

WHAT'S FUELING THE RED-HOT RIA M&A MARKET

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Judging by the first quarter, 2018 looks like it will be a banner year for RIA mergers and acquisitions.

The number of deals rebounded from a mild slump in the second half of 2017 to near record highs, according to one of the industry's leading M&A consultants, **ECHELON Partners**.

ECHELON reported 46 deals and believes that the robust activity will continue through the year — and beyond.

ECHELON CEO **Dan Seivert**, based in Manhattan Beach, California, expects a high level of deal volume to be sustained.

"More entrepreneurs are telling us they've blown through their internal targets for an after-tax liquidity event as a result of the continuing bull market," Seivert says. "This is a new phenomenon and we expect it to continue. We're seeing more owners exploring their strategic options than since the peak levels of 2008."

Breakaway activity remained strong in the first quarter, according to **ECHELON's RIA M&A Deal Report**, with a 6% increase in breakaway brokers during the first quarter compared to the fourth quarter of 2017.

In light of defections from the Broker Protocol last year, the further dissolution of the pact "would signal increased legal liability for advisors attempting to leave wirehouses," the ECHELON Report notes. As a result, brokers considering going independent face "increased pressure to make a decision now or face greater potential consequences in the future."

The size of the average deal in the first quarter exceeded \$1 billion for the third straight year, ECHELON reported. However, that figure may be skewed by a few exceptionally large deals, such as Lightyear Capital's acquisition of HPM Partners, which had over \$7 billion in AUM.

Sub-acquisitions of firms with less than \$250 million in AUM continues to be a favorite strategy of Focus Financial affiliates Buckingham Strategic Wealth and The Colony Group, which together transacted five such deals through March.

Private equity also continues to be a force in M&A activity.

PE firms such as Thomas H. Lee Partners and KKR, investing in and backing consolidators like Focus and HighTower Advisors are "increasingly seeking and finding established businesses that fit their investment criteria," the ECHELON Deal Report states. And Seivert estimates that as many as 60 private equity firms are investing in the RIA market.