my boy, Kitces has been great. He is terrific with the information. I mean, it's almost overwhelming the amount of information that's on there. I've never done a bad Kitces related thing XY, any kind of webinar thing, any anything. It's always top notch to get tons of information out of it. So there's plenty of resources out there to learn this stuff, which, you know, those things weren't big, at least when I got started. It wasn't the thing. Like, there wasn't a ton of information like that out there. I think, it's one of those things where the more independent RIA advisers come out, the better the resources get, the better the resources get, the better the advisers get. And it's kind of this great feedback loop of information where it's like it's almost like, I can see foresee a time where it's like almost silly to go to a place that isn't an independent RIA because there's just going to be a million opportunities to go out there. And why on earth would you, if you're any good, go to a place that's not going to value you as an individual and you're just like a plug to sell more financial products? It would seem silly to me.

Maddy Roche: [00:52:39] It's incredible. After seven years of being with XY that the space has really changed. You're right. I mean, and we're able to recycle and learn from our members in a way that we weren't two years in. I mean, we just didn't have that many advisors who were 10 years into running their practices, and now we have a number of them. And to be able to attract, you know, experience like all three of yours to be able to-to share within a community. And, you know, as you share things to other advisors,

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that is how that that all kind of whatever that wonderful saying is, it raises the you guys are water guys, I'm sure you know that saying.

Jack Arnold: [00:53:14] The rising tide lifts all boats.

Maddy Roche: [00:53:19] I heard the number one fifty to two hundred clients. Is that what we're shooting for or do you have a revenue number you really want to hit in the next couple of years?

Jack Arnold: [00:53:26] I think-I think if we get to kind of the our our ideal type of clients, I think that would probably be about the cap. It's on that two hundred. And I think, you know, there's-there's always some turnover. So there's always, you know, room that opens up. But I think that would probably be about the upper end of how many people we could actually serve. You know, I think as time goes on and we get closer and closer to that number again, things will change. I think if we decide now, that's actually going pretty well, maybe we could bump that up. A lot of these tools come out, Kev's doing good at building the processes out. It's possible that you could go above that. But I think for now, that's probably about where we would end up capping out.

Maddy Roche: [00:53:59] This hour has flown by and I've loved every minute of it. I'm wondering if you guys want to speak directly to your fellow peers, sitting in an Edward Jones office right now, maybe thinking there's something better out there, any pieces of advice you'd like to put into their ear before we wrap up? David, I'll start with you.

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David Harpool: [00:54:20] Sure. I would say one have been there. So if you have any questions, reach out, I think of one thing. All three of us would say is we have one hundred percent open as an RIA to talk about anything and everything that we've experienced all the way down to what we pay each other. I don't care. I want you to be better as a human being and adviser because that's going to benefit everyone around us. So if I could give one piece of advice would be, if you're contemplating this, take an initiative and reach out to somebody because more than likely you'll eventually this is like the faucet, the drips and the next thing you know you have a hole in the pipe. You'll eventually get to the place where you leave and you'll look back and say, God bless, I wish I would have done that five years ago. So that's my advice.

Maddy Roche: [00:55:04] Great advice. Kevin, how about you?

Kevin Stevens: [00:55:08] I would say that it's not, you know, it's, we have Edward Jones former colleagues that I would think are very happy in their role. So I'm not going to say that this is for everybody because it, you know, there's a lot of sacrifice that comes into this and a lot of time and a lot of effort. So it's not for everybody. But, you know, if-if you think that you want, you know, if you want to do business in a different way, if you want to be able to do it your own way, if you want to be able to work, you're on your own terms. That sort of thing, then it's-it's definitely something that you should go ahead and reach out to David Harpool and ask his advice. I do think it's-it's definitely important to take that first step, at least if you're curious and I agree with Dave. Reach out to him.

Maddy Roche: [00:56:09] Awesome. Jack, how about you?

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Jack Arnold: [00:56:11] You know, you know, second, third, everything that David and Kevin said and then kind of add on that it's not as hard as you probably think it's going to be. It's probably going to be hard in different ways that you're not expecting, though. So you're going to think, Oh, this is going to be the problem, and that doesn't end up being the problem, but something else you're not really expecting. But you can talk to all the people in the world and you can prepare yourself as much as possible. But there's really no replacement for doing. And sometimes you're just going to have to do it and learn along the way and maybe find somebody that will do it with you if you can. That's a huge help. But there's plenty of people out there. There's how I don't know how many people in XY at this point. Hundreds, thousands, probably that are willing to talk. There's probably, I think, probably every single person at XYPN advisor and anybody that works. I mean, all of them are willing to talk and help you out because everybody is pretty much, for the most part, gone through similar things and they're willing to help so reach out. And if you hit bumps, you're not the only one and ask for help and people are more than willing to help.

Maddy Roche: [00:57:14] Beautiful, well said.

Kevin Stevens: [00:57:15] Maddy, I did want to give a little props Maddy with the t shirt. I was in the Zoom portion for the Denver the #XYPNLIVE, which was very helpful, by the way. It was. I got a lot of good stuff from that.

Maddy Roche: [00:57:30] So, oh, I'm so glad to hear. I'm so glad to hear, well, having podcasts like this and getting to know members like you make our mission driven core value very easy to live up to. Total honor to interview all three of you. Thank you so much for sharing your story being

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available, impacting this industry and the way that it deserves to be impacted. And cheers to all of you. David, get ready your calendly is going to blow up. Thanks, everyone.

David Harpool: [00:57:59] Thanks, Maddy. It's been an honor

Jack Arnold: [00:58:00] All right.

Kevin Stevens: [00:58:01] Thank you Maddy.

Maddy Roche: [00:58:03] Tax planning and preparation is an enormous value-add for your clients, but taxes can (very) quickly become overwhelming as an advisor. XY Tax Solutions is the tax team in your corner that works with advisors to offer expert tax services to their clients, with three different client engagement options to choose from to meet your unique needs. Partner with XY Tax Solutions to integrate tax preparation and planning into your firm, and don't sweat tax time this year. Visit xyplanningnetwork.com/xytaxsolutions to learn more.

Maddy Roche: [00:58:37] 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.

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Narrator: [00:58:53] You are not alone and you are not crazy. It's 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.