Grab Your Wallet: RIA Buyers and Sellers Gear Up for Busy 2016

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Buyers and sellers are gearing up for a busy year for deals as private equity buyers come off the sidelines, attracted by the strong-growth business and "strong" valuations.

'A LOT OF PRIVATE EQUITY MONEY'

In an earlier session featuring leading industry custodians, Raymond James president Bill Van Law said, "there is no lack of capital" for RIA mergers and acquisitions.

Pershing Advisor Solutions CEO Mark Tibergien agreed: "There's a lot of private equity money pursuing financial advisory firms at a reasonable price because there's so much growth opportunity," he told Financial Planning. "There's an oversupply of clients and an undersupply of advisors."

Buyers coming into the RIA market have varying degrees of capital, said **Dan Seivert, CEO of Echelon Partners**, the Newport Beach, Calif.-based M&A firm that puts on the annual *Deals & Dealmakers* conference. Those with the most capital and extensive deal experience drive the hardest bargains, he said, because "they have the buying power and can take a little bit more out of the hide of the sellers."

VALUATIONS HOLDING FIRM

Nonetheless, industry executives at the MarketCounsel conference said they expected valuations to remain at their current healthy levels.

Firms with less than $100 million in AUM tended to struggle the most with appropriate valuations because they relied too much on revenue as a metric, Seivert said. On the other end of the spectrum, he added, large firms with over $1 billion in assets tended to get lumped together, resulting in those with high growth rates often not getting enough of a premium.

Firms most likely to have "an appropriate valuation" usually had between $100 million and $1 billion in AUM, Seivert said.

BUYERS READY TO MAKE DEALS

Buyers at the conference said they anticipated an active year for deals.

Neil Simon, who earlier in 2015 sold his multi-billion dollar advisory firm to become chief executive of Bronfman E.L. Rothschild, said he expected to be a buyer in the coming year. John Burns, co-founder of Exencial Wealth Advisors, said his phone "has been ringing a lot" as many advisors were seriously thinking about "what they want to do next, or partner with."

And Brent Brodeski, CEO of Savant Capital Management, said M&A opportunities "are bigger now than I thought six months ago."

Two areas stand out, Brodeski said: firms with between $250 million and $500 million in assets because they had fewer buyers pursuing them and firms with between $500 million and $1.5 billion in AUM because they were "too big for the founders to sell to employees."