

The Hightower Way

An Interview with Bob Oros, Chairman and Chief Executive Officer, Hightower

EDITORS' NOTE Bob Oros joined Hightower in 2019 and has more than 25 years of leadership, strategic, and operational experience. Before joining Hightower, Oros was CEO at HD Vest. Prior to HD Vest, he served as executive vice president and head of the RIA segment at Fidelity Clearing and Custody. Earlier in his career, he held various leadership roles at firms including Trust Company of America, LPL Financial and Charles Schwab. Oros is a frequent contributor to



Bob Oros

panels and thought leadership pieces covering the evolution of the wealth management industry. He is a board member of the Financial Services Institute and a former board member of Invest in Others Charitable Foundation and the Foundation for Financial Planning. Oros holds a bachelor's degree in business administration from Central Michigan University.

FIRM BRIEF Hightower (hightoweradvisors.com) is a wealth management firm that provides investment, financial, and retirement planning services to individuals, foundations, and family offices, as well as 401(k) consulting and cash management services to corporations. Hightower's capital solutions, operational support services, and size and scale empower its community of independent-minded wealth advisors to grow their businesses. Based in Chicago with advisors across the U.S., the firm operates as a registered investment advisor (RIA).

Will you discuss the history of Hightower and how the firm has evolved?

Hightower was founded as a service platform in 2008, during the financial crisis. The firm recognized a growing opportunity to support financial advisors who wanted to leave large financial services institutions where they were being encouraged to sell proprietary products, creating conflicts of interest. These "break-away advisors" were increasingly looking for greater independence, as well as opportunities to operate as fiduciaries to better serve their clients. Hightower's business model catered to these individuals specifically and provided them with the necessary toolkit to succeed as a fiduciary advisor. That was chapter one.

As the industry evolved and those original founders started to think about long-term strategy

of their businesses and succession, Hightower started to pivot towards an emerging opportunity. In 2016, Hightower purchased its first registered investment advisor (RIA) business and – with much intention – shifted its business model to an acquisition approach. For context, RIAs are firms that advise clients on holistic financial planning, along with managing their investment portfolios. With an owned model, Hightower could offer clients more stable, consistent advice and a higher level of service – and that's

proven to be true ever since. In other words, investors and clients benefit from the scale of a large organization while receiving a boutique experience through each individual business. This shift ensures that clients, and the generations following them, will have access to sophisticated counsel from professionals they've built strong relationships with and who truly understand their entire financial picture. On the business-owner side, the model benefits advisors by providing growth incentives. By joining Hightower's business and not just using its platform, these advisors become a part of something bigger and can participate in a financial stake through ownership of Hightower stock. They also have more opportunities to advance their skills, careers and grow their practices.

All of this contributes to a culture of long-term institutional stability. With the old model, advisors were independent, but without a long-term plan. With chapter two, advisors have become a permanent part of the organization. While this ownership structure is not for everyone, firms that do recognize the value in it ultimately benefit a great deal. We think of this as one plus one equals five.

Since I joined Hightower four years ago, we haven't brought in any of the original breakaway business and have fully focused on finding the right RIAs to invest in and alongside and to support by providing value-added resources to grow organically. Today, 97 percent of our revenue comes from advisors who have chosen to stay at Hightower, specifically through long-term affiliations. We have carefully hired to support this growth – our M&A team has grown from 3 to 19; our marketing team has grown from 4 to 21 – just two examples of investing in our business to support our businesses.

What excited you about the opportunity to lead Hightower and made you feel it was the right fit?

I've been in financial services for 30 years, in many different roles, and have seen this industry rapidly evolve – more so than I could have ever imagined when I was starting out. Up until about 15 years ago, RIAs were essentially a cottage industry, but now, firms are concluding that they need to evolve their businesses to provide a robust set of value-added services to support their clients in multiple aspects of their lives. The industry has matured and that has led to businesses with real enterprise value to be monetized. In a previous role, Hightower was a client. I saw the firm evolve through good and difficult times. I saw an opportunity to lead an organization that could stand out and provide a model for the wider industry and truly do something differentiated.

I love the acquisition model for two reasons. First, firms are already independent. They've embraced the structure – and fiduciary mindset – and are operating with the basic leadership and infrastructure in place which allows us to assess the quality of the business and philosophy of the founders. And, as that first round of RIA founders retire, it's becoming clear that succession and consolidation can be challenging. I believe that this is the best model to solve for these problems because it frees up advisors to do what they do best: serve clients and grow their businesses.

How do you define Hightower's mission and values?

At Hightower, we are on a mission to transform the wealth management industry by looking beyond clients' investment portfolios and financial plans to address their total emotional, physical, and overall balance and well-being – what we describe as "well-th." Our vision statement is "Partnering with you to achieve a life of well-th." In the past, financial advice centered on investments, but we believe, when done right, it encompasses much more: family, community, health, experiences, and generations. This is where emotional connections are created.

With the changing behaviors and wants of clients, the evolution of technology and the consolidation of the RIA industry, advisors must demonstrate and evolve their value continually. Beyond general financial management, they must serve their clients in every aspect of their

emotional, physical, and overall balance sheet, from helping them through a divorce to starting a new business to planning for their legacy. You must be able to show up during these critical moments that matter. To ensure that our advisors have all the tools they need to fully support their clients, we have invested in an array of value-added services, including business development consulting, leadership and team development, talent acquisition, marketing support, technology, investment management resources, compliance, accounting, payroll, and human resources, just to name a few.

Ultimately, we want to provide advisors with the suite of tools, services, and support needed to serve their clients at every life stage, and to add value in new and unique ways.

What have been the keys to Hightower's success and how do you describe the Hightower difference?

Culture is a key differentiator for most great companies. Last year, when many companies were issuing return-to-work mandates, our team conducted an employee engagement survey to measure sentiment and identify how we could improve and build on Hightower's culture, throughout the pandemic and beyond. By and large, results showed that employees didn't want to lose their newfound sense of freedom and flexibility. Most didn't want to go back to the office five days a week and felt like they were more productive at home. Following the survey, employee focus groups showed that they all wanted and needed different things to gain their own definition of balance – some wanted more in-office time, some wanted less. Listening to our employees is what informed and inspired the Hightower HIGHFlex program – our new work-from-home/office/anywhere paradigm that provides Hightower employees with flexibility to work remotely several days a week; have unlimited paid time off, as needed; a chance to work from anywhere for four weeks out of every year; expanded maternity/paternity leave; and an opportunity to gather in person with the entire Hightower team at the office two days/month for high-impact interactions. Since we launched the program, we've seen excellent results in retention and recruiting – and we've captured some great images as employees show off their Hightower “flag” as they take advantage of the one-month-from-anywhere – from San Francisco to Amsterdam.

In addition to our strong culture, there are four strategic pillars we focus on: organic growth, M&A, value-added services, and sharing our collective wisdom. Firms that have a proven ability to grow organically, or what some refer to as same-store sales growth, are highly valuable. That is our number one strategic priority. New client relationships are our lifeblood and provide a new source of lifetime value as well as a new source of referrals. We will continue to evolve our value-added services to meet advisor needs based on demand and aspiration. If we believe it makes sense to bring a new service in-house, we'll either acquire an existing firm, partner with someone best in class, or build it ourselves. For example, last April, we received

our national bank charter for the Hightower National Trust Company which offers corporate and administrative personal trust services for Hightower advisors and clients. I believe we're one of the few – if not the only – RIAs to operate a national trust company. And to highlight that concept of “collective wisdom” – we operate as a community and that means advisors count on each other for best practices, big ideas, and small details – so they can run their business the way they choose to, with the bench strength of others who have gone through similar situations.

Our commitment to our advisors is unwavering, and we will always focus on those four key pillars.

Where do you see the greatest opportunities for growth for Hightower and will growth come from acquisitions as well as organic growth?

Because we're so active in the M&A space, people naturally equate Hightower with acquisitive or inorganic growth, but that's not actually our primary focus. As I mentioned above, organic growth is Hightower's number one strategy for how we build both our advisory businesses and the firm. In our industry, organic growth is often defined different ways. We measure it according to pure same-store sales growth, excluding market gains/losses and acquired assets. It comes down to net new assets – are you bringing in new clients or gaining more assets from existing clients? We think the greatest value we bring is the ability to serve more clients with sophisticated advice. In 2021, Hightower grew 9 percent organically. That's twice the industry average and that's not even mentioning the growth experienced by the top quartile of our advisory businesses which grew north of 20 percent collectively. What is even more impressive is that 75 percent of that growth came from net new clients to the firm.

While there's no single golden ticket to put a firm on the right growth path, there are a variety of patterns of behavior we look for that express it. When bringing new businesses into the Hightower community, we're looking for founders that are growth-minded and have built RIAs that can clearly demonstrate their long-term value, whether it's in how they execute marketing endeavors, pursue referrals, or the kinds of clients they cater to. Whatever it is, these growth-minded firms have a few traits in common – they articulate clear goals around business development and have systems in place to measure their prospect opportunities. There are different routes advisors can take to successfully grow their practices, but the one aspect we see across all the business we bring in is that they're relentless about whatever path they're following. It must be consistent to get our attention.

When we identify a company for a potential acquisition, it has to be the cultural right fit. We won't just acquire a firm to increase our AUM; neither side will ultimately be happy. Our intention is always to forge long-term relationships, so it must make sense from both a business and cultural perspective. We are choosy

in who we bring in, and we spend a great deal of time learning about a potential new firm and giving them insight into our business and practices. We began Q4 with 131 advisory businesses in 34 states. While we expect to grow that number, it is about quality, not quantity.

Will you highlight Hightower's focus and investment in research and insights?

Hightower's Investment Solutions group serves as a resource to Hightower advisors who seek support with investment portfolios, asset allocation ideas, thought leadership, relationship building, client acquisition, and more. Two and a half years ago, we brought in Stephanie Link, a nationally known expert in macroeconomic and investment topics, to serve as our chief investment officer and portfolio manager, and to build out our Investment Solutions group.

Since Stephanie joined Hightower, the assets under management (AUM) by her team have grown from \$800 million to over \$3 billion, as advisors work with her to invest client assets. In many cases, the Investment Solutions team has worked hand-in-hand with advisors to help win business from larger endowments or clients – advisors are able to show the benefit of boutique-level service with institutional-level investment management. Stephanie and her team also make themselves available for fire-side chats, webcasts on what the markets are up to, and individual client conversations, in collaboration with advisors. In addition, they create content that can be white-labeled for advisors to share with clients – in short, the Investment Solutions team is a resource advisors can choose to leverage in various ways. We continue to focus on how to improve our services, driven in part by input from our advisors on what they need.

Several months ago, we brought on another key investment leader, Robert Picard, an industry veteran, to lead alternative investments – an important role, and one we wanted to fill with someone eminently qualified. The Investment Solutions group now provides expanded access to best-in-class, private-market investments, preferred opportunities, and custom-portfolio consulting.

Will you discuss Hightower's commitment to building a diverse and inclusive workforce?

Financial services is notoriously behind in diversity; this is not a sustainable model and at Hightower, we are dedicated to leveling the playing field, investing in both hiring and promoting employees who come from underrepresented backgrounds and providing firm-wide activities that foster a more inclusive workforce. We recently rolled out a program called “The Hightower Way” because we believe that culture doesn't happen by accident. Key to the program are twice/week “huddles” – small group meetings of 10 or so that everyone in the firm must commit to. During these huddles, we discuss themes that are key to the Hightower Way, including our “Commitment.”

At Hightower, our innovative and unique professionals are the foundation of our success, valued as thought leaders and trusted partners

delivering excellence. We commit to a transparent, people-first environment where talent is maximized through our diverse, equitable, and inclusive community. We nurture a spirit of belonging, are energized by challenges, celebrate our successes, and achieve individual and collective well-th goals. We use our huddles to bring these words on paper to life, sharing examples and ideas. We believe those proactive measures are one step forward.

We've reimagined our careers page on the website to reflect the energy of the company and have expanded internship opportunities which give us a tremendous jump-start in developing our next-gen talent pool. For the summer of 2022, Hightower received over 8,000 applicants and selected 25 interns, many of whom come from varied backgrounds, for placements in Chicago and New York.

We're also proud to be a place people want to work and we want to be sure to highlight that to encourage diversity – we just launched what we're calling our "Hype" video which gives a fun glimpse into our culture while telling the underlying story of who we are.

What do you see as Hightower's responsibility to support the communities it serves and to be a force for good in society?

Truly great companies that have enduring value also are forces for good. Giving back to the community is personally close to my heart and something I've seen expressed in the hearts and minds of our entire Hightower family. One organization I've gotten close to over the past year is EEqual, a for-youth, by-youth nonprofit working to overcome student homelessness by raising awareness and increasing access to higher education. I joined the board last year, and it has offered an amazing way to see the dream and vision of one highly motivated college student become a resource that will have tremendous impact. That belief in "next gen" was the inspiration to launch an investment fund at Central Michigan University's School of Business Administration to provide opportunities for students to gain real-world experience managing a portfolio while becoming familiar with Global Investment Performance Standards. Selfishly, this also gives me more opportunity to work with and engage students at my alma mater – I think "hands-on" giving is as important as financial contributions.

The Mental Health Association of Chicago is another organization I am deeply committed to, and I recently joined the board. The nonprofit's mission around providing mental health support, awareness and education is becoming ever more crucial in the world we live in; it's something that impacts all demographics. Our focus on "well-th" includes providing our advisors with tools and resources to support their clients and families who are struggling, and as a Chicago-based company we wanted to do all we could to make an impact here.

As a firm, Hightower regularly provides both financial support and sweat equity to benefit many incredible nonprofits. In February, we hosted a donation drive for Something Good In Englewood, a 501(c)(3) organization dedicated

to providing socio-economic opportunities in one of the poorest neighborhoods in Chicago. We donated in the wake of Hurricane Ian to World Central Kitchen – doing boots-on-the-ground work in an area where we have several offices and many clients.

We are proud that many Hightower advisors have been recognized for their efforts to give back and support communities in need. In 2021, we joined the Foundation for Financial Planning (FFP), the nation's only 501(c)(3) nonprofit charity solely devoted to supporting the delivery of pro bono financial planning. As an Impact Partner, Hightower advisors gain access to FFP opportunities throughout the year, such as the organization's Retirement Resilience program which serves at-risk seniors, and the Financial Planning for Cancer program, serving families affected by cancer. It's become a great resource for those advisors interested in expanding their pro bono services – and again, follows our theme of providing hands-on support along with financial contributions.

What do you see as the keys to effective leadership and how do you describe your management style?

I believe in fostering a collaborative, inclusive, and transparent culture. At Hightower, we have structured our business so that advisors are stakeholders – both financially and professionally – and we want to create an environment where everyone feels as if they're continually learning, growing, and contributing to the overall success and culture of the organization. I spoke earlier about "The Hightower Way" – that was an effort that spanned the company and considerable resources in terms of money and time invested because we believe so strongly in a culture of inclusion; one piece of that for me is just walking around and talking to folks and hosting monthly "Breakfast with Bob" sessions with a cross-section of employees. I've even been known to fix the coffee maker – and I'm secretly pleased to get asks like that because I believe it means we have a culture of communication and collaboration.

We also recognize that retaining happy employees is key to creating long-term success and continuity. I was proud to have played a role in developing our HIGHFlex permanent hybrid work model designed to help employees advance their careers while living their best lives. We have also made a concerted effort to make our Chicago headquarters a place people want to work from – with collaborative meeting spaces, rooms to rest and meditate, candy tubes and regular snacking options, and special celebration days – we've had everything from baristas to burritos.

I think we do better as a firm when we're open and learn from one another. Across our entire community, we're always finding creative ways to build and strengthen our connections – we do this through storytelling, through "well-th stories." In these, we capture a cross section of advisors and home office talking about what well-th means to them – a renewed appreciation for life after a health

scare, the ability to be there for family – the stories are wide-ranging. We had fun with this concept during our intern program; we encouraged the group not just to learn from the executive teams, but to tell us their stories – who they are, where they're from, what they're learning, and their hopes for the future. We then communicated this with our wider community through a humor-filled 'Intern Diaries' weekly series on our website which documented their summer of learning, new relationships, and life-changing experiences, while illustrating the professional and personal benefits of the program – it was my guilty pleasure, must-read every week.

What advice do you offer to young people interested in building a career in finance?

First of all, careers don't need to be linear. Be willing to take risks and try different opportunities. These are all tools in your toolbox. I think the most important thing is to find someone whose career you'd like to have and then learn from them. Through our internships, we really want to give young people exposure to specific skills and disciplines, whether that's financial services, marketing, or IT, to name a few. Our interns shadow employees so they really get a sense of what the job looks like and what skills they need to be successful. And ask questions, prepare, and make sure you use the time when you have it to ask those questions. I've been so favorably impressed with the students who have come through our program and their drive; we even hired our first high-school intern based solely on the fact that she wasn't afraid to speak up and engage.

I also believe that our duty as a leader in financial services is to help with "financial literacy" – explaining concepts that may seem difficult in ways that can be approachable and understandable. We're trying to remove the "jargon" so that people understand what financial advisors really do, and I hope that goes a long way to opening eyes about the profession in general. We're experimenting on Instagram and on TikTok, we're working with influencers and trying to maximize partnerships – so that we can engage with people where they are instead of waiting for them to drop by an office or visit our website. We need to make financial education and support accessible for all.

One of our key missions at Hightower is to develop the next generation of wealth management talent. To create a more balanced and equitable future, the industry needs to not only recruit diverse young people, but also spark their imaginations and generate enthusiasm for the profession. That's why a key tenant of Hightower's program is engaging interns with storytelling; hearing how professionals found their way to the industry shows interns that there are both conventional and unconventional routes to success. The phrase "thinking outside of the box" is certainly trite, but I think it's what characterizes our level of success and growth, and there's no place I'd rather be than sitting in this seat, at this firm, during this time. ●