

## Q&A with Shore Morgan Young Wealth Strategies, an RIA based in Worthington, Ohio

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**TOM SKROBE** Head of Product Solutions, WisdomTree  
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**TOM SKROBE (TS):** The goal today is to provide some perspective from an advisor or firm that's using third party models in a very successful way, and to provide some insight on how Jon and his team and his firm came to that conclusion. And we've been working with Jon for quite a while now. And just to give everyone some perspective on how that's working, how their clients feel about it, and what efficiencies or scale the team at Shore Morgan Young has built because of it. So let me get this started. Welcome Jon. Thanks for joining us today. It's a pleasure.

So Jon, maybe we'll start with, I want you to provide some background on yourself, why you decided to get into the financial services business. I think it's always interesting to hear everyone's unique perspective why they joined the business. Now tell us a little about your firm and the goals that you have for your firm and yourself moving forward.

**JON MORGAN (JM):** Sure will, Tom, thanks for having me today. You all have provided a great impact on our business over the last four or five years, and so I'm happy to have the conversation and be able to tell your story a little bit as well from an advisors standpoint. So I am in my 35th year in business as an advisor. I started my career as an intern when I was at Ohio State, my junior year, in 1988. And at that time, spent a year as an intern, thought that maybe I wanted to be a stockbroker. As it turned out, we were very early in doing fee-based financial planning and had developed a process starting really in about 1989 to do fee-based planning for clients who had various advisors. They had an investment person, they had an attorney, they had a CPA, they had an insurance person, a banker, et cetera.

But our goal was to step sit back with them and to look at the whole big picture and make all of those advisors talk to one another on the client's behalf. And so my career started as really in the ground floor. Financial planning really didn't exist, but just very few people in the United States who were charging fees. And so we did that. And a few years later I connected with my now current business partner, Lew Shore, and he was at the top of the food chain in the life insurance business, selling large life insurance policies for estate planning purposes. And what he wanted me to do was to come in and do overall financial planning on his insurance clients who were wealthy people, but who had really never looked at the whole big picture. And we looked back and it's funny because when Lew and I started working together in 1992, our first year working together, our revenue was 95% insurance related and 5% investment related.

And we just looked at these numbers. Fast forward to 2022 and the insurance revenue was 1.2% of our overall revenue. We still do some insurance when we're doing estate planning. But the investment part of the business has really become dominant. And we were very early in the business when 401ks were relatively new. And I remember my first couple years in business saying, "Oh my gosh, someday people are going to have a hundred thousand dollars in their 401k. It's going to be unbelievable." And so how times have changed in a bull market and all those things. So how we started managing money initially, probably like a lot of people, we would put together portfolios of mutual funds and certainly some stocks. And I had an interest in the investment part of the business, although I grew up on a farm and my family had no money. It was just always intriguing.

We had food, we just didn't have money. And so we just started developing these processes, but the investment portfolio was based on the financial plan that we did. So it was very early on in the early mid-90s, we had developed this philosophy that we were going to manage money, like a pension plan manages money. And that they know how many people are going to need income from the pension in, let's say, the first 10 years. And that money that wasn't going to be needed for 10 or more years or 20 or more years. And so we would do our allocations based on that calculation of how much somebody was going to spend or need their paycheck to be. And so that's how we allocated money, but it was mostly using mutual funds and stocks for later down the road money.



**TS:** So when was Shore Morgan Young founded?

**JM:** Yeah, so it was Shore Morgan starting, I believe it was 1994. I had my own practice. Lew had his own practice. We merged them together and we've been sharing everything ever since. And just over 20 years ago, we added our third partner, Marya Young. Marya had been one of the top private bankers in Columbus. And so we brought her on to create a sense of urgency and implementing the financial plans. Private bankers, when you call your banker, you need something done tomorrow or today, not a month from now. And so she brought that urgency to our practice of implementing.

**TS:** Excellent. And you mentioned when you started building portfolios using mutual funds that connected to financial plans, you talked about pension plan management where you're trying to generate income for a group of people and other people retire later in the life cycle. So maybe walk us through the early days of building portfolios. And some of the pivots or some of the evolution of when you first started building portfolios. The world has changed. So it was a mutual fund world many years ago, we're now in a heavy ETF world. And there is this big trend where advisors are using model portfolios, and there's a variety of ways you can use a model portfolio. Some advisors build it themselves, some use a partner, etc.. So why don't you just give us some perspective on the evolution of your investment process from when you first started the firm and when you came to the conclusion, maybe you started exploring working with a partner like WisdomTree.

**JM:** Well, it's somewhat challenging to look back and say, how did we get here? Because some of the things that are available today just weren't available then. I think some of the first investments that we started doing portfolios were through American Funds or MFS or Templeton and some of those. So we would use a mix of those various products initially. And that worked fine. The challenge has always been is how and when to make moves and adjustments. And I think we've always been looking for that magic bullet for my entire career really for 30 years up until we met you guys. The evolution was it was mutual funds, and then on reviews we may or may not make moves around there. One of the frustrations with mutual funds still to this day is the inefficient taxation part. Back in the early days, nobody cared about what the internal expense ratios were because there was only a couple share classes.

And eventually that moved on the mutual fund side to using institutional share classes just to reduce expenses. And along the way we would experiment with using fund of funds managers. And I won't mention some of the people that maybe we used in the past that it's like, okay, if you sign up with them, they're just going to handle everything. Well, there are three or four names that I could pull out from the past that maybe didn't work as well as I had hoped. And even on the mutual fund side, there were a couple of names still to this day, we have some money in First Eagle Global. They did a little bit of everything and we thought, well, maybe this is the savior that can do everything. Well, the problem with that is that if value isn't in favor and technology's in favor, they're not going to participate.

**TS:** But now did you have a dedicated team thinking about the markets, what was your process of you mentioned making moves and making changes. How did you actually come to these conclusions to either not do anything or actually make a change?

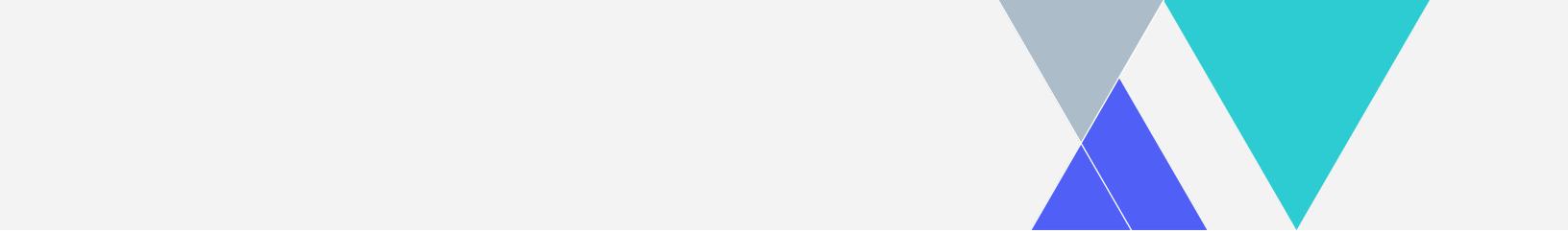
**JM:** Really back in the day early on, the team that was involved in the conversation was my business partner Lew, me and our investment assistant. That was the team. And of course we would meet with people from wholesalers to money managers of mutual funds on a regular basis, and listen to their thoughts and ideas and then meld those together with what we were thinking. But it just wasn't very efficient at all.

We did fine. It was just inefficient. And the thing that also happened was pre-us setting up our own RIA. And this is a big deal, we had no discretion. So every time you wanted to make a move, you either had to pick up the phone and call and make a couple hundred phone calls, literally, just to make the change. Or if you're doing a quarterly review, you make those changes at that time.

**TS:** And then when did you guys become an RIA?

**JM:** Five years ago.

**TS:** Oh, pretty recently.



**JM:** Fairly recently. Yeah. We were using the RIA of the then broker dealer that we were associated with. But they wouldn't allow us to take discretion. And for many years we didn't want discretion, but then we realized we did want it, but we couldn't have it. So it was one of the large impetuses for us to establish our own RIA. And when we did that, we formed a partnership with TD Ameritrade, now Schwab. And so through that relationship is how we met WisdomTree just to back up. Because some of their people said, "Hey, there's this great group that I think you might really want to talk to. It might fit what you're looking for." But up to that point in time, it was just so inefficient to make moves. And consequently we didn't move that much, which in some cases is fine. Making knee jerk reactions was not something we did. But sometimes you can hold something too long.

**TS:** Excellent. So thanks for that background. Thanks for the history. How you worked with clients and how you made investment decisions. So you mentioned you became an RIA, you started working with now Schwab as your custodian at the current time was TD. What was your thought process about, okay, we'd like to explore outsourcing, to a certain extent. So how did you get through that decision making process and get to the point where you wanted to do it? Because I think you mentioned when you were growing up, you wanted to be a stock broker, you had partners that were in the investment business. So I strongly believe advisors become advisors because they want to be connected to the investments. So how did your firm come to the conclusion, well maybe we'll work with a partner. And then what were you looking for? What were some of the things you were looking for as you talked to potential partners?

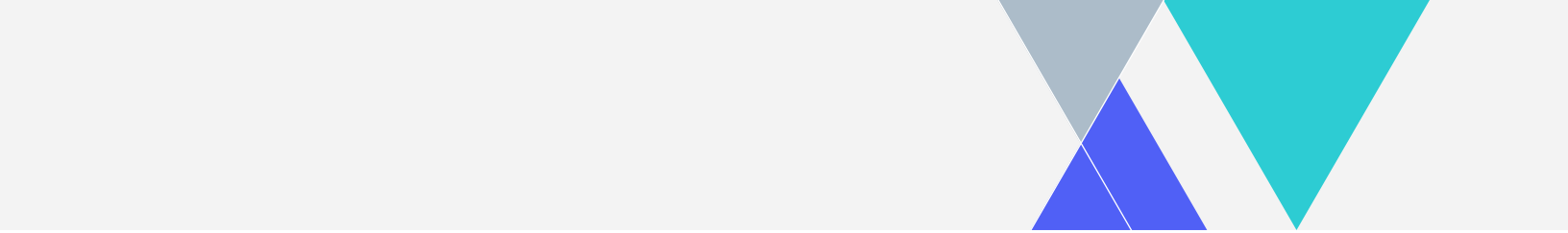
**JM:** Well, I think part of the process of establishing our own RIA was we totally reinvented ourselves. And recognized that everything in our firm was going to change inclusive of, we decided whenever we did establish our own RIA that we were going to develop a formal investment committee, which now has six people on it in our firm that we meet once a month and go through small things, big things, big direction changes, rebalances, tax issues, market issues, economy issues, and really discuss those things. And certainly we talk more often than that. But those monthly meetings is where we developed strategies. So that started when we reinvented ourself with the RIA. Because what was happening also, our firm works with 450 families, almost all individuals and families, not businesses. We're not really in the 401K business, we'll outsource that.

So it was becoming unwieldy to wear so many hats where you're responsible for bringing in new business, you're managing clients' money actively on a day-to-day, which in today's world, you can't just wind it up and say I'll address it again in 10 years. And so we came to this conclusion and always been looking for a partner like WisdomTree. We'd just never found it. Where somebody was willing to work with us, create some custom solutions for our firm specifically, and then not just create upfront, but work with us as partners.

We internally have somebody who has the title of Chief Investment Officer. But I look at WisdomTree as it's a co-position. Because we have so much money with WisdomTree, it's the base of all of our portfolios. And actually I couldn't afford to hire the talent that WisdomTree brings to the table. I just couldn't do it. And it's just been such a great partnership. And we meet with WisdomTree's various portfolio heads and whatever on a quarterly basis. And we talk about strategy, we talk about what's working with us, what the end client is saying. And I know your people enjoy hearing that. What is the actual end user client saying about us?

**TS:** Exactly. Exactly. So that's great context. So I love the fact that you talk about you have an investment committee, you have a CIO, but we describe our relationship with you and others as a collaborative process. So when you made that decision and you started working with us, how did you approach your clients? So what were some of your concerns that you were going to work with a partner? Obviously you moved some money around because I think people underestimate, it's easier to say, oh, here's a model portfolio, go use it for all your clients. Clients have existing positions and mutual funds, maybe stocks, it's easier said than done to unravel portfolios as tax consequences. So walk us through, you made the decision. We started working together, we built some portfolios for you. How did you approach your clients with this new approach for their portfolios and what were their reactions? Was it positive, was it negative? Did they get it? Let's dig into that a little bit too.

**JM:** Okay. One of the things that happened when we set up our own RIA was we had to develop an investment policy statement with each client. So as the client, we worked with them in completing their investment policy statement, we effectively categorized them into one of six different categories. And so in conjunction with doing that, in our early conversations with WisdomTree, we had developed these six specific models that were tailored to what we did at Shore Morgan Young, and tailored right back to our investment policy statement. So that set the stage. And those were everything from somebody super aggressive, a hundred percent inequities, to the opposite end of the spectrum, 100% fixed income. And then a 40/60, 60/40, 70/30, 80/20. So we had these models that were co-developed. So it made the conversation really easy because we were having this talk with them about their own investment policy statement.



And then we said, “Okay, we’re going to make a transition here at this time more to ETF-based versus mutual funds.” Yes, we’re going to probably hold some mutual funds from the past because we have so much taxable game build up, we can’t afford to sell it. But going forward in the ETF space, so much more cost effective. WisdomTree’s internal expense ratios are super low and also tax efficient. And so with the client, most clients who have a taxable account who have ever owned a mutual fund are super frustrated at the end of the year because all of a sudden they get this tax bill for something, a mutual fund, capital gain or dividend distribution that they weren’t expecting. And so that was an easy conversation, this is going to be better because the only time there’s going to be a taxable event is if we decide to actually sell something or we do rebalance.

And your people were great in that quarterly re-looking at portfolio allocations because just the world changes, whatever. But we made this loose agreement with your people that we were only going to do rebalances in the 1st of January every year. So that gets us past the current tax year. And basically if there’s any tax due on a rebalance, it’s not going to be effectively realized for 16 months later. And so your people were great in helping us to think that through. By the way, this year was the only time in 2022, I should say, where we did a mid-year rebalance. And it was the opposite reason because growth had gone out of favor, value had come back in favor. And also the market was down 25% at the time. We said we’re going to take some tax loss selling, book it right now, which we’ll be able to use later in the year but still be fully invested. And oh, by the way, the 100% equity portfolio with WisdomTree beat the market by over 9%. And that makes a conversation with a client real easy too.

**TS:** Did you get any pushback from clients why you’re working with a partner?

**JM:** Because in our business, since we do overall financial planning, our clients have a great amount of trust in us. And many of them we continue to work with over years and years. And so it was logical, it made sense. There were financial implications that were real. I could go to them and say, “I’ll just show you right here, your internal expense drops by this.” Or, “We’re not going to have to worry about taxable capital gain distributions at the end of the year with these people. And by the way, here’s their track record because you guys weren’t new. You’re new to us.” So you had a track record so I could show results of the past. This is what this portfolio actually did in real time. And so frankly, it was really easy. I don’t remember getting pushback from a single person, honestly.

**TS:** Excellent. That’s good to hear. And how do you all use technology? Another big part, something that we’re doing at WisdomTree, we also introduced the ability to trade and rebalance portfolios on behalf as we work Adhesion. But how do you approach the trading and rebalancing? What technology do you use? Do you have a team of people or a person dedicated to that? So there’s the investment part of it, but then as you’re making changes, what’s your approach in from that perspective?

**JM:** Well, TD Ameritrade has a proprietary rebalance software that we use that makes it real easy. And what we will do in conjunction with Wisdom Tree, so we’ll tell WisdomTree this is what we’re going to do. So we give everyone a heads up if we’re going to make a major move. So it doesn’t negatively impact what the managers are doing at the WisdomTree level. And we have four people in our operation that know how to do the rebalance. Two of them primarily do it. It’s just two of our key people, our CIO and another person who’s been with us for a long time do the execution. But it is in communication with WisdomTree before we press the button. Because we don’t want to handle the fund without anybody knowing.

**TS:** And roughly speaking, what percentage of your clients are using the models?

**JM:** And this is probably an arbitrary number, but it’s got to be 90%.

**TS:** Okay. Great. And what benefits, I think you said a lot of it already, but as far as what do you think the benefits have been in working with a partner like us to 90% of the models? Have you enjoyed more time to prospect more clients? Are you spending more time servicing clients and what have been some of the benefits?

**JM:** There’s never enough time. Okay. But I will say I feel less stressed because of there’s just a lot of high level bandwidth that you guys have on your end. And we enjoy the quarterly meetings we have with your people, but prior to the end of the quarter where we just talk about what’s going on, there’s just a lot of talented people on your end.



**TS:** Less stress, we'll take it. That's great.

**JM:** Yeah, it takes a lot of the burden off because we've got a significant amount of money in these WisdomTree portfolios. And I will say the feedback from clients is they love the idea that somebody is actually being proactive in moving things around. In this year because of the moves that WisdomTree made when we did an ad hoc July rebalance because of the moves that they had made, made a big, big difference. And if we would've just stayed where we were, and waited until January, our results wouldn't have been any good, and our clients would be in a way different position. It was about real money.

**TS:** That's great. That's exactly what we're trying to accomplish, this collaborative approach, being a resource for our clients, understanding the markets together. I even remember a couple of times we had suggestions and it just didn't make sense for your client base, which is okay. You all know your clients better than us. And sometimes not every recommendation is the right recommendation for a particular client base. I think it's not accurate to think that you could put every client in the same portfolio regardless of the level of expertise from the firm that you're working with. So I think that's the benefit of having a partner is to have that collaboration that makes sense for your client. Maybe we can leave the audience with, we have some RIAs listening I'm sure, what advice would you give them? If they're thinking about the stuff that you've thought through, what's your first thought, your first move? What do you do? How do you get it over the idea of, wow, I may outsource some of this. What's the mindset you need to have?

**JM:** Well, and as RIAs know, we all get contacted via email and phone call every single day of somebody wanting to talk to us about their strategy. And I think the first step is you have to know thyself and really be honest with yourself and say, "Am I really doing the best job for not only how we're managing money, but for the client?" And we had felt for a long time we could do better. And then when we met you and your team and you came to our office and we sat down, and you did a great job of fact finding and asking those questions, what is it you're looking for?

There was a lot of question asking before there was a solution. And I would just say to the RIAs, just take a minute and sit down because these people at WisdomTree are really good at what they do. They can be as custom as you want, which is what they've done for us. And five years later I can say they executed.

**TS:** Thank you.

**JM:** And I just think it's worth a conversation because you might just be surprised that you don't know what you don't know.

**TS:** Excellent. Well, that's a great place to wrap up. We appreciate the nice words about what we do. We appreciate you all being a client. It's our pleasure to work with you and your client base. And we strive to continue to provide good investment direction for years to come.

**JM:** Thanks to the whole team at WisdomTree, we appreciate it.



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