Dan Seivert brings 85 deal-makers to LA-LA land 'Buyers' Boot Camp for sun, sand and serious dicussions

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The ECHELON Partners chief exec fenced with Mark Tibergien, put a microscope on roll-ups and took M&A to a 404-level course.

Proving that the boardroom isn't the only place for serious wealth management industry M&A discussions, **ECHELON Partners** hosted a beachfront bash in Santa Monica, Calif.

Over 85 wealth management executives, gathered on September 25 -26 at the **inaugural Deals & Deal Makers Summit 2013** to discuss M&A strategy and the psychology of change — which our gathering of the typically fragmented exemplified.

Foremost on our minds as attendees, and for me as principal of an RIA, Halbert Hargrove, was to meet like-minded wealth managers, deal advisors, and service providers attracted to the theme: "Creating a Network of Deal Makers."

The conference used the usual arsenal of keynote speeches, panels, one-on-one sessions, and networking time, for attendees to bond and add to their knowledge.

One room, many voices

Yet one notable difference from other RIA events was that everyone — wealth managers, deal advisors, and service providers — sat in the same room for all of the speaker sessions. This was a contrast to other conferences where vendors and service providers are locked away in an exhibitor space, a segregation that harms both kinds of attendees and diminishes the sense of unity we all want.

The sponsors of the event all had a tie-in to the deal making business. Notably, firms like RIA Database were highlighted as a great tool for sourcing M&A targets while TD Ameritrade revealed details on how their RIAConnect program matches sellers with pre-screened, qualified buyers. See: How an RIA can capitalize on referral programs offered by Schwab, TD and Fidelity. Another aspect unique to this Summit was the pre-conference one-on-one meetings on Wednesday afternoon hosted by deal advisors and service providers. These 25-minute sessions allowed executives to initiate introductions to potential service partners and learn about resources available to support deal-making endeavors. Several attendees said they found these sessions to be both informative and great brainstorming opportunities.

Beachside M&A sessions at Santa Monica's Annenberg Beach House

Given LA's reputation as home to many entertainment industry notables, **Dan Seivert, chief executive of ECHELON Partners**, tied a little touch of Hollywood to the deal making process in his opening remarks, "Stand out deal makers write stories with the deals they make and they deals they break." He went on to list four key aspects to a great story — the hero, the problems, the rollercoaster, and the epiphany — and related each of these to elements of wealth management deal making.

A keynote debate between Seivert and Mark Tibergien, CEO of Pershing Advisor Solutions, followed. The two of them engaged in a friendly point-counterpoint debate on several key topics and myths that have critical implications for deal making in the wealth management space. Topics included: 1) is the roll-up business model a great match or a poor match for this industry, 2) is it a buyer's or a seller's market, and 3) is the flow of breakaways going to be high or low in the coming years.

Roll-up obituaries

Seivert looked at roll-up progression through the years and showed the status of the firms. For example the list of roll-up firms that are now out of business includes: Clearbrook Financial, Exos Partners, Fusion Advisor Network, MESA Holdings, National Retirement Partners (NRP), Stanford Financial, Stillpoint Advisors, Summit Wealth Management, and U.S. Fiduciary.

Seivert noted that success as a roll-up required a delicate balance of: 1) a quality plan and management to raise the capital, 2) the capital to conduct large numbers of transactions, 3) a compelling business vision and economic proposition to attract prospective advisors to join or sell into the platform, 4) a continual progression of deal closures, and 5) the ability to balance the prevailing business model between what's best for the scale and profitability of the business, and what advisors want lifestyle wise.

While NRP was sold to LPL and Stanford Financial succumbed to broader business challenges, the other aforementioned firms struggled with the requirements necessary to maintain balance and sustain the business. He went on to note that the key difference between deal dabblers and roll-up firms is that deal making is a core competency and therefore roll-ups have meaningfully higher average deal volume each year.

The debate format was a unique way to review and discuss key themes within the industry today, deftly covering both sides of each issue. Even more impressive was the fact that **Seivert** and Tibergien often represented the side of an issue that didn't necessarily represent their thoughts. Tibergien is a known skeptic of roll-ups and completed a study of their success across industries while he was at Moss Adams. Seivert is an investment banker who tends to favor deals.

Reflecting on the session, Greg Friedman, chief executive of Private Ocean and presidnet of Junxure, noted "the opening key note was one of the best sessions I have seen in all my years as an advisor because Mark and Dan creatively presented a ton of valuable information in an entertaining and interactive format."

A topic they both seemed to agree on is the industry's transformation toward more regional competitiveness. (Charlie Paikert focused on this point in his article in Financial Planning magazine.)
"RIAs used to compete with either wirehouses or other RIAs of equal size," **Seivert** mentioned. "Now you're beginning to see a new dynamic, larger RIAs with assets (under management) approaching $2 billion or more assert themselves in a region." Tibergien seemed to concur saying he "anticipates true mergers of wealth management firms" and he sees "larger firms with regional dominance" over the next several years.

Lewis Schiff, executive director of Inc. Business Owners Council, then took to the front of the room to highlight findings from his research and new book, Business Brilliant. He walked the audience through how the wealthy think and view the world differently from less wealthy individuals. At the end of Schiff's session, Greg Friedman of Junxure and Private Ocean along with Neal Simon of Highline Wealth Management joined him for a brief panel. Friedman and Simon shared stories of their different paths into the wealth management industry. Simon began his career in management consulting, whereas Friedman began as an advisor in his early twenties. Their contrasting approaches to deal making throughout their careers reinforced a theme of the event that successful deals and deal makers do not follow a static formula. Simon reiterated the sentiment of building M&A momentum in the industry, "There are definitely synergies in this business."

The remaining sessions focused on the importance of a talent acquisition process, tax strategies of deal making, buyer and seller perspectives of acquisition agreements, and the psychology of change. Each topic was well presented, the speakers were engaging, and the content was information-rich. Greg Heffington's session on the Psychology of Change was particularly riveting.

Client consent

Ted Cohen and David Mainzer of Cohen Spolin and Mainzer provided an overview of the legal aspects of deal making by sharing the preferred approach to key legal provisions through both the buyer's and the seller's point of view. Among many of the topics they covered, they addressed one of the most important conditions to closing: client consent. They argued that most sellers preferred to do deals with negative client consent as it reduces the impediments to getting a deal done (i.e., [paperwork, communication, etc.), while the buyer typically will opt for affirmative consent as it can serve as a proxy for the amount of assets that will transfer. They cautioned however that negative consent is permitted only if the advisory agreement permits, which lead to the recommendation to draft client agreements so they do not require affirmative consent.

Positive consents require that every client mail back a signature affirming they are okay with changes. Negative consent means only those clients that disagree with the changes must sign and send back the form. The latter is much easier for deal-making, Seivert says.

Seivert says this is an issue that defies bright-line tests as far as what change in ownership triggers a "change in control".

"Most people think that line is at 50% but many attorneys say it is as low as 20%. This lower threshold means that deal makers need be cautious as going back to clients with paperwork many times wears them out and raises the probability of those clients scrutinizing their existing advisor to the point of looking for a new one."

In the executive search session, Kathy Freeman, CEO of The Kathy Freeman Company and Jeff Warren, a Director at Russell Reynolds Associates, tied the importance of executive search to the deal making process from the get go. They raised the point that inorganic growth often creates a requirement for additional talent in order to successfully take the company through a transition. Freeman and Warren broke down the elements of an effective 'competency based' interview. Attendees were provided with a timeline for an interview, different questions applicable in different stages of the interview, and strategic advice about getting the most from stories regarding a candidate's past experience.

Susan Dickson, COO of Private Ocean commented, "From my perspective, the people are the key to any successful deal and Greg Heffington provided a perfect wrap up in that regard."

Managing the fear of success, yes success

Notably Heffington raised the point that our body has the same physiological response to the fear of success as it does the fear of failure. He proceeded to provide the audience with several key tools to help them move past this.

One example he shared with the audience why many transactions get stuck in what he referred to as the "neutral zone" — a step in the change process that does not produce action or results. To avoid this potential deal breaker, he encouraged deal makers to defuse negative feelings about ambiguity or uncertainty by being decisive and painting an accurate picture of the end state and beyond, avoiding the temptation to base the future on what is in the rear view mirror. Successful deal makers, he noted, define a purpose, paint a picture, lay out a step-by-step plan, and ensure that each person has a part in the new opportunity.

As the day progressed it became clear that no deal making style, process, structure or approach is universally accepted as the best practice in the wealth management industry. Instead, an overarching sentiment prevailed that deal making is a dynamic endeavor; ever changing in reaction to industry trends and case-by-case necessities. Comments made by various wealth managers during Q&A and breaks demonstrated varying degrees of deal making experience within the crowd. Specific deal details shared by audience members throughout the day were all over the map regarding deal structures preferred, valuation methods employed, and financing options used.

Big takeways

Seivert closed out the day with a clear definition of "dabblers" versus "leaders" in deal making. He noted it was fine to be a dabbler in that they enjoy success, but that deal leaders enjoy far greater success so long as they implement the deal making axioms offered by the experts throughout the day. It was a great capstone to the event and provided attendees with another tangible take-away. Tibergien also shared a thought that truly summarized the importance of a conference like the **Deals & Deal Makers Summit**, saying "A good buyer needs to have more than just money. They need to bring quality management and service offerings." In other words, buyers need to bring the total package to be successful in closing and integrating deals in the future.

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