

The TAFT tradition

Former CEO of RBC **JOHN TAFT** talks to Brunswick's **BEATRIZ GARCIA** about his family's storied legacy, and shares insights from 35 years in the financial sector

FEW FAMILIES HAVE PLAYED A MORE prominent role in US public service over the last 150 years than the Tafts (a few notable family members are highlighted on page 63). John Taft, a direct descendent of a US President, multiple Senators, ambassadors and a host of other senior public servants, has spent more than 35 years in the private sector working across the financial industry, as well as the public and not-for-profit sectors.

From 2005 until his retirement in 2016, Taft was CEO of Royal Bank of Canada's US wealth management unit, one of the largest financial services firms in the country. He also served as Chairman in 2011 of the Securities Industry and Financial Markets Association (SIFMA), a leading securities industry trade group.

During his decade-long tenure as CEO, Taft led the firm through the financial crisis, witnessing firsthand the toll it took on the industry, customers, and employees.

Taft was also recognized for his efforts to promote diversity and inclusion at RBC and in the financial services industry: in 2010, he was named Outstanding Corporate Diversity Leader by the National Gay & Lesbian Chamber of Commerce in the US. "It's pretty simple," Taft says, "if you don't do diversity well, if you don't have an inclusive culture as a business, you're simply not going to succeed in the 21st century."

In a recent conversation at Brunswick's New York office, Taft shared stories about growing up in such a historic family and his views on the values that he believes are absent from the financial sector today. He also discussed the societal and the demographic shifts transforming the industry.

What was it like growing up in a family with such a storied heritage?

There's no way anyone in my family could grow up and not recognize that our legacy was distinctive. I knew it from an early age.

When my great-grandfather [William Howard Taft] was President of the US, he bought land on the north shore of the Saint Lawrence river, about 90 miles north of Quebec City. Every summer, all my



cousins, uncles, aunts would congregate in this small community and we'd play tennis together, we'd go on picnics together and we shared stories about the Taft family.

The US public tends to be suspicious of authority that appears to be inherited rather than earned; is that a phenomenon you've had to confront?

The American public has decidedly mixed feelings about families like mine – democratic aristocracies, if you will. On the one hand, there's something about that kind of legacy that appeals to Americans – think of the Roosevelt or Kennedy families – provided that it's seen as the product of hard work, intelligence and a desire to do good for the country.

Where public attitudes turn negative is when individuals or families act as if it was their birthright to be treated differently, when they don't appreciate the privileged position into which they were born, when they don't feel an obligation to give back, "To

"The single biggest change agent in the financial services industry is demographics"

serve rather than to be served,” as the motto at the Taft School says.

And one of the things I’ve always admired about my family is that there were no pretensions to anything but meritocracy; you were expected to succeed on the basis of your intelligence, hard work, dedication, focus. I remember one uncle who drove flashy cars and wore expensive clothes. He was a black sheep of the family.

Is there pressure growing up in a family like that?

Looking back on it, I realize that kind of legacy can be a double-edged sword – you need to give it its due, but you also need to pursue your own path in life, to make sure you don’t make decisions based solely on the pull of that legacy.

I’m happy to acknowledge all the influences that my family’s tradition of public service has had on me. I’ve benefited from that and I think it’s made me a better person. At the same time, I feel like the life I’ve lived is my own life and I’m just as proud of that as I am of my family’s history.

What lessons from that heritage do you still carry with you today?

In any family there are explicit and implicit rules; the implicit rules tend to be the strongest and most influential. The thing that I inherited from this history of public service was a sense that it was my obligation to make a positive difference in the course of my life.

My father was a nuclear physicist who never had any aspirations anywhere close to political or public service, but he believed strongly that he was making a contribution to bettering human life by studying nuclear particles and contributing to the body of research. So that was one of the implicit rules that very much stuck with me: you need to do something with your life that makes the world a better place.

Do you think any of those lessons could apply, more broadly, to businesses today?

If I were to sum up my family’s legacy in one word, it would be integrity. My grandfather had a few nicknames: “Mr. Republican” was one of them, as he was seen as the embodiment of Republican conservative values in the ’40s and ’50s. Another one was “Mr. Integrity.”

In fact, there’s a chapter on my grandfather in John F. Kennedy’s book *Profiles in Courage* that talks about a stand he took after World War II which cost him not one, but two nominations for president. So the core principle of integrity, telling the truth,

behaving ethically, delivering on commitments – those were part of the ethic that I grew up with.

And I absolutely believe that one of the problems we face in America – and around the world – today is that too many businesses have failed to exhibit integrity in their dealings with their employees, customers and the communities in which those employees and customers live and work.

You’ve written about integrity, as part of a shift that needs to take place in Wall Street’s culture.

The word I’ve used to try to pick up and amplify this notion of integrity is stewardship – defined as responsibly managing what others have entrusted to your care.

The core principle of stewardship should be the foundation of the financial services industry – it should be baked into the culture. But every week, every month there are new examples that tell us unfortunately we still have a long way to go.

So there is an implicit social responsibility?

The role of financial markets and financial services at its core is very simple: it’s matching up people who have money – investors – with people who can deploy capital productively, managing the risks inherent in that and doing it in a way so that everybody wins. In other words, we are or we should be a means to greater ends. We should not be an end unto ourselves. Unfortunately, we in the financial industry all too often forget what our core responsibilities are in society.

What we saw during the financial crisis and the years leading up to the crisis was a wholesale breach of contract between the financial services industry and the rest of society.

The result has been punitive, an extended period of re-regulation that ultimately, if it doesn’t settle down, is going to compromise the ability of financial institutions to do what they’re supposed to do.

Do you think that the finance industry will be able to regain the trust it has lost?

I certainly hope so. The central conversation going on today is, “What do we want from financial capitalism?” We thought we knew what we wanted; we thought we wanted growth at any and all costs. It turns out we didn’t want that because it blows the place up every 10 years or so.

So if not that, what do we want? You’re seeing terms like social capitalism, inclusive capitalism, fiduciary capitalism, regenerative capitalism, to describe what we want from capitalism. And they

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NOTABLE TAFTS:

Alphonso Taft (1810-1891)

Great-great-grandfather

The patriarch of the Taft political lineage, Alphonso Taft was an attorney who served in two senior government posts under US President Ulysses S. Grant: Attorney General and Secretary of War. He would later serve as a minister to Austria-Hungary, and Russia



William Howard Taft (1857-1930)

Great-grandfather

One of Alphonso's sons, William Howard Taft was the 27th President of the US and later, 10th Chief Justice of the Supreme Court. He remains the only person to have served in both positions. According to the official White House biography of Taft, he considered the Supreme Court appointment his greatest honor, saying "I don't remember that I ever was President"

Robert Alphonso Taft (1889-1953)

Grandfather

The oldest son of William Howard Taft, Robert A. Taft served as a US congressman and Senator for a combined 32 years. While acting as Senate Majority Leader, he was also a candidate for president. Robert A. Taft remains the only Senator or House of Representatives member to have a memorial built on the grounds of the US Capitol



Robert Alphonso Taft Jr. (1917-1993)

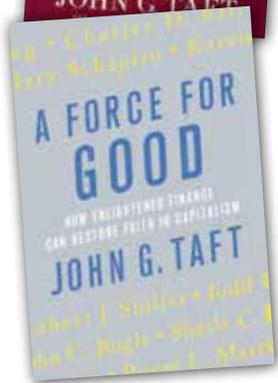
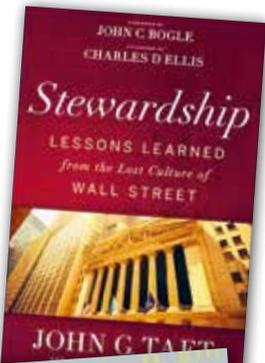
Uncle

Robert A. Taft Jr was the second of four sons to Robert A. Taft. Following his father's tradition, he served in both the US Senate and House of Representatives. His older brother William H. Taft III would serve as US Ambassador to Ireland

JOHN TAFT

John Taft spent 35 years working in the financial services industry. In 2016, he retired as CEO of RBC Wealth Management, US, the world's fifth largest wealth manager by assets, a position in which he had served since 2005.

Taft is the author of *Stewardship: Lessons Learned from the Lost Culture of Wall Street*. He also edited the book *A Force for Good*, which includes contributions from Nobel laureate Robert Shiller and Mary Schapiro, the former head of the SEC.



all come down to the fact that we want growth, but growth balanced with other social goals – growth balanced with income equality, growth that contributes to planetary sustainability and doesn't degrade the planet to the point where human life is no longer possible, growth that doesn't bankrupt future generations under a pile of debt for the sake of current well-being.

That conversation is one of the most important that we can have. Unless we can decide what we as society want our economic system to achieve we're not going to be able to have a financial system that is a force for good.

While CEO at RBC, you made a number of changes to promote diversity and inclusion. Why focus on those issues in particular?

Because they're absolutely essential. The world is becoming more diverse, not less diverse. If you are going to attract and retain the best employees, you need to move in the 21st century from merely accepting and tolerating differences, to respecting differences and ultimately celebrating and leveraging them.

Think about the basic paradigm of business and how it's changed. You used to have manufacturing companies with assembly lines producing a single product, and then trying to distribute that product to as many customers as they possibly could.

Today, that whole model has been stood on its head. Businesses now look at their clients and customers and break them down into various segments, sub-segments and micro-segments. And then they customize products and solutions that fit the needs and preferences of those tiny segments of customers.

Mass customization is about being able to recognize, understand and leverage differences. This means that if you don't do diversity well, if you are merely accepting differences instead of celebrating and harnessing them, you're not going to succeed today.

What are some other trends that are affecting the industry today?

Without question, the single biggest change agent in the financial services industry is demographics.

Baby Boomers control most of the wealth in the world today and are moving into and through retirement. Their focus has changed from accumulating wealth to living off the wealth they've accumulated. Making your savings last as long as you're alive is one of the most complicated and

intimidating challenges anybody faces. And it is changing the nature of the advice and products that the industry is delivering.

We also have a phenomenon where women are becoming increasingly important when it comes to controlling wealth; they're going to outlive the men in their lives and when they do they're going to make decisions about who manages their money and how it's managed. Our industry has done a very poor job traditionally at understanding and appealing to the needs and desires of women.

What about Millennials?

They don't control a lot of assets today but they will one day and they have a completely different point of view about what's important to them, how they want their money managed, and how they even want to communicate and interface with financial services firms.

Already, you're seeing firms communicate digitally, providing different types of services such as robo-advisers to make the landscape of wealth management more attractive and less intimidating to Millennials.

Are you seeing the traditional model of investing changing as well?

Without question. More money is flowing to strategies that have something to do with socially responsible investing than any other kind of investment approach. And we're seeing that money coming from individuals who want to make sure that as they're earning a return on their capital, they're making a positive difference in the world.

And this isn't just about Millennials either, it's about some of the largest pools of money in the world. Think about Norway's Sovereign Wealth Fund, which exists to provide for the people of Norway, improve their well-being in perpetuity.

Now, this fund is almost a trillion dollars in size, and it can't invest in something that degrades the planet to the point where the future of the people of Norway is threatened. This fund and others like it have to be socially responsible because of their mandate. They cannot faithfully execute their mission if they invest in activities that make the planet dangerous for people to live in, that increase inequality, or that bankrupt future generations for the sake of current well-being.

BEATRIZ GARCIA is a Director in Brunswick's New York office. She specializes in global media relations, reputation and brand management, with a focus on financial services.