# Get Ready for Another Busy M&A Year for RIAs: ECHELON

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Last year was a banner year for mergers and acquisitions among RIAs. Not only did the number of deals reach a record 168, up 22% from 2016, but also the average assets under management of the acquired firm topped $1 billion for the second year in a row, according to **ECHELON Partners**.

Its **2017 RIA M&A Deal Report** projects roughly 196 deals in 2018 "if trend-level growth rates continue."

"The environment we are entering is creating a very bullish marketplace for M&A deal making and we fully expect to see these trends drive volumes of transactions, both in total numbers as well as in assets going into 2018," said **CEO Dan Seivert** in a statement.

"Our research in the Deal Report is projecting a continued increase in M&A activity across the board."

There were five basic drivers of increased deal activity in 2017, according to ECHELON Partners:

- Availability of financing, with a few key players lending $100 million to $200 million per year
- An increased number of peer-to-peer deals because more advisors know each other
- More sellers taking advantage of a bullish market cycle that could reverse several quarters from now
- Greater motivation for breakaways as some wirehouses leave the broker protocol and a large percentage of forgivable loans (13%) issued to advisors during the financial crisis for retention purposes expire (Another 26% are expected to expire this year and next.)
- More interest from consolidators and private equity buyers, especially for firms with more than $1 billion in AUM

Strategic buyers and consolidators accounted for 44% of the deals, 74 of them, in 2017, while smaller RIAs — described by ECHELON as firms with fewer than three deals and more financial resources — accounted for 60 deals (36%). The remaining 34 deals, 20%, were split evenly between banks and "other" acquirers.

There were 54 deals for firms with more than $1 billion in AUM in 2017 — 29 bought by private equity firms and consolidators, and 25 breakaway teams from broker-dealers moving to RIAs.

Breakaways to RIAs jumped to 71, a record high, among a total 423 breakaways in 2017, and the two biggest winners of AUM from breakaways were Raymond James ($22.1 billion) and LPL Financial ($13.4 billion).

The biggest losers were UBS Financial Services ($25.7 billion lost), which left the broker protocol in November, and Bank of America Merrill Lynch, which lost $24.9 billion. Morgan Stanley, the first major BD to drop out of the broker protocol, was the third biggest loser of assets, losing $23.2 billion.

To be fair, Bank of America Merrill Lynch and UBS also gained breakaway assets — $8.1 billion and $5.2 billion.

Despite these gains of AUM among independent broker-dealers in 2017, the number of IBDs dropped to 847 by the end of 2017, while the number of RIA firms rose to 14,957. Compared to 2007, the number of IBDs had fallen 28% and the number of RIAs had jumped 57%, according to ECHELON Partners.

It estimates that by 2020, total industry assets will rise about 38% to $29.85 trillion, and the share managed by RIAs and dually registered advisors will jump to 31.5% from 25% in 2017, while the share managed by wirehouses will drop to 32% from 36%.