



## The Challenges And Rewards Of Serving Native American Tribes

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In the mid-1980s, John Ulrich was a young broker at Merrill Lynch when he was handed a client that one of his colleagues didn't want deal with. That client ultimately sent Ulrich down a path that has helped define his career.



Ulrich, 64, is founder and CEO of Ulrich Investment Consultants, a registered investment advisor in Albuquerque, N.M., with assets under management of roughly \$1.8 billion. In recent years the firm has expanded with offices in San Antonio and Spokane, Wash., and its staff includes three certified financial planners, a chartered financial analyst and a certified public accountant. Its customer base includes the types of clients one would expect an RIA to serve, including high-net-worth individuals, business entities and institutional clients such as retirement plan sponsors, endowments and foundations. Perhaps its most distinctive client segment involves Native American tribes, which comprise about 40% of the firm's overall business.

Ulrich describes working with native tribes as a niche with many challenges—and rewards. Some of the six tribes in four states he works with are small, others are large. Some operate casinos, which provides a huge leg up. Others are more economically challenged. Ulrich's work is mainly focused on overseeing projects aimed at improving aspects of a tribe's social and/or economic well-being. And like any client, the tribes have their own dynamics and needs that require a flexible approach to customer service.

“They all have unique things they want to preserve, so I have to make sure I don't do anything that destroys something that's important to them whether it's the land, the culture, the people,” Ulrich said.

He recalled a time he was working with a tribe on a project and he said to someone, “We have to fix this and fix that.” The person he spoke to gave him a gentle rebuke.

“He looked at me and said, ‘You have to understand that you look at things around you and say it all needs to be fixed, but sometimes it doesn’t need to be fixed because that’s the way people want it,’” Ulrich said. “In this case, you’re talking about people with a high degree of spirituality and a much higher connection in their history with the roots of the land. They’re steeped in that tradition.

“The tribes are often torn in that they have their old ways and customs, and not all tribes want to get rid of that,” he continued. “It’s a struggle in how hard you go in trying to make everything in a way we think is better.”

### **Tribal Economics**

There are 574 federally recognized American Indian and Alaska Native tribes and villages, according to the Bureau of Indian Affairs, an agency within the U.S. Department of the Interior. The BIA says there are roughly 56.2 million acres that are held in trust by the U.S. for various Indian tribes and individuals. These comprise 326 land areas administered as federal Indian reservations, pueblos, rancherias, missions, villages and communities.

Federally recognized tribes are sovereign entities that can form their own governments, make and enforce laws on their lands, and license and regulate activities within their jurisdiction, among other functions.

The often-fraught historical relationship between Native Americans and the U.S. has created tremendous levels of socio-economic disenfranchisement for tribal nations on the whole. Statistics abound showing the high levels of unemployment and poverty—coupled with low education rates and a lower health status—in native tribal communities versus other demographic groups.

But the development of casinos and a growing hospitality industry on tribal lands has been a boon to many tribes. And a smaller number of reservations receive royalty checks from the development of natural resources on their land. While economic conditions have improved in many regards during the past three decades in what is collectively known as Indian Country, there’s obviously much room for improvement.

And that’s something Ulrich is trying to accomplish with his tribal clients. He said he had no first-hand interaction with Native American tribes until that day long ago at Merrill Lynch when folks from the Pueblo of Laguna, a tribe located 45 miles west of Albuquerque, walked into the office.

“The person who was assigned to them said to me, ‘I’m not sure what they want, but why don’t you deal with them because I’m busy.’ And I’m like, ‘OK,’” he recalled.

“I greeted these people, who were absolutely delightful and wanted some help,” he added. “They didn’t want to make trades; they wanted to talk about strategy and ideas.”

This conversation lasted a couple of hours, and it was Ulrich’s introduction to the world of sovereign native tribes.

“During our conversation I learned that they are governments, and it’s like having a small city in that they have to take care of their people and do all of these different things, and they have limited resources,” he explained. “They have to rely on what they can get from mineral extraction on their land, or anything that happens on the pueblo. I found all of this to be interesting.

“Eventually, I got them as a client because they told the office manager they thought it was better that I service their account rather than the other gentleman,” he said.

Ulrich said his Pueblo of Laguna client viewed him more as an advisor than a broker who was trying to sell them products. That prompted him to leave Merrill in 1992 and, with a couple of partners, start his own RIA firm called Medallion Investment Management Co.

They eventually sold Medallion to Loomis Sayles, where Ulrich became a portfolio manager and worked on a team. During that time, he acquired another native tribe as a client. Ultimately, both the new tribal client and the Pueblo of Laguna tribe got into the casino business.

“Gaming had come into the equation, and my clients became more than just smaller clients we helped with planning; they became significant clients because of gaming,” Ulrich said. “And they stuck with me. The more meaningful work I was doing was helping them set up funds as they were gaining wealth. It occurred to me that I shouldn’t be a money manager here; I’m much better off being a consultant.”

At that point he left Loomis Sayles and started doing consulting work for a different firm in 2000. “I decided I liked working with tribes and it was a significant part of my business and I wanted to focus on that,” Ulrich said. He eventually went out on his own and in 2007 formed what today is Ulrich Investment Consultants.

### **Team Approach**

Ulrich’s work with native tribes requires him to apply his financial planning skills on a more macro level.

“We don’t deal with many individual tribal clients,” he explained. “When we deal with tribes it’s at an institutional level. But they’re very unique in that it’s a family. It’s almost like dealing with a very large family office.”

Ulrich says his role is that of a fiduciary consultant, which he says differs from the work performed by big investment banks and brokerages that work in Indian Country.

“Let’s be frank about what those in the broker-dealer space can do,” he stated. “Most won’t act as fiduciaries, which we do. They’re primarily involved with investing the money. They have nothing to do with the tribal budget or coordinating the investment with the budget. No one is doing the level of consulting work that we do with the tribes.”

Ulrich describes himself as the quarterback who leads a team of tribal members and outside experts on matters ranging from retirement plan consulting and tribal member education to debt financing and economic development.

“We build long-term financial models and budgets for tribes based on their current needs and their population to help them to be economically sustainable,” Ulrich said.

“As part of that overall financial modeling, for example, when we see they have a huge need for homes we need to figure out how to fund that,” he added. “I get the tribe’s approval, and then I help coordinate a team of people who can help get that done. Some of them come from within the pueblo, such as the existing housing authority. Then I bring in outside folks who can provide assistance in areas such as the New Markets Tax Credit or the Low Income Housing Tax Credit.”

When it comes to helping tribes borrow money, restructure debt or do some type of financial modeling and analysis for a project, Ulrich often turns to the investment bank TFA Capital Partners. Formerly known as Tribal Financial Advisors, the firm was created in 2009. Co-founder and chairman Kristi Jackson has worked in Indian Country since 1995, and previously managed the tribal gaming finance efforts at investment bank Banc of America Securities’ (now BofA Securities).

She described a situation where Ulrich referred one of his New Mexico tribal clients to TFA to help build a tribe-wide financial reporting model. It had a number of different enterprises and each did its own financial reporting, but there wasn’t a centralized way to forecast the cash flows coming out of each of them on a consolidated basis.

“We built multiple financial models that the individual entities could use as a tool when they did their forecasting, but they were structured as such so that when it rolled up to the overall tribe it created a holistic picture for the tribe to understand its overall finances,” Jackson explained. “It seems like a normal type of thing a corporation would do, but it’s kind of a novel concept in Indian Country.”

She said there are a handful of independent RIAs that work in Indian Country, but she reckons none have the depth of knowledge, resources and dedication that Ulrich Investment Consultants brings to the table.

“John will go on a weekly basis and sit with a tribal council and walk them through details of things that go well beyond the bounds of someone who just manages the assets,” Jackson said. “He’s become a trusted advisor.”

Regarding Ulrich’s compensation when he works with sovereign tribes, he’ll charge a fee structure for project-only work that covers his time and effort. When it involves assets to be managed, that involves an advisory fee. “That fee is pretty much in line with what you’d see with an institutional account,” he said.

## Nascent Stage

Both Ulrich and Jackson have had front-row seats to the economic evolution taking place among sovereign native tribes during the past few decades, where the biggest impact has come from the growth of casinos. Total tribal gross gaming revenue was \$34.6 billion in fiscal year 2019, representing a 30.6% rise since 2010, according to the National Indian Gaming Commission. Jackson said much of the gaming revenue initially went toward paying down debt accrued to build casinos, but for the most part those debts have been paid and the casinos now generate positive cash flow. The next step is using that money to create a trickle-down effect to improve a tribe's overall quality of life.

“Even though they have resources coming in, they're still in a nascent stage of figuring how to best manage them,” Jackson said.

And given the body blows that casinos took during the pandemic, tribes with casinos are asking how they can diversify their economies. But some tribes that don't have gaming as a backstop are still grappling with ways to generate any kind of meaningful economic existence.

“We have a tribal client in Montana that are great people, but it's hard to move anything forward because they're so isolated that even a casino won't work there,” Ulrich said. “It's a tribe that could extract minerals from the ground that could create some economic benefit, but they spiritually and culturally don't want to do anything to harm the water or the ground. It's kind of a tug of war between the native culture and the modern world.”

Another vagary of dealing with native tribes is that tribal leaders are often elected on a short-term basis. “In some cases you get stuff going in order to do a project and then those leaders might leave after a year or two, and then new people come in and sometimes you have to start over again. It can be challenging to get a long-term vision in place that you can stick with.”

Nonetheless, Ulrich finds the work very rewarding, and he has been imparting his knowledge base to staff members at his firm because he aims to expand his tribal client base. He says he doesn't cold call tribes for business, but instead gets the word out by speaking at conferences and establishing referral networks with other professionals who work in Indian Country.

“My goal over the next 10 years is to be the premier provider in the country of the types of services we provide,” he said. “Everybody can do wealth management, but I think we're uniquely positioned to offer full-service consulting with sovereign tribes. I've been involved in every aspect of what a tribe can be faced with, and I have the ability to help bring to fruition what they need.”

He says he enjoys working with both tribal and non-tribal clients, and he doesn't want to play favorites. But he hinted that working with sovereign tribes enables him to accomplish outcomes he likely wouldn't achieve doing traditional RIA-type work.

“My private clients make their wealth, and we’re just kind of helping them get from Point A to Point B. And that’s very important, don’t get me wrong,” Ulrich said.

“But when you think about doing something 15 or 20 years ago that got more kids educated or got people interested in getting a health clinic being built, that’s really cool stuff. All that our firm does gives me satisfaction, but where I’ve had the biggest impact on people’s lives is probably the work I’ve done with tribal communities and helping them advance on what they want to do.”