
STRATEGIES FOR THRIVING IN AN “ADAPT OR DIE” POST-COVID-19 WORLD

James Chapman – Wealth Advisor and Chief Innovation Officer of Clearwater Capital Partners
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Welcome to the Advisor Insights series, your ongoing opportunity to gain fresh perspectives and insights on a range of financial topics from guest bloggers at established financial advisory firms. Today we spoke with James Chapman, Wealth Advisor and Chief Innovation Officer, at Clearwater Capital Partners, an independent wealth management firm serving individual and institutional clients across the United States.

WisdomTree: “Adapt or die” has never been more relevant than it is today. What do you see as the short- and long-term impacts of COVID-19 on the wealth management industry?

Chapman: Wealth management firms are notoriously slow at adapting new technology to their operations. You’ve seen those businesses with the Post-it notes all over the room. Those are the firms that endured more of a breakdown when COVID-19 hit, and many are still playing catch-up. But the ones that had integrated tech early and could bring virtual services into the pandemic, they adapted pretty seamlessly. At Clearwater Capital, we closed our doors one day, opened our laptops the next and it was pretty much business as usual.

Long term, COVID’s really accelerated overall client willingness to go virtual. There’s no substitute for the in-person handshake, of course, and there never will be. But even clients who might’ve been reluctant to embrace a virtual meeting—particularly the older generation of clients—even they’ve become okay with leaning-in on tech. Now we hear things like, “No problem, we zoom all the time with our grandkids!” As more clients increasingly get on board, firms are realizing how much more they can accomplish using technology.

WisdomTree: Even tech-savvy firms like yours must have been pushed to make some changes.

Chapman: Sure. Before COVID-19, I think every firm had things they knew they wanted to do, but never got around to because they were focused on serving clients every day. You know, the shoemaker’s children. In our case, it was building out our webcasts. When the lockdowns came, we suddenly realized, “Man, it’s now or never.” And it was a blessing. Now we reach a far wider audience by bringing things like our annual symposium to a wider universe of prospects.

WisdomTree: Besides upping their tech game, what do you think wealth management firms should focus on to stay competitive?

Chapman: There are things that should never change. I’d say, be obsessive about your hiring. When we interview, we have two absolute non-negotiables. Character, and competency. Think about it. The smartest person you’ve ever met may not be trustworthy. The nicest person may not have the chops to be a full-time advisor to wealthy clientele. We want the sharp people who are intrinsically driven to do what’s best for their clients, not themselves. Doing what’s right always comes back to you in the long run. We can attest that you’ll always be rewarded when that’s your focus.

WisdomTree: Do you bring a similar discipline to client acquisition and service?

Chapman: Building your roster with the right type of clients for you is important. We've been blessed to work with many great companies like WisdomTree, but as an independent firm, we don't have allegiance to a particular provider. So we never begin work for a client with a product in mind, and try to fit that product into their situation. To advisors out there with that same flexibility, I'd say, flip that model upside down. We do it using an approach internally called "C3." It's a simple process you can apply to every potential new client, and it's all about finding the right fit for both parties.

C3 means clarity, conviction and commitment. We start with what the client is trying to accomplish, and what they have to work with. That provides the clarity. The second C, conviction, is about identifying the right solutions to recommend given the situation. The third C is commitment, and that's about getting the client to commit fully to the investment strategy and financial plan. That's different from the typical wealth management paradigm, but it might be ideal for other firms that share our mindset. We understand it may not work for every potential client you talk to, but we're good with that. Everyone can't be a good fit for everyone else.

WisdomTree: Successful wealth management firms always go through growing pains. How would you recommend pushing through them?

Chapman: We're the poster example of the industry's growth trajectory. When any firm hits the \$500-\$600 million mark, it becomes a hockey stick in terms of AUM growth, and that's typically due to the size of household income increasing. We've navigated that by focusing on making sure our advice model continues to be scalable. Growth cannot come at the expense of your service model.

WisdomTree: Can you share any insights you gained during that growth—maybe something our advisor readers wouldn't expect?

Chapman: Before we opened our doors, we believed that establishing a brand presence in our community would be vital, and it's proving to be true. My insight is, if you want to be relevant *in* your community, find a way to be relevant to your community. In our case, that's quite literally meant putting our money where our mouth is from day one. Throughout our 15 years, a fixed percentage of our top-line revenue has gone directly into our foundation, Clearwater Capital Foundation.

Now, having a visible philanthropic effort is obviously fantastic from a community awareness standpoint. What you might not expect is how your giving efforts can strengthen your client relationships. Being able to stand alongside a client and magnify the impact of their gifting, by supporting a cause that's important to them personally, that's super exciting for both parties.

WisdomTree: That sounds like a great tool for employee retention as well.

Chapman: That's absolutely right. It's one thing to tell your people you support them. It's another to ask exactly how you can help them make a difference in their own communities, and then follow through on it. So at the end of the year when they hand their gift to the organization they support, they're able to increase the difference they make because of their being part of the Clearwater Capital Team. You know how much pride that gives them? Around our office, a common topic of discussion at the holidays is, "Hey, what did you do with foundation match grant this year?" It really does strengthen your team's loyalty and create a community of stewardship.

I purposely chose the word "stewardship," because we tell every client that half our existence is about helping them be a good steward of the wealth they've created or benefited from. With the Clearwater Capital Foundation, we need to be good stewards of our relationship with those families and our good fortune to be working with them.

WisdomTree: So if you were advising a peer on starting a wealth management firm, what would be the top hits on your list? Would good corporate citizenship be vital?

Chapman: Given that everyone comes to the table with different strengths, I think it's hard to prescribe a list. One thing is undeniable, though. If you take care of your community, your community will take care of you. That's what we've seen. Now, it's hard

to say if the chicken or the egg came first—is our firm’s success because we put the community first, or can we put the community first because our firm’s been successful? I don’t know. I hate to sound clichéd, but we believe if you do what’s right for the person you choose to serve, in turn that ends up serving you best.

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