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*Baird's Mike Schroeder sees
power in employee ownership*

An **ALM** Publication

Baird's Mike Schroeder: *Partnership Has Its Benefits*

By ED McCARTHY

Photography by TOM MCKENZIE

The president of Baird Private Wealth Management says the firm's employee ownership has opened a world of advantages

MIKE SCHROEDER IS PRESIDENT OF BAIRD PRIVATE Wealth Management in Milwaukee. Since 2001, he has been responsible for all sales and operating activities of Baird's Private Wealth Management network and oversees financial advisor services, private asset management and other units supporting the efforts of 870 financial advisors, who serve Baird's individual, institutional and corporate clients. As of Dec. 31, 2015, clients' assets with Baird's Private Wealth Management group totaled more than \$110 billion. He spoke with Research by telephone from Baird's Denver branch.

How did you get started in wealth management?

Mike Schroeder: Next month [March 2016] actually it will be 30 years since I started in the business. Back in the 1970s, I had majored in finance, investments and banking at the University of Wisconsin-Madison, and I was in a different industry for about six years.

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I used to hear these radio commercials back in the early '80s of a gentleman who probably had the equivalent of my job today. He used to do the radio commercials for Baird and after about six years of being in marketing and sales, I called this gentleman who was doing the radio commercials and introduced myself over the phone; I guess it was my first cold call. He said, "Well, come on in, Mike," and I met him later that week on a Friday. I also spoke to a couple of other firms. The chairman of the board of the company I worked for knew Brent Ruppel, who was the chairman of Baird at this time. I said, "I'm thinking about a career change, what should I do?" and he said, "Go work for Baird because I know Brent and he's a great guy." And, that's what I did.

I started off as a new financial advisor; there was upward of probably a dozen of us in what they called back then a bullpen. I became rookie of the year and after that I got licensed as the assistant branch manager to lend a hand to Gene Witt, one of my mentors in the business.

My career just continued to expand from there. I became a regional director and ultimately in the late '90s, right around 2000, the chief operating officer of private wealth management. I took over the business in 2001 as the president of private wealth. As we sometimes say around here, I'm sort of born and bred Baird.

What are some of the most significant changes you've seen at the firm during that time?

Probably the most significant thing in my three decades at Baird was regaining our independence when we bought ourselves back from Northwestern Mutual. It allowed us to regain our independence, it allowed us to control our own destiny and it just accelerated a partnership culture in the firm unlike any other on Wall Street today. Some of the greatest names on Wall Street, however far back you go, all started off as partnerships. A key reason for that is it allows you to run the business in a way to focus on clients first and foremost, and if you do that really, really well, the rest takes care of itself. Being independent, privately held, employee-owned just fosters a unique culture — it's the secret sauce to our success. That was probably the biggest thing that I think has impacted Baird over those three decades.

The second thing I would say, and this relates not only to Baird but the industry, is a complete transformation from what we used to call a brokerage firm to a true wealth management, wealth advisory model. Part of that is just a natural evolution in the business. It was inevitable that the industry was changing. The issues are a lot more complex, client expectations are changing in terms of what they want out of a wealth advisor, technology is advancing. And, frankly, there is a need to have much more highly focused, client-centric teams of advisors to truly meet the needs of

the clients from a planning perspective and a wealth management perspective and, ultimately, the need to remain competitive.

What are some of the challenges the industry is facing today? For example, we're expecting the Department of Labor's (DOL) fiduciary ruling and we're also seeing continued growth in the registered investment advisor (RIA) segment.

Let's start with the first one that you brought up, DOL, but I would expand that in terms of the topic here to just regulation in general. Whether it's Dodd-Frank or the DOL issues, this increasing complexity and burdensome regulation that is impacting our industry has had a tremendous impact on all firms. Everybody, including Baird, has had to invest more in legal advice, in compliance, you name it. Some of this has been OK, some of this is what I would categorize as misguided regulation.

The one thing that we've done as a firm, Baird, along with many of our industry peers, is we've tried to work very closely with the regulators and the legislators out there to make sure that they understand all aspects of regulation as they're rolling these things out.



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By the Numbers

- ▶ Baird has roughly 870 financial advisors managing and overseeing \$110 billion in assets. They work in 85 wealth management offices in 28 states.
- ▶ This unit is part of a financial services firm started in 1919 in Milwaukee. It became a member of the New York Stock Exchange in 1948.
- ▶ Today, Baird's operations include over 3,300 associates worldwide. They serve individual, corporate, institutional and municipal clients and a total of \$151 billion in assets.
- ▶ About two-thirds of Baird employees own stock in the privately held entity, which had revenues of \$1.2 billion in 2014. The Baird Foundation gave \$3.1 million to non-profit organizations that year.
- ▶ Baird is ranked No. 6 on Fortune's list of 100 Best Companies to Work for in 2016, its 13th-consecutive year on the list.

—Janet Levaux

There's been a lot of constructive dialogue between ourselves, our industry peers, the DOL and others through our industry groups, SIFMA (Securities Industry and Financial Markets Association), etc. to make sure that when we're putting in place regulations that avoid the unintended consequences. Because at the end of the day, the spirit of all this is to make sure that we're serving our clients appropriately and meeting their needs. Sometimes these regulations are not as well thought out as they need to be. But I think the industry has a good relationship with the regulatory bodies to make sure that we're finding the right middle ground to make sure that we don't have the unintended consequences.

We've been the beneficiary of growing interest in the RIA space. One of the key reasons why people are attracted to the RIA model is because oftentimes they find themselves at a place where maybe the culture has left them a little bit or those firms are too big to manage. So they are seeking a more entrepreneurial, flexible environment where they can continue to do great things for clients, but not be caught up in all the bureaucracy and restrictions and inflexibility of what you sometimes find in larger organizations.

When you look at Baird, in my view, we're even a better alternative than an RIA because we are owned by the associates. Every day we go to work, we put our own capital on the line, much like someone who goes to an RIA. We have that flexibility, we have that entrepreneurial spirit, we have that partnership culture that permeates throughout the organization and advisors who come to Baird, stay at Baird. We have extremely low turnover or a better way to say it, an extremely high retention rate. People

want to be part of a thriving, growing organization and if they have a chance to be the owner as well, that works; it works well for us. I think you're going to see the RIA model get even more challenged here as we go forward, because they aren't going to have the capital and the capability to reinvest in the business at a level that they're going to need to have a viable business.

What challenges have you faced in your career and how do you see yourself overcoming them?

I think it's not any one challenge in particular. This is a rapidly evolving industry; we've seen a lot of change over the years. I think it's just the ongoing speed of change and I think the way that you stay in front of that is you have to be creative, you have to stay flexible, you have to remain humble.

How do you see the future of the full-service employee-advisor model and why?

I think the future is bright for firms that have reasonable scale, but they're not too big to manage. I didn't say too big to fail — I meant too big to manage — and they have the ability to differentiate themselves, and they have the capacity and the wherewithal to absorb this ever-expanding burden of regulation. They have the ability to continue to reinvest in the platform, the tools and solutions to meet the needs of the clients and the ability to invest in talent, which at the end of the day this business is all about having the right talent on your team and that's what clients are looking for. So, while there are always headwinds in any industry, I still think the future is extremely bright. **B**