A Better Place

Fed up with corporate world, Bob Salzman strikes out on his own as an advisor.

USER PROFILE

Charles Keenan

Don't tell Bob Salzman that embarking on a career as a financial advisor is a young person's game. He entered the field in his early 50s, landing his first position in 2013 with the financial-services arm of an insurance giant. Eighteen months later, he left to run his own shop in the Chicago area. Now 57, Salzman has since amassed $20 million in assets under management, not a huge amount, but impressive nonetheless for a solo advisor in four years.

That's in part because Salzman exhibits an energy level of someone much younger than his age. He often rises at 5:30 a.m. on weekdays, walking 15 paces to his home office, firing up his computer by 5:45 a.m., taking in what's happening in the financial news before the markets open. His day ends around 6 p.m., but he'll head back to the computer after dinner if his wife has unfinished work to do herself. Proof positive that passion trumps age.

"I love this business," he says. "It's fascinating, and it's always different."

New Career

Salzman's career shift wasn't random. He had worked three decades on the institutional side of the business, in roles such as a portfolio manager and relationship manager. Over time, the money was good, so Salzman says he took the path of least resistance, staying put, raising his kids, and ensuring the mortgage would get paid. Yet his work on the institutional side told him one thing was clear: There's a wide gap of knowledge and sophistication between professional and individual investors, with the latter needing a lot more help.

"On the institutional side, it was all about risk control, process management, and minimizing fees—all of the things that savvy, big institutional investors take for granted," he says. "I realized individual investors by and large don't have the same resources, have no discipline, and are all over the map in how they approach investments."

His financial planning emphasizes risk tolerance and asset allocation, areas that don't get enough attention in advisement, he says. All too often, advisors shirk this responsibility by relying on people to state in a questionnaire how much risk they're comfortable with, then invest accordingly. Salzman calls this a cop-out. Clients are too risk-averse, especially those with long time horizons, he says. He counsels them on why they typically need to put more money to work in the markets, not less.

"Individuals go to an advisor to be coached, to truly help them understand how much risk they can take, how their investments should be positioned," Salzman says. "I think clients need to know what reasonable amounts of risk they can be taking in a portfolio. They don't want me to advise them based on answers to 'how they feel.'"

To focus on the financial planning, Salzman avoids picking stocks and bonds, relying instead on mutual funds and exchange-traded funds. "It's tough to beat the market," he says. "That is more than a full-time job."

He also differentiates himself with lower fees. Generally, fees in the industry are too high, he says. He thinks investors get wedged into cookie-cutter asset allocations, without much customization, allowing practices to scale the business and rake in the proceeds. While Salzman charges slightly higher fees than the industry average for those with assets up to $100,000, his fee scale soon offers better economies with more assets. By $250,000, Salzman's clients pay less, cumulatively about 1.2%, compared with 1.25% for the industry, according to data Salzman uses from kitces.com. At $1 million, his clients pay a cumulative 0.675%, compared with 1% for the industry, which adds up to a savings of $3,250.

Using Knowledge to Help Others

Salzman left the institutional side of asset management in 2012. Fed up with the corporate world, he took a year off, pondering what to do next. A personality skills assessment told him his main hat was "analytical" and that he was an introvert, someone who liked working in small, intimate group settings, solving problems, and helping people. It also confirmed that he didn't work well in bureaucratic environments and that he didn't like sales.

Soon, a friend led him to a job as an advisor for a large insurance company. Yet there he found himself more of a salesman, expected to peddle the firm's insurance and annuity products, rather than what was best for the client. "I realized this was not the way for me to execute my vision of being an advisor and getting into wealth management," he says. "The only way to do that was to be fully independent."

After a year and a half, he left, taking one client with him in 2015. "From that point, it was building a firm from nothing," he says. "Over the last four years, I have never worked so hard."

During the first years, he was focused on developing processes and procedures and sourcing the right technology. Much of Salzman's time included building out a risk and asset allocation framework, and working on how portfolios would be constructed. He consulted with other colleagues from his institutional days, including his wife, who still works in the business. They all formed his own personal advisory board, and some of them ended up being some of his early customers.

Robert Salzman, CFA, CFP, president, RBSalzman Wealth Management.

How he caught our eye: Serves on Morningstar's Advisor Board to give input on product development.

Career Path: Studied business at Eastern Illinois University and obtained an MBA at Loyola University Chicago. Worked at institutional managers such as Guggenheim Partners, Advisors Asset Management, BlackRock, and Deutsche Asset Management. He left Guggenheim in 2012 to become a financial advisor at an insurance company in 2013. He went independent in 2015. He holds designations of Chartered Financial Analyst and Certified Financial Planner.

Personal: Married, with three kids in their 20s. Hobbies include golf, photography, and hiking. Is a 5-handicap golfer, putting him in the top 13% of all golfers, according to the United States Golf Association.

Favorite Funds: Selected funds from families such as Schwab, Vanguard, Invesco, iShares, Eaton Vance, Flaherty & Crumrine, Cohen & Steers, and Lord Abbett.

Part of his technology platform includes Morningstar Office, which he uses to reconcile custodial data. "Office is the tool for stand-alone independent advisors who don't have all that other back-office support," he says. He also uses Office for its research. While he relies on index funds for well-covered large- and mid-cap stocks, Office helps unearth managed funds for areas such as small-cap stocks and fixed income, where manager expertise can add alpha.

Customized Client Experience

Now with the platform built out, he spends more time meeting with clients, either at their homes or via video calls, and getting new business through referrals. Each portfolio allocation is unique to the customer. "All of my clients have their own target portfolio because I think that that's the only way that the investing can be most appropriate to their current and future situation."

Some advisors don't understand his level of customization, he notes: "They look at me and say, 'You do that for every client? You can't leverage that, you can't scale that.' But I'm not doing this to make money for myself. I'm doing this to help people. I want to do it the right way."

Even so, Salzman makes the point he's now doing just fine in terms of compensation. He estimates he can take on more than $50 million in assets without having to hire someone to help out, due to the increasing productivity offered by technology. "I do everything," he says. "If I don't do it, it doesn't get done."

To no surprise, more time at work has meant less for his personal pursuits, such photography and golf, activities now relegated to weekends. Yet he's happy to be working hard and helping others, with more control, without what he calls the chaos and dysfunction of bureaucracies.

"I feel like I'm in a better place, working in a consultative way with individuals," he says. "It doesn't feel like work." M

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