

January 20, 2024

**Re: Our evolution to serve you ... a letter 35 years in the making**  
**Also see our four-minute video**



To: Clients and Friends of the Firm

### **Doing Good, Helping People and Providing Peace of Mind Since 1989**

This letter is about a journey of continual evolution as we build an institution to be here for you as you pursue your passions, make a difference, and build your legacies. The close of 2023 marked the completion of our 35<sup>th</sup> year. Many of the readers have been there for part if not all of this journey. Over 160 of you joined us in November for our 35<sup>th</sup> anniversary celebration. This letter shares with you some of that journey and what we have built to serve our clients' financial advisory and investment management needs into the future.

Goodman Financial began serving clients in 1989. Initially a two-person firm, we are now a 24-person firm. The fee-only fiduciary approach to providing financial advisory services was in its infancy back when Goodman Financial chose that route upon its founding. Most firms in those days were brokerage firms. While today many firms hold out as financial advisory firms, an article in the *Wall Street Journal* a few years ago reported that only 2% of firms across the U.S. are truly fee-only fiduciaries. Being a fiduciary subjects one to rules that require that client's interests be placed ahead of the advisor, something that we have been proud to have been doing since day one. This fits with our first core value of *always doing what is right*.

### **Built to Last**

In the early years, I was in every meeting and was occasionally asked "what happens if you get hit by a bus". When it comes to the proverbial bus, we have been getting the right people in the right seats (readers of Jim Collins will recognize the *Good to Great* reference). One might say I have been busy driving the bus. Lately, some have asked when I am planning to retire. That is not something that is contemplated for at least another decade. While my main role is firm leadership, we have developed an entire leadership team that each have responsibility for their respective areas, including financial advisory services, investment management, operations & compliance, and finance & human resources. While many firms in various professions have had a challenge developing a succession plan and are forced to either merge into a larger firm or close at the retirement of the founder, we have been purposeful in building a firm to serve our clients and their families for generations to come. That requires us to attract and retain top quality professionals. Doing so requires having opportunities for team members to grow. During much of our existence I was the sole shareholder and am still the majority shareholder. During 2023 we transitioned such that we now have six shareholders with ages ranging from their 30s, 40s, 50s, and 60s.

## **Investment in Scalability**

Planning and executing an investment in scalability has been a substantial multi-year commitment. Scalability in this sense means the ability to grow while maintaining quality and consistency. This investment was made so that we can be here to serve our clients for many years into the future. We tend to think of this as adding permanence, or in essence building an institution. Now beginning our 36<sup>th</sup> year, and our 28<sup>th</sup> year in the same location, I would suggest that we have had a good start at institution building. What started in an 800 square foot space now occupies 10,000 feet of space with professional offices, conference rooms, a training facility, and a collaborative space for our 24 team members. We have also made a huge investment in developing processes to support our scalability. This is important if we are to be true to our second core value of *embracing accountability to clients, team members, firm, and self*. Building this institution will allow us to serve our clients through their lives, and the generations that follow. We already serve many multigenerational families as well as extended family units across the country.

## **Investment in Technology**

We have long embraced the use of technology. Fortunately, when the Covid lockdowns hit in 2020 our team members were equipped with laptop computers and the ability to securely access our software and data remotely. As the pandemic continued, we further equipped them with dual monitors and ergonomic chairs for their home offices. We didn't stay locked down for long but went to a hybrid environment that we are continuing to embrace today. We have also made substantial investments in software for client reporting and management, research and trading, financial planning, tax planning and more. Between software, hardware, and data we spend approximately \$300,000 annually on technology. The investment in data is a more recent one and used in improving research and investment selection. In fact, we were using AI (artificial intelligence) and machine learning before those terms became common terminology. We have even leveraged our expenditures in the data that powers our neural network stock screening to develop a quant fund that will be an appealing offering for institutional investors and family offices.

## **Communication**

While one comes to expect a quarterly newsletter from their financial advisor, ours is unique, custom written, and includes timely topics by both the financial advisory and investment teams. Additionally, each quarter, along with the portfolio report, we keep clients informed via the quarterly letter which addresses the past quarter and issues expected to impact the near future. Also included is the quarterly Market Commentary and Economic Report to keep one abreast of the economic and market data that impact our decisions as they relate to one's portfolio. On a monthly basis clients receive the market commentary, in both print and short video format. My favorite piece, and something we have been doing for most of the history of our firm is the buy/sell write-ups, which explain each equity holding that is purchased or sold and the rationale of such transaction. It follows our long-held conviction that we should explain why we did what we did. The theory is that if we can't explain it in writing, we shouldn't be doing it. Chris Matlock, upon becoming chief investment officer, took this one step further by including price targets as well as the expected holding period for each new holding. The financial advisory team also regularly sends out communication on timely topics that are of interest to the general client base, while reserving most of their time for direct communication with individual clients.

## **Client Retention**

Serving new clients is certainly an element of growth. An even more important element is to retain current clients. One indicator of client satisfaction that I have focused on over the years is client retention. While we have always had a high level of client retention, averaging close to 97%, **we have just completed our third consecutive year of 99% client retention**, an indicator that we are serving our clients well. The other client retention stat that I am proud of is that every single non-profit client (endowments, foundations, and other organizations) that has engaged us in the history of the firm is still a client, meaning we have a 100% retention of our non-profit clients. In fact, a number of the past board members of those non-profit organizations have also engaged us for their own needs.

## **Supporting our Team Members so that they can Support You**

Recruiting top talent is one way that we strive to provide the best services and results for our clients. Making sure we develop and retain those team members is an important part of the equation. In 2023 we retained 100% of our team members. Besides providing competitive compensation in alignment with the profession, we also pay all costs relating to continuing education, certifications, and license fees. An even greater cost is our covering 100% of their health insurance cost, as well as contributing on behalf of each to the 401k plan. We strive to support team member growth via a multitude of training and educational events. Working to provide a great culture is also important, with us having many group activities from Wednesday lunch, book club, and group activities arranged by our F<sup>3</sup> committee (fun, family, Philanthropy), including movie night, rodeo, community volunteer events, and others. My personal favorite activity is the day each November when the team sits together over lunch, and each team member announces to which charity they wish to allocate their \$1,000 annual charity grant. They not only announce their selection but the rationale behind their decision. By the end of the session, we have all learned more about the many charitable organizations that serve the community, as well as the philanthropic priorities of each team member. One of our core values is *encouraging and expecting intellectual curiosity and a growth mindset*. Having a happy and healthy team (physically and mentally) allows us to best support our clients.

## **Philanthropy**

We have always assisted our clients in their philanthropic journey, whether as part of a tax planning strategy or in helping to develop their legacy. We have also served many non-profit clients, always donating a portion of their fees back to their organizations or to causes that they support. Total charitable support totaled about \$90,000 in 2023. Additionally, just before year-end I partnered with my good friend, Mike Viator, to initiate a program to fund 40 scholarships of \$2,000 per year to financial planning, finance, and accounting students at UH's Bauer College of Business. Bauer College has a variety of financial literacy programs to benefit students across the campus, incoming freshmen and their parents, as well as the broader community. We donated an additional \$20,000 to help support those programs. Students volunteering in those programs will be prioritized for receiving the scholarships.

## **Building a Practice on Referrals from Clients, Attorneys, and CPAs**

It is not a surprise that many of our newer clients have been referred by our existing clients. The approach as with any profession is that if you work to meet or exceed expectations, your clients will help their friends, family, neighbors, and coworkers by referring them when they have a need. Some of you reading this now may recall being introduced in that manner. Attorneys have also been a major source of referrals, with their clients having needs emanating from liquidity events such as selling a business or property, inheritance, or divorce. CPAs are notoriously hesitant in making referrals, in fact many in our profession avoid networking with CPAs due to their detail orientation and resistance to taking the risk of a referral. We embrace this group (of course we do given 8 of our 24 team members are CPAs) and thrive in knowing that with CPAs their trust must be earned over many years. They expect us to be detail oriented, proactive in our communication on tax matters, and collaborative in our approach. Thank you to all of those individuals who have referred clients to us over the past 35 years.

## **Mergers and Acquisitions (M&A)**

Some readers may have seen the May 2023 Houston Business Journal Article entitled *Goodman Financial growing, looking to position itself as an attractive M&A partner*. As with many professions these days, ours is one where smaller firms are being rolled up or acquired by larger firms. This is done in some cases as part of the succession planning process, and in our case to build scale. As noted earlier, we have already begun an internal succession plan by bringing five active team members in as minority owners of the firm. As such we have no plans or need to be acquired by a larger firm. Instead, we are poised to acquire smaller firms whereby the owners, team members, and clients of those firms can benefit from what we have built by investing in our own scalability. While not an acquisition in the normal sense, in late December, Paul Palmer, CFP® joined our firm. He was the founder of another local registered investment advisory firm and will be bringing with him a number of his long-time clients. Paul is well regarded in the profession and had previously served as president of FPA Houston, the local chapter of the Financial Planning Association. We expect to add other practitioners and firms to our team in the future.

We hope you have enjoyed reading about this journey and what we have been building to make sure that we will be here for you. Many of you have been part of this journey. If we can ever be of assistance or you have any suggestions on how we can better serve you, please feel free to call me or any of our team members (713-599-1777) or send me an email ([sgoodman@goodmanfinancial.com](mailto:sgoodman@goodmanfinancial.com)).

Thank you for your continued confidence in our firm.



Steven R. Goodman, CPA, CFP®  
President