Merger activity for independent U.S. wealth managers up 10 percent: study

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Merger activity among independent wealth management firms in the United States hit an all-time high in 2016 as more of the industry's aging workforce retired, the economy strengthened and more advisers were able to obtain financing for acquisitions, according to new study.

The report, published this week by the industry consultant firm **Echelon Partners**, found that 138 independent advisory firms completed deals last year, a 10 percent increase over 2015 and the fourth consecutive year the figure has gone up.

The actual number is likely much higher, the study found. Deals are difficult to track because private firms do not have to report them, and acquisitions that occur within firms or between small firms are often not publicized.

About 43 percent of advisers are 55 or older, and many older advisers opt to sell their business before they retire so they can work with clients for a few years to make a smooth transition.

This, combined with the continued strength of the stock market, pushed many entrepreneurial advisers to view 2016 as an optimum time to sell their businesses for the most money, said **Dan Seivert**, Echelon's chief executive.

While the study tracked deals for firms that managed $100 million or more in client money, nearly 17% of the firms had more than $1 billion in assets under management.

Most often the buyers were other independent wealth management firms.

However, more than 60 private equity firms were involved in deals since the financial downturn, and most of them were for billion-dollar or larger firms.

"(Private equity) is playing a larger role," Seivert said, adding it will likely make the independent wealth management industry more cutthroat.

"Because they have expectations around their returns and growth rates, they are more forceful in making growth happen. That makes for more powerful competitors."

There are roughly 11,400 investment advisers registered with the U.S. Securities and Exchange Commission, according to a 2015 report by industry groups the Investment Advisor Association and National Regulatory Services.