Banks are Hungry to Buy RIAs Again

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The experiences of mergers and acquisition firms catering to wealth managers tell you need to know about the disappearing act banks pulled last year.

In the first quarter, one such M&A firm had an RIA for sale and three Midwest banks vying for its purchase. Then came a day in late March, back when it seemed the stock market would never rebound. Within one day, all three banks — none with the knowledge of the other's action — withdrew their offers.

Fast-forward to the end of the year. M&A firms such as these are still working on bank/RIA deals, but a lot more slowly. Unlike the fast-moving bank deals of 2008, advisors should now expect six months to nine months to complete a deal with a bank in this market.

Banks are no longer giving discretion to a particular employee to make deals. Purchases need to be signed off by multiple layers of management and committees.

Unheard-of development

But just because banks are approaching deals more cautiously doesn't mean that their importance as buyers is necessarily diminished, says Dan Inveen, the principal for FA insight who authored the 2009 Real Deals study, an annual look at the M&A market for wealth managers formerly compiled by Moss Adams.

"Don't overlook banks as buyers if you're an RIA looking to do a deal," he says.

Banks still face the same pressures to grow and find sources of non-interest income that had them actively acquiring RIAs before the stock market — and particularly bank stocks — crashed last year, several experts say.

It's easy to look at the stats on bank acquisitions of RIAs and conclude that these leviathans of the financial world abandoned the market. Banks accounted for just 20% of all deals for wealth management firms in 2008, down from the peak of 72% in 2002, according to the Real Deals study by FA Insight and other experts.

Some of the banks recently active in acquiring wealth managers include: Harris Private Bank, First Western Financial, Bryn Mawr Bank Corp. and Northern Trust, according to Real Deals.

In total, 18 deals were initiated by banks or trust companies between Jan. 2008 and Sept. 2009, according to the study.

Beneath the radar

There are other deals being done by banks that occur beneath the radar, according to industry experts.

Mark Tibergien, CEO of Pershing Advisor Solutions, which sponsored Real Deals, also believes that bankers may be shifting into an RIA-buying gear.

"At Pershing, we serve banks," he says. "We've been engaged with a number of banks about how they can expand their fiduciary or RIA offering through acquisition or de novo [means]. They likely will be in the business again."

There's a good reason that banks are acting with a sense of urgency in tossing their hats back in the M&A ring as well. In fact, they see this possibly as the opportunity of a lifetime to get into the wealth management business.

Banks could provide a needed spark for the rest of the still-cold M&A market for wealth managers, says **Daniel Seivert**, CEO of **Echelon Partners**, a Manhattan Beach, Calif.-based M&A firm.

Poster children

"Banks were the poster children for overpaying," he says. Having banks back "puts more people in the auctions," Seivert adds. "Sometimes irrational pricing is good for the auction process."

Many banks are restrained by having less cash and equity shares of lesser value than before 2008, he adds.

Indeed, all the experts agree that banks, like their roll-up counterparts, are chastened buyers that are thinking strategically this time around as they approach acquisitions.

Regardless of bank intentions, Seivert questions whether RIAs will consider banks a favored partner in a strategic alliance.

"Why would I want to come under your culture and your decision-making?" he asks on behalf of hypothetical advisors.

Many advisors – particularly ones accustomed to selling commission-based product – still like the idea of folding into a bank. Having had their assets reduced in this market downturn, they believe banks are best positioned to funnel them referrals to rebuild assets under management.

Sellers are fickle

Besides, sellers are fickle when it comes to accepting lucrative offers for their practices, according to Tibergien.

"Nothing is forever," he says. "Advisors say they wouldn't sell to such-and-such organization, but they do."

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