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Chasing the dough: Former BMO executives who founded Toronto bakery return to Bay Street with boutique firm



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Two former BMO executives Andrew Auerbach and Jean Blacklock are returning to Bay Street with the launch of Delisle Advisory Group, a Toronto-based discretionary investment counselling firm that focuses on family estate planning for high-net-worth Canadians. HANDOUT

Shifting from baking to Bay Street, two former Bank of Montreal executives and co-founders of Toronto's Sticky Bakery are returning to their roots with the launch of Delisle Advisory Group, a boutique investment advisory firm focused on families and high-net-worth Canadians.

The former head of BMO Private Wealth Canada, Andrew Auerbach and his wife, Jean Blacklock, an estate lawyer who spent more than a decade working in Bank of Montreal's private banking arm, received approval this week from the Ontario Securities Commission to open a Toronto-based discretionary investment counselling firm.

Unlike the vast majority of traditional Canadian wealth managers, Delisle will operate under a fiduciary standard model, in which an adviser is required to put the interest of a client ahead of their own. As an investment counsellor with a portfolio manager licence, Delisle can operate like a registered investment adviser firm (RIA) – a type of U.S wealth manager that has seen an explosion in growth as it guarantees to put clients' interests first.

There is a growing interest in bringing the RIA model north of the border. Several major Canadian financial institutions, including CI Financial Inc., Wellington Altus, Investment Planning Counsel Inc. and iA Financial Group, have been keeping a close eye on the RIA model as clients increasingly look for financial planners who are held to a fiduciary duty.

In Canada, investment advisers at securities dealers are typically not held to a formal legal fiduciary standard. Instead, advisers must recommend "suitable" investments based on a client's broad circumstances. But while an investment might be suitable for a client's portfolio, it may not necessarily be the cheapest or best-performing option.

Mr. Auerbach says to avoid any conflicts of interest, Delisle will pay advisers a salary plus bonus and will offer them direct equity in the firm, but will not base compensation on commissions, as some other firms do.

"Advisers will have a significant stake in Delisle and a seat at the leadership table," Mr. Auerbach said in an interview. "We want individuals who share our passion around the client, who want to reinvest back into the areas that will benefit clients and want to have a voice in the future direction of the firm."

"This type of approach has been highly successful in markets like the U.S. and it was a natural step for Jean and me to bring this to Canada."

South of the border, RIAs are the fastest-growing channel in wealth management. There were about 17,650 RIA firms in 2020 managing roughly US\$6.6-trillion in assets, up from 16,565 firms overseeing US\$2.3-trillion in 2010, according to Boston-based investment research firm Cerulli Associates Inc.

Since his retirement from BMO in 2022, Mr. Auerbach has flown across the United States to meet with RIAs directly to discuss their business model.

"If you think about the traditional brokerage model in Canada, you have hundreds and hundreds of very distinct, individual teams," Mr. Auerbach said. "That is not what we are looking to do. We want to have partners who share the same cultural alignment, who believe in one business, not a business of micro teams. This model is one team, with one shared philosophy."

Mr. Auerbach and Ms. Blacklock will both be involved in the day-to-day operations of the new firm. Mr. Auerbach will oversee portfolio management, while Ms. Blacklock – who is a registered psychotherapist – will be running the family engagement services. A third former BMO private wealth executive, Sandra Henderson, has joined Delisle as chief operating officer.

The company is launching at a time when consolidation in the industry has shrunk the number of investment counselling firms. There are about 125 investment counsellors in Canada, as of 2022 according to data provided by Investor Economics, a research company that is part of ISS Market Intelligence. That is down from 138 firms that were operating in 2017. However, Investor Economics says the value of the assets the firms manage has been on the rise, with investment counsellors managing more than \$492-billion at the end of 2022, up from \$350-billion at the end of 2017.

Starting up a business from scratch is far from daunting for Ms. Blacklock. The Saskatchewan native first left Bay Street after 20 years to open her first confectionary shop, Prairie Girl Bakery, in 2011.

The popular cupcake store – located in the underground path beneath the financial district of Toronto – quickly grew to five locations before the COVID-19 pandemic forced Ms. Blacklock to close down the entire business. Less than a year later, around the same time Mr. Auerbach announced his retirement, the duo decided to relaunch a new venture – Sticky Bakery – this time outside the financial district, in a quaint corner store location in the west end of Toronto.

Sticky Bakery will continue to operate, but Ms. Blacklock – who completed psychotherapy training while managing Prairie Girl – is looking to dedicate her time to wealth planning around family dynamics. It is an area that has significantly changed for Canadian families, she said, with families having “fewer children, more common-law, same-sex and lone-parent families, as well as more dependent adult children and aging parents with complex needs.” But the wealth industry has not sufficiently adapted, she adds.

“The industry is going to look meaningfully different in the coming years,” Ms. Blacklock said. “There is going to be an evolution away from portfolio management in isolation, to and the next level of planning. And for us, the next level of planning is really about family dynamics.”

Unlike his wife, running an independent company is a big change for Mr. Auerbach, who retired after a 21-year career at BMO. He spent the final four years leading the bank’s wealth management division in Canada, which included BMO Private Banking as well as more than 1,000 advisers at investment dealer BMO Nesbitt Burns Inc.

Mr. Auerbach says he wants to move away from the “traditional approach” of compensating advisers based on the amount of assets they manage or the types of products they sell. Instead, he wants to disrupt the industry by building an adviser-owned firm that is focused on planning, rather than chasing the biggest book of client assets.

“There is a breakaway mindset where many U.S. advisers felt that if they were owners of the firm, they could be more direct to what they need to do for their clients,” Mr. Auerbach said.

“They wanted to be stakeholders. They felt the fiduciary standards were where they wanted to take their practices. And that is why we’ve seen such growth. My thesis is we are going to see this kind of

growth in Canada. We just need more competition in Canada, and we need different business models.”