
EPISODE 228: BIFF BAKER – MANAGING SUDDEN WEALTH

Biff Baker

Do you want to leave that money for your children? Do you want to leave that money to your favorite charitable cause? Or do you want to spend it all?

Female Voice

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Ken White

Welcome to Leadership & Business, the podcast that brings you the latest and best thinking from today's business leaders from across the world. Sharing strategies, information, and insight that help you become a more effective leader, communicator, and professional. I'm your host, Ken White. Thanks for listening. Well, you're familiar with the stories of lottery winners and athletes suddenly coming into large, life-changing sums of money. It happens to entrepreneurs and professionals who sell their businesses as well. Sudden wealth not only changes the individual's financial situation, but it has the potential to greatly impact other aspects of their lives. Biff Baker is Managing Director and Senior Wealth Manager at MAI Capital Management. He spent his career helping clients reach their financial goals. On a recent visit to William & Mary School of Business, he joined us on the podcast to talk about sudden wealth, goal setting, and the importance of working with the right team of advisors. Here's our conversation with Biff Baker.

Ken White

Biff, it's great to have you here. Welcome to the podcast, and welcome back to your alma mater.

Biff Baker

Thank you, Ken. It's great to be here.

Ken White

Let's jump right in. MAI Capital. Tell us about it.

Biff Baker

MAI is McCormick Advisors International. It was a part of IMG, International Management Group, until 2004. Then, in 2007, it was spun out. The current executives of MAI were the ones who acquired it from the McCormick family. The history of MAI is managing assets for athletes. Those athletes are names that you know, like Arnold Palmer and Jack Nicklaus. We've evolved over the past several years. In 2007, it started that way. We had \$800 million under management. Today, we manage about \$25 billion in assets across the country, with 20 offices from California to New York. We're based in Cleveland, so it's everywhere in between.

Ken White

Yeah. And your role there?

Biff Baker

My role, I'm a wealth advisor, and I had my own company that I founded with my dad in 1997. We managed assets for individuals. I don't have any professional athletes as clients, but of course, now I'm a part of MAI and very involved in that environment. But Windfield was a wealth management firm for individuals and small institutions. Today, MAI is a broad-based financial planning wealth management, investment management firm for individuals and high net-worth individuals.

Ken White

We'll take a step back. What was it like working with your father? Because there's some great lessons there.

Biff Baker

Yeah. My dad is just the greatest guy on the planet. I've been very fortunate to be with him. We started in 1997, as I mentioned. He had been at a regional brokerage firm in Cleveland for 30 years. I had been at a firm or a company in the Washington DC area, in the specialty pharmacy area, which is a very specialized part of healthcare, mostly involved in biotech drugs, but I knew how to start a small company. I was employee number three or four, I think, at that company, and we grew it. My dad was tired of being at a regional brokerage firm. We talked, and I said, What would you think if I entered the business? And he was thrilled. I was thrilled to join him and came back to Cleveland in '97 and started it together. He was a tech analyst and the director of research at McDonald & Company, and that gave us the opportunity to get into wealth management. And so we began managing money, asset management right then and there. It did evolve over time into more planning. There came a time where we had grown, and I thought, I ought to be looking at where do I go next. I got a knock on the door from somebody who was looking on behalf of MAI. Ironically, MAI was right down the street from us and only about two blocks. I knew several people there. We were friends. I thought, Well, you've knocked on my door before. This was 2021. I thought

maybe I should take this a little more seriously. I'm no longer 30 years old. It's time to start thinking about it. We talked for a bit. It seemed like a great fit. And began the discussion about becoming a part of MAI.

Ken White

Yeah, great story. Yes, absolutely. We all know about gradual wealth. We go to work, we save, we invest. But we wanted to talk to you today about sudden wealth. When you hear that, what does that mean for you and clients?

Biff Baker

Sudden wealth is. It could happen any number of ways. Athletes, obviously, that's very obvious. Winning the lottery that's very obvious. Running a business day to day, there's cash flow, the owners, they do fine. But then, all of a sudden, there comes a time, just like it did for me at Windfield. When is that time to say, All right, it's time to make a change? It can happen in technology, it can happen in service businesses, it can happen in manufacturing. It's that time that when they sell the business, that it can be a sudden jump in wealth, where you've had this cash flow, you've lived off the cash flow, and all of a sudden, you have a lot of money from the sale of your baby. It's a business that you built 5, 10, 20, 30, 40 years. All of a sudden, you have bigger wealth, and that cash flow is no longer what you're worried about. It's the sudden creation of this pot of money. That's where we step in at MAI.

Ken White

If that happens to a listener, what's step one? What should they do?

Biff Baker

Step one would be, what are your goals? Goals really means what are your expenses? What is coming up? The most obvious one is taxes. People often forget about that. Tax situation today is very different from what it's going to be somewhere down the road. In fact, there's some pretty significant changes coming with estate taxes that we're talking to our clients about a lot. The current rules sunset in December of 2025. So planning for that is really important. And as liquidity events happen, it is critical that you think about that and how you plan for that in the next 5, 10, 20, 30 years. And obviously, the question has become, again, back to goals. What are your goals? Do you want to leave that money for your children? Do you want to leave that money to your favorite charitable cause, or do you want to spend it all? I've seen it all, by the way.

Ken White

I'm sure.

Biff Baker

That really is the first step.

Ken White

Before that step, do you reach out and try to put a team of experts together, or is this a conversation you have first with yourself?

Biff Baker

It is a conversation you first have with yourself. What are my goals? Because that will determine what team you want to put together.

Ken White

Got it.

Biff Baker

At MAI, we try to be that team so that it's the first phone call you make. When I was at Windfield, I quickly realized that I didn't have the team I needed behind me. We just weren't big enough to be able to do it. Joining MAI, I have a wonderful group of teammates, and I can call on several people who can help me with taxes, with estate planning, with accounting, with bill pay, with all the things that you might need from a set of advisors. It's wonderful to be a part of that team.

Ken White

Yeah, I'm sure. I can imagine being a client, right? I come in with all this sudden wealth. I'm not sure where to go. I need somebody who's been there to tell me how to do this.

Biff Baker

Right. We have a process, but it really starts with our client, right? What are your goals? Determine that first, then come talk to us, and then you'll have some idea of what advisors you need on your team as the client.

Ken White

We'll continue our discussion with Biff Baker in just a minute. Our podcast is brought to you by the William & Mary School of Business. The Financial Times, Bloomberg Business Week, Princeton Review, and US News & World Report have all named the William & Mary MBA program one of the best in the US and the world. If you're thinking about pursuing an MBA, consider one that has world-class faculty, unparalleled student support, and a brand that's highly respected, the William & Mary MBA. Reach out to our admissions team to learn which of our four MBA programs best fits you: the full-time, the part-time, the online, and the executive MBA. Check out the MBA program at

William & Mary at wm.edu. Now, back to our conversation with Biff Baker of MAI Capital Management.

Ken White

Why is it we read so often people who come into sudden wealth suddenly a couple of years later have nothing? What happens there?

Biff Baker

They didn't set their goals. They didn't realize that the goals had to be defined, number one, and number two, they didn't get the right set of advisors in front of them. So it's really that simple. Get your goals, Find the advisors, and then listen to them. I suppose that's the other thing. I will say that you always hear about athletes not doing well with that. That's not always the case. At MAI, we have, as I said, many athletes, and that's part of the process.

Ken White

How much of it is in the mind as well? I mean, that's got to change your psyche to have X amount and then 100X.

Biff Baker

It's a big part of it. That's a great question because, so often, when I talk to my clients, they think about cash flow. How do I get to that cash flow? I've always, for all my life, I've run this business for 20 years. Here's my cash flow. I need to have that cash flow, and certainly, in the past decade, interest rates have been so low that trying to match those assets and liabilities and get that cash flow to match, it was pretty tough to do. So, today, things have changed a bit. So matching that cash flow with the investments that we make, it's a little easier. But ten years ago, that was a really difficult conversation. Don't worry about the cash flow. You have a lot of money that's socked away here, and you should be able to live off of that on capital gains. It's a change in mindset. That's a great question.

Ken White

They're looking at a whole new dashboard now.

Biff Baker

A whole new dashboard.

Ken White

It's a whole new world. What do you need? What skills, talents do you and your colleagues need to be successful in your line of work?

Biff Baker

Well, it's funny. When people come to me and say, What's the most important thing in what you do? Is it math? Certainly, you need to know accounting. You need to have a rudimentary view of accounting and finance and whatnot. Most important skill is writing without question. You write an email, and it's permanent, and you need to be able to communicate clearly, concisely what the client needs to do or what we need to do on behalf of the client. Without question, that is the most important skill. Then, of course, listening, really, really important. So that, once again, what you write is exactly what the client wanted. Again, I think leadership is important, knowing when to step in when a client is making a mistake, that it's time to advise them out differently. They may not want to hear it. It may be one of those things where they think, really don't want to go that direction. But here are the reasons you need to tell the client: This is what you should be doing.

Ken White

What do you like about your work?

Biff Baker

My clients, without question. I love interacting with my clients. One of the things that happens, of course, in this business, it's wealth management. I get to meet extraordinarily successful, bright people, and learning about their lives, I often become. I know more than doctors know than lawyers know, and I know it first. Obviously, they place their confidence in me, and so I have to be very mindful of that. It's the greatest thing. It's so much fun to be a part of their lives as they go along the journey. I get to join their journey, and a lot of times, it's super interesting.

Ken White

That's similar to working in higher education, actually. Yeah, right? Very similar. How fun. Yeah, to watch someone's success is just such a thrill. For someone, maybe younger, a younger professional who says, This sounds interesting to me. I think this is something I might want to pursue wealth management. Where do they start? What advice do you have?

Biff Baker

That's, again, a great question. I think I would say study, have the basics, at least in college, get the basics, get accounting, get finance, a little bit of marketing. I'm hoping that at some point we're able here at William & Mary, to start preparing a undergraduate students for the CFP. At MAI, we hire a number of CFPs right out of college, and it's becoming a wonderful profession. I think there are any number of ways you can slice this, but I think the industry in wealth management is about a \$5 trillion industry in terms of assets under management. I think household wealth in the United States is about 50 trillion. If you start adding up endowments and whatnot, you could quickly get

to \$100 trillion in terms of wealth that's out there. It's an enormous market. There's a need, for all the reasons we've just talked about, for people who have sudden wealth. But there's also a need for people who don't have sudden wealth. Maybe that's more important than sudden wealth. It's that, hey, I know I'm going to be making X amount of dollars. I need to plan for retirement. How soon can I retire? I get that question all the time. It's funny. Sometimes, I'll have clients that have a lot of money socked away, and I'll have clients that don't have a lot of money socked away. The conversation doesn't really change all that much. Surprisingly, it's one of those things. The question is always, Am I going to run out of money? We need young advisors to come up and be able to answer those questions for people who are worth a lot and people who aren't worth a lot. So, the advice would be to stay with it and look to CFP; CFA is another great designation. But there are lots of jobs out there in these fields, and there will continue to be because this market's growing.

Ken White

That's our conversation with Biff Baker, and that's it for this episode of Leadership & Business. Our podcast is brought to you by the William & Mary School of Business, home of the MBA program offered in four formats: the full-time, the part-time, the online, and the executive MBA. Check out the William & Mary MBA program at wm.edu. Thanks to our guest, Biff Baker, and thanks to you for joining us. I'm Ken White, wishing you a safe, happy, and productive week ahead.

Female Voice

We'd like to hear from you regarding the podcast. We invite you to share your ideas, questions, and thoughts with us by emailing us at podcast@wm.edu. Thanks for listening to Leadership & Business.