Podcast Transcript

Episode #44: Inside the Forces Reshaping Wealth and Investment Management

Brad Mook: Welcome to the Rosemont Roundtable Podcast. I'm Brad Mook, managing director of investments and finance at Rosemont Investment Group. For more than twenty-five years, Rosemont has been in the trenches with investment managers, not just as minority investors, but as advisors, resources, and long-term collaborators. Over that time, we've seen a lot and met a lot of people and have built a unique vantage point across the business of investment management. This podcast brings that perspective directly to you through conversations with respected leaders and practitioners and through insights from our own work.

Our goal is to help you better understand the drivers of a successful investment business, just as we've done with our partners for decades. So listen in and reach out if anything resonates.

Chas Burkhart: Welcome all. It's Chas Burkhart, CEO of Rosemont Investment Group, and pleased to be joined on our podcast today by my friend and old industry colleague, Chip Roame, who is both the founder and managing partner of Tiburon Strategic Advisors and the founder of the Tiburon CEO Summit. Chip, great to be joined by you again today and to catch up.

Chip Roame: Great, Chas. Glad to be here. Thank you.

Chas Burkhart: So I think what we'll do is we'll focus on Tiburon CEO Summit 50. I can't believe that you're now up to 50. I think I joined a panel of yours when it was maybe Summit 10 or 15, and it's really grown and just become a broader, I think, incredibly comprehensive and very well attended industry gathering.

Chip Roame: Yeah, think that's right. We do it twice a year. So having done 50 of them, that means we've done it for twenty-five years, twice a year. And we have about 500 attendees now. So it's an impressive event any way you look at it.

Chas Burkhart: It's a great bunch of people. And the speech, the presentation that you give at each of those is very in-depth, covers the waterfront in the wealth and investment management industries. And I think we'll start there. I mean, we're going to basically talk to business issues in both the wealth and investment management world. And you have a really interesting slide kind of summing up what

I would call five major evolutionary views that if you could maybe start with that and then we'll kind of take it from there.

Chip Roame: Yep, sure. So the way we think about it, Chas, is we think at Tiburon, we follow in our minds the wealth management market. So excuse me, everything from Robinhood or something like that up to a family office, every kind of advisor in between. So that's what we would call wealth management. And then we follow investment management.

So everything from a low-cost ETF up to a private equity fund. So everything in the spectrum of investment management. And then thirdly, I'd say the wealth tech that connects those two. So all the underlying platforms. So the Tiburon world is wealth and investment management and wealth tech.

And we try every six months at the Tiburon Summit to find some way to summarize all the trends. And the chart you're looking at the most recent Tiburon Summit, the way we did that, and I'll just kind of give you the five areas. We talked about how the clients are evolving. So everything from the wealth transfer and all these kinds of things. We talked about how the channels are changing.

So the growth of RIAs and things like that. We talked about how the products are changing. So the growth of alternatives and things like that. We talked number four about business strategies. So the use of human capital, the use of technology, lead gen strategies, things like that.

And then lastly, we talk about how the industry structure itself is changing. So are there venture capital stacking segments? Is there a lot of M and A happening, etcetera? So we try to tie a bow around having a vision of the future of the wealth and investment market by thinking of those five areas.

Chas Burkhart: It makes sense. It's quite broad, but it's also quite interconnected, as you were explaining. And that's our world, as you know. And like you, long background in researching and consulting to the investment management and wealth management world before becoming investors ourselves. So I think to that point, why don't we start, Chip, with the wealth management M and A environment?

It's so topical. It is written about daily. And I'm just kind of curious, your take on, as you cited in your recent conference, 86 wealth management deals in 2025, although I think about 140ish perhaps were over billion-dollar firms. In some respects, it seems to be no signs of letting up, no signs of kind of pricing coming off or they're constantly kind of new entrants. More and more people are involved in this ecosystem of M and A.

What's your take at this point?

Chip Roame: Yeah, I think your take is spot on. You're right. So the Tiburon data from the year 2025. So last year's data, we can count 86 transactions in what we would call the wealth management market. So there's two sub segments there.

The one everyone talks about would be the RIAs about eight thirty of those are RIA transactions. There are about 30 broker dealer transactions as well. So picture set Terra buying a broker dealer or something like that. So there are some BD acquisitions in there, but it's almost all RIA transactions. Then your second point that you made is super important.

140 of them last year were above a billion dollars of AUM. So you're seeing the aggregators by bigger firms now. About 250 of them last year were backed by a private equity firm. So about a third of all the acquisitions now are private equity firm. So kind of, yeah, there's a frenzy of activity, a lot of activity.

On the other hand, if you step back and think about the fact that there's 30,000 RIAs in America, is 86 really all that many? Maybe not because like just basic mathematics, if one has a career of say thirty years, well then about a thousand of them should turn over every year as the person is retiring in their thirtieth year of their career. So could we have a thousand deals a year for a long time? Probably, that's probably where we're at. So it's way up from where it was a few years ago, but maybe we're gonna stay at this spot for a long time now.

Chas Burkhart: Well, I'll tell you one thing that might lead it to stay at this level because deal activity might morph from deals that have already been done into other deals, whether or not it is firms coming out of platforms or firms that they've been acquired by, making new choices, acquirers going in different directions, deciding to sell businesses. And something that we'll get to later is you're going to have, I think, probably new parent organizations, whether you like it or not, because as you're seeing, the consolidators, you know, the big firms that have done a lot of this, Mercer, CapTrust, Creative Planning, Wealth Enhancement Group, Cerity, etcetera, they might be coming together and merging for varying purposes to establish even bigger, more dominant across the industry spectrum of size and offering. And if they come together, that's going to create probably more opportunity for the very larger end of the wealth management world. And it might also spin out a lot of folks on the smaller end of the spectrum that either don't fit or want to be elsewhere.

Chip Roame: Yep. I think that's spot on again. I can tell you we can get on any of these paths, but I'll tell you four super interesting trends that are out there that are all worth watching. One is minority acquirers. So kind of a spirit of, hey, you can stay independent, we'll just buy 20 or 30% of your firm.

That's a growing trend. Breakaway RIAs we now have. So we always talked about breakaway brokers. It's a man or a woman leaving Merrill Lynch or Morgan Stanley becoming an RIA. But then once these firms, the Mercers and Mariners and all those acquire so many, then you have people leaving those firms to go.

So there are breakaway RIA that's happening. You have some bigger cap investors that are buying the upper echelon. I'd say they haven't yet bought a lot, but they're sniffing around the upper echelon of the RIA aggregator. So what I'm thinking about here is a sovereign wealth fund. So if I look at the Tiburon membership list, I can tell you who's coming right now and they love the RIA and that could be permanent capital there.

And then the fourth, you said our lingo for that is we somewhat jokingly, but we call it the consolidation of the consolidators. So you're gonna wake up one day soon and cap trust will have bought Mercer or Mercer will have bought Cerity or Cerity will have bought WEG or whatever it'll be. They'll start combining them.

Chas Burkhart: So

Chip Roame: there's four big meaty trends within M and A, all of which are super interesting to pay attention to.

Chas Burkhart: Yeah. I mean, one observation from all that you've just said, Chip, is that and we just kind of see this constantly, and you can pick up the trade rags, you know, on your email every day and see it, deals are being done so quickly. And as folks that we have chatted with at time to time when we find what might be interesting potential partners for us, there are so few people that are spending significant time in the bowels of these businesses, meeting all the key people, and doing substantial due diligence before they shake hands. I mean, I had a guy tell me the other day that nobody had come to even see him. And there were, you know, offers galore, but nobody was showing any real interest in getting to know them.

It just seems like it's a massive financial engineering exercise afoot. And I think for some cases, maybe that's more explainable. But I think in many cases, especially with the complexities that you're referring to, Chip, and the way that business is just kind of morphing and differentiating, it's kind of more like a marriage, I think, in a lot of cases. And I don't think it's being given the respect of a marriage in many of these deals. So I, for one, think that there'll be a lot.

What will support that thousand mark, you know, 800, a thousand plus deals a year will be the regurgitation and the morphing of businesses that have already been acquired.

Chip Roame: I think that's a savvy point. Would tell you though, one thing that the Tiburon ecosystem gives you is I can see who the future buyers are to some degree. I can name the 30 or 40 private equity firms that don't yet have an RIA acquisition. They're all Tiburon members and they're all walking around Tiburon and they're thinking about doing a deal, right? That's why they're super interested both wealth management and wealth tech, these recurring revenue businesses with 95% retention rates are super interesting to the whole PE world.

So I can see them there, I can see the sovereign wealth funds, I can see who's on the horizon right now. So gonna keep the deal activity alive and well for a very long time.

Chas Burkhart: Oh, there's no doubt. I mean, look, we were in the private equity world. And as soon as you raise a fund, the fuse is lit. You gotta put that money to work. You're trying to make the best investments you can in a four or five year period.

And as you have just said, and we've observed it, there are many unrequited would be purchasers. And they're at your forum, they're there in part to hope to meet folks that they will make a stake in. And maybe some will build great platforms and have great investment programs. And maybe others will realize that they, for whatever reason, are getting shut out and they'll pivot.

Chip Roame: Yep. Another thing, Chas, worth paying attention to are PE firms that are making their second and third and fourth RIA deal right now. Now sometimes that's because they enter a deal and they exit a few years later and they want to get back in. Other times the one that was in the news recently that I thought was super interesting is Warburg Pincus made their third RIA deal. So they own a firm called Facet Wealth at the low end, which is kind of like video financial planning for the mass affluent world.

They own a stake in Edelman Financial Engines and they went and bought a stake in Cerity way at the top end, So that's super interesting. You think about a PE firm doesn't only have to own one RIA firm. They might own two or three or four.

Chas Burkhart: Well, and what's interesting about the Warburg example is you're really going far and wide to the top and bottom of the sizing spectrum, the scale spectrum. And those are different businesses.

Chip Roame: Yeah. And actually, for that matter, we should add they also own past tense, but Kestra is a broker dealer in the space too.

Chas Burkhart: Yeah.

Chip Roame: Yeah. So a lot of ways to play in the space, you know?

Chas Burkhart: Absolutely. Talking about some more specifics in this part of your writing and presentation you just gave, Chip, you talked about being a modest versus a substantial wealth management firm. What did you mean?

Chip Roame: Yeah, I think what you're seeing now is the economics of being an RIA or an independent advisor really have two different sets of economics that we need to separate. The one question is, can you operate as a small advisor in The US on an ongoing basis? The other question is, you transition your business as a small advisor? And I think the difficulty on the latter equation is often who you want to transition to is someone who was paid a modest wage for five or ten or twenty years and they can't afford to buy the value of a RIA firm. These small firms maybe can survive while the principal owns the equity, maybe can't survive when they get to transition time and need to sell out.

So that's all well worth paying attention to.

Chas Burkhart: No question. And I think the added factor to your point is that many of them like me are baby boomers that are kind of getting to the later in the back nine of their career. To your point, they've got great colleagues who might have the interest in buying down the founder stake. And as you know, if you don't start early and often, it's much harder to do it, especially as value has risen and, you know, you haven't chipped away at that larger founder equity pool earlier. And therefore, back to our earlier point, it just begs the need for more and more deal making.

And just the question becomes, really, are you still serving the employees and the clients as well or better? That's a big question. I don't know how much that's coming up in the Tiburon conferences, but we see it in other parts of our world. It's just this whole question around whether or not deal making is serving client interests very specifically. And what about the fiduciary standard of care?

And what about the firm that I say as a high net worth individual or family joint for very specific reasons and people and services? And now there's lots of change to that. Can you comment on that subject in terms of how you think it's working or not working for your members or just in the world at large?

Chip Roame: Yep. So I think there's two good thoughts. Again, somewhat not conflicting, but somewhat separate from one another. The first is as a small single principal model, you're probably not doing a good fiduciary job for your client if you don't have a succession plan in place, right? So to be walking around as a solo operator who if you get hit by the old bus that we all talk about, what would really happen to your clients?

Well, you should have a solution to that. I would believe if you're a fiduciary advisor. So that's one thought to think about. Maybe it's just a fallback plan. Maybe it's not true succession plan, but it's a fallback in the case of hit by a bus, right?

So that's kind of worth thinking about. The other is there's a few RIAs out there taking the stance of they don't want to sell to private equity. They want to be employee-owned. So I think of firms like Experian, think of firms like Moneta, they've kind of taken the stance that says, we're going to develop our firms much like CPA and law firms develop their firms and sell equity down to the next generations and build your natural triangle of a hierarchy. And so I think that trend is out there as well worth paying attention to.

On the flip side, I'm not sure how many of your listeners have noticed, but the private equity firms are also buying the CPA firms now. So that's a popular trend. So you know, that employee executive ownership was kind of, you know, crux of what they did, and now they're selling out to private equity. So all these things are in flux.

Chas Burkhart: Yep. And I wanna take your point just made on the kind of tax and let's call it wealth management services world, so more family office reporting, planning, etcetera. It seemed to me that over the last twenty-five years, lots of service providers in software, compliance, research, etcetera. All these tools and applications sprung up to serve the smaller employee-owned business. And that was great.

Today, I'm feeling more that there's a melding. There's much more of an interest by not just big firms, but by small firms, too, in becoming more holistic providers as opposed to more siloed specialists that have counterparty relationships with law firms, compliance relationships. They buy their software, and they build their tech areas. And there are plenty of businesses serving those smaller independents. What's your take on the interest of firms small and large in wealth wanting to be more holistic and to be able to offer soup to nuts capability in both services and investments?

Chip Roame: Yep. I think it's a good question again, Chas. I think there's two levels of this to me. So the lower level is firms that are let's just call them a traditional wealth firm that are expanding the breadth of what they do. So you've seen some of the big aggregators by the pension consultants.

So they've pushed into that market. You've seen some of them buy CPA firms specifically tax preparation parts of CPA firms. You've seen them, you brought up cap trust, big and buying retirement plan advisors, not just wealth management So you've seen these kind of interrelated adjacencies where they've expanded there. The second point further out on the horizon, you can imagine where insurance brokers and tax prep firms and wealth firms, even health firms to some degree could all get merged someday. You know, one of the impetus is private equity is bought in all of those categories.

Another impetus is these firms that wanna go public needed to diversify the revenue stream. So you're seeing some of the Mariners, Mercers, Ceritys out there really becoming much more complex. Don't say that in a bad way, but more multifaceted, numerous revenue streams that maybe offset each other in good times and bad times. So I think that's part of a private equity driven mentality, part of an IPO endgame. And I think it's going to keep on happening.

Chas Burkhart: I agree. But I think it's kind of thoughtful and self-serving in the notion of all these smaller RIAs, especially kind of the sub 1-2 billion dollars crowd. They're gonna be better off if Cerity and CapTrust and Mercer and others have brought into the fold all these other capabilities that are now can be fairly seamlessly offered alongside an RIA's investment offering to their clientele. I think that makes it just more seamless, more efficient, and it burnishes the offering and the distinction, I think, of a lot of these smaller RIAs that they're doing, you know, yeah, they're doing deals for valuation. But I think to the extent that the acquirers, as you point out, become more comprehensively capable offering all these other things that will touch the RIAs clients needs at some point.

It's thoughtful.

Chip Roame: Yep, I think you're right. And I think right now the angle we're talking about it from is the various businesses. I think there's also some various functions where the same thing is true. So think about the fact that like take marketing and lead gen or take human capital and just think about it from a perspective of say a billion-dollar RIA and a $100,000,000,000 RIA, right? So for marketing and lead gen traditional ways of marketing like have a radio show or do seminars at the local Holiday Inn, these things have kind of gone away.

And professional referrals, CPA referrals are kind of really not scalable. Custodians are potentially going to cut back in their referrals. So firms need a marketing and lead gen strategy and you think about like a huge firm like Fisher and they've been a marketing and lead gen juggernaut forever kind of thing, right? How does a $1,000,000,000 RIA compete with that? I mean, we bought a new house in New York recently.

I mean, a week later I get a Ken Fisher mailing at my new house. Congratulations for your new house. Wow. I think they just buy real estate records is what they do, you know, so that's impressive stuff. I don't know how a smaller advisor can compete in the new world of lead gen.

Similarly, the new world of human capitals worth paying attention to because you're seeing some of the big RIAs now become the recruiters of breakaway brokers. Right? Right. But those people want to be paid money upfront. So you need a capital account.

Need, you know, it's not quite the same level as buying in the M and A world, but recruiting breakaway brokers is getting pretty similar to it. Right? And so $1,000,000,000 firm acquire the next $1,000,000,000 guy coming out of Merrill Lynch, he probably can't afford to recruit that guy where the $100,000,000,000 firm could take out a loan and recruit that guy. So I think as the world's evolving, as the industry is evolving, smaller firms will struggle to compete in the way the world is defined in the new world.

Chas Burkhart: I agree. And you've touched on a few things there. Not going to let go the point about the breakaway broker, the breakaway team within the financial institution, groups of people that are leaving their entity and joining somewhere else. Like the kind of wealth management M and A business broadly, they've never had more options and those options had never been more highly priced. And so one of the key things for those folks, given all the places they can go, is to determine what is it about who I'm joining that's going to make my client base and my employee base more stable.

I'm likely to grow. I'm likely to have all of the skill sets that perhaps we don't do well, which kind of you were touching on earlier for the smaller subscale folks. All of those services are going to be done very well here. And then you position those thoughts against what's the check? How much am I getting paid?

Those things definitely don't go hand in hand. But like the M and A business more broadly, people have got to decide where they're going to make their bet. The other point, Chip, that you just touched on, and I want to move to organic growth, is, look, we see lots of traditional managers in negative net flows. It's a very interesting topic, this whole organic net flow game. You pointed out at your last conference that the big four, Vanguard, Fidelity, JP Morgan, BlackRock.

I think a trillion 6, 1,600,000,000,000 of new flows last year versus 228,000,000,000 for the rest of the industry. And that, yes, in a microcosm is kind of an interesting and very acute fact. Now, 228,000,000,000, you know, let's always beware numbers. There's still for so many of the, call it, sub $10,000,000,000 crowd, of which there are hundreds and hundreds, there still could be plenty to go around. And yet not a lot of people are in strong marketing positions from the mom and pop RIA to the long tenured, probably has been successful for much of their career, institutional manager running $5, 10, 20, 30 billion.

A lot of those folks are really struggling, whereas you point out, there are some that are really killing it. So with that broad lead up, do you sense that there's going to be this widening have not divide and what causes that to get wider and persist?

Chip Roame: Yep, I do. And I think let's separate the two markets in wealth management. About 60% of the growth is the market, 60%, about 40% of it's organic in wealth. In investment management or asset management, whatever you want to call it, only about 20% of the growth is organic, right? So you have pretty much lower organic growth rates than people perceive the rest.

Even the crowd that's out there banging on the table saying the RIA channels growing so fast. Well, one thing they seem to be forgetting is a huge part of that growth is those breakaway brokers coming into the market. That doesn't mean same store sales grew last year. That doesn't mean the average RIA is doing real well that says, you know, the market went up. Yes. And a bunch of Merrill Lynch and Morgan Stanley guys came into the market that made the growth rate go up. And then you're left with the actual organic growth.

It's a much lower number than people want you to believe. So will there be a haves and a have nots? Yes, there will be in both wealth and investment management. And the natural outcome of that is more consolidation is coming.

Chas Burkhart: Yeah, there will be more multi $100,000,000,000 and multi trillion dollar firms. Can't believe I'm saying that. Probably at the expense of lots of firms both in wealth and asset management who I think have probably seen their best days. The question is whether or not they know it and whether or not they can pivot and merge themselves into someone else, remake their business into something with more distinction. Let's just say that in our view, the business in many parts of it has become highly commoditized.

So kind of what makes you distinctive? And I think you hit on a few distinctions in your report at the recent summit.

Chip Roame: Yep. I also think, you know, by the way, we're talking a lot about wealth. I would also say that some of the same trends are true in asset management or investment management, as we call it. Like you think about the firms that were long only load mutual fund companies, etcetera, etcetera, kind of on the wrong side of most of the trends, The world has moved to lower priced investments, to more indexing, to more alternatives, etcetera. Now, some of them have pivoted amazingly well.

Like you look at BlackRock's flow, BlackRock has made the four largest investment management firm acquisitions, right? The top four were all BlackRock as the buyer. That's impressive. Two of those were alts One of those was the old BGI to push into indexing. I mean, they've been a savvy acquirer, right?

But other firms have as well. Like Franklin Templeton strategy, you know, again, probably were in the wrong place at one point, but have used their cash flows to buy into alternatives. I don't know if you look at their annual report now, they say something like 20% of their assets are in an alts product, right? That's just awesome. You know, while you're still making cash flow from the businesses that maybe don't have great growth rates, at least redeploy the cash flow into businesses that do.

So I've been impressed by some of these firms pivoting while we're it's like, you know, the old comment, you're changing the tires while you're driving the car. Right? And that think that's what a few of these firms are doing and that's wonderful. So it's good to see.

Chas Burkhart: Well, to your point, there are many, many firms across the wealth management spectrum and maybe fewer because they're more specialists in the investment management world. But many, many firms having broadened out a traditional offering to quote and alts private equity, private credit, real estate infrastructure, etcetera. But you know what I'm struck by there, Chip? I wonder if you are too. I'm thinking that net returns in a lot of those alternative structures and funds might not measure up in the next decade to the previous decade.

And if that's the case, what happens to the risk premium judgment? It's a little bit analogous to the endowment and foundation world. And I wonder if you agree with this, where you had a number of the Ivy League and so called more sophisticated endowments having 30%, 40%, 50% of their asset allocation in alts. And now you've got, as you just pointed out with BlackRock and Franklin Templeton and many others, this massive move to find more alternative businesses and merge them with you know, bigger traditional businesses and just make sure that any firm competing for an institutional dollar has got an alt component. But if it doesn't return kind of net of fees and costs and if overall public market returns are muted finally here for some period of time or even much more volatile, what happens to that interest?

What happens to the support for those businesses and the massive amount of money being spent on those businesses?

Chip Roame: Okay. So here comes the slightly skeptical view of reality here, right? I do believe a big part of the push into alternatives is an asset manager response and investment manager response to diminishing fee levels in their traditional long-only business. So you see this, hey, I used to make 70 basis points and I made 30, now I make 10. Oh geez, but if I do private credit, I make 150 again.

So I do believe part of the push to alts is a manager pushing it to boost revenue stream. So that may sound like a skeptical view, but I do think that's an important view to have on the table. The second skeptical view that I'll put out there for your listeners to think about is does the average investor truly get into the top quintile or top quartile of these or are they getting into alts in the third or fourth quartile? So I'm a little skeptical that if you think you got your $500,000, you're in the wealth world and you want to get into the Apollo fund or the KKR fund. It's probably not happening, bad news for you.

I'm sure you can get in an alts product, maybe not the alts product at the price you want. So I think that's super important. So then your opening question was, how does this play out? It probably plays out with some inferior net returns is how it probably plays out.

Chas Burkhart: Right. That's what I think. And I also think that this is what you're seeing a little bit in the rush to liquidity of a number of investors who, let's just say, are either subscale or sub-sophistication in terms of being in these products, which is, I think, what you're inferring. And then all of a sudden, they're looking for liquidity, which has caused a lot of the headlines around private credit when, in fact, a lot of the underlying assets, apart from some of the showcased software assets where there have been significant write down or defaults, a lot of them are, in fact, quite healthy. And the business, I don't think there's any material change.

So you make a good point there. Let's pivot, Chip, to let's just call it other forms of disruption, whether it's AI, digital assets, tokenization. What else do you see coming down the pike that provides significant disruption? What else provides significant separation? I don't know where you want to start.

I, for one, and I noticed this in your in your presentation material, that it tends to be the younger folks. What was younger, 40 and down, that were either very open minded to or already have material allocation to cryptocurrencies or digital assets. What do you make of where we are in the token driven world and where you think it's going?

Chip Roame: Yep. So I'll give you a couple of practical views answering your question, and then I'll give you more of a philosophical view of how I think about it. So practically on the product side, you're mentioning all the right ones, whether it is crypto narrowly or tokenization of securities more broadly prediction markets fits in this category. You know, these things that are, I don't know, let's call them quasi investing. I don't want to debate what quasi means, but they're in the gray area somewhere.

Let's just call it that. Yeah. So you have those kinds of things. Even meme socks are in that category to me and you know, meme coins are in that category to me. So, So there's a set of products that literally any data you look at says younger people own more of that stuff than do older people, pretty straightforward.

Similarly on the channel side, you're seeing the emergence of new channels. So everyone notices and talks about Robinhood as a discount brokerage firm. And I do think you have to pay attention to firms like that because Robinhood serves 25 or 30,000,000 clients today. That's just crazy. Now, the skeptic quickly points out, oh, the average account has $500 or a thousand bucks in it, who cares?

But that's the same stuff they said about Charles Schwab in the 1980s. It was who cares if a bunch of small accounts. So if you're naive to believe that Robinhood executives are not savvy and they're just going to continue to do confetti for the next thirty years. Well that I guess that's your view. I don't think they're that.

I think they're super savvy and they're finding a way to attract the customers, the eyeballs and then later they will diversify though. Yeah, they already have announced they have a fee-based account. They went and bought a custodian, you know, here they go diversifying into broader things again, I'll just like Schwab did all the same things. I would even say further out in the horizon, pay attention to all the online banks, you know, the revolutes and all these that gather millions and millions of clients. It's really easy to do a robo advisor program or something like that on top of that.

Pay attention to the firms that you think are crypto firms today like Coinbase or Kraken or whatever because it's really easy to start serving crypto then sell stocks and bonds to your clients as well. So I would say, I tried to say it both in products originally, then in channels secondarily, you're gonna see a whole emergence of new players there. So I think that's kind of my tactical view. My one philosophical view that I think different firms have to think about is if you don't gather the clients when they're young and when they have smaller accounts and when they want to do things such as crypto or prediction markets, will you ever gather them later? Yeah.

Or will they go somewhere else do those things at that place and as they get more money, they'll just stay at that place because that firm will offer more things. So I think this is a big challenge. I worry that some of the full-service brokerage firms, some of the larger RIAs may have their head in the sand now at this point, and they're not figuring a way to serve the small client. Person with twenty, thirty, 40,000 who maybe wants to do sports betting. I'm not here to stand on a mountain and say that's right or wrong.

I'm here to say the guy's gonna do it. Do you wanna do it with him or do you want him to go do that somewhere else? And do you really think you're gonna pull him away from that place later? And I think that's a big challenge because the way it played out is the Schwab's and Fidelity's and Vanguard's gathered lots of small clients on the retail side and they've hung on to those clients as those people have got wealthier. Those clients did not leave them and go to Morgan Stanley or Merrill Lynch later, they stayed there.

So that's the philosophical question for a lot of firms. The idea, enter a low cost channel, try to get people when they're young and have less money and maybe do things that you don't love? Or do you stick to your product set and say, hey, they'll come to me later? I think that's a big, well, challenge for every

Chas Burkhart: two things you may be thinking about there. One is just back to our point about less siloing and perhaps more partnering or coopetition and people figuring out who they wanna get in bed with from a this creates a better solution, a better mousetrap. I do think that a lot of the crypto world and the, as you called it, the prediction market world and just kind of some of these other actually things that are even maybe more on the periphery will realize the benefit. And some of the bigger kind of household names and more traditional financial services providers will decide that they want to have a lot of that in their quiver. And these firms will not necessarily exist as these more rare siloed or very nichey silo businesses, but they'll be part of more holistic, broader financial services businesses.

Because to your point, I can just see rationale from both buyer and seller to want to be together.

Chip Roame: Absolutely. I mean, we have some examples already. Think about the fact that Morgan Stanley bought E*TRADE. Right? And this past week, the headline is Morgan Stanley offers crypto.

It's actually not quite true. E*TRADE offered crypto is what happened. Right? And so maybe that way in. Let's wake up one day and Merrill Lynch buys Coinbase or buys Kraken or something like that.

Or Mariner or Mercer buys Coinbase or something like that. They have a low cost channel for younger people. Maybe it's somewhat do it yourself, but some portion of those people get wealthy and the natural place for them to go is to the in house full service channel, not to go to a third party provider.

Chas Burkhart: Yeah. I hear that. So then the other thing you made me think about, and this absolutely resonates with our partners and in our world, technology in general, your tech stack, your sophistication in using AI tools, and in the software and more importantly, perhaps the savviness with which your colleagues apply your software. But I'm just seeing lots of folks debating Black Diamond, Amplify, Addepar, Salesforce. I mean, we've come a long way, and I think we're still going a long way further.

We met with a firm the other day that basically had a couple of engineers in house that basically they view it as their job to immediately look to deconstruct and construct software that they can buy and whether or not they can do something internally better. This is not a big firm. This is a small firm, but just puts an overemphasis on technology excellence. You find that to be an important topic in your membership and among your clients? Because it's funny.

I was looking at your presentation material. Did I read correctly, Chip, that 75% of your wealth management members or firms you survey are not using A. I. Meaningfully as a tool or don't believe it will be a meaningful additive to their distinction?

Chip Roame: Yeah, so let me answer both of those. First, let me clean up the stat. Think the data was about 75% of them say that AI will impact their business, will positively, but about 25% of them say they actually have an AI strategy today. So I'd say that feels early. That feels like some more firms need a strategy right now.

So I think that's pretty clear. Good call out there. I think to your prior question, Chas, I think of this like going in a circle, right? Think about the fact that we went from a world of all these single point solutions. There were all kinds of CRMs and all kinds of financial planning software and rebalancing software.

And then you had some big platforms, Envestnet, Orion, Addepar, Black Diamond, SS&C, the broader company who snapped them all up and became these comprehensive platforms. And now what I'm seeing is the big aggregators are looking at the comprehensive platforms and saying, hey, we don't want our tech stack to look like everyone else's. So we're gonna now customize the broad platform and go back to some single point solutions. It's almost like you go in a circle over time, you glue them all together, you become a platform. Oh, but the platform's too generic now, need to be more customized and you go back the other way.

So maybe it's a pendulum or a circle or whatever it is.

Chas Burkhart: Yeah. Yeah. No. Agreed. Let's finish up, Chip, with a comment that you made earlier that is very interesting for us, and that was the one about permanent capital and just kind of ownership models and that subject matter.

I mean, from our point of view, there are horses for courses. There are all manner of investor and owner beyond employees. There is just within private equity, there's a wide range of sophistication and interest and what they're really looking for. Then you've got financial institutions. You have family offices.

You've got asset and wealth management firms themselves. You've got some publicly traded, though not typically rewarded for being publicly traded business models. You've got sovereign wealth funds. I mean, when we pivoted to a truly indefinite permanent capital model with the Markel Group eight years ago, our thought was this will be more distinctive. We had a partner who was extremely patient, which you would think would be one of the watchwords of permanent capital.

You had a situation where Markel is not looking for its money back, Markel, and we are looking to earn a good return on our capital and to have really productive, multi-decade relationships. I don't know that that describes a lot of, quote, permanent capital out there. Some of what I've seen are really long dated funds that still have substantial carry and people are incented to sell at some point and to ring the exit bell again. We're not. And so we've become a very kind of niche minority investor serving a small defined group of folks who want our expertise and network.

But as you pointed out earlier, there are all sorts of people out there that could make for great partners. Kind of what's your sense of how this world, the ownership model world is shaking out and the importance of permanent type capital?

Chip Roame: Yeah, it's a great question. And by the way, I would say this applies in all three of the sub segments that we at Tiburon follow. So again, we're talking a lot about wealth, but I'd say the same trends are true in wealth tech and they're also true to some degree in investment management. So I just say no matter who the listener is, I think you can apply this to all three. It seems like there's kind of five big solutions out there.

There's the classic private equity, they have a five- or seven-year hold period, everyone understands it. That's out there in spades. Then on top of that, number two, you're now seeing some continuation funds, single asset continuation funds where they're staying in even longer, right? After that, number three, you're seeing the emergence of, as you call it, permanent capital, whether they're sovereign wealth funds who might be majority acquirers or whether they're minority acquirers, but they're in it for the long haul. These could be twenty, thirty-year investments.

They could be forever investments at that point, right? And then you have out on the horizon to some degree, existing public firms have been buyers. So like SS&C has been a wealth tech buyer, Envestnet was a public wealth tech buyer, they're now private, so they've kind of gone the other direction. You've seen there's only three public RIA firms in the wealth world right now. Most people can't name any of them, but you used to have focused.

It was the public one,

Chas Burkhart: right?

Chip Roame: So they were a public buyer. And then the thing that really has not happened yet. The last thing on my list here is IPOs of firms. Again, we had some IPOs a while back, but you got to believe in the wealth world, Creative Planning, a firm like Creative Planning is it's got to have an IPO on its horizon right now. It traded at 16,000,000,000 or some number like that last time.

It's gonna trade for 20 something billion next time. That's a difficult strategic acquisition. That's a difficult private equity acquisition. They're probably an IPO candidate. Same thing is true of some of the wealth tech.

So like take, you know, both invest in Orion went private, but they went private with private equity firms who guess what in five or seven years will probably take them back public. So, you know, a lot of ownership moving. Love your phrase horses for courses. There's a lot going on. Is one of those better or worse than the next one?

I'm not here to judge them all. I think there's a lot of action, a lot of different trends going on out there.

Chas Burkhart: Now we agree, Chip. And the words that we like to use are fit and alignment. So just by virtue of the fact that you have kind of all these different options in the menu, you've got what's on the table is just different kinds of fits and whether or not people are there are employee owners or whether just people have enough of the right incentives, whether or not the amalgam of bigger, broader acquisition factories, multi affiliate boutique groups proves to be beneficial for the underlying firm and boutique that's part of that family. I think the way we look at it is it's very interesting to see the deals. And certainly deal making itself is heralded probably like never before.

But what's more interesting is why don't we take a look seven to ten years from now? I would suggest, Chip, I'm curious if you would agree that a lot of what has been done will be different. It will have either spun out, been reacquired. There will be new private equity backers. Maybe there'll be an attempt at going public.

It just won't be static. And so measuring the success of these things is going to actually be really challenging because of the tremendous change afoot and the fact that kind of strategy based on return and expectation is becoming so fluid.

Chip Roame: So I think that's right. You know, I think I think we had two good lessons here. If you think about the Focus Financial Partners lesson when they were in the public market, you know, I thought Rudy Adolf and the whole Focus motto was amazingly insightful when it when it happened, right?

Years later, everyone called out the fact that, hey, you didn't consolidate the firms, you didn't actually find the synergies. And I think that's a easy Monday morning quarterback thing to say, right?

It was a savvy model when it got out there, but it went private because it never got the high PE that it could have got. So the new round of acquirers to one degree or another are doing much more integration of the firms are buying. I think that's a good and a bad because that'll drive more margin, more EBITDA, get them a higher multiple. It'll also drive out some of the wealth manager CEOs who sold because they don't want to be consolidated. They don't want to be integrated.

They wanted to have some level of autonomy. So round and round will go on the circle is my prediction.

Chas Burkhart: Do you know what occurs to me is that this is all going to be great for many more Tiburon CEO summits to the future.

Chip Roame: Or I guess I wish I was an investment banker some days, you know, like it seems like deals are just gonna keep on happening is my read, you know.

Chas Burkhart: You got evergreen material, Chip. Well, I really appreciate you joining me today. It was a fun discussion as I thought it would be and look forward to seeing you soon.

Chip Roame: Sounds good. Thanks for having me.