The Pace of Wealth Management M&A Accelerates

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Ready money pushed the number of mergers and acquisitions in the wealth-management space to a new record in 2017, according to a new report from **ECHELON Partners**, a research firm and investment bank.

There were a total of 168 deals concluded in 2017, a 22% rise over the 138 deals completed the year prior, according to Los Angeles-based ECHELON. And the number of deals involving firms with more than $1 billion in assets grew from 23 to 26, a 26% increase, the same source says.

Meanwhile, last year's decisions by Morgan Stanley and UBS to withdraw from the Protocol for Broker Recruiting probably spurred more advisors to opt for independence, according to the report.

In all, there were 423 breakaways in 2017, compared to 430 in 2016 -- but the number of reps breaking away to RIAs reached an all-time high of 71, ECHELON found. Raymond James led the pack in terms of assets gained from the breakaways, bringing in $22.16 billion, with LPL Financial in second place with $13.44 billion, according to the report.

UBS lost the most assets, meanwhile, with $25.71 billion leaving the firm with departing advisors, followed by Merrill Lynch, which had $25.85 billion leave, ECHELON found. The independent broker-dealer space continues consolidating, with the total number of firms falling from 1,175 in 2007 to 847 in 2017, according to the report.

ECHELON attributes the healthy pace of deals to the increasing availability of financing over the past four years, advisors' growing familiarity with each other and other firms and market cycle timing by older advisors weighing their exit strategies.

The report also says that with the expiration of forgivable loans issued during the 2008 crisis, advisors now have more motivation to break away, and some got an extra nudge by the recent withdrawals from the broker protocol.

Deal activity was further boosted by private equity firms, which, along with consolidators, flocked to the space — attracted particularly by established companies with $1 billion or more in assets, ECHELON writes.

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