Ep #366: When Taking Custody and Engaging Virtual Assistance is Right For Your RIA With Kate Yearwood Young

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Full Episode Transcript

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Alan Moore

XYPN Radio with 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 radio. I'm your host, Alan Moore, and I'm excited to welcome member Kate Yearwood Young, founder of Yearwood Young Advisors, on the show today. Kate was destined from birth to get into financial services. Her father, aunts and cousin all worked on Wall Street. And while her dad did introduce her to financial planning and talked a lot about money and investing as she was growing up, her family actively discouraged her from going into finance. After test running life as an engineer, she pivoted back into finance and ended up as a trader on the Wall Street trading floor. Through several different jobs, she developed her knowledge and expertise evaluating hedge fund managers for large pension funds and ultra high net worth clients. In 2019, she made the decision to leave her last firm and start her own business. She launched in May 2020 with a six month old baby, but found a way to persevere and began to grow her firm. Kate has a really unique service offering, as in addition to comprehensive financial planning and investment management, she also has a family office service because she has bill pay authority for her client service. This service caused her to take custody. And we talked about her experience with the audit process and the documentation that's required when you have full control of a client's bank account. We talked about what she's building and how she plans to get more control of her calendar and the number of hours worked and how she's leveraging a virtual assistant and will soon be using an outsourced paraplanner. Without further ado, here's my interview with Kate

Alan Moore: Hey Kate. Welcome to the show. Thanks so much for being on.

Kate Young: Thanks for having me, Alan. I'm a huge fan of the show, so it's really exciting to be here.

Alan Moore: Yeah. Thank you for that. So very excited to learn more about your background, and the really amazing firm that you've built and are growing to serve a real need in the financial planning community. So, let's start off sort of giving listeners just an overview of your practice, where you're located, number of clients, and then we'll dig into the details.

Kate Young: Sure, absolutely. I am located here in Brooklyn, New York. I launched my firm, really registered back in May, 2020, so right in the smack of the pandemic.

Alan Moore: What a perfect time. Can't wait to hear more about that.

Kate Young: Couldn't have been more convenient. I had a six month old or eight month old I guess, too. So super easy. I have about 23 clients now. My practice runs with pretty much three different service models.

You know, comprehensive financial planning, which is included in every service model, but that doesn't include investment management. You can do comprehensive planning with investment management as the second service model. And then I have a family office consulting service, which is a higher touch. Yeah, a higher touch, sort of product that involves, you know, working deeply with a large family of significant wealth.

Things like bill pay, things like family meetings, things like advising on, you know, not just the portfolio I manage but more private assets, which is somewhat more toward my background. And I only have one client in that, but it is something that I, you know, may grow, but not actively looking to.

Alan Moore: Okay. Yeah, we'll definitely dig into that. That sounds awesome. So let's talk about sort of your background and what led you to launching a firm. From my understanding, from our conversations in your bio, you were sort of destined to be a financial advisor, from birth maybe. Can you talk about your early experience with financial services?

Kate Young: Sure, I think that it's a good way to put it. I tried to get away. I did engineering in college, and I really did not like it. So, I come from a finance family. My father worked on Wall Street, his two sisters worked on Wall Street, my cousin is an investor, my husband is an investor.

So, from day one, my dad, you know, we would talk about investing all the time. After he left Wall Street, he went to a mutual fund company. Actually, I interned for his firm as my first job in the mail room. I didn't get a cool internship.

I was like making copies and like-

Alan Moore: Well they can't show favoritism, of course.

Kate Young: Correct. Which was, it was cool. I thought it was cool actually, which is a little sad. But, he made me open a Roth IRA and start putting money in it, and I guess I kind of thought that's how people just were, like how families functioned. You know, they focused on these things, on 401ks, on investing in the market.

I didn't realize that was kind of unusual until much later. But, I always had an interest in personal finance; but again, I think I tried to sort of move into a different area. I was always good at math and science, so I was encouraged to try engineering in high school. My grandfather is a chemical engineer, was a chemical engineer.

And to be perfectly frank, my dad and his sisters, they're all black and, you know, have faced discrimination and difficulty on Wall Street and kind of discouraged me from going toward it, especially investment banking. Also because of the lifestyle. But the engineering road just didn't suit me.

I had two internships. General Electric, which like I learned a lot, but it was kind of working in a lab, in a basement. In my second summer, I was working on a sensor that was going to go inside a dishwasher. And that's great. You know, like you need that sort of thing, but it wasn't exciting me per se.

Um,and I just said, "You know, this isn't going to work." And so my third summer, the summer before my senior year, I ended up getting an internship at Barclays Capital in New York and on a trading desk. And that's where I ended up after college in my first job.

Alan Moore: And so you chose to stay and get your engineering degree versus changing into a new degree program at that point?

Kate Young: Well, it's actually a teeny bit embarrassing. My, my brother, who is a real engineer, makes fun of me. I actually have a Bachelor of Arts in Engineering Sciences. So what I did was, once I realized that wasn't going to be my path, I didn't push through all the requirements to get the BSE and I just took other classes that interested me more like capital markets, corporate finance, economics.

So yeah, so I did finish that degree, but I wouldn't have been able to graduate and then really be an engineer by that point.

Alan Moore: Ok, that makes sense. But still, I mean, I did not take any engineering classes, but capital market's not an easy—it's not like you went for easy courses. I mean, and it makes sense: Go for relevant coursework based on what you're going to be doing. So tell me about that first job. You know, sounds like again, you were sort of discouraged from getting into the industry.

It somehow roped you back in. What was your experience on Wall Street?

Kate Young: Yeah, my family was like, "Don't do banking. Like at least do trading, hours are decent." And I was in interest rate structuring, which was like kind of a proprietary trading desk. And we did also a little bit of research and trade recommendations for clients all in the US interest rates.

And, it was like 6:45 AM to 6:15 PM kind of every day. So it was like better than investment banking. Yeah. Those were the good hours, which is, "Oh, it says a lot about the industry." But I worked for a really brilliant guy, one of the smartest guys still to this day that I really respect and, you know, I kind of found the trading floor fun.

It kind of is like in some ways like the movies that—not like Wolf of Wall Street, not that crazy—but, you know, there were like constantly people making bets. And by the way, just for context, this was 2006, so this was pre '08. Things got less fun, for sure. I left in September 2008, so I kind of was there.

My last day was the Friday before Lehman went under.

Alan Moore: Wow. Okay. So you left and it really hit the bottom.

Kate Young: Yeah, and I was like, "Whoa, I timed that well." I wish I could say that was my doing, but it was just luck. But honestly, it wasn't the right fit for me. There weren't a lot of women.

There aren't a lot of women anywhere in finance, but I'm not great, really quick on my feet, like doing quick math and like, so trading just didn't make a lot of sense for me. I want to be able to think about something, I want to be able to be really confident in calculations or in what I'm recommending.

Alan Moore: So, that model, that environment just didn't suit my skillset. It was cool. I learned a lot. I learned about a lot of different asset classes that I think, you don't naturally get to learn about in many other places. Yeah, but before we move on, what is interest rate structuring? Cause that, that does not mean anything to me.

Kate Young: Fair, I mean, nor should it. So we were coming up with trade ideas, and in some cases implementing trade ideas, in products like US treasuries, US TIPS, interest rate options, interest rate swaps. So, which are, you know, is actually a market. Probably even, I mean, it has gotten more liquid than treasuries, I think.

But basically trying to find opportunities where there were mispricings along the curve.

Alan Moore: Okay, so a lot of, it's interest rate arbitrage essentially.

Kate Young: A little bit, yeah. It's super technical, but like things like a swap spread, like "Where are swaps trading versus the treasury at the same point on the yield curve?"

"Is that too wide too?" You know, "Too tight?" Things like that. Not what I dreamed of doing with my life necessarily, but it gives you a cool opportunity to think about the economy and like what's going on with the rates overall and the general economy, and how is that going to play into these specific securities.

Alan Moore: So you leave, Lehman Brothers goes under. What was the next step in your career?

Kate Young: Yeah, so I had my boss, the person I respected, you know, came in, I think it was July or something, came in one day and was like, "So I'm going to a hedge fund." And like when you leave a trading floor, like that was his last day. Like, we didn't have any notice. They don't really let you come back and trade.

So I, this desk was kind of built around him. I didn't really know if there were going to be any other opportunities. And also I really wasn't that great at it. So, you know, I'd been putting my resume out trying to look for another job. And we had a lot of the people who traded with the desks, the interest rate desks we worked with were hedge funds.

And so I knew like big macro hedge funds. I knew a little bit about that, but not much to be honest. But I was approached for an interview at a firm called New Holland Capital that invested in hedge funds on behalf of a large Dutch pension. You know, I was interviewing for a job to be an investment research analyst, generalist, you know, interviewing basically hedge fund managers, decide, you know, getting to understand their strategy, getting to understand their portfolio construction, their risk management and their firm.

And, you know, deciding whether we wanted to invest in them. So I know that is what the job is, now. I didn't really know a hundred percent what the job would be, but I knew that people were really smart. Like when I met them, I thought they were like incredibly intelligent. It seemed interesting to talk to managers across every asset class.

You know, I think when people think hedge funds, a lot of times they just think like equity, long, short, going long and short, stocks, and it's so much broader than that. And I was offered the job, so, and this was in 2008, as I said, and went there inSeptember 2008.

Alan Moore: Okay. Yeah. How was it? Being there evaluating hedge funds as the market is just like absolutely falling apart?

Kate Young: It was very intense, right? Like, I mean, it was clear when I got there that even though actually the strategy there and the approach was to be as market neutral, beta neutral as possible. So not to move with equities, not to move with fixed income and credit. Of course it did lose money, but did much better than the market.

But people, it was stuff like bailing out hedge fund managers who had highly levered arbitrage trades where we had to add capital so that they wouldn't get stopped out by, you know, their margin providers. So it was like a lot of triage and a lot of opportunities like looking at the unfortunate wreckage of the, you know, non-agency mortgage-backed securities market and buying things that, you know, at a price that made sense.

So those were opportunities that played out over the following years, but we were sort of, looking at those things then right when I joined. And I actually covered, I covered an area that probably most people aren't familiar with, but reinsurance. We invested in reinsurance, which is insurance sold to insurers.

And so I, again, like had ended up doing a lot of that. Had no idea that would be a big part of my life for five years. I've never, didn't know anything about reinsurance when I joined, but. That was the cool thing about the job is that they're like, "Here's four totally different funds you're covering. You have to completely get up to speed."

You know, from, I thought they put me on like, interest rate related funds. None of them were interest rate related. So, you know, it was a really steep learning curve, but then I learned a ton. I was there for five and a half years and yes, I was correct.

The people I thought were really smart and really great colleagues. I met my husband there. He still works there. So overall I think that it was a very important job in my life.

Alan Moore: Yeah, and talk about just like the intensity of like getting to know, you said four or five fund managers, and you're accountable ultimately for the successes or failures of those investments. Spotting issues and understanding their business well enough to explain it to folks who are putting their money in it, which is which is amazing.

Cause there's no like, there's no class in that. You can't just go take like a night course and get caught up. Like you just have to go, you know, roll up your sleeves. And I guess the folks in that business recognize that, you know, no one's just dropping in with this magical knowledge from school.

So, maybe they're used to it, but that does sound like a lot. I mean, it's kind of like learning to be a doctor by just like going and being a doctor and with no schooling.

Kate Young: Yeah, kind of. Exactly. Anything I'd done before was of like some like, not huge, you know, not major use. I was really sort of, yeah, definitely learning as I go. I got to learn from, you know, great mentors. I actually, at that time, we also all did the operational due diligence.

So funnily enough, I was interviewing the chief compliance officer of these RIAs about their, you know, compliance procedures and policies and personal trading and all the things that now it always kind of makes me laugh that I'm the chief compliance officer of an RIA because I interviewed ones that were like, this was their whole job.

They were really professional and like multi-billion dollar firms. And, while I take it very seriously, I don't think I'm on their level quite yet.

Alan Moore: So then what was the path from, you know, overseeing these hedge fund managers to starting your own RIA?

Kate Young: Yeah, so I was there at that first job in hedge fund research for about five and a half years. And then over the following five years, I had two other stints doing the same thing just at different firms for different types of clients. So rather than a pension, you know, the next firm I worked at was more broadly for institutional investors and some high net worth, but also primarily pensions, but endowments, things like that.

And then the third firm was actually got me a lot closer to sort of what I'm doing now, which it's a multifamily office called Bessemer Trust and Trust Company that I joined the hedge fund team there. So I wasn't working directly with clients, but we were building a hedge fund portfolio for high net worth and ultra high net worth clients of the firm and sort of running that internally and the clients could decide if they wanted that allocation in their portfolios.

So there was some interaction sort of, you know, I don't want to say selling, but you know, helping clients understand the portfolio and whether they wanted to invest.

Alan Moore: Were you basically a fund of funds at that point? Did you actually have a legal fund structure they were investing into?

Kate Young: Correct. Exactly. We were kind of like a proprietary fund to funds, like only accessible to the investors at the clients of the firm.

Alan Moore: Okay. Yeah, I mean, it makes sense that obviously if clients are going to be investing into it, there's a clear conflict of interest there for the firm itself in recommending it. And so, you know, I imagine clients at that level are doing a lot of due diligence to really understand what's in there.

And if it's like a fund of hedge funds with funds underneath, that's a lot of layers of due diligence and, just investment exposure.

Kate Young: Correct. And a lot of layers of fees, which is, you know, it was an issue in my opinion. Hedge funds also aren't tax efficient for US taxpayers, like when we were working for a foreign pension who has a tax treaty with the US, you know, a lot of the capital gains and dividends and interest they get, you know, a tax credit against that.

I don't exactly know how the treaty works, but you aren't really thinking about—they don't sound like they're paying like a capital gains and, and taxes on investment income. Whereas, and cause it's pension, but where you're talking about, you know, US taxpayer individuals, you can have a lot of short term gains built up in these strategies because of, some of them are rapid trading, especially like quantitative or systematic strategies where they could be trading thousands or millions of times a day. So I started to feel a little like, "I'm not sure that this makes so much sense if I were like sitting from the client side." Even though I do believe that a well constructed hedge fund portfolio has a place in the right type of investment portfolio, but frankly, for clients even of a ultra high net worth, it's pretty borderline to me that you would be able to build something that makes sense until you're talking about like hundreds of millions or billions and a very long time horizon and do it well at a fee because, you know, most hedge fund managers just don't outperform the fee they charge, or don't outperform the market and aren't really providing value.

So maybe you can sense from these comments that I kind of was getting a little-

Alan Moore: Yeah.

Kate Young: -sort of disenchanted with the space. And just with the, I wasn't getting to relate to clients really, right? Like we manage this portfolio, great. If it generates a good return or a little more alpha, then that's 7% or 10% of the client's portfolio and you're kind of almost like a footnote.

And, you know, it's not a bad thing necessarily, but it wasn't giving me much satisfaction or feeling like I was making an impact. And, you know, it was a cool environment to kind of see how these types of clients are served. Like understanding the firm overall. It did give me sort of a window into, you know, how wealth management firms operate and work with clients.

But for me, I ended up launching my own firm because the client base there—I could've tried to move to the client advisor side, but it just wasn't necessarily client base that I resonated with. You can probably imagine, I mean, it was, we're talking about eight figures to walk in the door, eight figures of investible cash.

So what you get is obviously a much older clientele and not a diverse clientele. For, yeah, for lack of better term. So, and I knew that if I was going to do this kind of personal finance work, I wanted to do it with people I could relate to more. And that whose lives I could really make an impact on at a younger age, where you can make some smart moves and 10 years later you won't believe how much of a better situation you're in financially.

Whereas like working with ultra high net worth clients, of course it can be very rewarding, but there's a lot more about like tax optimization and avoidance, estate structuring, trusts, and interesting work, but I didn't really want that to be like the main drive of what I was doing.

Alan Moore: No, I mean, it, it makes sense. I felt the same way working with older clients that were sort of in more preservation mode. It was like, "You know, I see where we're providing value, but it's not the tangible value that I want to be able to have. And ultimately, they weren't the conversations I wanted to have.

And you're right that, I mean, very small things that you can convince a younger client to do, over the course of 20-, 30-, 40-year career, have these, I mean, just unbelievably outsized returns on simple things like "Let's use the match in your 401k." When you run the numbers out of just the impact of getting a client to do that, it's massive.

So there's, there's certainly no shame in that advisors ultimately enjoy operating at different points of the life cycle of the finances. And historically we've been later on in the process and it's just fun to see so many more advisors getting into the wealth creation side of financial planning versus the wealth preservation maximization side.

Kate Young: Exactly.

Alan Moore: So what ultimately led you to start your own firm versus, you know, trying to join an existing financial planning firm that had sort of a similar client base that you wanted to serve?

Kate Young: Yeah, fair question. I wasn't really aware of personally any wealth management firms that wanted to serve other—now I know of 1,700 firms with XYPN, but when I knew I wanted to go down this path, I started talking to a bunch of people at wealth management firms, just connections, and anyone who I talked to and said, "Well, I want to work with this type of client, you know, like thirties, forties, mid-career, like high income, but maybe not huge assets," they're like, "Well, it just doesn't work. You know, you can't charge enough cause they don't have the AUM."

And I'm like, "No, I get it. But like I want to charge a fixed fee for that type of client." And it was like, most people were like, "Oh, well I don't really know." Like they just, I don't, there really isn't necessarily another way to get to that client base other than like an hourly or a fixed or some non-AUM-based model.

And just, there are so few firms out there doing that. To be honest, another reason I wanted to start my own firm is cause I really wanted to do it my way. And I wanted to get out of corporate culture, or at least corporate culture as I had experienced it at many places, which it didn't necessarily feel like— I never was really able to be myself, to be honest.

Like as a black woman, I ran into a lot of sort of issues and, you know, Finance is still really not great for women to be honest. There's, and it hasn't really improved in terms of like number of women going into the industry for decades. And I felt I, I wanted flexibility. I knew I was going to have kids—actually when I left my last like corporate job I was just pregnant, not telling anyone, but I knew I was.

And I just wanted it to be up to me whether I succeeded and not if I had, you know, gotten enough exposure with people higher up or having to depend on my boss's boss who, you know, frankly didn't relate to me at all to decide if I was, worthy of a promotion or worthy of a new, you know, a new responsibility.

Alan Moore: Worthy of your salary.

Kate Young: Yeah.

Alan Moore: Yeah, and it's a fair point that for many of us, it's impossible for us to understand, you know, myself included, what it means to go to work every day and not feel like you can be your authentic self. And not even not feel like you can be, but you're not allowed to be cause if you were, you're not going to there.

There's just too many barriers in that, in that profession for you. So, you know, again, it's impossible to understand if you haven't, if you haven't walked in your shoes. But, it does make sense that,and I imagine a challenge when you love the work and you love the industry, but hate, I'm putting words in your mouth, but dislike the barriers ultimately that are totally unnecessary, but, but still very prevalent right now.

Kate Young: Yeah, unfortunately. The other reason I wanted to do it this way is like I just knew there was so much demand. I talked to women all the time who had tried financial advisors, who felt they were talked down to, that they weren't understood. Like I was the friend cause I was in finance who people would be talking about their 401k.

And I'm like, like, "Let's go to brunch. I'll look at your investment options, do this, and this. And like, we'll have a mimosa." And even for my husband in finance, I was running our finances completely at home and he was like, "If

I had to pay you for this, I would totally pay you for this." He's like, "Fortunately I get it as part of the package." But he was like, "People will pay you for this. Like, no question. Cause you just don't get that cause you enjoy it, but most people don't want to think about their investments and 401k and, you know, budgeting. I would pay a lot to avoid having to deal with it."

Alan Moore: So you ultimately decided to launch a firm. You got registered in May 2020 with a six month old. Usually, at least sort of, if you think about what, how people talk about entrepreneurship, entrepreneurship and parenthood are not normally synonymous. They don't normally happen at the same time.

We tend to start a business so we can have kids or we wait till our kids are a certain age to, to start a business. And you ultimately made the decision to, to take the leap. What was, what were those early months like? With a little one at home in the middle of COVID-19 at home?

Kate Young: Yeah. It was not what I expected. For whatever reason— there were a lot of reasons. The timing made sense. Like I was really sort of done with my old career. My husband was very stable in his career. So, you know, I know you, you often talk to people about how did you prepare to really go to basically making no money.

And, you know, we were in a good position where he was the breadwinner and, you know, that timing felt solid. But, yeah, it was really,really tough during COVID-19. You know, our son, we started him in daycare in January of that year, and that lasted like six or eight weeks before it shut down. And then we were two people with jobs with a baby in a two-bedroom apartment trying to work from home.

Yeah, it was pretty messy. Look, it almost ended up because it was so early in my process and I didn't really have clients yet or I had like a couple people I was kind of talking to, or working with more like friends, it felt like I had a lot of flexibility to take time and to, you know, be able to watch my son while we didn't have any other childcare options, which lasted basically through July.

And just started the business slower. And I had that privilege because we weren't depending on my income to grow right away. So, you know, we were privileged in that way that I could just kind of slow it down and pull back. But it ended up being mostly like, you know, I tried to work during naps.

I, I worked after he went to bed and, you know, my husband definitely, like when he had breaks in his meetings, he would take on childcare. Like, and so I could, if I had a specific prospect meeting or something like that. So, but yeah, I kind of, and look, this was New York City. It was really scary.

It was sirens 24/7. Like, I don't know if other places in the country necessarily experienced it that way. Every night everyone would hang out their windows and bang on pots and pans to say, at 7:00 PM, to say "Thank you," to the frontline workers. Um,it was a really, really scary time.

And, um, we just tried to keep it together as long as possible.

Alan Moore: Yeah, sometimes it feels like a lifetime ago, and sometimes it feels like yesterday, walking down the street just trying to get out of the house. And you know, here it is super snowy and you see no one. I mean, it was like living in a ghost town. Like where did everyone go?

And yeah, I mean the lifestyle in New York is not to be in your home 24/7. Like I've seen that people use their ovens as like a closet for their clothes, because why would you ever cook at home? That's a very, you know, very different decisions, obviously, and just different lifestyle.

And so, but you know, you're absolutely right that maybe if you'd started the firm a year earlier, it actually would've been harder cause you would've had a bunch of clients you had to meet with, you know, regularly. And it, you know, these things tend to work out.

That being said, you have continuously grown. I mean it's, you know, three years in now from this recording, you said you have 23 clients, which means a pretty steady growth rate. When, I guess, what would you credit that growth to? Sort of, how are prospective clients finding you at this point?

Kate Young: Yeah, I, so I've really been sort of word of mouth, network model. I haven't done any marketing. I mean, I have my website, but I've been fortunate that the client base I'm targeting— you know, primarily like urban professionals in their mid thirties to forties. Like either women or couples where oftentimes the woman's sort of driving in the process. Not always, but and I just know a lot of people like that. And my friends know a lot of people like that.

Once I decided I was going to take this step, which was maybe like, it was a good several months or maybe even a year, and I also had a year off, so that was like, I really had a lot of time to build up.

Like I left my job in February 2019, and I knew I was pregnant so I knew I wasn't really going to start. I actually, I did the CFP® app during that time, um, in 2019 on an accelerated basis because of my CFA, and then I didn't start till 2020. So that whole time I was talking to people about it, you know, kind of putting the word out there just with friends and friends of friends and my husband's friends.

And that has led to, you know, a good number of clients that are actually really a great fit. And I mean, I have clients who some of my close friends are comfortable with it. I know some people, some advisors don't like to work with close friends and—but I have a friend from preschool, I have a friend from high school, I have a friend from college.

I have, you know, a lot of actual close relationships, where they've known me. And it's actually a really nice way to grow because these people already know me, so I don't have to build the trust with them. They trust me.

Alan Moore: Right.

Kate Young: You know, but other than that, yeah, friends of friends and then of course, you know, client referrals.

One of my first, maybe first or second paying client is like a super referer. She's referred me to a bunch of people. Not all have come but I find like— I don't mean to be so gendered—but I find like women are great referers.

I have quite a few single women. It's like, I don't know if that's my niche, but I have a lot of either single widow, divorced, like women who are, or I have even women who are partnered, but who I really mostly, pretty much work with them. And I find that, you know, they're really willing to share, you know, that they like working with me and they have our friends in very similar situations, so it works pretty well.

Alan Moore: Yeah, I mean, I'd have to pull up the statistics to get the numbers exactly right. But my understanding is, I mean, if you just look across the US, women are more likely, I mean, I think it's two to one now are graduating with college degrees compared to men. Women are starting to outearn their partners.

They control the household finances, and yet we still, only 20% of CFP®s are women. And I believe it's probably less than 1% are women of color. And so, you know, for, there's this huge mismatch in terms of women who are looking for potentially for a female advisor. And there's not a lot out there.

And so I can imagine that too, when they do find someone who they really connect with, they really trust, like, "This is what we've been looking for." You know, it just makes you very referableto be able to say, "Hey, you've got to go talk to Kate" like this, you know? Because, you know, in the end, our society also, we are getting more comfortable talking about money issues, complaining about,

"It's like, oh, it's so hard to do this thing financially," and be like, "Yes! I had that same problem, and Kate helped me solve it." So that, that makes a lot of sense. But you said you haven't done a lot of marketing. I mean, you've grown very well in these first couple of years. Do you expect to start marketing or are you growing as fast as you want to grow right now with a firm?

Kate Young: Yeah, I'm, I think I'm growing pretty much as fast as I can sort of handle, in terms of how much I want to work, and I do have the one family office consulting client who definitely is more work than an average client. Like I might, I probably have a touch point with her and or her family every couple weeks.

So it's like, you know, it's not like a two or three meeting a year schedule. But you know, I'd like to build a practice, at least for right now, where I am in my life with now two young boys. I, you know, am building that lifestyle type practice, I guess is, for lack of a better term, where I can envision taking on maybe 10 to 15 more clients.

My goal is kind of to turn it into a well-oiled machine that, like, I work 30 hours a week. That is nowhere near happening. I'm, the efficiency piece is not there yet. I've been bringing on some support, not as an employees, but I've been outsourcing some stuff.

So, yeah, I'm comfortable with that like six to eight, I think I had eight new clients last year that felt, that felt like a lot to me. When people say, like, they onboard two clients a month, I'm always like, "Whoa, I just can't really imagine doing that." And obviously every service model is different. So, yeah. So if I can keep growing at, you know, six to eight type of clients for the next couple years and keep enough, you know, coming in to replace anyone who leaves, I'd be really happy with that.

And one day in a different stage of my life where flexibility isn't necessarily—I mean, it sounds like you have young kids too. I mean, my son is home sick today, right? Like, and we have full-time care, but like he wants mommy sometimes, you know, I need that flexibility. But that's not to say that maybe in 10 years or something, I wouldn't want to then really turn up the growth.

Alan Moore: Absolutely. It's just stage of life, right? Again, I commend you for just being intentional with it because I think that's what, so, so many times I hear advisors not being intentional about the growth, and they're saying, "Oh, like, I've grown too fast. I'm too busy." And I get that, but a lot of it just comes down to, you know, at the beginning of the year and maybe every quarter sitting down saying, "How many clients, like, how much do I want to work? How much do I want to make? How much do I want to work?" That helps you figure out. You know, how much you should be charging. "How many clients do I need to bring on in order to sort of grow the business at the rate that makes sense for me?" Cause you know, you're absolutely right, especially with dual workingparent household.

Like, you know, my wife and I joke that we've got two kids in daycare. We have three kids total, but two kids are in daycare. And we're like, "We need a full-time nanny just to take care of the kids when they're sick."

Kate Young: Yeah.

Alan Moore: They're just always getting sent home. Yeah, I'm like, "I don't get this daycare thing."

So, you know, it's just, it is a lot. And so therefore maintaining more flexibility in the schedule makes sense. But anyway, so no, that, that makes a lot of sense. So, I do want to talk about your three service models, cause this is,I think really unique in our space.

So you said you have comprehensive planning plus investment management, and then the family office. So just starting with planning, I'm assuming, are all of your clients, I guess, are comprehensive planning clients then? Is that what they're coming to you for? Are they coming in saying like, "Hey, I want someone that looks at the whole picture", or are they coming in with like a pain point, "I'm having a baby, I'm changing jobs", and then it sort of turns into comprehensive planning?

Kate Young: I think people often come in with a pain point. You know, that's always the question I ask for every intro call is just like, "Why are you seeking a financial planner and why now?" and then I stop talking and I try to let them talk as much as possible. And it may not necessarily be a very time sensitive pain point or something that just happened, but something like, it's often just like, "I feel disorganized."

And I think really the pain point when you dig under what people are saying is they feel anxious and they don't feel confident about their finances. And that's really sort of, I think, what draws people to seek out a professional.

And these are people who aren't going to be comfortable as DIY, like with a robo-advisor, like they want that support, to become more confident about that they have things in control.

Multiple of my clients have come to me as women who are maybe in their late thirties or early forties who say, "You know what? I'm not sure if I'm going to get married. I'm not sure if I'm going to be partnered, or if I'll have kids, and I want to be independent and be able to financially support myself." You know, and that's kind of, this is the step they're taking to make sure they can do that.

Yeah, I don't think people really think about comprehensive financial planning. Or like, even know what it is. You know, or, and a lot of people think they really need someone to help them invest, and they don't really think about all the other planning components .Which frankly I think in investing is important, but it's definitely not the most important by far.

I mean, getting invested is very important, but you know, you could go to a robo-advisor or like get a target date fund and, I think I put together good portfolios but I don't think it's that different. It's all the other things that are really going to move the needle: "Are you optimizing your, you know, tax advantages?" Like, "Are you just saving enough?" "Do you even know where your cash is going?" "Are you protecting your yourself? Are you protecting your family with insurance and estate planning?" And...

Alan Moore: So you're not doing a lot of active management or private placements or anything like that outside of maybe the family office service, like your typical planning client is not at a point where they're doing private placement type investments.

Kate Young: No, not at all. It's almost like a result of my prior career. Which is like, I know how inefficient or, and high expense, and frankly not that differentiated, a lot of these private investments are, especially when it gets to the retail client. Like unfortunately, you're kind of getting negatives, negatively selected against, right?

Like you're not getting into like the venture capital, like firm that's number one, right? Like Harvard Management Company and big endowments, like they've been in there for decades. You kind of, as it trickles down, I just don't know if people are really getting the quality that they should be. And so I'm totally like index based or dimensional.

Like, you know, I do believe in like the systematic sort of factor based, you know, looking for those risk premiums. I think that's there and that has evidence I would, and I don't, yeah, I don't believe it really in like stock picking, you know? Mutual funds or not, I don't believe in it, but the data says it, it's not going to work on average.

And I know the resources it takes to do the to look at all those funds and analyze them and stay on top of whether they're still performing as they should. And like, you need a whole staff to do that well and in my experience.

Alan Moore: A PhD sometimes it seems.

Kate Young: Yeah. And so I, that certainly isn't anything that I'm able to do on my own.

Alan Moore: So tell me a little bit about sort of this family office service and what that looks like. Cause that sounds, you know, you said a touchpoint every couple of weeks that sounds distinctly different from, you know, I'll say traditional comprehensive financial planning.

Kate Young: Yeah, absolutely. It sort of was, it really was driven by reverse inquiry because I was lucky to get connected to basically like a former colleague's friend's parent who, you know, needed help. But from a sort of style and just personality perspective was very turned off by a lot of the big, you know, wealth management firms and banks and just, you know, doesn't want to be wind or dined.

Doesn't want people talking down to them. You know, wants someone who's going to be looking across a very complicated, sort of thicket of trusts and operating companies. But what they're really trying to do is get stuff out of like less liquid investments, so both private investments and operating companies and get it more liquid.

So they wanted someone who could manage just a more liquid portfolio.

Alan Moore: Which is really hard to do like that, not to understate, that is like going from illiquid to liquid, that it takes a lot of time and a lot of effort and tax analysis and such.

Kate Young: Yeah, and fortunately I'm involved in that, but she also has a family member who is sort of dealing with a lot of the private stuff who has, sort of knows the history because they've been working on it. She was sadly widowed several years ago and they've been working on unwinding all this stuff for years.

And I sort of came in as things were getting more liquid. But I'm, I'm still working on like, helping with how to sort of think about some of that. Getting out of some of that or do we want to do other illiquid things? Maybe just smaller. But there, I'm working with her family, so I'll have calls and what, cause when I say touch points with her, I sort of mean the family.

So I might, she has several children, she has many grandchildren. So I am, you know, talking to one of her children about their own budgeting and their investing. I'm, you know, I talked to another child about their mortgage refinance, you know, like I'm kind of, it's like a one-stop shop for the whole family.

Kind of full as all you can eat. They can like call anytime, anyone. And I'm also doing, effectively bill pay. Not for all her bills, but for, you know, tax exempt gifts to education toward education for the grandchildren, toward medical expenses for people. That is one sort of effective estate planning tool.

I'm literally, I have custody and I'm literally doing that, myself, out of one of her accounts at my custodian. So, I think that's really high value to a family office client is just like taking things off their plate, simplifying it, like she doesn't, like, we kind of know the parameters and I can do it without bugging her.

And I can also sort of sit between the generations and maybe here are some complaints for one generation, maybe here, some complaints from another generation, like money. That amount of money really creates a lot of conflict or can create a lot of conflict in a family.

And it's really complicated and emotional, and can be anxiety producing, even having a lot of wealth. So I think that's actually a big part of what I do with that family is sort of work through those.

Alan Moore: So you mentioned the most terrifying word in our space: **Custody!**

Kate Young: I know, it's torture.

Alan Moore: Yeah, so, you made the decision to take custody, which I don't think a lot of advisors realize that this is a conscious decision that some firms make. You know, we're all about avoiding custody if you don't want to have it. But basically custody effectively means if you can control the money as your own, potentially write a check to yourself, then you are deemed to have custody and you have to prove on an annual basis that you are not actually writing checks to yourself.

So can you talk about just the, what it means for you to have custody? What are the repercussions from a compliance standpoint, whether it be record keeping or the annual audit that, you're ultimately accountable for at this point?

Because you are providing the service to your clients.

Kate Young: Yeah. Yeah. It's been kind of, I think, nice for my mastermind group, because they're like, "Oh, you can... be the guinea pig for this and let us know whether it, it makes sense." And my advice is like, "Yeah, don't take custody unless it's really worth it and really essential to your practice." You know, this client is, you know, I think paying a type of fee that even, like I have to spend a lot of money to, you know, engage an auditor. It's going to be a lot of time. Actually, I'm like waiting any day for my surprise call. It really is a surprise audit. They don't tell you when they're going to come ask. At first it wasn't custody because I was doing checks and stuff, but then I had to, what I basically did was take one of their accounts and you can attach like a checking account to their, to a brokerage account at TD, I'm at TD still.

And so that allows me to just like, send ACHs and I could basically transfer funds anywhere. So I am using that to transfer to like colleges and private schools and things like that. But yeah, the process is definitely a lot of work. In terms of record keeping, the nice thing about having it all come from the custodian is, you know, you have that transaction history where I can just pull that up of like what was sent out.

I think one smart thing that we did was we separated out one account and there's no money that can move. Like I don't have move money authority in and out of that account. So it's very contained, in terms of, you know, what I need to have audited. And then it's really about just like bookkeeping, keeping every receipt, keeping, you know, emails substantiating or contemporaneous notes, you know, substantiating the various transfers or the types of transfers I can make.

And you know, the interesting thing about the custody audit is one step after they, you know, are looking at your books and records. One step is that they like put together sample transactions and contact your client and just kind of say, "Do these make sense?" You know, I, as a part of this family office consulting, I don't want to put another burden on my client to meet my regulatory demands, so I'm going to have to— if you don't want them to contact your clients, you do have to have that like, really, you know, detailed record keeping of every transaction.

And then like the email substantiating or other notes, that can sort of replace that client contact.

Alan Moore: I see. So there's kind of two levels. They can either contact a client or you can take more copious notes and reporting and that sort of thing in order to provide. Okay, that makes sense.

Kate Young: Yeah. But the audit is costly. I've got a, I got a few different quotes. Most of them were more than $10,000. I was able to find one that was more reasonable, but it's still costly and it's going to cost time. So I think that it's definitely a decision I wouldn't take lightly. I think I more made the decision to provide, to do this service and then was like, "I'll figure out what I need to do," rather than I wish it were a little more deliberate of like, here's, like, I knew I had to do something, but I wasn't quite aware of how hard it would be, or even just to find someone who wants to do it.

Alan Moore: Most accounting firms don't want to really do audits. Yeah. Yeah. Audit support is hard enough. And that's a fairly small audit, you know? It, for us it's really expensive, like, "$10,000, what are you talking about?" And for them, they're like, "Yeah, we do, like, we prefer $50,000 - $100,000 audits, not these small ones."

Kate Young: Yeah. No, yeah. No one wants to get, it's just not worth it for them.

Alan Moore: So as you're looking forward with the business, sort of what's top of mind for you in terms of what you're working on? You know, sounds like you're being very intentional with growth, but that's sort of happening. So, do you have any other projects or new initiatives or hiring anything that you're thinking about for the next 6, 12, 18 months?

Kate Young: Yeah, I do. So, a few, God, almost a year ago probably now, I brought on a virtual assistant. Through virtual outsource solutions, which is a company that, you know, hires and trains these virtual assistants to only work with fee-only fiduciary financial advisors. So that's been huge. I mean, it's a lot like XYVA, I just didn't have enough hours for XYVA.

Alan Moore: Sure.

Kate Young: I had originally started to look into bringing on an assistant because I was, I got pregnant again in 2021 and I was going to, you know, take a maternity leave. So, and then I realized like I don't have anyone working with me, so I'm not sure how that's going to work. And it kind of didn't work, to be honest.

Cause also, I wasn't really able to onboard someone in time, so I didn't really have my assistant then. But that's been something I recommend to a lot of advisors. It's just been huge in terms of dealing with NIGOs, dealing with—just my record keeping is so much better than it would, it was before I got my assistant—just getting things in the CRM, getting things in client folders. It's just much, running much more smoothly and...

Alan Moore: Yeah. It really is one of the huge benefits when you're a solo is that—to your point, like, we want you to be able to take parental leave. And yes, when you start your own firm, you acknowledge you're not going to take six months off for most people, some may. But you're probably not taking six months off where you don't have any client contact—but you really want to have the flexibility to be able to take that time and when baby's sick, like you're not having to think about work and client emails and that sort of thing.

And so, I would say that's one of the number one reasons folks end up hiring, either the XY Virtual Assistant program or others, is because they want to take a day off. They want to take a week off, a sabbatical, a parental leave, just a real vacation.

You know, where you just like, don't actually check email for 24 hours. And I bet if I polled members, like of like true solos, no staff, "When was the last time you didn't check emails for 24 hours?" It's going to be like two people and it's because they lost cell service.

Or like, you know, like, it's not going to be a good reason. And so that's huge. I think that's, that's amazing support to be able to to help you be able to scale yourself, scale your time so you can focus on your clients and focus on your family at the same time.

Kate Young: Yeah, no, it's been huge. I still don't think I've gotten to that 24 hours with no email point, but we'll get there. And, the next thing I'm starting to outsource is I'm, I've just contracted or I'm going to contract with a paraplanner. Who is going to start doing some of the, the modeling for me.

I don't really use necessarily, like I'm in right capital, but I don't really use the Monte Carlo simulation a lot because of the age of my clients.

Alan Moore: Yeah, Monte Carlo for clients in their thirties is useless.

Kate Young: Yeah, it's just "Okay, you might like run out of money at 87 or you might die with like $12,000,000."

It's like, that's not useful information. So it just intimidates people. So I have a lot of spreadsheets, but even that, it just, you know, I think that I could do, you know, more proactive analysis, be like better prepared for meetings if I have someone. Like, I'm obviously the bottleneck of everything because I'm doing a thousand things.

But I, and I also had, you know, sort of realized, I'm like, I can let this go. Like, at first it seemed so weird to me, like, "Why would I hire someone else to be the financial planner?" But I realized, you know, I love talking to my clients. I love having the meetings. Getting to know them, getting to like clients with such cool careers and families and lifestyles, and I don't necessarily need to be the one, you know, running their cashflow projections. Like someone can do that. And I don't really, for me, I'm not necessarily losing out on that. You know, I've built out all the templates that I like.

And that's the other thing with financial modeling software, like one of the biggest questions I get for— I have clients in like New York, New Jersey, Connecticut, California, high cost of living areas—and they're like, "How much house can I afford?" Right? There's nothing like that in a financial, in the financial modeling software.

So I sort of built my own sheet that sort of keys off of like how much of their income they want to spend and, you know, a range and what are the taxes going to be and what's the insurance and... You know, so, but someone like that to sort of take those templates and start, you know, helping me do that analysis so I can spend more time on— really more so I can not go out and get more clients—more so I can pull back my hours.

Alan Moore: Yeah, that makes sense.

Kate Young: And get to that real sort of ideally 30 hours a week.

Alan Moore: 30 hours a week. I, you heard it here, listeners and anyone in your study group that's listening to this. Your job is to hold Kate accountable as, you know, as you bring on the help. It's so easy to be like, "I have some time. I'm going to bring on those extra couple of clients." And it's just like staying really true to that time commitment is tough.

Kate Young: Yeah, absolutely.

Alan Moore: So Kate, this hour has flown by. So as we're coming to the end of our time together, I'll ask you the final question. If there's one piece of advice that you wish you could go back and give your younger self, what would that piece of advice be?

Kate Young: Oh, I really think—it's so funny cause I like knew you were going to ask that cause I listen to the podcasts and I still don't have a— I just think I would want my younger self to know that there was a way to be myself, bring my authentic self to work and have that resonate with plenty of people and to build a business off of that.

I think for a long time I was very concerned that it wouldn't, that like what I wanted to put out into the world in terms of how I think about, you know, investing and planning and like even like political stuff, like I'm pretty open politically with my clients and I want to be on the same page as them.

They want to be on the same page as me, and I can do that. I don't pretend, like I don't avoid those topics. I try to attract clients that I think are going to be on the same page, and if I knew I could do that, I probably would've just done it a lot earlier. Rather than trying to like fit into a corporate culture that just didn't suit me for so many years and at many different places.

So, I don't know. I think yeah, if anyone is thinking of starting a firm, especially women, and, you know, you think you're looking at it in a unique way or you just think you've got something valuable, then I'm sure you do. You know, and you can do it with some planning and, you know, and just being patient and just, you know, building it step by step.

Alan Moore: Absolutely. Well, Kate, thank you so much for taking the time to come on the show and share your story, your journey to launching a really successful practice and excited to see continued growth from here and the 30 hours a week commitment, which I'm going to check in some point to double check on this.

Kate Young: I know, now I really have to hold myself to it.

Alan Moore: Well thank you for your time.

Kate Young: Thank you so much. Thanks, Alan. It really was fun. Appreciate it.

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.

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