

On Tax—Albert Chang of RBC Capital Markets

Len Teti: Welcome to On Tax—A Cravath Podcast. I'm Len Teti, a partner in the Tax Department of Cravath, Swaine & Moore, a premier U.S. law firm based in New York City.

On each episode of On Tax, I talk to professionals in the Cravath network about their life and work in the world of tax. We focus on the human side of tax law, highlighting the people, connections and stories that make this space such a fascinating and dynamic area of practice. I hope you enjoy this episode.

Today, we're joined by Albert Chang. Albert is Managing Director and the Head of M&A, Tax and Structuring Advisory at RBC Capital Markets.

Albert, great to see you again. Thanks for joining us. Welcome.

Albert Chang: Thanks for having me, Len. Great to be on your podcast.

Len: It's our pleasure. Happy to have you here.

So, tell us, Albert, how far back do we have to go in your life and your career to hear about how you got put on the path to tax law?

Albert: I was thinking about that as I was preparing for the podcast this week, and there's a couple different answers, but I would say probably before law school for me.

In college, I was an engineering major. I grew up in the San Francisco Bay area, so right around Silicon Valley, in close proximity to the tech world.

But I decided fairly early on in college that I had an interest in law school and wanted to attend law school. So, even though I was trained as an engineer, I knew that that's not what I wanted to pursue as a career.

So, applied for law school and attended law school right out of college.

So, as I was preparing to go to law school, one of the most frequent questions that I received was, "Are you going to do intellectual property law or patent law," or, you know, something related to my undergraduate major.

At the time, I didn't really know, to be honest. I wasn't necessarily set on that. I ended up attending Columbia Law School here in New York City.

And getting to law school, it was either, "OK, I'm going to do what a lot of Columbia Law School students had their mindset on, which is go into the corporate M&A world or possibly do something related to my undergraduate background and do something related to the tech world."

Tax was not on my mind at all. And actually, even before I entered law school, when I was attending some of these admitted students events, I recall sitting in on a speech by the dean at one of these schools who was speaking to all of these perspective incoming students.

And one of his messages was, "Hey, keep an open mind about where your legal career could go because there's all kinds of things out there that you probably don't even know exist right now, that could become of interest."

And I remember the specific anecdote that he told the audience was, "Very few of you probably know what tax law is, but some chunk of you will one day become tax lawyers."

Certainly I did not have that mindset of, "I'm going to become a tax lawyer." I was one of those students that didn't know what it was.

My entry into the tax world really came because I was told that if you're interested in becoming an M&A lawyer, you should probably know something about tax.

And so, quite a few of my classmates who were dead set on becoming M&A lawyers, they all took the tax class as well.

And I was pleasantly surprised when I actually took the class that it was a class that was deeply interesting and fascinating to me. There was a real logic to how the tax law worked.

There was a real problem-solving element. There was a little bit of basic math involved, but not a ton, but enough I think, to make it a little bit different from what other law school courses were offering.

And, long story short, the deeper into the semester I went, the more I realized, "Hey, this is something that's really interesting to me and I think I'd like to make a career out of it."

Now, at the time, a lot of law firm recruiting for your 2L internship happened in August and September, if I recall correctly.

Len: Right, of your second year.

Albert: Yeah, at the beginning of your law school second year. And so, this is before you've had really a chance to take any elective courses. So, this is before I signed up for this particular tax law class, which was just basic federal income taxation.

For those listeners who don't know, I was a summer associate at Cravath and an associate [at] Cravath. When I had recruited for my summer associate job, I told the recruiting folks, "Hey, I think I'm interested in corporate, that's what I'd like to do for the summer." And that's where I received my offer and accepted my offer.

So, it wasn't until really halfway through the academic year that I realized this tax thing might actually be interesting. And so, at the conclusion of that fall semester, I decided, "Hey, I want to see what this is all about in the real world, and I'd like to see what practicing as a tax attorney would be like."

I actually called the Cravath recruiting team that winter and said: "I told you previously in the fall I wanted to do corporate, but I took this tax class, it was really interesting, I'd like to explore it. Can I join you for half the summer in the Tax Department?"

And initially the response that I got was, "Well, at the moment, we're full in the Tax Department. We had a lot of interest and those slots are taken." So, I said, "OK, well, keep me posted." And they said, "We'll keep you in mind."

And what ended up happening was, probably a month or two before summer started, they called me back and said, "Hey, actually we do have a spot. Would you like to take it?" And I gladly accepted.

And that was really my entry into the tax world—ended up having a really interesting and great summer experience and the rest was history.

Len: Let's pause here. I want to unpack a couple of things. The first is when you mentioned one of those deans talking to a group of prospective law students about keeping their mind open. This was probably 15 years ago that this was said, and it's more true now than ever about the value of keeping your mind open, because the law over the last 25 years, and certainly over the 25 years before that, has broadened. There's all sorts of different specialty areas. It's no longer just tax or IP.

Now, my law school, they have a whole center around ocean and maritime law. And there's all these areas of law practice that are not necessarily well suited to first-year associates, but are very well suited to people who are trained under good lawyers at good law firms after a couple of years.

And so, I think it makes sense for law students to keep a very open mind about where their law career can take them just within the law, set aside the other places a law career can take you. And in your case, we'll certainly see how that develops.

But the second point is really a credit to you, and that is: as you experienced tax as a second-year law student, you were not afraid to speak up. And that can be very intimidating for a second-year law student who's got a job at a great law firm already, to just not rock the boat.

"I seem to be liking tax, but I've already got my job and I've already given people my word about the practice area I want to be in. I'm just going to kind of keep my head down and I'll show up and I'll get through this."

I think that's the wrong approach. I mean, there is certainly a way to express interest, there's a way just to stay in touch with the people that you're going to be working with and it's totally OK to both change your mind or at least express a curiosity.

And when you think about it from the firm's perspective, the firm has no interest in bringing on somebody for a practice just because that's what they wrote down when they interviewed, when their interests have changed.

If any firm made you do that or any associate came because they felt like they couldn't raise their curiosity in this other area, that person is very likely to end up just not staying for very long, not really benefiting from the experience and not being a productive and useful member of the team.

So, I think it's really to your credit that you had an opportunity to say something and that you did.

I think people need to understand that that's actually more the norm than they expect. And it's not necessarily the case that people are locked into the thing that in August of their second year they said they might be interested in doing.

Albert: I think that's a great point, Len.

When I approached Cravath about switching my preference for which department I was going to work in, it was well received.

Even when they weren't sure they had a spot, the Firm was very open to hearing out that interest and seeing if something could be done. And I imagine most firms are in the same boat.

Len: OK, so, now, you're at Cravath, either as a summer associate or as a first-year associate. I recall that you were a couple years behind me—we were associates together.

Tell me what you remember about the first couple of things you were asked to work on, or when did you really start to realize that, "Hey, I like not just what I'm doing but I like seeing what other people are doing around here"?

Albert: Yeah. So, when you first start out as a young associate, there's a ramp, as you know, where the types of tasks that you are given have a certain logic to it.

Meaning, the initial assignments that you work on are a little bit more friendly to a young lawyer. They're a little bit easier to learn. It doesn't necessarily require learning 20 different things at the same time.

But if you were to review a specific document and have maybe 10 things that you needed to check, say some sort of offering memorandum or a legal document, you kind of start out and ease your way into certain kinds of tasks that maybe have more discrete elements to it.

And, over time, I think through those tasks, you begin to expand your knowledge of the substantive area of tax law. And as that knowledge grows, if you have good bosses and good partners and good senior associates, they can also track your development and sense when you're ready for different types of assignments.

And so, I think my case was no different. I started out doing a lot of securities work, which I think is a little bit easier of a transition for a new lawyer.

And, over time, as you begin to develop a broader knowledge base in different areas, you get brought into different types of more complex transactions.

So, more M&A types of transactions, or, in the tax world, a lot of the more interesting stuff revolves around corporate separations. So, carve outs, spinoffs, those types of tax-free spinoffs and those types of transactions.

And so, eventually, after I began to get more of a footing in terms of underlying tax and the types of tasks that lawyers do and the tax law that you need to know, folks like Steve Gordon and Lauren [Angelilli], and even at the time, yourself as a senior associate, would bring me into more multifaceted, complex deals that had probably more difficult tax issues that needed to be solved.

Len:

It seems to me that you're very well suited for that work, but you're also very well suited for the work you're doing now, which is on the advisory side at an investment bank.

I want to talk about this, but first I want to prepare our listeners because they've heard this story many times before. We've had former Cravath associates who became investment bankers in a tax structuring practice on before.

And the point to remind people about is: in the mid-2000s and thereafter, there were only a few banks that had this capability, and other banks began to realize that they wanted to grow it.

And they ended up, for various reasons, hiring tax associates after three or four years of experience at the top law firms. And Cravath was one of those where we sent a lot of associates to those areas.

So, tell me how you started to tune in to this dynamic in the marketplace and what you started thinking about and telling yourself about your skills, your interests—how this developed in you while you were an associate here.

Albert:

So, my story is very serendipitous, I think. I got a call from a recruiter while I was out on vacation. And I came back to this voicemail.

And as you know, Len, when you're a law firm associate, you get a lot of calls from recruiters and typically they are other jobs in the legal world. This one was a little bit different.

The message from the recruiter said, "Hey, we've got an opportunity outside of the world of law: you would still be able to use your background, but it's a job within the investment banking world where you'd be advising on the financial advisory side." That was enough to pique my interest.

I think at the time, I was vaguely aware that there was this thing out there that certain former tax lawyers were going into, but that was literally the extent of my knowledge.

And when I got that call, I responded to the message mostly out of curiosity more than anything else. But I also looked up our Cravath database and found that a few of our own alums had gone into this world, and one in particular at the firm that I was being recruited to.

So, I got the call, and JPMorgan was hiring, and that's where I started my career as an investment banker. And Darren Heil, who was my colleague at JPMorgan for many years, was also an ex-Cravath guy and he was in that Cravath alumni database.

And so, Darren ended up being a very helpful resource for me to learn about what the job was, how it was similar to practicing as a tax lawyer, but also the ways in which the job was different.

And ultimately, to get to your question of how it fit for me and my personal interests, what I found was the appealing part of that type of role was that I would get to take on what to me were the most interesting parts of being a tax lawyer: problem solving, trying to find solutions for difficult problems—but being able to marry that with this financial element that tax lawyers have less exposure to.

But something that I think I had always had an interest in, maybe because of my more quantitative background as an undergraduate, but also, just general interest in finance and business issues.

So, to me, it was this very attractive opportunity to marry two complementary interests in the same role.

Len: Do you remember what the partners said here when you told them you were going to go do this?

Albert: Yeah, Steve Gordon was the first person I told.

Steve sat down with me, and he had a great response in the sense that he didn't react right away when I walked into his office to tell him, "Hey, I've decided to take this new job at JPMorgan."

He just kind of sat back and listened for five or 10 minutes while I described the process and what led up to my decision.

And he asked me a few questions along the lines of, "Why are you interested in doing this? How does this fit with your own professional goals? How do you think it compares to being a tax lawyer?"

I also had a young family at the time, so he asked, "What does Sophie [my wife] think about this and how is this going to fit within your personal life?"

But he really didn't have any immediate reaction aside from hearing me out and listening to me speak.

And after about 10 or 15 minutes, Steve kind of absorbed all that and told me, "Well, I can tell you've given it a lot of thought and here are some important factors that I think you should consider when making career decisions."

And he kind of laid out various things that you might expect for this type of decision, including career trajectory, how does it impact family life? Here's the type of work you'll be doing, here's what career advancement opportunities could look like in either place.

But ultimately, I found his response to be very supportive. There wasn't this sense of like: "Oh, why are you switching careers? Why are you not becoming a tax lawyer anymore? You should stay here."

I didn't get that type of response at all, but it was very much a response that I think was centered around my interests and my professional development. And that's something I'm very grateful for.

Len: That sounds a lot like Steve, actually. And in my position now, I'm the recipient of these kinds of conversations. Associates will walk into your office without a lot of warning and tell you that they're leaving to do these fantastically interesting things.

And one of the things I've come to understand is that, first of all, there are a lot of different ways to live life as a tax lawyer. Doing this podcast has helped me kind of relearn that as I talk to all my guests.

And also, it's part of the way law firms like Cravath are set up anyway. The whole idea is that we are taking the best and brightest out of law school, even in a quote-unquote narrow specialty area like this.

And we are training people up over the course of two, three, four years to be very flexible lawyers, to be lawyers who think broadly about legal problems and transactions of all different kinds. That gives people a lot of choices and it's totally OK for those people to leave.

I was struck when I interviewed David Ware on our last season that he was very nervous about going in and having this conversation with Steve. He said in the conversation he was worried Steve was going to fire him on the spot. I suppose that's understandable.

On the other hand, after working with us for like two weeks, one should understand that we're not the sort of people who are firing people on the spot. We're very interested in one's development both inside this building for the time that we have you, but also for your development over the long term.

And it seems like, as I've stayed in touch with you and Darren and David and all these other people who've been on the podcast and others, I continue to relearn the lesson that life is long and one's professional career is long—even if we work together really closely once, we will all go on to do different things.

Albert: I think what you said really resonates with me as well. It's one of those life lessons and realizations that can seem very obvious at this stage in our career, when you've had a chance to mentor people and be on the other side of the desk.

But what you said and what David experienced in his situation, I can very much relate to. I think I had a very similar feeling walking into Steve's office. This feeling of anxiety, trepidation, not really sure how the other person will react.

But if I were to go back 15 years or whatever and tell my former self, I would tell that individual, "Look, you will one day be on the other side of that desk, and I can guarantee you, 95% of the time the other person will be far more interested in helping you personally and professionally than trying to eke out some type of perceived incremental professional gain for themselves or their company."

And the reality is, at places like Cravath or other similar companies, there's a lot of talented people. And my presence there was not going to make or break the Cravath Tax Department or any similar department.

And so, what I would tell my younger self or anyone in a similar situation is just to reassure them that in the vast, vast majority of times that the people out there, your bosses, your mentors, they're good people and they're going to have your best interests at heart.

Len: That's great advice. So, now, you left Cravath, when was that? 2012?

Albert: That was 2012, that's right.

Len: So, you've now been a banker for 12 years. I wonder if you can tell us, what's different about the job that you're doing now versus when you were a tax lawyer here?

And what do you think are some of the complementary skills that you continue to use and sharpen, versus skills you don't use very much anymore? How have you experienced the transition?

Albert: Yeah, that's a good question, Len. So, I would say, broadly speaking, there's two big-picture differences about the job. One relates to the underlying substance of knowledge that you need to do the job.

My role within investment banking is to be somewhat of a subject matter expert—but it's not strictly on tax, it's really on tax and other related complex structuring problems that come up in M&A and capital markets transactions.

So, that can be, for example, regulatory- or financing- or capital markets-driven. Tax is a big piece of that, but it's not the only piece.

So, the first area that I would say is just different about my current role compared to being a tax lawyer is the area of knowledge that you have to be fluent in.

In my current capacity, I would say it's a much broader knowledge base that I'm tasked with advising our clients on. The depth of that knowledge, I think, is certainly not as deep as what tax lawyers are asked to do.

It's more areas, but having a degree of familiarity as well as a degree of knowledge that allows you to be effective and functional but not necessarily to the same depth as someone who has to render a legal opinion, for example. So, that's one area where the two jobs are different.

The second thing that's different between investment banking and law firm relates to the nature of the business model.

In the investment banking world, we take on engagements on a transaction-by-transaction basis and then we typically structure our engagements with an advisory fee that ordinarily is success-based.

So, if the transaction happens, there is an advisory fee that's rendered, and if not, that fee is either not paid or deferred to a future date. That's a different business model than the law firm world, which ordinarily bills on billable hours.

The only reason I bring that up is because I think that has some practical impacts on how we spend our time day to day.

One of the adjustments for me when I went from the law firm role to investment banking was realizing that the revenue side of the business in the investment banking world was much more episodic, and therefore it was very competitive to try to win business because either you would be engaged as an advisor or you wouldn't.

But the outcome was much more binary compared to what I was accustomed to in a law firm world, which was: people are paying for your time, you're there to give advice, and regardless of what ultimately occurred with the transaction, you were basically paid on an hourly basis.

And so, the upshot of that is, in the investment banking world, we spend a lot of time trying to come up with creative solutions for our clients, trying to get in front of and be helpful to them even when there is no immediate transaction on the horizon.

In part because we want to become a trusted advisor and be thought of when that future transaction comes along.

And so, as a practical matter, that impacts a lot of the way in which we allocate our time day to day and the types of solutions and ideas that we're trying to come up with for our clients.

I will say, an interesting aspect of the job, professionally, is, sometimes even when those ideas don't ultimately end in a successful transaction, oftentimes it can still be a very interesting and fulfilling intellectual exercise, for one.

And also, that type of work typically gets remembered by clients, so that if you've put in good, thoughtful work for your clients, they will try to remember that down the road when there is an opportunity to work together again.

For a variety of reasons, bankers are very much willing to invest their time in those types of projects, even if the prospect of a successful outcome in the end isn't always clear at the outset.

Len:

Let me make a point here that is worth emphasizing for the lawyers, actually. You're certainly right that the revenue profile of investment banks differs from law firms because law firms tend to keep track of their time by the hour and for the most part can bill and collect that time. It's not always true, but it's often true. It's almost never true at the investment banks, as you say.

But the principle of taking care of your clients between transactions is not just a revenue principle, right? The principle of taking care of your clients between transactions is about deepening your network, deepening your relationships, understanding your clients' business better, and, as you say, being front of mind at clients when they then have a major transaction they want to talk to you about.

And so, it seems to me that it's a lot easier to keep a client you already have and deepen the relationship than it is to go out and find a new client and convince them to hire you for the first time.

And that is something that I think a lot of lawyers, a lot of bankers, a lot of professionals who are selling their advisory services, don't really fully appreciate.

And so, in between transactions, if you see something in the news that reminds you of a client or you have any particular reason to reach out to a client that's not related to a transaction, there's no good reason not to do that. You should try and stay connected.

Albert: Yeah, and clients notice that kind of thing. If you reach out to a client unprompted but with an observation that is related to their business or related to some of your past conversations, they realize, "Hey, Len or Albert, they're thinking about me."

"They're thinking about what could work for my company and my situation." And again, as a client, I think that's a very reassuring reminder and something that can only help bolster that client relationship.

Len: Here's another point: sometimes tax directors will reach out to you with a question. They need help and they're asking, "Hey, did you see that deal that was signed this morning? Can you try and figure out what's going on in that deal?"

Sometimes that is because they are naturally curious. Other times, it's because their boss, the CFO, has just asked them at 8:30 on a Monday morning, "Hey, this deal was just announced, we've got to figure out why our competitor just did this deal this way and what's going on with the tax."

And if you can help somebody like that over the course of an intense four-hour period before their lunch meeting with their boss—don't even keep track of the time, just do it. That will get you a client for a very long time. That will deepen a relationship with you.

And, you know, making somebody look good in front of their boss is always a good idea. And those opportunities can come up really without warning, but you don't have to be a 20-years' experienced Cravath partner to be able to take advantage of those opportunities when they come across your desk.

Albert: That's 100% spot on, Len. And when those opportunities come across, I would highly encourage your listeners to really have a long-term view. I mean, I think we should be grateful when those opportunities come up.

And actually, in our business, what I tell our younger investment bankers, our analysts, our associates, our VPs—it's frequently the case in our world that when we work alongside a client, there tends to be relationships developed in parallel across teams.

And so, the managing director on the deal team might have a relationship with the CEO or the CFO, but frequently it's the case that if you're a mid-level VP on the investment banking side, you may have a very close relationship with the director of FP&A or someone that reports to the CFO.

And what I tell all of our juniors is, "You should really invest in that relationship because even if that individual is not necessarily a decision maker today, eventually, enough of those individuals will become powerful decision makers 10 years from now."

And that will probably also coincide with when you, as an individual professional, are also in a more senior position. So, in a lot of ways these transactions and these advisory experiences, they're opportunities to grow together with the client.

You know, as a young investment banker, oftentimes you kind of look up at your group head or your managing director and you say: "Wow, this person has a great relationship with the CEO. One day, I want to have that."

Well, once upon a time, the managing director was not a managing director, and once upon a time, that CEO was not a CEO. And I've seen countless examples of those types of relationships that started out when both professionals were much earlier in their career.

So, that's advice that we give to all of our younger up-and-coming bankers. And I think there's plenty of examples we could point to where that's worked out really well.

Len: It's great advice, it really is great advice. And I think, especially for tax folks, there is a temptation to believe that, well, "How can a tax person bring in a meaningful transaction, or how can a tax person's relationships help either the top line or the bottom line at my law firm or at my investment bank?"

And the answer is, the same way anybody's relationships or connections can affect the top line or the bottom line.

And I think it's important for people to understand that we're not just tax, we're sort of deal people. And I think probably these days, you don't think of yourself as a tax person first, you think of yourself as a client relationship person, as a banker, as an advisor, as a trusted source of support for all sorts of transactions that really have nothing to do with tax.

And I think the sooner young lawyers broaden their own perspective, when they look in the mirror about what's looking back at them, I think the better for these types of business development and longer-term networking questions.

Albert: I know you talked about this with your other podcast guests, Len, but a common characteristic of good lawyers, and good tax lawyers in particular, is they think of themselves as advisors rather than necessarily a person who's just there to answer a very specific or narrow tax question.

And sometimes you have to be that. There are circumstances when sometimes the job requires you to just come up with the answer.

But frequently it is the case that the most effective tax lawyers and the ones that have long-lasting client relationships are the individuals that really embrace that mentality of: "Hey, I'm your advisor, I'm going to think holistically about your problems.

"My background and my expertise happens to be in tax. But, more broadly, I'm here to help you with the situation at hand and think not just about a very discrete, narrow tax question."

Len: One last point, not to belabor this too much, but you don't do it by wearing a button that says, "I'm your advisor."

You do it over the course of years by acting as their advisor, by being there for them late nights, weekends, before big meetings with their bosses, and making sure they know that you and your team are there to help support them.

When they know that, they know they can always call you and they can trust you to jump in and help them. That's the point.

Albert: The other thing I would tell your listeners that happen to be tax professionals is you probably know more than you realize, outside of tax.

If you are working in a law firm and you're doing M&A work or capital markets work, there's a temptation, I think, to think of yourselves as the tax person and that's where your expertise lies.

But if you do enough deals over time, you probably have a broader experience base and knowledge base that can be useful and can be leveraged than maybe someone might think when they see your profile and they see that Len is the tax lawyer.

Len: That's right. So, Albert, in the few minutes we have left, we always like to talk to our guests about what they do when they're not doing tax. So, when you have some downtime, how do you fill it these days?

Albert: Well, I'm in a life stage that's, I think, very busy, which I'm very grateful for. I've got two kids, one is a high schooler and one is a middle schooler.

And so, as you know, Len, from your own family, oftentimes the calendar of activities can get very busy. But that's something that I've really learned to embrace and enjoy.

So, I try to set aside time for family stuff. Frequently, it's attending a sporting event or an afterschool drama production or different things related to what my kids are doing.

So, as a practical matter, these days that is a big source of where I dedicate my life outside of work.

But I would say, more generally, my wife, Sophie, and I, we've lived in New York City for about 20 years now, and we just love exploring the city. We love to eat, we love to try new restaurants. Still, even after two decades, there's places in the city that we have not been.

And then as a family, when you've lived in New York City for so long, you do need to get out of the city every once in a while. And so, we try to make time to do outdoor activities, whether that's hiking or, during the winter, sometimes we'll do winter sports and skiing and things like that.

Len: That's great. Well, today our guest has been Albert Chang. Albert's the Managing Director and the Head of M&A, Tax and Structuring Advisory at RBC Capital Markets.

Albert, really great to catch up with you. Thanks for being a guest here on our podcast.

Albert: I appreciate you having me, Len—it was great speaking to you.

Len: That's all for this episode of On Tax—A Cravath Podcast. You can find us online at cravath.com/podcast. And don't forget to subscribe on Apple Podcasts, Google Podcasts or Spotify. If you enjoy the show, please consider rating or reviewing us wherever you listen.

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