A Legacy of Uncommon Kindness and Shared Ownership Helped Build a $1.5 Billion RIA

Giving employees pieces of the pie enabled Max Weldon Greer Jr. to create a legacy – not just a liquidity event.

By Jerilyn Klein Bier for RIAIntel

Max Weldon Greer Jr. planned to step down in January from leading the Kansas City RIA he founded in 1980. The transition never took place. In November, Greer died unexpectedly of a heart attack at age 72. But thanks to an ownership structure more than two decades in the making by the caring executive, the company itself was prepared for his sudden absence.

Compared to his industry peers, Greer was on the fast track to getting his professional house in order. According to a 2018 study from the Financial Planning Association and Janus Henderson Investors, only 41% of advisors report having some form of succession plan and just 27% have a formally documented plan. Even among advisors managing $500 million or more of client assets, only 60% have a formal plan.

What makes Greer's story particularly compelling is the vision he had for Financial Advisory Service, Inc. (FAS), which turned 40 this year and has $1.5 billion in assets under management.

"Max was an entrepreneur from the day he was born," according to his obituary in the *Kansas City Star*. He started his own paper route as a boy, began his career as a New York Life Insurance agent in the 1970s, and founded his fee-based financial planning firm when commission-based models were the industry norm.

Greer knew it would be difficult to achieve scalability by onboarding clients one at a time through referrals. So he approached large Kansas City-based companies to see if they would offer his financial planning services as a benefit for their executives. He forged relationships with United Telecommunications (now Sprint Corp.), Marion Laboratories (now part of Sanofi), and Hallmark Cards.

Ewing Marion Kauffman, founder of Marion Labs and Major League Baseball's Kansas City Royals baseball team (inaugural season was 1969), introduced Greer to the shared ownership model. Kauffman had instituted it at his private pharmaceutical company because "he wanted all employees to have a vested interest, to be part of the team and to be pulling in the same direction," says Tom Meier, managing director of investment management at Financial Advisory Service.

Greer saw the positive impact of Kauffman's model and replicated it when he expanded his firm. Today, many of FAS's two-dozen employees hold an ownership stake. Greer also realized happy, more productive employees would result in happier financial planning clients, says Meier.

"Max knew he could get a higher valuation for his stock if he sold to an outside party," says Meier. "However, FAS was family to him and preserving his legacy and the financial future of his employees and partners was more important to him than maximizing every last dollar he could for his stock."

Greer got excited when an employee got engaged, bought a new home, or reached another life goal "because he knew FAS ownership was a big part of achieving that milestone," says Meier. "He often said he got more joy in seeing our clients and employees/partners be successful than any personal achievement he had."

Greer wanted to create as many millionaires as he could among his clients, says Meier, and he felt the same way about his colleagues.

Greer planned to step back on Jan. 1, 2020 from running the firm and engaging in its day-to-day activities, but he intended to assist with its strategic corporate issues.

"I doubt Max would have ever truly retired," says Jim Dussold, Greer's original partner at FAS and the firm's managing director of operations and administration. "He definitely did not have a particular year in mind."

Dussold, a computer science and marketing major, was working as a developer in 1984 when Greer called his employer and said he needed someone to help put together financial plans. His employer told him Greer was "a young guy with a lot of ideas," says Dussold, and encouraged him to meet with Greer, who hired him on the spot.

Dussold developed spreadsheets and word processing sheets for crunching numbers and mapping out financial plans. After six months, "Max said, 'Hey, do you want to become a CFP?,'" he says. "I said, 'I sure do, because I know one thing—I don't like computers.'"

"Max was full of energy," says Dussold, and he wanted to change how financial services were brought to clients. Greer strived to bring expertise and objectivity to the table and to offer total transparency, he says.

"The first year, our gross income was $80,000 and we thought we were on top of the world," says Dussold. "But we were on our way."

At that point, the firm consisted of Greer, his secretary, and Dussold. Greer knew that offering stock was a good way to build a talented, motivated team that shared his entrepreneurial mindset. "He said, 'I'd rather own 50% of something that's worth $100 million, versus 100% of something that's worth $5 million,'" says Dussold.

Greer gave him 2% of the firm as a bonus after that first year. By 1990 or 1991, Dussold owned about 6% of the firm.

John Meier, an attorney with an LLM degree in taxation, joined the firm as general counsel in 1997. Meier (Tom's father) explained to Greer that if the firm switched its status from a C Corp to an S Corp, it would be able to take dividends and structure its compensation to be based more on stock ownership. Greer took his advice.

"Max was always willing to give somebody a portion of the company if they showed promise," says Dussold. "FAS is what it is because he sold his stock."

The compensation plan has been a great tool for helping recruit and retain ambitious, hungry talent, says Tom Meier. The potential for an ownership stake, rather than just a salary and bonus, enticed him to leave Merrill Lynch and join FAS in 2002, at age 24.

The stock ownership plan has also enabled FAS to offer advisors a salary slightly below the market rate, says Dussold, because they're told how much shareholders can potentially earn through dividends if the firm reaches certain performance numbers.

In the early years, Greer lent money to his employees so they could buy into the firm. To reduce his financial burden as his firm expanded, he brought in a local bank to help fund shareholders' capital contributions. Word also got out about the success of FAS's ownership plan because bankers talk to each other, says Dussold.

FAS shareholders who borrow from the bank don't have to dip into their pockets because they can use the dividends they receive to service their debt, says Meier. Dividends vary based on the firm's profitability and are typically in the double digits, he says.

The size of FAS's ownership stakes are based on revenue generation and subjective factors including the shareholder's effort, ability to work with the team, success at generating better ways to do business, and attitude, he says. Not all shareholders have revenue-generating roles at the firm.

It basically comes down to, "If someone were to get hit by a bus, how hard would it be to replace them," says Meier.

Greer initially made all the decisions about ownership stakes. A few years ago, FAS started to shift this responsibility to the firm's internal five-person board of directors.

Retiring shareholders sell their shares to new shareholders. Typically, new employees can start acquiring ownership one to five years after joining the firm. Meier thinks this model will be sustainable for at least the next 10 to 15 years, as older partners retire.

When Greer passed away, the firm accelerated ownership to a couple of its employees. It also purchased additional shares that it put in its treasury for future use, says Dussold. The firm's ownership plan is very horizontal and the largest stake is 16%, says Meier.

Through the years, there been some conflicts over ownership. "I'd be lying to you if I said it was smooth sailing," says Meier. But shareholders have usually put their grievances on the table and hashed things out instead of parting ways, he says, and these conflicts often motivated them to perform better.

Many advisors who claim to have a succession plan in place have done little other than name a successor, says John Furey, founder and managing partner of Advisor Growth Strategies, a Phoenix-based firm that consults with financial advisory firms on mergers and acquisitions, compensation and equity design, succession plans, and other services.

Advisors who do have a plan should consider how "bulletproof" it is, says Furey. For internal succession plans, this includes figuring out how to get capital into the hands of next-generation employees who typically can't afford to write a check, he says.

Furey says a horizontal structure for equitization is very rare and the majority of firms remain more vertical. “Ten to 15 years ago, most owners were coached never to sell their equity, just to sell the company, he says. But the industry is starting to see the benefits of equity distribution. The ratio of internal succession plans to M&A is five to one, he adds.

During the Covid-19 crisis, Furey has received more questions from advisors about whether to sell their firms or to transfer equity. “In isolation, you tend to reflect,” he says.

Greer did a lot of reflecting over the years, and his generosity extended beyond his firm and family, says Tom Meier. Gavin Beaver, who for six years battled Ewing Sarcoma, a bone and soft tissue cancer, quickly realized along with his parents that Greer was a man of action and not just words.

Gavin met Greer at a Kansas City Royals game when Greer sponsored a suite for Make-A-Wish Foundation recipients. The two spoke a lot that night—and Gavin, then 13, was impressed by Greer’s generosity toward children with cancer. Afterward, he told his parents, “I would like to be like Max someday,” says Gavin’s mother Julie.

Julie, who describes Gavin as “an old soul,” says he and Greer developed a great friendship over two years. Greer tried to cheer him up during difficult times and they often texted. Greer checked in with Gavin’s parents to see how his treatments were faring. He also asked how he could open doors should other medical options exist. “Max would’ve moved mountains for Gavin,” says Jamie Beaver, Gavin's father, through notes shared by Julie.

During one visit, Gavin told Greer about a job he really wanted at a pet store that Julie was discouraging. Greer, aware that Gavin was too weak, told him he needed a flexible job and invited him to come work at Financial Advisory Service. Gavin—a voracious reader who loved hiking and dreamed of studying physics at Stanford—was only well enough to work four days at FAS, but it gave him dignity, says Julie.

“He felt so proud for having a real job,” she says, “and it kind of gave him the ability to check off a bucket-list item.” He got to drive himself to work (Kansas issues restricted driver’s licenses at age 15) and earn a paycheck—for a larger sum than what Greer had discussed with him.

After Gavin passed away, in March 2019, Greer took the initiative to help establish the Gavin Beaver Memorial Foundation to support childhood cancer causes.

“Max built a legacy and instilled in all of us that team approach,” says Dussold. Julie adds, “It wasn’t surface level for him—he really took an interest in people.”