

**Ep #372: How To Find Success While Doing the Next
Right Thing**

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Full Episode Transcript

With Your Host

Alan Moore

XYPN Radio with Alan Moore

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Alan Moore: Hello, and welcome to this episode of XYPN Radio. I am your host, Alan Moore, and I'm excited to welcome XYPN member Mike Kelly, founder of Switchback Financial on the show today. Mike started his career in banking and worked his way up to the point that he was about to become a senior vice president, and that put him on a career path to be a treasurer at a bank.

He realized that was not the path he wanted to be on, and he was also starting to see a lot of opportunities to help his family and friends get answers to their financial questions. Mike's wife works in tech, and as he learned all of the nuances of her equity program, he really developed a passion for it.

He started with another RIA where he would have a salary and the ability to build his own book of business, but quickly realized that he wasn't aligned with the firm and decided to launch his own in 2020. Three and a half years in, he's growing a successful business focused on clients with equity compensation.

At the end of the show, he shared that he's actually in the process of merging with another XYPN member that has a complementary skill set but similar goals, and they'll be moving forward as partners. I appreciated his willingness to talk about what drove the decision to partner versus staying solo, and how they've gone about preparing for that merger.

Without further ado, here's my interview with Mike . Hey, Mike welcome to the show, man. Thanks so much for being on.

Michael Kelly: Yeah, thank you for having me.

Alan Moore: I am really excited for this conversation this episode. Just because you've had just a super interesting career, a really just like fast out of the gate, a lot of success, a really cool niche and maybe even some other stuff that we'll be able to talk about around sort of where, where your firm is going.

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So, to get, so the listeners know why I'm so excited. Would you just sort of level set like where the firm is at today? How many clients, who you work with sort of revenue, and then we'll, we'll dig in from there.

Michael Kelly: Yeah, currently I have about 20 households that I work with, about 5 million in AUM, and then I have, the way that I kind of operate is a bit of a barbell approach. So I work with the primary focus is younger professionals.

So I do offer a subscription in that side. So I have about half my revenue coming in that way.

Alan Moore: Okay. And then, yeah, what is sort of your typical client profile?

Michael Kelly: Yeah, I, I kind of look at the industry as it's a bit backwards in a sense. I understand why the focus is pre-retirees, retirees. It's good for business in the sense, especially for those who operate in an AUM standpoint.

However, I personally went through a career change myself. And in doing that, I had all the major life events happening at the same time, buying a home, having kids, all that. And I just see the flaw in coming in at 55 when we band-aid it together, versus if I can help and be more proactive versus reactive, and help people through these major things. So that way they're not making, I don't want to say mistakes, but not leaving opportunities on the table.

So, my focus is for that, let's call it 30 to 50 year old senior managed level tech firms. I work with equity compensation is my main focus. And so I just try to help them guide them through the complexities of bridging the gap between investment management and tax planning.

Alan Moore: Okay. Awesome. And what year did you, like, when did you actually launch the firm? When did your RA get registered?

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Michael Kelly: I registered in 2021, the beginning of 2021.

Alan Moore: Ok, so about 2 and a half years in.

Michael Kelly: Yep, so I previously worked at an RIA before that, that I was doing equity analyst work for them, as well as trying to build a book out. I knew pretty quickly, I just didn't agree with how they operated and so I had started probably six months in at that point.

I'd just gotten my CFP® and decided this isn't the route that I want to go working with these individuals, and so I quickly started Figuring everything out, came across XY at that time and just started planning. And then that finally going into that 2020 year is when I decided, all right, I'm pulling it and really going to make the move.

Alan Moore: All right. I'm definitely going to have more questions about that. I'm still fascinated that anyone launched their own firm during COVID 19. And yet it's a pretty, pretty fair number of people either right at the start of it or just before, just after. So you said you were a career changer. Can you tell me a little bit about sort of your career path pre becoming a financial advisor?

Michael Kelly: Yeah I mean I graduated in 2008 from school. So the worst possible time to try to find a job in finance. I actually worked a bunch of odd jobs. Until I kind of found fell into a career path in big banking. I did a rotational program there. And then kind of across the board in all different areas and settled in, I found a niche in capital management at big banks.

So doing a lot of regulatory capital and treasury work did that for about 10 years. And then through that time was pursuing my CFA® charter. Finally, at the very end, I had gotten my charter, was thinking about maybe I want to switch over to portfolio management. But it was more of a career reset, even though I was looking to stay at the bank.

And at that point...

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Alan Moore: That would be sort of starting over at entry level at that point?

Michael Kelly: Yeah. And I had worked my way up within the treasury space pretty well. So it was quite a dip down. And at that point I kind of said, all right, do I want to be a treasurer at a bank eventually? To be honest, no. So, and if I want to restart, do I really want to restart at a big bank?

And really decided no, I'd rather work with individuals and really help people. Wasn't a, definitely not a money move for me. It was more a lifestyle move, just wanting to feel good about the work that I was doing.

Alan Moore: Yeah, anytime we interview for prospective team members that have worked in big banks or huge RIAs and all that, I'm just like, sometimes aghast at how much money people make in those.

I mean, you can, you really can make a great, great living. And you know, usually we don't see folks coming from fin-, you know, banking finance into financial planning to make more money. It's usually more of a lifestyle move. So you're not working, you know, a hundred hour weeks. But yeah, I mean, I guess so tre-, when you say treasury, I guess my mind immediately goes to treasury bonds, but that's not what you're talking about.

Like this is sort of treasury of the bank. Can you tell me just like what that, what that vertical does?

Michael Kelly: Yeah, it was a lot of asset liability management. Just making sure that, again, everything with, basically everything that happened with Silicon Valley Bank that went wrong? I did at the banks that I worked at to make sure that that did not happen.

So we would do stress testing kind of all, whether interest rates, just build out the worst case scenarios. Make sure that we wouldn't have a run on the banks, a run on deposits. If that did happen, how are we kind of positioning our balance sheets. So that way we wouldn't have major issues, interest rate risk, things like that.

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So really ever, it was an interesting time when Silicon Valley Bank news came out. Because it was the first time that imposter syndrome actually went away for me. And it was, again, there's 32 of the biggest banks that did what I was doing. And most areas within the bank were 10 people? So we're not talking about a very large pool.

Alan Moore: That is a small teams of people for risk management!

Michael Kelly: So being, having kind of that background, it was very interesting to hear a lot of the talking heads have their opinions. And just that interesting time to understand when people were kind of BSing their way through, through some of it. And not that people were like wildly off, but definitely they didn't understand the key components of the nuance of it all.

So, it was interesting.

Alan Moore: Was, was your firm or any of your clients impacted by Silicon Valley Bank? I mean, just with your work in tech?

Michael Kelly: Definitely, it was never a major panic. We just kind of talked it out. We made sure that, again, no one had more than the FDIC limits. And the big thing was some paychecks were disrupted just through that time frame.

Which was fine, but... Again, we had plans established, emergency funds, whatnot. So it was no major impact. To be honest, one of the biggest is I was kind of consulting with a tech startup at the time that ended up closing shop just because of it all. So...

Alan Moore: Just couldn't access their financials?

Michael Kelly: Yeah. And once kind of access to capital came down, the big thing was positioning of balance sheets and just making sure that they have the runway. And this startup happened to look at it and say, we, we don't really have the runway to get to where we need to. And so they

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decided to pull the plug pretty early, first trying to hope and pray that it came through. So...

Alan Moore: Yeah. It's been a weird time the last couple of years, which I want to talk more about just in terms of the, the tech landscape and tech companies and that sort of thing. On your website, you tell a story about being, you know, sort of when you were in finance and big banking, and then you had a friend come to you for advice.

Can you I think it was related to equity comp. Can you sort of reiterate that story for listeners of just sort of what... What initially, it sounds like kind of sparked the desire to move over into personal financial planning.

Michael Kelly: Yeah, I think that the funny thing with banking is, because it's finance, it's in the industry of finance. People think that everyone who works in banking understands personal finance.

And it's a very, very different field. So a lot of people had no idea whether equity compensation the ESOP employee stock purchase plans, how they should operate with that and just had no idea. And to be, it goes even beyond just equity compensation. That just happens to be one of the things that really sparked it.

But I mean things such as the amount of coworkers that I would talk with that didn't have proper estate plans established. Yet they have kids and like just big gaps you would see across the board. And so, I think it's kind of overlooked in a sense within the banking world. Because everyone just assumes those people have things in order because they work in finance. And there's that pressure of, you work in finance so you kind of feel like I should know this so you don't want necessarily go seek out the help. So that was kind of the thing that sparked it along with my wife works in tech.

So we were dealing with all of those things as well and trying to kind of solve that problem. It just became a natural fit for me.

Alan Moore: Yeah, so was it your wife's work that sort of sparked the interest in equity compensation or something else?

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Michael Kelly: Yeah, my wife's work mainly is once started to talk with her coworkers as well, and just the understanding of even the simplicity, and I use that loosely, of RSUs. A lot of people think okay, it's, it's not the complex options and things like that. But there is a little nuance around it that I think even a lot of advisors don't realize. Such as yes, you're taxed at the normal tax rate, but oftentimes your withholding from the company is different and so you may have a higher tax bill.

Again, if you're 32% tax bracket, supplemental rates at 22%, you need to have 10% available for that end of year tax payment. So just kind of seeing a lot of that, that's where I wanted to jump in and try to help people. And again, that's with a lot of the finance side. My wife works as a UX/UI designer.

And so you start getting into the creatives and it's, they just don't want to deal with it so...

Alan Moore: No, it, I mean it makes sense. I mean, I, I think there are a lot of people and financial advisors who don't want to deal with their own financial planning. Like, you know? Like it seems counterintuitive, but there was a study at one point. That if I'm not, if I'm remembering this correctly, I may be misquoting it, but basically the financial advisors were pretty much as good at managing their money in their personal financial lives as the average consumer. We are not superior. And so it's kind of like the barber many times has the worst haircut for a reason.

So. Okay, so you, you make the decision that maybe personal financial planning is the direction you want to go. You know it's going to be a pay cut. But you said you ended up at an RIA first. Can you tell me about that transition to, to sort of that initial job in the RIA world?

Michael Kelly: Yeah so I decided that I needed a career change, just happiness wise, purpose wise. I tried to do a lot outside of work to kind of get there, and finally I just realized, no, I need something different. And so I happened to link up with someone locally who they were looking for, I use the term very loosely, but an equity analyst to run their strategies.

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I had an idea of wealth management, but I, again, not working in the industry it's... You don't know what to look for and what to ask for necessarily. So I thought I did some due diligence, but they were offering me a salary to, to do this equity work while building a book, and so that helped. Just talking with my wife of being able to do it have family, two girls and so I didn't want to put all the pressure on my wife to fund everything.

And so, this kind of helped. So it gave me that exit opportunity. My goal going into it was- I'll do this, build a book, after five years I kind of knew I wanted to do my own thing. I didn't think it would be a year after joining and making the change, but ... Yeah, the RIA, they were two ex BD guys, very sales oriented.

I'm pretty embarrassed to mention some of this stuff that, cause I should have caught it. I should have known better, but they had concentrated portfolios. They charged way too much. I thought I'd be able to have a little bit of freedom of, hey, I'll use their concentrated portfolios as almost a, an equity aggressive sleeve, and then be more passive on everything else.

But they weren't about that. They wanted total portfolios into it. And again, I don't, it kind of felt like they were buying my letters. And so...

Alan Moore: They just wanted the CFA® on staff.

Michael Kelly: Yeah, very quickly I just kind of realized that and knew it wasn't going to be a match. I think just ethically, it didn't match up.

Alan Moore: I mean, it does make sense though that like that, that kind of sounds like the perfect opportunity, right? Which is, you're getting a salary, you're doing work that you know how to do, you're, you're able to... To do that, you have a stable income. Separately, they're letting you build your own book of business that you can take with you.

If you so choose, I'm assuming, was that contractual? Like, did you have paperwork in place from, from the beginning that you could take clients with you?

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Michael Kelly: Yeah. And I definitely made sure of that. And then I think the big thing was, I guess it was just looking at and learning. Like it... I don't look at it as a wasted time.

No matter any job that I took throughout my banking life as well of, there's always lessons to be learned. That one was a crash course on, to be honest, what not to do. What isn't sustainable to build a business. They did a lot of acquisition. A lot of trying to just buy books and, and kind of integrate it.

I saw how sloppy a lot of kind of their... whether it be CRM or documentation work and coming from such a process oriented area of big bank, it kind of was extremely frustrating to see. But it taught me, all right, here's how I can do it myself. And here's how I can learn from this, take it and run.

And I have to be honest as well. It also taught me, I think the importance of sales. That I think we look at it, especially in doing planning and planning focused work. Lots of times we all cringe at the term sales and look at it as like a negative aspect. And as much as these guys did things that I don't agree with, they were sales guys and that was a part of it.

And so they built a business based on just sales. Now you have to have the, the background behind that to, to do things properly. But sales is an important factor in what we do. So...

Alan Moore: Yeah, I mean, it is the unfortunate reality that like, if you give me an advisor who is technically extremely smart, but refuses to sell. Versus someone who will sell really well and then sort of wing it on the technical side? Like, the, the second advisor is going to be way more successful because they can actually bring in the business. And so I'm with you that sales, you know, in our fiduciary fee only world has become synonymous with selling products. And, you know, so I, I would encourage people to sort of reframe this as you can say selling products is a dirty word if you want, you don't want to sell products, that's fine.

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But you do have to sell if you're going to be a financial planner. I mean, even if you're a W-2 employee advisor in a large firm, you're still selling your clients on your expertise, the advice that you're giving, all of that. And so, there is, there's no job I've ever seen that sales skills was not beneficial.

And one other thing that when you were talking about sort of, you know, once you look under the hood of a job, it's always different than we think in the interview process. Vince, our president here at, at XYPN likes to ask his his direct reports, you know, usually 30 to 60 days in, you know, "Basically what surprised you about the job here?"

Like, what do you go home and tell your partner, if they have a partner, like, what do you go home and tell your partner, like wow, I did not know this? It can be positive. It can be negative. It can just be neutral of like, Oh, just didn't realize that was how that dynamic or whatever the thing is." And it's really enlightening.

One, it helps us from an interview perspective, be sure we're being honest with people, but also like just what perception and reality can be, it's super interesting. So, but I think that's every job.

Michael Kelly: Yeah, no, absolutely. I mean, I've had it not just here, I've had it in the banking world where I've made a transition and got in there pretty quickly and said, oh, this is not what I thought it was going to be.

But again, it's what can I take from this role? What can I do during this time? Even smaller things. I remember one disaster job at one of the banks that I ended up learning how to build decks properly. I had a boss who came from the consulting world and again with that's what they do.

That is their thing.

Alan Moore: Mm hmm

Michael Kelly: And she could tell if you had size 9 aerial all of a sudden in a deck that was size 10 across the board and she picked that out and so

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that attention to detail is something that really carried forward and I kind of look at even today with how I present things and how I design.

I think that it is a big factor. It helps kind of sell in a sense that, "Hey, I know what I'm talking about", that the design aspect is just as important.

Alan Moore: Yeah, it is amazing. Like you typo a client's name on a financial plan or in an email, like suddenly all trust is lost because it's like, do you really know what you're doing?

Especially if you work with people who are detail oriented. Like, you work with the engineering types and it's just good luck. And you know, not that we have to be perfect, but they're, they're, that attention to detail does matter which is hard for folks like myself who are not the detail, the, the detail oriented people.

So you were there for a little, for you said a year, year and a half before deciding to launch your own firm. Where, where had you gotten to from sort of like a recurring revenue standpoint? You know, you're going to go launch your business. Did you have some recurring revenue or were you kind of starting from pretty, pretty close to scratch?

Michael Kelly: Yeah, pretty much nothing. I had a little bit here or there, but I, again, once I kind of realized what they were charging and for what they were charging I just didn't feel comfortable bringing people on. So I kind of had a few people waiting in the wings of we have some interest but hey, why don't you wait and we'll reconnect in a little bit? And so once I did open up, I had a few people but for the most part yes, I was starting from scratch and just kind of building out.

Alan Moore: So let me pull up your website real quick because on the home screen, it says financial planning, investment management, equity compensation for professionals and young families.

Like, you're very clear, you're an equity comp guy. Did you start that way in 2020? Like, did you know that was the direction you were going or did you sort of grow into that?

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Michael Kelly: I definitely knew I wanted to do equity comp. My, my big thing was, I actually wanted to more do, again, I went through a big mindset change of trying to just find balance in life.

And hey, money's one thing. I, that was kind of my mindset when I first joined banking was I even say to my wife, I don't care if they're going to pay me, I'm okay doing whatever. And quickly over time, especially once I had family and all of that. It changed that mindset was, "Hey, this money's good and it is nice to not stress out about it. But at the same time, that's not everything.

And so I want to be home for them. I don't want to be constantly at night and holidays or weekends. And so, that mindset change really kind of helped drive my career change. So I wanted to bring that aspect of helping people. I also think that especially today with Instagram and all that the "follow your passion" and I do believe it to a degree. But I also think it's oversold and so people are looking for more in that sense and sold snake oil at times So to me, I wanted to do things right and just say hey, you have your health, your wealth and your happiness, family, all that.

And so I really wanted to focus on that mindset, but that's a hard sell. It's not something you can market very easily. So, I wanted to look for the problem that I could solve. And that was, equity compensation is pretty easy. And so, at the same time I tried not to lose that same feeling. I didn't just want just people who are looking to maximize earnings, per se, it was, "Hey, how do we help you deal with life?"

So a lot of my focus, even today with clients, is with equity compensation comes huge golden handcuffs, especially in big tech. And so how do I help talk them through that? And if that's not where they want to go, how do we build a plan so that way they can get out of those golden handcuffs eventually?

Alan Moore: Absolutely. Yeah. I'm reading a new book called "Family First Entrepreneur". And it's about, it's from an entrepreneur who overworked and found balance. And one of the interesting metaphors, I don't 100% agree with this metaphor, but maybe that's just because I'm fighting it. But

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one of the things he talks about is that imagine your life is a stove with four burners.

They can't all four burn hot at the same time. Like in the end, there's only a certain amount that you can have them going. And, and the four burners are your personal health, relationships, your family, and work. So if you have these four that you get, it said ideally you have to turn one off, and to be super successful, you have to turn two off.

And so like, which ones are you willing to turn off? And if you, if you have work really high, like, okay, great. So you got family, personal health, or friends, basically, relationships that you've got to turn off. Are you willing to turn one off? Are you willing to turn two off to really maximize? And the same with, if family's going to be the one that, that's his obviously, the, the push from this book is like, "Okay, I want family to be on, what do I have to give up to get that?"

Because in the end, it's always give and take. You cannot have it all as much as we want it. And, and those are hard choices to make because, you know, it's like this values driven conversation, but you're like, "They're all important!" Like, yes they are, and you can't have them all at once.

Michael Kelly: No, absolutely. I think that that's... The hard part is where do you set the bar so that way... for me personally, it's balance. And I hate that word cause what is balance necessarily? But it's, it's not always going to be perfect, but it's juggling the balls and yes, maybe just don't let them all hit the ground. But some days one's going to be a lot higher than the others.

And so it's kind of a change in seasons. That's kind of how I try to approach it is, all right, let's even say this quarter is going to be a major work focused one and not that I'm going to give up family, but yes, if I'm going to have to push on this, family will take a slight backseat, in a sense. Never going to let it go to zero, but it's going to be working with my wife and talking with her to say, "Hey, I need extra nights to go up and we're not going to watch something together or have as many date nights" or whatnot so...

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Alan Moore: Yeah. No, it makes, it makes perfect sense. When you were talking earlier too, about sort of this equity comp and mindset shift, you know, I don't think very many consumers are going to Google, like "how do I reset my mind when it comes to business?", you know, "by my career?" That's usually not the problem that has caused them to start looking for a financial planner. Equity comp makes a lot of sense of like, I am overwhelmed. I have no idea what I'm doing. Just got that big tax bill, whatever. And now I need help. And then the mindset shift work kind of comes through discovery. You know, cause it's so rare that clients come to us and they're like, I am so happy.

Like I, everything is just peachy. I'm in the perfect career with the perfect work. Like it's just not how it works. And that's just not how life works. So, you'll, you'll be able to get there.

Michael Kelly: Yeah, I think that that's been the interesting thing is even... Again, my wife being more on the creative within tech as well, I had kind of even using the term tech originally, I was kind of against in a way? Because I didn't want the stereotypical like what you think of like Silicon Valley type of person in a sense. I wanted people who yeah, this is my job and I just happen to work at Google or Facebook or whatever it may be, but I'm not like full dive in tech code, that type of world.

It's more of like, "Hey, how do I just balance life? And this just happens to be my career". And so it, same thing. It was, that's why I went the route I did was kind of SEO in a sense of how do you search for someone who's looking for, again, trying to find that balance. It's not something that you can easily come up with an idea of, oh this is what they would be searching for.

So let me just find the direct. And then it actually helps me filter out if they're a, a good candidate to work with me. Is as we start discussing, what are the answers to some of the questions? Are they just so career oriented where they only care about more money, more, more accumulation? Again, good for business in a sense, but I found doesn't necessarily work with kind of who I am and the personalities that I'm looking for.

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Alan Moore: Yeah, that makes sense. You know, you're based in Connecticut. Are your clients, you know, local, regional, or sort of all over the country?

Michael Kelly: So, we used to live up in Massachusetts, so I have kind of a good base in the Boston area, plus it's become a bit of a tech hub so, that's helpful. New York is not too far either, so that's nice as well. But surprisingly I actually have some California clients as well, even though being on the opposite end.

So, it's been interesting in that regard of where my clients are coming from. Again, everything I do is virtual, so it's, I'm able to work with anyone. So...

Alan Moore: And how are you, how are clients finding you? Is it mostly Google search at this point or are there other ways that you're, you're finding success from a business development standpoint?

Michael Kelly: Yeah, it's mainly been through just kind of search. At the same time, I do try to go through as bad as it is for advisors; LinkedIn is one that again, being a career changer I know how I used to be reached out to on LinkedIn. It was not nearly the same as being an advisor where I'm getting the hey do you need help for lead generation or marketing?

Alan Moore: 17 times a day. Yep.

Michael Kelly: But when I was in banking the only times that I really get reach outs were from recruiters trying to fill up a new job ,and again having insight from my wife same thing on her end. So I've been able to kind of utilize that aspect and target certain people and just try to help them out and guide them through certain things.

I try to offer, not sell, but just offer, "Hey, here's a free guide to understanding X, Y, and Z. Or I mean, through a lot of the layoffs, it was, "Hey, here's the things to think about". And that's a big thing is just trying to help people first. And then hopefully they see the value and that can turn into something, but it's not a hard sell by any means.

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Alan Moore: So are you doing some like targeted either advertising or just targeted outreach on LinkedIn and like I guess tell me about what all, how you're actually leveraging LinkedIn for that?

Michael Kelly: Yeah, a lot of it is just utilizing my network. So again, just whether it's through my wife's network as well. But targeting companies. So for instance, my, my wife was at Shopify. She was part of the 20% layoffs. So just dealing with that personally, as we were going through. I kind of saw certain things of, the severance package was considered a bonus, essentially. So you're dealing with supplemental rates again.

So seeing that aspect was, hey, here's a big talking point. Then putting it out to other Shopify employees, her also kind of helping me post that, just to share that information that helped kind of drive some people in. Other, some of my clients, Toast IPO was one of them. So kind of putting that out there and targeting other Toast employees helped in that regard.

So, just being targeted, not just blasting kind of anyone and anyone. It's, it was really kind of focused.

Alan Moore: Yeah, that does make sense. And I think when I've had other advisors on who focus on equity comp, there does seem to be a sort of a blitz on a single company based on, you know, "Hey, we know this company's going to be IPO-ing in six to nine months, and how do you prepare for that? Or, like, you know, it's, or on the tail end of either, I guess they did IPO or layoffs or something like that, where it does give you the opportunity to, to build sort of curated content for that particular company.

But, you know, I mean, in the end, like, tech employees move a lot. And so, you know, even if you, you could have a hundred clients at one company, and probably in five years, you'll have like ten that are still there, and the other 90 will have gone out, and they'll be at 90 different companies, so...

Michael Kelly: Yeah, yeah, it's definitely created a nice network effect.

And yeah, just being able to kind of deliver and even things like again, with everything that's happened this past year, beginning of the year with the

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startup world, you saw a lot of valuation impacts. And so even helping guide some clients through job offers to say, Hey, really focus on the balance sheets of the companies, make sure that they have proper runway.

So that way you're not in a position where they end up falling apart and having to dissolve. So, just being there through that process has really helped as well just to demonstrate value and expertise.

Alan Moore: Have you seen an impact to your business in terms of maybe new clients or just overall growth with what has been happening in tech over the last, it seems like, year, year and a half now with mass layoffs and big restructurings and all of that, like, is that, is it good for business, bad for business, kind of neutral?

Michael Kelly: I mean, I'd be lying to say that it... Isn't good for business. It's bad for individuals in a sense. But it's good for business in terms of a, it's opportunity. It gets people thinking it has them focus on their finances and how to plan out again. We as a family had to do that as well. My wife does not touch finances.

She does as much as I want her to. She just does not like it. And she'd rather just lay in the middle of the floor than actually focus on, Hey, here, we're going to take a look at our budget for the next year, but going through that process where she had the emotional element and showing her, Hey, We're going to be okay.

This is going to be fine. Here's what we can plan for here. We'll be conservative and just seeing the value add. She finally was like, "Oh, I, I get it now. I get what you do". It's like, yes, this is what I'm trying to do for everyone. So, it definitely presents that opportunity. And then again, in terms of the, if they're AUM clients, I'd be lying if it didn't potentially offer opportunity. I'm not saying that every single person has the rollover aspect, but in some cases, again, especially if they're in startup world, some of their, their new 401k plans may not be that fantastic cause they're small. And so it presents the opportunity to, to roll over and gives me some assets to manage as well.

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Alan Moore: Yeah. I mean, we don't need to, we're not celebrating the, the challenges that tech world is having. But it is a recognition that when, when there is chaos and turmoil, that's generally where financial planners and just professionals in general, it's where lawyers and accountants it's generally where we are able to provide value.

Therefore it is good for business. It doesn't mean we're happy that it's happening, but it does give us an opportunity to really showcase that value because, you know, when things are flying high and everything's good and you're just collecting RSUs and stock options like like baseball trading cards, it seems like, you know, you don't really care.

You're like, ah, it'll work out. And then all of a sudden you get laid off and you can't find another job for six months and you're like, oh, okay, this thing got really real all of a sudden, so...

Michael Kelly: Yeah, and I think it really shows, it gives the opportunity to show the difference between what I will say is real financial planning versus the, "Hey, I'm using this plan as a sales tool to just get you in and manage your money".

I think kind of just even the most simplistic thing of like life insurance and getting your own private policy. So that way it is portable and you're not dealing with, "Hey, I joined this company at 30 and now I'm 45, I just got laid off and now I don't have life insurance at the time that I really needs some of that. And now I'm going to have to go get either a private policy or hope I get a job. It's, and now I'm paying a higher premium, that's like one of the biggest things that I see with all of my clients is, let's get you a solid private policy for that regard.

Alan Moore: Yeah, that makes sense. How are you keeping up with the ever changing world of equity comp? I mean, this is not a stagnant world. There is a ton of information. There's a ton of bad information out there. So, it sounds like you... You know, sort of self taught on the front end to, to, to be able to, to ride this, but like, how do you stay on top of the changes and the to ensure that you're giving your clients, you know, solid advice?

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Michael Kelly: Yeah, I can't say that there's an amazing kind of resource out there. I think that there's some good ones, but I still think that there's a wild opportunity out there for just the education side. I know there's a few different resources that I have used. My stock options is one that just has a lot of info. It's really dense though. That's helped.

Alan Moore: That's mystockoptions.com, correct?

Michael Kelly: Yep. There's another company Treyecto that does equity comp planning. But to go through that, I was part of kind of their first cohort to go through. And it was a nice kind of, hey, here's how other planners are approaching this as well. So just kind of helped confirm what I was doing. But yeah, a lot of it is just taking a lot of the principles from, that I've learned through my The CFA® or the CFP® and kind of combining them with whatever I could get in terms of resources.

And I think Carta has some stuff too, that is helpful. That's more on the simplistic side, but at least it's...

Alan Moore: More consumer friendly.

Michael Kelly: Yeah. Which is nice to kind of... it's combining a lot of that to put it together to self learn and self teach in that regard.

Alan Moore: Yeah, I mean, and it really is the... You know, so much more than you probably even realize. And from a prospective client perspective, like sitting there with you, if I have stock options and you're able to, in an intro meeting, describe for me what's happening. Describe for me the challenges I'm probably facing versus sort of your generic advisor who deals with stock options once every three years and kind of has to get caught up on your situation. Like this, it's a night and day difference from a sales process perspective.

Michael Kelly: Yeah. I'd say the big thing is- When you go into the stock, especially with like incentive stock options, where it starts to get more complex with AMT and things like that. And I'm still working on it to be totally honest, is simplifying and educating.

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They don't know AMT. They don't know what that, how that is calculated, and they don't understand all... I mean, I remember when I first started in the banking world, we love acronyms in finance. Banking world is that times 10, because they use acronyms for everything, and I remember just sitting there for probably the first six months, just going, "I don't know anything".

I remember it's embarrassing, but I didn't even know basis point and everyone kept saying, and I finally, I didn't want to say it. Finally, I asked and it was like, Oh, okay. And so it's just trying to, I don't want to use the word dumbing down, but simplifying.

Alan Moore: It is simplifying. Yeah.

Michael Kelly: For clients and putting it into perspective that they can understand and grasp. I think that that's the big thing is just it doesn't... Knowledge is important, but what's more important is being able to distill that down for, for your target audience.

Alan Moore: So you've been at it for two and a half years? No, three, I'm sorry. Three and a half years. I'm off my dates. And things are going well, you're growing. And you know, we're recording this about eight weeks before this goes live. So I think we're, we're, we're sitting here in mid August. This goes live in in early October. And you shared with me in the pre call that you have sort of a, a pretty big evolution coming for the business. So can you share what that evolution is with listeners?

Michael Kelly: Yeah. I'm actually partnering with another XY member Zach Ashburn. And so I'm actually dissolving my firm and we'll be joining his in which we're going to end up fully partnering on it. Really, I kind of, through the process again, my background is very process oriented.

It's very... I've dealt with regulators, I've dealt with compliance stuff. So I love spreadsheets in that sense where I don't love the sales aspect as much, that's not my superpower. And so what I've kind of realized is I'm trying to balance all of this. I think that that's the hardest part being someone solo is yes, there's accountability groups.

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I have a great accountability group that have helped me tremendously. I was part of AGC for a while that was super helpful and beneficial. But there's a difference of having accountability calls and having someone that actually relies on you. And I, whether it's because I played team sports through college and whatnot. Whether that's an element that I missed, but I like the collaboration. At the same time I know myself as well. And while I love collaboration, I also want a say. So I've said, I don't have to be THE say, I don't need to be THE power, but I want some kind of power on strategy. I want to be able to have a say. And so to me, it's the perfect opportunity to kind of combine forces. He is great at the sales marketing aspect and I'm kind of the back office side.

And so together we can combine and it's not a cost sharing opportunity. It's really a synergy. And that's the big thing that we talked through and worked out. Is we have a general view on alignment on where we want to take the firm. And then our approach as well of how we can do that.

Alan Moore: I really like that delineation that there are, I mean, we've probably had, I don't know the numbers now, 30 or 40 mergers of members over the years.

I mean, this is. It's becoming much more common. It just happens just the longer folks are in the network and they meet other advisors and they decide, you know, being solo isn't for them, you know, the more likely it is to happen. But there, there certainly are mergers for, for cost savings, cost synergies.

And then there's, you know, more so around skillset and, and I would say niche as well. And I, I think we find that the latter is probably more successful because when, you know, when you have two, three, four people merge up just for cost sharing and they all sort of have similar skill sets. They're not really running a business together and they're not maybe partnering in a way that, that's going to build long term success.

But the way that you're describing it you have complimentary skill sets that are going to sort of round each other out. How did you ultimately pick Zach, or how did he pick you? Like, how did this work?

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Michael Kelly: Yeah, we had connected through, I don't even know exactly where we ended up connecting, but XY was a major component of that. We met in person at XYPN LIVE kind of had conversations, we kept in touch for a bit. He had actually proposed it earlier. And to be honest, ego-based at, at the time I was like, "No, I don't want a partner right now". And then again, just recently, I kind of realized I actually went on a family vacation and couldn't totally turn off.

And so it was... That was the other reason of really going, "Hey, maybe I should think about this a little bit more". And then brought it up to him and we started talking more and it just made a ton of sense. Especially you had kind of mentioned niche and we kind of fit together pretty well. He deals with consultants.

I'm doing the equity compensation. There's a lot of opportunity of consultants who come in and work for startups and whatnot who are getting equity. And if we can target that and again, we still have equity compensation and consultants. But if they have both, then that's like just a prime area that no one that I know of at least has that specific goal in mind.

And so if we can do that, then I think that's a real differentiator for us.

Alan Moore: Yeah, that's kind of a niche within a niche. And just go into, you know, it, which makes a lot of sense. That, I mean, there are other advisors working at equity comp, but to your point, you do start to specialize within that. You can't be an expert on all things equity comp.

And so to be the expert on consultants getting equity comp, which is super unique, that's not something I've... I don't think I've ever heard of that. But, you know, there's probably, that means I probably don't know any other advisors in that space, but also you're seeing huge opportunity there.

And I do wonder if sort of the COVID 19 shifting landscape, you know, finance, it's harder to get money, it's not a free for all anymore. In tech, like, maybe makes this actually much more likely to try to bring in consultants payment equity instead of in cash, cause you just don't have the cash.

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Michael Kelly: Yeah, again, I hate to keep bringing up like my wife's kind of background, but same thing. Like one of the things when she got laid off, it was, okay, what, what should you do? She had talked with some people who were doing this consulting route and a lot of, especially startups are looking at it as I could pay a full time FTE X amount, or I can bring someone in who does part time 20 hours.

Or are on call type of thing, project based, and we pay them on a retainer model, essentially. And it will be half the cost, but just as good of work. And so there's plenty of opportunity for people in the tech space in that realm. And so again with that though, comes some of the financial nuance of having your own business and the equity compensation aspect, cash flows, all that, so, definitely is an opportunity.

Alan Moore: So, did you and Zach hire a consulting firm to, to help you go through this process? Like, I guess, who, who did you engage to help facilitate it?

Michael Kelly: To be honest, we've done a lot on our own. I think on the legal side was the big one, just making sure that I... Kind of pulling back, I think the first thing was just a lot of open conversation.

A lot of where do we envision? What are those are our individual goals for current firms and does that align? Once that kind of happened, then it became, how do we want to operate? What's our focus? How do we envision, cause I do think that the business model, I think what's funny in our industry is yes, we're all investment advisors. But you have people who deal with founders who is a totally different realm than people who are dealing with the subscription model for younger people necessarily. You have, it just, you can't compare apples to apples. And so it's just, where do we want to be? What, what's the... Even the dollar amount in terms of people's portfolios that we want to manage, cause you get so much more sophisticated the more that it goes up. You have to have kind of so much more background and like you had kind of mentioned with the equity side, you can only know so much.

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And I just want to know my area so well that it's just... I can crush that realm. So we agreed on, hey, we're looking for like \$1,000,000-5,000,000, consultants, all that. And so that's where we were able to come to terms. And then even little things like having our wives jump on a zoom and just make sure that there's there's a connection there. Because I don't want my wife to... nothing against Zach, but not be like I can't stand this guy. Well, I don't want that in my life either at that point. And so it was nice that we were able to connect in that regard. And then it became okay how do we figure this out? We brought a attorney in to help us on that stuff. And then to be honest, a lot of it is I've, I've done the compliance side. I'm used to reading the jargon and going through and breaking that down. So I wasn't too concerned around that. Plus I've been able to formulate a decent relationship with my state regulator to kind of help guide me through some of it and make sure that I'm not making mistakes in that regard. So...

Alan Moore: Yeah, it is a, it's a tough process because no matter how much planning you do just like when we were talking about with a job, like in the end, you're going to get into it and discover things, both positive, negative, and neutral. And, you know, lawyers are great for telling you all the ways it's gone bad.

And being sure you protect yourself in inappropriate circumstances. You can never possibly protect yourself from all of the things. Cause in the end, if you get in a business with a bad person, an unethical person, like... They just, you're, it's just never going to end well. Like it's just always going to be a problem.

And so, you know, I, I count myself very fortunate that Kitces and I found each other and, and it just worked. And I don't know why it worked. And we didn't have lawyers on the front end. And I, I can make that recommendation now, like, "Oh, you should have a consultant". But I'm like, I didn't have a consultant.

We just figured it out and trusted each other and had good, hard conversations at times. And, and you just, work through it. And, and as long as you have trust in the other person that they are acting for the best

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interest of the business, they're trying to take care of clients, they're trying to do the right thing.

Yes, there's a self interest. Yes, they're taking care of their family, but like, they, they want what's best for sort of holistically, not just themselves. Then these things tend to work out.

Michael Kelly: Yeah, I think that the, that's a nice thing is the trust is there. Like I said in the beginning, this, to me, it's not just for the pure money aspect.

And so, to me, I had approached Zach and he was all for it, was- Whoever it is, let's just cut this 50/50 at the end of the day. Because, again, to really have the synergy and not be a cost share. It can't be, well, this is your client and this is my client. And so it's 50/50 down the center, no matter where the starting point is.

And it's, "Hey, I don't care. I'm willing to, if it's me, I'm willing to take that bit of a break". We're not wildly far off either. So it makes it easy in that regard, but it's, "Hey, let's just make this happen because I have faith that together we can really push this forward and. A little bit up front, it's going to get made up for in the end", so...

Alan Moore: Yeah, and it's, you know, you've made it clear that this isn't just about money. This is also about, like, time with family, being able to disconnect. It is the reality of being solo, is that you never actually get to turn it all the way off. And, you know, we're trying to provide things like virtual assistants, and you know, or connecting with other advisors, or people end up hiring, like, there are ways to solve for it. But when you are solo, you are by yourself by definition. So, you, you have to take the phone call when the client calls for a trade.

Michael Kelly: Yeah. I, I think the, probably the biggest reason for me is I go down rabbit holes. I just, I, get into something and I just want to solve it to the nth degree. And so even to have that accountability of, again, it actually matters if I stay in that rabbit hole with accountability, it was, I found it easy to kind of go, yeah, but you don't get it.

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Watch, I'm going to prove you wrong. Where, no, in this regard, if I'm really in that and now I have to step out, I have to pull myself out. And so it's just that extra bit of, again, I like to think of myself as pretty self disciplined, but when you're in it constantly, it's hard. And so I'm just really excited for that added pressure.

And I'll be even honest. It's a bit of competition in a sense. Of "Oh, wow, he's doing, he did that? I need to step my game up and I need to make sure I'm not the slacker in the group project", you know?

Alan Moore: Yeah, I always hated group projects to the point I just did group projects solo. But I love that analogy. So yeah, we'll have to earmark maybe 18 to 24 months out from now to have the two of you on the show to talk about how it's gone and what you've learned and, and what you could have done differently. What, what, you know, what surprised you. Because it is, like everything in life, it's just a journey and a process so... Well Mike, I, the hour has flown by, so I will jump to sort of our, our last question. And that is, you know, if there's one piece of advice that you wish you could go back and give your younger self, what is that one piece of advice? One thing you wish you had known then, you know now.

Michael Kelly: I mean, I'm going to keep it in a recent lesson, to be honest with you, that I've come across. And it's, I thought knowledge mattered so much. I don't, I have credentials. I don't put necessarily a ton behind them cause I think they're just that, they're a credential. It shows that I kind of, yes, I took it serious enough to go through it but at the same time you get out of it what you put into it.

So, I don't think that it's the end all be all by any means. But, I thought knowledge was so important and I need to know anything. And it's always been the case. And I had a boss with regulation, Dodd-Frank Act came out, and I was like, how am I supposed to make sure that we're covering all this?

She said, "Mike, you're the only person who's actually read all of this at this point, I'm sure of it." She's like, "You're, no one expects you to know every single thing in here. You know it more than anyone else, so just do your

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best with that." And I think that carrying that into this profession is, I thought, if I can produce the best plans and I go that extra degree and really push it, that's going to be the differentiator and I'll get referrals.

And I actually think, stepping back lately, it's not that that needs... You still need to have that good product at the end of the day, but it's really about the relationship. And it's listening and being there and just really servicing the client in a special way. I think that that's where the referrals come.

And I think that that's where the best work is done too. So that's been my big shift lately.

Alan Moore: Okay. Thanks for sharing that. Well Mike, thank you so much for taking the time to come on the show and, and share your story and, and also what's coming super excited to, to hear more and, and see how it goes and wish you the best of luck.

So thanks again for the time today.

Michael Kelly: Yeah, no, thank you. This has been great, so I really appreciate it. And thank you for everything you do with XY. Again, I could not have been here where I am and feel comfortable without it, so...

Alan Moore: Thank you.