

## DOL RULE'S IMPACT ON M&A ACTIVITY IS UNCERTAIN

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The Department of Labor's fiduciary rule will dramatically alter the advice industry, but its effect on deal activity in the space is far from certain, **Dan Seivert** writes in InvestmentNews.

The rule, which requires retirement brokers to put clients' interests ahead of their own, will impact around \$3.1 trillion of client assets and \$18.5 billion in revenue, claims Seivert, CEO of **ECHELON Partners**, an investment bank and wealth management consulting firm.

Discount brokerages, automated advice platforms and independent RIAs will come out as winners, he writes. But incumbent firms could be hurt as a result of lower revenues stemming from products being prohibited, a shift to lower-fee products, increased expenses regarding technology, insurance and supervision, and higher penalties, according to Seivert.

This will lead to lower valuations, which could make it riskier to acquire broker-dealer firms and thus slow down acquisitions, he writes. And incumbent firms may also resist selling at lower valuations as well, opting to grow their businesses instead, according to Seivert.

But lower valuations could also mean a lot of these firms could be bought cheaply by shrewd acquirers capable of managing the risk involved, he writes. And turning a firm's valuation around could be a relatively swift affair by shifting the business models of the acquired firm toward fees and away from commissions, according to Seivert. That means large firms could be looking to grow through acquisitions, he writes.

What is certain, according to Seivert, is that big changes are on the way. A recent Fidelity survey found that 18% of advisors are rethinking their careers as a result of the rule, with 10% planning to leave the business or retire early, as reported previously. On the other hand, the same survey found that a quarter of advisors believe the rule will actually help them get new clients or hold on to existing ones. And the DOL rule has been mentioned recently by several large acquirers as a reason to buy – including Lightyear Capital, which recently bought AIG's Advisor Group, Seivert writes.