Aspiriant's Luring RIAs With Stock, Not Cash

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At age 61, Michael Glowacki bristles at suggestions he's ready to retire. Still, the Glowacki Group founder has agreed to fold his 75 clients and $360 million in assets into fellow Los Angeles-based independent wealth manager Aspiriant, which will manage more than $9 billion after its latest deal. **ECHELON Partners** advised on the deal on behalf of The Glowacki Group, LLC.

"I've been looking for five years to find the right partner to take our practice to the next level," says Glowacki. "It was an exhausting experience because, in the end I just couldn't look our clients in the eye and tell them we were selling the business and passing them off to someone else."

As well as striking a deal for Glowacki's indie RIA, Aspiriant also merged with San Diego, Calif.-based Hokanson Associates in December.

That's two key moves in the span of three short months for the rising dealmaker. And more are likely on the way, suggests Tim Welsh, president of management consultancy Nexus Strategy in Larkspur, Calif.

Aspiriant is separating itself from many other major competitors in M&A by swapping stocks, not cash, he says.

"Technically, their deals are categorized by analysts as acquisitions," says Welsh. "But to advisors, these sorts of transactions take on much of the look and feel of a true merger."

That's exactly what caught Glowacki's eye when he started to talk to Aspiriant.

After checking out more than a dozen different options – including major industry players like Focus Financial and United Capital – he decided to take Aspiriant's offer. A big reason why: Nearly a third of his new partner's roughly 160-person workforce holds equity stakes.

"I'd rather work in an environment where a company encourages its employees to put some of their own skin into the game," says Glowacki.

Such a growth strategy is finding a larger audience among RIAs in the $300 to $500 million asset range, observes practice management expert Welsh, who doesn't have any business dealings with Aspiriant.

"These are owners who are getting closer to retirement and run fabulous businesses, but they don't necessarily want to spend another 10 to 15 years to build more scale," he says. "So by joining Aspiriant as equity partners they can create a long-term transition plan for themselves, their employees and their clients."

For his part, Aspiriant CEO Rob Francais says he's getting enough interest from other potential RIA partners to plan on "entering a new phase of our company's external growth strategy."

He reports that his team is in serious discussions with five other firms now while maintaining ongoing – yet less formal – negotiations with about 20 other firms.

New markets he's hoping to enter in the near future include Chicago, Dallas and Atlanta.

While focusing more on culture than geography, Francais adds that he'd over time like to see a bigger presence in two existing markets – Boston and New York.

"We haven't signed a pure-play family office yet, but we've devoted major resources to cultivating and growing that part of our business," he says.

Although merging with a bigger firm certainly has its advantages, longtime Hokanson Associates principal Mark Petrie says he and his colleagues were initially talking about creating some sort of internal succession plan.

Under those guidelines, key managers would get an opportunity to buy shares in the business from co-founder Neil Hokanson.

But like many of the younger members of the group, Petrie says he worried such a deal structure would place too much debt on their shoulders.

"So we realized that being able to earn equity stakes in a financially stable and growing business with a similar culture was the best path for our principals, employees and clients," says Petrie.