

The Benefits of Fee-restructuring & Other Mid-course Growth Decisions with John Underhill

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Alan Moore

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Narrator: Welcome to your community of fee-for-service financial advisors who are successfully building profitable firms that serve the next generation of clients. You'll learn from innovative advisors whose unique stories will inspire you to dream big and take action on your goals. Are you ready to live your great life and help clients live theirs? Then you're in the right place.

Alan Moore: Hello and welcome to this episode of XYPN Radio. I'm your host, Alan Moore, and I'm excited to welcome XYPN member John Underhill, founder of Acorn and Oak Wealth Management, based in Raleigh, North Carolina on the show today. John started his professional life as a ski bum, eventually managing parts of a ski resort, then running several Starbucks locations. After having their first child, John and his wife decided to move back to the East Coast to be near family. He found a job on Indeed in financial services with a national firm. And he said without a plan B, he just committed to following their recipe for success. He knocked on a lot of doors and ultimately built a successful practice. In 2020, after listening to the Financial Advisors Success Podcast, he decided to launch his own firm. We talked about his experience with a difficult employment contract and how he navigated it to let his prior clients know that he had gone independent. John is at a really cool point in his business where now that he has three years of experience under his belt, he's trying to figure out his fee structure if he's going to hire another advisor and more. It was fun to catch him in the middle of these big decisions as they are choices that all advisors eventually have to make as they start to approach capacity. Without further ado, here is my interview with John.

Alan Moore: Feeling inspired to start your own RIA and wondering what it takes? XYPN has created a comprehensive step-by-step guide to starting

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your firm on your terms. It covers all the bases so you can confidently navigate from where you are to where you want to be. Unlike any other roadmap to independence out there, it includes templates, tools and insights from XYPN members who've been there, done that *successfully*. It promises to help get you from dreaming to doing. Check it out at: info.xyplanningnetwork.com/myfirm.

Alan Moore: Hey, John, welcome to the show. Thanks so much for being on.

John Underhill: Yeah, no, thanks for having me, Alan. I'm excited to be here.

Alan Moore: Yeah, I'm excited to, to learn more about your story and, and be able to share it with listeners. So, to, to kind of orient listeners to, to who you are, where you're located, would you just sort of give a, a quick overview of you and, and your practice?

John Underhill: Yeah. So I'm John Underhill and my firm is Acorn and Oak Wealth Management. We are based here in Raleigh, North Carolina. And like most, most planners, we've got clients, across the country, but the majority of my clients are right here in, in Raleigh, North Carolina.

Alan Moore: Where did the name of, your firm come from?

John Underhill: So the City of Oaks is Raleigh's nickname and a, I mean, the, the trees grow from, from Acorns, right? So

Acorn and Oak, it just, it just came about.

Alan Moore: Yeah, it's so interesting, like the process of naming a business, cause I, you know, sometimes people will, it's the road, the street or the, the intersection that their office is on or where they grew up or you

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know, sometimes it can be, feel a little random or some sort of tie back to the area that people not from that area.

Like I, I did, I grew up in the South Head, I did not know City of Oaks. So that, that would not have connected to me for me, but like people who live in Raleigh, that probably makes sense.

John Underhill: Yeah. Yeah.

Alan Moore: So, let's go back in time. I'm, I'm curious to, to hear sort of your career path and, and what led you into financial planning.

So, did you always know you were going to be a financial planner?

John Underhill: So, no, I did not ever think that that would be my, my career path, let alone being a business owner in it. So,

We were living out in Colorado. My wife and I had our first kid out there and we were looking to get back towards the east coast. And honestly, I was just going through the, the job boards and there was a position on Indeed for a financial planner for a, a larger firm here, in a national firm. My wife, who is apparently much smarter than I am, was like, you, you like, doing stuff with the, the stock market. Why not do something you enjoy and help people? I was like, oh, okay. So, you know, applied for, for that position, made it through the crazy interview process and moved, all the way across the country basically, to, to Raleigh knowing, you know, one or two people here and started building my practice from there. So, yeah. So what were

Alan Moore: you doing between college and and, and applying at ultimately getting a job with a national firm?

John Underhill: Oh boy. Went out to Colorado to be a ski bum for a year after college and spent 10 years out there.

Alan Moore: That sounds about right. We've got a lot of those in Bozeman.

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John Underhill: Yeah, yeah. So I was actually running retail and rental shops for Vail Resorts at the base of some of the mountains and then, right before we moved, to Raleigh, I was living in Denver running Starbucks locations.

And so instead of making a big company money, I decided let's go help individuals make money.

Alan Moore: Okay. So if you were managing multiple stores, then, so I mean I, is that sort of, did you develop, manage, you know, do they have good management training programs and that sort of thing to, and I'm assuming some business sort of mini business school as well to help you, sort of ramp up to be able to manage

John Underhill: Yeah. Yeah. So I was, like I said, I was managing stores up in Vail Resorts, and so I, I had a, I think my largest staff was like 25 or 30 folks, that I was, I was managing up at the, the ski resort. And then yeah, when moved down to, to Starbucks, that company is, is fantastic for getting people to get to the next level.

Right. So their, their training program is really good. And so, yeah, I got a lot of business acumen through them and a lot of management skills through dealing with, a much faster paced environment than I was when I was up at the, the ski resort. So it was, it was good.

Alan Moore: Obviously hindsight's 20/20 and, and you didn't know you were going to become a financial planner, but did you feel like, did some of the, the, I guess the learning, the experience that you had in those, jobs, has that contributed to your career as an advisor?

John Underhill: So it definitely has. One, it's just being in the service industry. I feel like every single person in their lifetime should work in a service oriented business. It teaches you a lot of, life skills and humility, sometimes. So, having that transfer over to the financial planning world, I, I feel like one of my stronger suits is being able to explain things to clients.

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Some like higher level, strategies that we're, you know, looking at and bringing them down to the, the level that they can understand, right? And so by having all of that other experience in working with the, the public. And even, even just trying to explain things to employees as to, hey, this is why we're changing X, Y, Z, and getting buy-in from, from them

for, for that. That really has helped transition over to prospecting and, and bringing on clients.

Alan Moore: That makes sense. Yeah. I, I, joke sometimes when, you know, folks, you can get really rattled when someone yells at you or says something you know mean or, or whatnot. And, and you can always tell when folks have worked in service industry or they've been in the military, or they've been in those environments where just like, it's like every day you get yelled at about something and you really do develop a thicker skin and, and maybe some empathy for like what people were go. You know, usually people don't wake up in the morning like, you know, what I'm going to do today is go chew out a, a service worker.

Like something has happened, they're taking it out on you and they shouldn't. However, yeah, it's, it is interesting that, you know, I, especially when you're working with clients, to have that empathy for just some people just having bad days, bad weeks, bad months, and you just don't really know, you know, and trying to learn where they're at in order to help.

John Underhill: Well, yeah, and especially, you know, looking back at the, you know, the COVID crash, right? Like people were scared and wanted some reassurance of, you know, what, what's happening? What, what is going on with my money and the market? And so, you know, being able to calm those nerves and just from being in those prior situations, yeah, it, it helps out a lot.

Alan Moore: Absolutely. So, okay, so you move across the country to a new job working for a national firm. I assume, generally when people say national firm, that means they're selling products on commission. So, they probably don't have much of a salary. So, can you talk about sort of the early days? Did, did you have a salary?

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Did you, sort of, what, what did that look like for you getting into financial services for the first time?

John Underhill: Yeah, so the, the contract that, that I had, which. If, if I could give one piece of advice to anybody getting into any type of financial service, position is read the contract. Because I mean, I, I, I honestly didn't even know like I was signing a, a contract per se. Right. So, we can, we can touch on that, you know, when talking about transitions. But, yeah, so, you know, sign, sign that contract, and, really had to rely on the, the firm's training in order to build up the business.

And I did have a salary, albeit a small salary starting out, and it decreased, I forget if it was monthly or quarterly for two years so.

Alan Moore: So it gave you some ramp up time, but probably just enough to keep the lights on kind of salary.

John Underhill: Yeah. So yeah, you have the salary and then your commissions started out low, and so as the salary started going down, the commission, percentage started going up.

So yes, I was, I was selling a lot of, American funds.

Alan Moore: So, how, I guess, how was the training program? Did you feel like, you know, did you, did you learn how to do financial planning? Did you mainly learn sales and actually how to do sales? I guess what, what, what was the impact of that initial training for you?

John Underhill: So the training was actually really, really good. The, the firm had a fantastic training model, and I had nothing else to really rely on, so I just, I just followed their recipe. Right. They did teach financial planning eventually. They, they, they focus on the sales piece first because again, you're, you're starting out, I started out from, from scratch, so I wasn't given any assets or, or any clients.

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So I was a brand new, starting from the, the bottom. And they, they taught you how to sell. Which I'm an introvert by nature and I was terrified of actually selling stuff. So I took kind of the path of, I'm not really selling something. I'm going to find a solution for what we're trying to accomplish, which, and then after getting into the financial planning world and finding basically the Financial Advisor Success Podcast, I was like, oh, hey, I am, I'm a solution finder.

Like I need, I need to change direction here. But yeah.

Alan Moore: So, you mentioned you sold a lot of American funds, which, sort of gives away the firm that you were, that you were working at. Cause I think we've all, we've all evaluated those, those brokerage account statements.

John Underhill: Yep.

Alan Moore: You know, also, very well known for door to door knocking. And, and I think a lot of, and, and still today, I'm even with COVID

I think. Can you talk about sort of the going door to door and, and what that, what that's like, how they, how they trained you for it? How do you, I mean, that just sounds terrifying, especially you say you're introverted, like that just sounds terrifying and wildly unproductive, and yet people are still going around knocking on doors.

So clearly it's working.

John Underhill: Yeah, I honestly never thought in a million years that that would work. But again, I moved, you know, across the country knowing one person here and I had no other option than to just follow their, their recipe. Right. So, yeah, that, that first day, I can still remember parking in a neighborhood, sitting in my car for at least half an hour trying to gain up the energy to, to, to get out and walk up to the first house.

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Right. And I didn't know a lot of the areas in Raleigh either. They basically gave me a, Hey, this is where we think your office is going to be.

Go prospect around there. And so now, now knowing a lot more of the areas in Raleigh, I basically started out in my first door knocking experience in a pretty affluent neighborhood. And you know, looking back on it, I probably should have not gone there cause I've made a ton of mistakes. But, you know, it, it's, it is shocking that it, that it works and it's all about, it's all about perseverance, right? And every salesperson knows you have to go back usually multiple times to build some credibility, build some trust, for people to actually start doing business with you.

And so it was a lot of just getting a little nugget of information from somebody during a two minute conversation on a doorstep to get enough information to bring something back to them, to continue that conversation, to get an appointment.

Alan Moore: I was going to ask sort of what, what does that conversation look like? I don't think I've ever actually had anybody knock on my door. You know, it, usually it's kids selling cookies. So, you knock on the door.

John Underhill: That's a much easier sell. Yeah.

Alan Moore: You know, so you're knocking on the door, someone opens the door, like, what, what do you say? What do you do in order to, to get to that nugget of information that you need?

John Underhill: Yeah, so the first, first go around is really just, Hey, I am in the area, got an office in the area. We're just introducing myself to some of the folks that are in this neighborhood. And a lot of the times when people just hear, you know, financial planning, even just being out in social setting, they hear that, that term and they typically just like shut down.

Right? Because I feel like it has the same, almost visceral effect of someone saying that they're a lawyer, right?

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Hi, I'm a financial planner. Doesn't get you invited back.

Yeah, no. Yeah, no. And so one of the things that I, I learned, you know, is in that kind of affluent area was. People don't like paying taxes anymore than they have to. So a lot of the first contact was, Hey, I'm just here introducing myself. And then I would go back around if, if I got some type of like warm fuzzy, I'm not, you know, kicking you off my doorstep type thing. And I would normally bring them a, municipal bond, offering. The, the taxes were a, a big part of gaining clients, early on there.

Alan Moore: So, yeah, you had that conversation. You know that, that, you know, most people don't want to pay taxes. So then you would go back and sell an individual security or individual offering. You're not going in looking for, you know, you're not saying, Hey, you want to sign up for a full relationship here.

John Underhill: So that, that was the bringing something back. So bringing that municipal bond back was, that was like a, Hey, I saw this, thought you would be interested in it. That, that was really used to open the door for an appointment to, I, I, I wouldn't necessarily just sell an individual security right there on the doorstep.

It was, Hey, I do have a process of, if this makes sense for you, so let's continue this conversation in a more, you know, formal setting, either at the dining room table or come into the office. So it wasn't, hey, right, cut me a check for, you know, 10 grand for the, this muni bond right here on the doorstep.

So I was trying to do the, the financial planning piece of it, and the firm actually had a pretty robust planning software that they actually built it all in house, which was crazy. So they, they did want you to utilize that and it, it did its job, it, it served us for purpose.

Alan Moore: How many doors did you have to knock on to get a sale? Like, you know, what, what are the, the odds here of actually developing a relationship off of, you know, knocking on a door?

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John Underhill: So you could probably knock on a hundred doors a day. You're, you're trying to talk to 20 to 25 people in that day, and then if you got one or two, really good conversations where you could actually go back with something for another contact. That was a fantastic day, right? Yeah. I mean, I, I must have knocked on thousands of doors in, in Raleigh. It's crazy.

Alan Moore: I feel like you're, you have been trained to be a politician now. Like if you ever need to run for, for local office, you just start knocking on doors.

John Underhill: I, I, I could, if I ever had any desire to do that, but I will stay far, far away from that.

Alan Moore: So how long were you with that firm then?

John Underhill: I was with that firm from 2013 until 2020. So like six and a half ish, seven years. Yeah. Which, and you know, I mean, most folks don't make it to the five year mark. Yeah.

Alan Moore: You know, just in terms of the turnover and, and just success rate, is very low. So what, what would you credit. You know, you were there for you, you were probably in the 10% or less that actually made it to your five year mark.

Out of your sort of initial class, what do you credit your ability to be successful there with?

John Underhill: So having no plan B,

right? Like again, moved across the country to a brand new city. There is no plan B. We've, you know, we've got a, a, a small family where our family is growing. There's no other option. So it was, follow the recipe, do what I could to bring in the, you know, any, any sales and the business.

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Just, you know, you know, it, it starts snowballing on, on itself. Right. So, yeah, just perseverance, following the recipe.

Alan Moore: Yeah. Kitces talks about that with his first, insurance job that I, I think it was his manager that told him like, buy the biggest house and the biggest car you can, that, that they'll loan you money for, because those payments will ensure your success because you got to go out and make enough money to make those payments, which is just so counterintuitive. But.

John Underhill: It is. It is.

Alan Moore: I mean, you're right. If you don't have a fallback plan and, and it's sort of, you know, you're all in, it's like you got to figure it out. So.

John Underhill: Yep.

Alan Moore: So you said you found the Financial Advisors Success Podcast. So Michael's, Michael Kitces' podcast. So, what, I guess what, what then started, this thought process of maybe I want to go be independent and, and maybe separate from, from the national firm.

John Underhill: Yeah, so great question. As I was there and you know, did, was doing quite a bit of commission work. It, it never, it, it, Hmm, how do I put this? It always kind of rubbed me the wrong way in how the financial services industry was charging clients for access to financial planning and, and all of the other, you know, products that they have. So the, the commission part kind of drove me crazy because if the client's account is down and I call them up and like, Hey, you know, Verizon is looking fantastic today. I still get paid even though their accounts down. Right, so is that the, in the best interest of the client? You can argue, you know, either way.

Right. And then there's the AUM model, which the firm that I was working for was fairly expensive. What they were charging, because they rolled out their like, their managed platform a few years after I had gotten there. So it

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was a new platform and then they were charging 135, when I started. And so,

Alan Moore: Basis points.

John Underhill: And so I didn't feel like with, with that model, you know, my clients that are, have done really well and built a nice portfolio up. I, I was always struggling, like, why are they paying, you know, 2, 3, 4 times as much as the other clients when they're getting basically the same service? Right?

So the advice for those, you know, two extremes is different, but the, the actual like platform costs and, and everything is virtually the same. So I was, I was having, I was having an internal struggle on, on which way to go there and I was listening to the podcast and came across the one where he was talking to the gentleman from, I think it was Basin Asset Management they're based out in Denver.

Alan Moore: Mm-hmm.

John Underhill: And he was doing flat fee and like a light went off in my head and. I thought that that's, that's a genius idea. It's way simpler. And so I started listening to more of those types of, the, the podcast kind of started going down that, that rabbit hole and, kind of started putting the feelers out there to different firms, as, as far as going the, the independent route to see what that all, all entailed.

And it was, It was a lot of planning in 2019, and then I hadn't anticipated a global pandemic happening right around my launch date.

Alan Moore: When, did you actually launch the firm?

John Underhill: So I broke away from the national firm, May 1st, 2020.

Alan Moore: Oh wow. So like the world has shut down, so why not pause? I mean, it seems like, yeah, you were going to launch, but like you didn't

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have to resign May 1st. You could have, you could have waited 3, 4, 5 more months just to see, or you know, were you just confident the pandemic was going to end quickly or you were just so in it?

You just couldn't, you couldn't imagine getting off the train.

John Underhill: Well, so yeah, like I said, there was a lot of planning that happened in 2019 and, you know, we had set this date, you know, six months ahead of time. And so I, I was like, I don't know what's going to happen with the pandemic. I mean, what was it, three weeks to flatten the curve? That, that's, is that still happening?

I don't, I don't know. So right. So like that, that was all supposed to be done and gone with, it was obviously still sticking around, but I had no idea how long that was actually going to last. The, I think the having everything shut down actually helped me. Because I had had conversations with previous, folks who had left that same firm and they had had some legal issues or

legal trouble. Right, cause when you break away, again, there's those contracts, right. And I think the firm was caught off guard with what had to happen with remote work. That they, they, they could care less that a small advisor from Raleigh, North Carolina was, was leaving. Right?

Alan Moore: That's interesting. So the timing actually may have worked out well that, that there were other, other things that the, the firm was focused on as well as like, again, when you, when your recipe is go knock on doors and you're not, you know, you're not allowed to go knock on doors anymore. Like

John Underhill: Oh, yeah.

Alan Moore: That was a heck of a transition, you know, corporate wise.

So maybe the timing, you know, you were fortunate maybe with some of the timing anyway.

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John Underhill: Yeah, and at that point everybody was home, right? So when I called, people were there to talk.

Alan Moore: This is true.

John Underhill: So.

Alan Moore: So you said earlier, your one piece of advice is read your employment contract. So what did you, what did you learn, that you had signed, you know, six and a half, seven years prior when, when you were, going independent?

John Underhill: Yeah so, being new to the financial service industry, I didn't realize that those clients that I was bringing on, they weren't my clients. They they were, they were the firm's clients. That was, that was a shock. A shock to me cause I mean, you don't know what you don't know. Right? And so, had I read this contract, which I didn't even remember signing because they sent out, you know, this huge packet of stuff to do. Employee onboarding and the legal advice that I got before, you know, breaking away, they've read over the contract and you know, hey, you've got a, a non-compete, and, non or non, non-compete, non-solicit, a non-solicit.

And so it was like, okay, well how do, how do I, how do I make this work then?

So got some very good advice from the, the legal team and it, it, it all worked out. And again, I think because of the, the pandemic, they, they were not me overly concerned with somebody leaving at that point.

Alan Moore: So were you able to, to ultimately bring clients with you or did you just sort of have to wait for them to show up? Did you have to wait for the non-solicit to expire? Like how did, how did that look for you? Because you, you spent six and a half years building, you know, a successful, a successful practice that, the firm actually owned. So, were

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John Underhill: Yeah.

Alan Moore: Did you start from scratch or were you able to, to sort of get a, you know, get out of the gate a little faster?

John Underhill: So I was able to bring clients over and I'm not giving legal advice.

Alan Moore: Please consult your attorney.

John Underhill: Yes, please,

please consult your attorney before breaking away and doing any of this. But I was given the go ahead based on my employment contract from the legal team that I was allowed to call clients once. And let them know I had left the firm.

Alan Moore: Mm.

John Underhill: And I was told at that point, shut up, don't say anything. And as soon as they say, well, can I still work with you? The, the non-solicit was then out the door because I did not solicit them for business. They asked if they could continue their relationship.

So, I, that, that probably is not how it works with every single employment contract. And, and I mean, every state and every firm is going to be different. But that seemed to work for my, individual, you know, experience there, so.

Alan Moore: Yeah. Again, we're saying it jokingly, but seriously, like hire an attorney to, to review these. Did you find a, an attorney who specialized in financial services or, or an employment law attorney.

John Underhill: No, it was a financial services firm and actually found them on the, the Kitces podcast again. I think it was Hamburger, Hamburger Law.

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Alan Moore: Yeah. Yeah, so with Market Counsel.

John Underhill: Yeah, yeah. Market Counsel. Yep.

Alan Moore: So yes, hire, hire attorneys who can, who, who understand financial services can review. It's not, they're not cheap. they have a, it's a high hourly rate, but they know what they're doing.

John Underhill: Is money.

Alan Moore: Process.

John Underhill: Money. Well, well spent.

Alan Moore: We've seen it go wrong too many times. And, you know, folks want to be cheap out of the gate, and I get it. You're trying to, you're trying to save money, you're trying to get the firm started. But, to your point, one extra sentence of, of, of, you know, statement could have been deemed a solicitation.

And, and I've seen some really creative stuff. I mean, I've seen non-solicit where the attorneys weren't comfortable with, with the advisor making that phone call, but they lived in a small community, and so they sent out, they paid like it was like 10 grand and they sent a postcard to every house in the community announcing that this, but that was okay because they weren't soliciting the clients, they were just telling the community.

John Underhill: Telling everybody. Yep.

Alan Moore: You know, you can't, you may not be able to pull that off in Raleigh, too many houses, but like, if you're in a small community, maybe that's your path.

Like there are ways of doing this, I don't know, connect with your clients on LinkedIn and when you post the update, maybe they see it, that sort of

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thing. And so, again, consult your attorney. That's not legal advice. every, every state, every firm is going to be different. So.

John Underhill: Exactly. Yeah. And I, I had heard far too many horror stories from prior employees of that same firm who I, I was friends with, of them getting, cease and desist letters, basically being sued. And I mean that, I mean, one buddy I knew, he spent 30 grand on legal fees when you could have just spent five grand upfront with an attorney to not make the mistakes. So, yeah, definitely. Talk to an attorney. Talk to a

Alan Moore: That, that investment has a high ROI.

And just, you know, it, it's expensive to get sued. It's also just stressful even if you know you're in the right. It's just stressful. So the, the, the more you can do to avoid that, to document what you need to document,

You know, the, the better. So, alright, so we're sitting here beginning of COVID, you've launched a firm and, and you said you were really attracted to the flat fee model.

Did, did, you ultimately adopt a flat fee model? And if so, sort of how was that structured in your practice?

John Underhill: Yeah, I did adopt the flat fee model. That, that is one of the things that I'm reevaluating at, at this point in time. I feel like I'm always reevaluating

stuff in the, in the firm. I'm, I'm never sitting still, which can be good and bad at the same time. But yeah, so I, I launched with the, the, the flat fee model of, it was basically \$5,000 a year, and that included asset management.

Alan Moore: Hmm.

John Underhill: With, with everything just kind of wrapped into one, right?

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So the, the client knows that every quarter they're being billed, 1250, right? So they can see that come off the, the statement every, every quarter. And so they knew what they were paying. I knew what I was making in, in revenue, and it, it seemed to, to be going all right. and then I attended XYPN LIVE for the first time in 2021.

Alan Moore: Okay.

John Underhill: And ended up going to a, a great breakout session on, on, on, on fees, on charging for, for service. And there was another advisor who was doing a flat fee, but they had tiered levels. cause one thing I'd realized is, yeah, I've got a, a one client and they're really easy to deal with, but then I've got a husband and wife and now I'm dealing with two people.

And so it is, it's more, it's more work because I've got two people coming at me from different directions sometimes.

Right. And so that, that other firm basically had different tier levels for a, a single client paid, you know, X amount, couple paid, couple paid Y, and then a business owner paid Z, right? So there, there's different tier levels. So I ended up changing my pricing structure after that, meeting or after that, that conference, and ended up. So now I have three different tiers for single client, a family, and then a business owner gets tacked on to one of those tiers, so.

Alan Moore: Yeah, the flat fee model is so interesting because, and I, I love it conceptually. But it is interesting where like if you're charging \$5,000 a year, the client who needs really 2 to \$3,000 a year of services, they'll never pay you, right? Like in the end, you're, you're only going to get the clients who need 5,000 of services, but if they need 10 and \$20,000 of services, they're only paying you 5. Like, you don't

John Underhill: Yeah.

Alan Moore: You don't have clients paying you, or, you know, you don't have easy clients subsidizing the, the more time intensive clients. And are, are you seeing that in your practice?

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John Underhill: Yeah, and that's exactly why I'm kind of reevaluating right now. So I'm kicking around a couple different ideas on how to change the pricing structure of the, of the firm. It's, it's, I mean, it is worked out fairly well for how it, how long I've been going right now. But another thing I didn't do is I didn't increase rates every year. Right. So over the past two years, I mean, just based on inflation, I mean, I'm, I'm starting to get crushed with the, the increase in fees of all my service providers, you know, platform fees and, and all that sort of stuff. So it, it, something has to change and I'm looking at a couple different ways of, of, of changing it.

Alan Moore: What are you thinking in terms of adjustments that you'll make? Are you going to add more of a complexity based fee on the planning side? AUM for the investment management? Like where? What direction are you leaning at this point?

John Underhill: Yeah, so I think I'm going to keep the flat fee for the financial planning piece of, of everything and then adding a very small AUM component for the investment management. Cause that's where I see the, the biggest discrepancy is the, the larger clients they take, they are taking much more time in researching, different investments and that is going to provide the, the, the, the resources to actually free up the, the time to be able to focus on those, those clients. So, and when I say a very small AUM portion, it's like it's very small.

Alan Moore: Yeah, that's fair. Yeah, I mean, I, I think, you know, AUM has been used as a proxy for, for complexity and I, I, it's easy to hate on it where like, oh, just cause you have twice as much in assets doesn't mean you're twice as complex. But like a lot of times it does. It does. It's not necessarily that the, that managing 2 million is that much more complex than 1 million.

And it's not necessarily double, it's that the overall client relationship who has 2 million, generally comes with twice the complexity of, of an overall relationship with 1 million. And so, you know, I, we get some heat sometimes people think we're anti AUM, and we've always said like, if, if clients have assets, by all means it, it was, you know, charge an AUM fee.

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It's a pretty good proxy for, for, for complexity, for a lot of client situations. Just also just like you're doing with a flat fee planning program, it allows you to work with clients who don't have assets whose assets aren't available to manage, which opens the door to, to a lot, you know, just a much broader, potential client base that's looking for services.

John Underhill: Yeah. And one other thing that I kind of realized as I was looking at different options is, you know, again, I hadn't, I hadn't rate, rate, had not raised rates every year, which I know you guys are big on, and you you harp on and yes, it, it should be done looking back on it.

It, it is hard to do. And so by adding a very small AUM cost in there, that will basically work as the, the, the fee increase Inflation hedge Yeah.

Cause typically the, the market is going to outpace inflation. Right. So that, that's kind of the, the idea behind that.

Alan Moore: I will still encourage you to raise your fees every year, and, and raise planning fees. And I, I get it. It it, it's tough. We waited a couple of years when we first launched XYPN before we raised fees for the first time and we've historically just raised fees the same amount every year. This past year we did a bigger increase because inflation was so much bigger and, and it, and it wasn't the amount of the fee increase it was that it was different than it had been in years past that caused a lot more conversation, a lot more questions.

John Underhill: There, there was a lot of conversation. Yes.

Alan Moore: There was and, and we, we sort of anticipated that. But, you know, clients do get used to whatever the model is. So if it's always the same price they get used at, if it goes up 3% a year, if it goes up 10% a year, people just get used to it. It's the surprise, it's the surprise fee increase.

Haven't seen it before. It's sort of like the first time you do it.

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John Underhill: Yep.

Alan Moore: But you know, and we, we made the decision to raise fees every year instead of doing the 40% increase every five years or 20% increase every five years. Cause that's what can happen is you get so far behind inflation that suddenly you're like, I'm making half what I used to make. You know.

John Underhill: That, that that is exactly where I am right now. It was like, do I do a huge rate increase to make up for the inflation over the past couple years or, you know, come, come up with a, a different solution. But, yeah, it, it might have to be, you know, a, a 3% increase every year in the, the flat, that flat fee as well. So yeah. Lot, lots to think about the, the, the trials and tribulations of a business owner, right?

Alan Moore: Yeah, I mean, I, I think this highlights, the fact that there truly, there are no right answers in business. There's not the, there's not a right fee structure or right level or raising fees lower. Like there, there are no right answers. It's just getting clear on sort of what works for you and, and if you can sell it to yourself, then you can sell it to clients.

And, and I have found that where advisors will adopt a fee structure they don't really believe in and they can't sell it because they don't, they don't have the confidence and clients can, can feel that. If, if you don't have the confidence. But, you know, I remember my first, the first firm I ever worked at fees were really low.

I mean, it basically worked out to half a percent of, of AUM. I remember asking my boss, I said, could, why don't we double fees and get up to market rate? And he said, Alan, we would lose half of our clients. And I said, so we're going to make the same amount of money with half the work. That sounds fantastic.

John Underhill: Right. Yeah.

Alan Moore: And he was, and he, he was like, I had not thought of it that way. We did not raise fees.

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John Underhill: Yeah.

Alan Moore: It was just sort of this funny conversation where you, you start to think about, okay. What, what, what could be the impact of losing some clients? And, and not that we ever want to lose clients, but it's like, are is there a better place for them from a value perspective if they're not able to pay the fees that are willing to pay the fees, that, that we're ultimately charging.

But, again, I just want to highlight like there is no, there's no judgment here. There's no right answer here.

I have my own opinions and you've got your opinions and experience and everyone's got theirs. And you just have to sort of lean into that.

John Underhill: Yep. Yeah, it, it's funny you say that about the, you know, half the clients with the, for the same revenue. I mean, I, every time I go and have a lunch or, or coffee with, someone from my, my prior firm. Cause I'm still friends with quite a few of those folks. I, I always tell them like, Hey, how would you feel working with a hundred clients instead of 200 clients and making, if not more than, than the same that you're making right now. So it's, it, it's interesting for sure.

Alan Moore: So, you know, you had success building, your initial client base knocking on doors. What, what are you, what would you, I guess, what are your marketing and sales activities now in order to build the business? Where, where are you finding success at this point?

John Underhill: So I have been part of a networking group and I know a lot of people will like poo poo on, on networking groups. But I have found one that actually cares about the members in the group. And so I've built up great relationships with, some folks in there, a couple, tax professionals and accountants in that group and estate attorneys. So networking with those like core people, I guess the centers of influence basically.

That, that's helped out a lot. And I've just been around Raleigh and know quite a few people now that I, I mainly get referrals. One thing I will say is I

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recently signed up with the NAPFA organization because that's, that's part of XY, right?

It's a, a member perk, which for whatever reason, I never did it, for the first year and a half or so. I have gotten a good amount of leads from the NAPFA, find a advisor website.

So if anyone listening has never signed up for NAPFA because of their, it's included with XY, like go do it.

Alan Moore: Yeah, and that was part of the reason we did the, did that initially in making a member benefit. Obviously we support NAPFA as an association and all the work that they do to, to promote fee-only and fiduciary advice. but they have historically had a very strong lead flow through their find an advisor

portal and, and some people will get none. But it is very location based. I mean, in the end that's how you search as you put in your zip code. And

John Underhill: Yeah.

Alan Moore: You know, and, and I think some cities do better than others. You know, particularly in the south, there's a lot of, I don't know if there, if there are other places.

Being from the south, I'm just. I just know that it, that it exists of like, there's a lot of radio shows that are very focused on money. And those folks tend to, you know, you don't want to be like, oh, go to this website where, and be sure you search down for fee-only and ignore the commission. Like, it's just easier to go to NAPFA or XYPN or, you know, because we, we do all that filtering for you.

John Underhill: Right.

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Alan Moore: And so NAPFA has over its, over its history, gotten a lot of earned media, because of that, cause they make it easy on reporters to, to sort of, and, and financial gurus to sort of send you their-

John Underhill: Yeah. Yeah.

Alan Moore: -site. Cause they don't have to tell you to, to avoid anybody on it. So, so that's great to know. But like I said, that is a, that is a member benefit.

So if you're a member of XYPN and have not signed up for NAPFA, go do it. There is an application process, but we cover the fees. You're fine. Go get signed up.

John Underhill: Yeah, it takes like five minutes. Just go do it.

Alan Moore: So what are you working on at this point? You know, you're, you, it sounds like you're, you're approaching, I mean, you've been growing, I guess, how many client households are you serving now?

John Underhill: So it depends on, on how I, I I look at it. So it, it is roughly 55.

Alan Moore: Okay.

So when you look at 55, you're, you're starting in another 12 months, you're going to hit, hit sort of the, the breaking point, if you will, of, of decision in terms of what sort of, what direction are you going to go with the business. Have you made decisions in terms of if you want to stay solo, do you want to bring in staff, other advisors grow?

Do you have a vision for what that's going to look like yet?

John Underhill: That is a lot of what I am going over right now. The, the, the whole thought when I started this was to just do the, lifestyle practice

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where you can go and, and travel. So we, we just did it like a cross country camper RV trip for five months. Right. So I could work from wherever.

Yeah, it was, it was, was.

Alan Moore: We should have started with that conversation.

John Underhill: Yeah.right? Yeah.

Alan Moore: That's awesome. And how old are, how old are your kids?

John Underhill: They are 10, eight, and two.

Alan Moore: Okay, so five months, 10, eight, and two. Wow. That's, that's incredible.

John Underhill: Yeah. And the business grew while I was on the road because I literally just need a internet

connection. Right. And I can still, carry on client and prospect meetings over, over Zoom or whatever. But no, I, I have started actually bumping up towards that like capacity limit. So I'm looking at how can I make the practice more efficient when it comes to portfolio management. So I'm really looking at, you know, do I bring on a, a TAMP, which I'm not, like, I'm not huge on for whatever reason or I've, you know, got my reasons. And so trying to figure out something for that. Also I've kicked around the idea of bringing on another advisor, cause that would also help with continuity plans. Cause that's always a question I get from new prospects is, Hey, you know, what happens if you get hit by the proverbial bus? That's, that would make that whole conversation, a lot easier. So yeah, there's a couple different things that we're, we're looking at and weighing the, the pros and cons of, at the moment, so.

Alan Moore: Well, if you'll be at the conference this year, and for any listeners, you know, I highly recommend you come out to XYPN LIVE. We'll be in Atlanta this year, so I guess that's driving distance for you. But we're

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actually hosting a, I believe it's a pre-conference with Arlene Moss, our executive business coach, and, and it's called Pause.

And it's about this decision, because we find that a lot, everyone has sort of an assumption when they start the business of where they're going to end up. And I don't know, probably 50 plus percent of the time they're, they end up changing their minds. They're wrong about what they want to build. Which is fine, you just don't know till you get into it.

But it really is like, that's what we call it Pause. And a shout out to, to Scott Frank, who is, who was, one of our advisory committee members. And he, but he came to the first one we did. And he said like, you should just call this pause cause we're, we're hitting the pause button. We're saying like, what am I building?

Like, let, let, let's sort of take an assessment and, and like I said, you, you learn through those conversations with clients. What are they looking for? What do you enjoy, what do you not enjoy?

So that's awesome. And, and again, like this is, I love that I've, I've sort of caught you in the middle of some of these, these decisions that really do happen around year three, where income and, and client base and all, and, and you just had enough learning and education now, where you're just an experience where you're just like, okay, now I've got some of these decisions to make.

Which is, which is fun. I mean that, again, a lot of that is why, why many of us got into business was just because this is sort of the fun part of, you know, that there's not necessarily a right answer. It's, it's a lot of, it's more art than science. And, and you get to sort of paint this proverbial picture of your business that you want it to look like, and get to make these decisions so.

John Underhill: Yeah. And again, that is one of the great things about being a business owner and one of the awful things about being as a business owner is it, it, it is. It's never a straight line. It's never a straight path.

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Alan Moore: And there's an infinite number of choices. I mean, they, there really are. And, and for every decision, there's not a right answer and a wrong answer. There's a hundred different answers and you can make any of them work. And so.

John Underhill: Yeah. Yep.

Alan Moore: You know, it, it really is, we try to, we try to help like guide through that process, but I can't tell you like, yeah, you should stay solo.

Like I, it's not my place. It's not. And it's your life, your business. You know what, what we try to do is uncover the realities, cause I do think grass is always great on the other side. And, and hiring always sounds great. And then I talk to people with employees and a lot of times they're like, wow, being solo, like, I miss those days.

I'm like, do you actually? Cause I bet you miss some of the days, but not all of them. Which, which can be, which can be fun. So, so I'm curious, sort of, you, you've got some of these big decisions, to make as it comes to pricing model. What, what kind of firm you're going to build, anything else on the sort of 12 to 24 month horizon that you're thinking about with the business?

The, those are kind of the, the biggest things for the, the 12 to to 24 months. I guess those decisions will impact what, what you can do in the next 12 to 24 months.

John Underhill: It, yeah, it, it really will. And so, yeah, I mean, the, the biggest thing I, I think for me, is those, those two pieces, right? What is the cost structure of the firm? How do I make that adjustment without really upsetting a lot of clients?

If they'd be upset at all. I mean, again, this is one of those, you know, sitting in the car for 30 minutes before going and knocking on a door, right?

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Like, this probably isn't as bad as I, I'm making it out to be in my head. And then, yeah, really trying to figure out the, the structure of the firm, because being solo is awesome until it's not.

So, trying to weigh those, those pros and cons that, that, that like, that will really move the, the, the compass for the next 12 to 24 months.

Alan Moore: I said, I'm so glad I caught you in the middle. It's so hard to get people in the middle of this decision process. Usually we get them, you know, before they've hit capacity or, or, or after they've made the decision. And so, you know, for listeners who are out there who, who think like, Am I the only one struggling with this?

You are not. Every advisor who hits this point sort of has this struggle. And, and again, it is made more complicated by the fact that there's not a right answer. It's just you got to work through and decide, you know, like tell, like tell advisors like what, you can paint the sky, whatever color you want to paint it, and it's your call.

It can be pink or blue or green or purple, and you just have to decide. But unfortunately there's an infinite number of colors, so.

John Underhill: There, there is and, and there's, there's nobody else. In the firm to bounce ideas off of. Right? So, having, a nice like mastermind

type group of, of folks or having a support system in, in those centers of influences, right? So I've got some very. Business acumen, business owners that I, I, I lean on, I, I reach out to them and, you know, ask, ask their advice on what they would do for, for their business, because that will transpire over into, into my firm as well, just a little bit differently.

Alan Moore: Well, John, as we're coming to, to the end of, of our recording, I'll, I'll ask you the final question. You answered this a little bit earlier, so I'm curious if, if you would reiterate that or if there's another piece of advice you'd give. So, you know, if there's one piece of advice you could go back and give your younger self, you know, one thing, one thing

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you, you know, now that you wish you had known, then what do you think that piece of advice would be?

John Underhill: Oh my goodness. One thing I wish I had known earlier. Man, I don't that, that's a fantastic question. You probably asked this to everybody and I just completely spaced on, on this question.

Alan Moore: It's okay.

John Underhill: Just getting out of my comfort zone earlier I think is probably something I, I wish I could tell myself earlier cause that would've built up. My previous firm and this firm just faster, right? So going from zero to a hundred is really hard to do, but if, if I could have gone from zero to 50 as opposed to zero to 25, right?

So I feel like getting out of my own way and just letting myself do the work, and yeah, that, that probably would've been the, the best thing I could have done.

Alan Moore: Because momentum is real.

John Underhill: It is.

Alan Moore: and, and it is about getting that first client that brings in the second client and the third client and, and just, once you get momentum and, and get sort of that forward motion, you know, it's a lot harder to stop than, than it is to get started, if you will so. Well, John, thank you so much for taking the time to come on the show, share your story. I think you've been on a journey that, that a lot of, a lot of listeners have, have either been on or, or in the middle of. So I appreciate you sharing, how, how, ultimately you've made some of these decisions and, and built a really successful business that, has some really interesting transition points coming up. So, thanks again for taking the time.

John Underhill: Yeah. No, thanks for having me. This was fun, Alan.

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Alan Moore: Also, be sure to go to XYPlanningNetwork.com/VIP to join our private Facebook group for fee-for-service advisors. It's the community you've been looking for that's there to support you no matter where you are in your journey—best of all, it's free. Again, that's XYPlanningNetwork.com/VIP.

Narrator: Thanks for listening to XYPN Radio. If you enjoyed the show, please be sure to leave a review that will help grow the movement of fee-for-service advisors, serving next gen clients and building the firms of their dreams. That's all for today's episode, until next time.