Bigger Advisors Breaking Away, Says ECHELON

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Advisors continue to leave the wirehouses in greater numbers and with larger books of business, according to a new **ECHELON Partners** report. Year-to-date through the third quarter, the average breakaway had $318 million in assets transfer over, up 13.5 percent from 2016, when average breakaway AUM was $280 million.

Dan Seivert, CEO and founder of ECHELON, said there's an increasing number of $1 billion-plus breakaways, and as they reach retirement, they're looking to monetize their business.

"A number of these larger teams are coming of age," he said. "They're getting close to 60 or over 60, and they realize that the liquidity event packages that the wirehouses are offering are largely unattractive and they're on the magnitude of 50 to 60 percent of what they could otherwise get if they were to become an RIA and then sell from that business model."

At the wirehouses, they're paid in ordinary income, as opposed to capital gains, so their after-tax amount is even less, he said.

Advisors also hear the success stories from other advisors who have left.

"They see the numbers associated with these deals, and it just makes it more real for these wirehouse advisors," Seivert said.

And the recruiting packages are not as attractive as they once were.

"[The wirehouses] continue to hurt more than help in terms of branding," Seivert said. "I don't think they're keeping up with the arms race on technology. The compliance burden is so stringent that they feel hemmed in no matter where they go."

There were 107 breakaways during the third quarter, up 49 percent from the second quarter. ECHELON expects there to be 88 breakaways in the fourth quarter.