

BRING BUYERS AND SELLERS TOGETHER

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When Richard Brown looks at his advisory business, he sees a robust future. He expects his

Minneapolis firm, which currently has about \$300 million in assets under management (AUM), to reach \$600 million—perhaps even \$1 billion—by 2011.

Recognizing that the landscape has changed and growth potential is not what it used to be, Brown, who is the Chief Executive Officer of JNBA Financial Advisors, Inc., says, "That's a lofty goal." The market correction over the last year has dented asset values and revenues at even the best-run firms. Projections of an AUM line rising smoothly upwards have had to be scaled back.

As a result, Brown has adjusted his thinking about how to reach his goal. Organic growth from existing clients will provide only half of the new business. The other half, he says, will have to come from acquisitions.

That's why the launch of the TD AMERITRADE AdvisorLinkSM program represents a critical missing piece for Brown, and potentially for other advisors who custody and trade through TD AMERITRADE Institutional. The new program, created in collaboration with **ECHELON Partners**, a third-party investment bank specializing in M&A transactions for wealth management firms, was launched this past spring and will help qualified advisors on the TD AMERITRADE

Institutional platform, as well as qualified prospective RIAs, who are looking to sell or merge their practices with other independent advisors.

"Many advisors want and need assistance with these often complex and intimidating transactions," says Zohar Swaine, Managing Director at TD AMERITRADE Institutional.

"The TD AMERITRADE AdvisorLink program helps advisors get over the initial hurdle of trying to find an appropriate match and then positions them to receive valuable support services."

As part of the program, ECHELON will identify and screen potential buyers and sellers, work closely with them during matchmaking and due diligence and provide expert assistance on deal structure and closings. "We expect that the next few years will provide unprecedented M&A opportunities as a result of the disruption in the financial services industry," notes **Dan Seivert**, founder and CEO of Los Angeles-based ECHELON. "We are excited about the launch of this program, and we feel this initiative can help streamline the process and ensure that the right matches get made."

THE DEAL PACE RESUMES

For Brown, one challenge in building by acquisition has been how to narrow the field to suitable candidates. He learned a lot about dealmaking when he worked for financier Irwin Jacobs, but he admits the first acquisition he did for JNBA didn't work out. "It's hard to find firms on your own," says Brown. "There are difficulties in getting

standardized information. Then, how do you approach the firms? How do you start the conversation? When you talk, are you talking to buy, to merge or to do some kind of combination of the two?"

With the help of ECHELON, Brown has gotten a better handle on the kinds of firms he's interested in acquiring, as well as the key points to talk about with potential targets. Brown now has two deals in the pipeline, and he plans to keep looking for more opportunities through TD AMERITRADE AdvisorLink.

Brown is hardly alone as a potential buyer of RIA firms and individual advisor practices. Indeed, the independent advisor channel was in the midst of a transaction surge in recent years, as many sellers began to look for their exit, while larger firms like JNBA stepped in as buyers, looking for outside assets they could bring on board.

The turmoil in the financial system temporarily halted most deal activity. But now that the markets are thawing out, the pace of mergers is expected to pick up again. "While most RIAs are younger than wirehouse brokers, they are nonetheless aging," says Chip Roame, Managing Principal of Tiburon Strategic Associates, a financial industry consulting firm. "There will be a generational wave looking to exit." Just as important, a lot of RIAs have been buffeted by the steep market decline of the last year. Through much of this decade, many advisors built their businesses steadily, expanding their staff and adding more services as their client base grew and assets rose. But "over the last 12 months, the revenue side has been down for many advisors," says Michael Watson, Director of Product Management at TD AMERITRADE Institutional. "Yet their expenses remain the same, and it's difficult to reduce expenses. As a result, many of these advisors are open to working with another advisor. They're looking for economies of scale, for firms that have the resources to handle compliance, technology and other issues."

MAKING A MATCH

This is where TD AMERITRADE AdvisorLink enters the picture.

As Watson explains, there are several different types of buyers and sellers who could be attracted to the program (see box, page 4).

Other financial firms already offer matching programs for advisors, but this program provides a deeper, more consultative service.

"ECHELON captures valuable matchmaking information about both parties," says Watson. "Because we are leveraging an industry expert to qualify the buyers, they will be taking a more hands-on approach to help facilitate a deal."

These buyers, adds Watson, will be ones who already work with TD AMERITRADE Institutional and have demonstrated a solid record of organic growth. "Once they've mastered that, they're looking to get to the next level," says Watson. "They've traditionally grown through their own book of business and client referrals. Now, they want to find alternative ways to grow, such as mergers and acquisitions."

The process starts with a call to a TD AMERITRADE Institutional sales specialist. During an interview, the advisor will be asked to provide the following information about his or her practice.