Wealth Management M&A to be "Suble & Selective"

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With more wealth managers pursuing succession plans, and mergers becoming more attractive for facilitating growth and value, there should be a significant uptick in M&A activity in 2010, according to a report from M&A consultants **Echelon Partners**.

The Los Angeles-based consulting firm said in its latest research paper, however, that the M&A business this year will be different "from the freewheeling period of 2004 to 2007," when "there were no shortage of options to pursue whether you were looking to acquire or looking to sell."

Echelon said the M&A market in 2010 will be more subtle and selective.

Echelon measures two types of sellers: established wealth managers and advisors in motion, who are looking to leave larger firms to start their own or affiliate with other firms. The robust M&A period from 2004 to 2007 was driven by high cash flows, high valuation multiples, opportunistic sellers looking to cash in on peak valuations, and industry veterans looking to retire. Almost all of these factors declined precipitously in 2008 and 2009.

The market for wealth management firms in 2010 will depend on the strength of the equity markets. If they are up 10% or more, the supply of sellers should increase significantly over last year's levels. If the markets are flat or down, the number of participants may increase, but deal activity will be slower and more cautious.

Other findings from the report: More wealth managers are pursuing succession plans instead of outright sales, because they want to maintain a long-term stake in the equity in their firm. Merging has also become more attractive than ever, because of the number of professionals looking to facilitate these deals—custodians, consultants, attorneys, investment bankers and recruiting firms. Overall, deal volume will increase as valuations continue to improve and activity that had been put on hold over the past two years begins to take place.

About ECHELON Partners

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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