RIA M&A Grows, Breakaways Surge Despite Broker Protocol Exits

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RIAs broke records for merger and acquisition activity in 2017.

According to a report released on Wednesday by Manhattan Beach, Calif.-based **ECHELON Partners**, RIAs set a record with 168 merger and acquisition transactions last year, up 22 percent from 2016. M&A deal volume has set new records for five straight years.

Transactions involving more than $1 billion AUM also continued to grow in 2017, reaching 29 total transactions, up from 23 total in 2016.

ECHELON believes the increases are a symptom of increased optimism among buyers and sellers caused by the positive market environment and recent tax reform.

The largest share of RIA transactions, 74 deals, or 44 percent of the total, are conducted by strategic buyers and consolidators.

Despite fears that breakaway activity would be chilled after a number of large brokerages left the broker protocol, the pace of advisors leaving broker-dealers for independence increased during 2017. Throughout the year, 423 breakaways took place, with a quarterly record of 121 breakaways in the fourth quarter of 2017 alone. The average size of advisor breakaways reached $304 million, a 5 percent increase over 2016 levels. Nevertheless, breakaway activity decreased year over year for the second consecutive year.

ECHELON notes that private equity investments are playing a larger role in RIA merger and acquisition activity. Wealth technology firms are playing larger roles as well, with 22 deals involving wealth management technology firms. The availability of financing has catalyzed the growth of RIA M&A deals, according to the report.

Meanwhile, the independent broker-dealer segment continues to contract, with the total number of firms dropping from 1,175 in 2007 to 847 in 2017.

The **2017 ECHELON RIA M&A Deal Report** is an accounting of all mergers, equity sales, acquisitions, spinoffs, capital infusions, restructurings and consolidations taking place among SEC-registered advisory firms.