

## WHAT RIA BUYERS WANT TO KNOW ABOUT

1.30.15 Originally Published By Charles Paikert, FinancialPlanning.com

SAN DIEGO – Interest in dealmaking remains sky high, but actually closing a transaction is anything but easy.

At a breakout session devoted to closing deals at TD Ameritrade's national conference, a trio of prominent buyers of RIA firms discussed what they were looking for when assessing a seller.

1. Why is the seller selling? "You really want to know why someone is selling," said Matt Brinker, senior vice president, United Capital. "It's either a financial acquisition where someone is getting a check or a strategic acquisition where the seller believes the buyer can make the firm better."

Some sellers are motivated because they believe in the common wisdom that we are currently in a seller's market, noted moderator **Dan Seivert**, CEO and managing partner of the M&A firm **Echelon Partners**. Nonetheless, he noted, "deal structures today heavily favor buyers. It's not really a buyer's or a seller's market. It's mixed."

2. Who is the seller, really? "You have to get to know the person on the sell side," said Matt Cooper, president of Beacon Pointe Wealth Advisors, the Newport Beach, Calif.-based RIA firm. "You have to know if they are deeply motivated and you have to get to know each other. It's a six-months-to-a-year process, and it has to be a dedicated effort."

3. Is there a good cultural fit? United insists on a "pure cultural alignment" with a seller, according to Brinker. "It can be a painful process to understand a culture," he added, "but it's critical."

What's more, buyer and seller need to agree that an acquisition will result in firms' clients, growth potential and underlying equity being better off, Brinker said.

But according to Lenny Chang, managing director of the New York-based holding company Focus Financial Partners, determining if a buyer and a seller are a good match is largely a numbers game. "You need real discipline to get it right," Chang said. "And you have to kiss a lot of frogs."

4. Is the (supposed) seller serious about making a deal? "The biggest challenge sellers have is actually selling the business," Brinker said. "RIAs are entrepreneurs at heart. They make all the decisions about running the business and they are worried about giving up control."

What's more, some RIAs who claim to be for sale "have no intention of selling," Brinker maintains. "They like the dance. They get free valuations. They can parade people through the office to justify the value of internal equity valuations."

Potential sellers may also pull back or make bad decisions because "selling a company with your name on the door" is such a "highly emotionally charged process," Cooper declared.