

BREAKAWAY ACTIVITY “RAMPANT” IN FIRST QUARTER

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The recent withdrawals from the Protocol for Broker Recruiting have contributed to “rampant” breakaway activity in the first quarter, according to a recent report cited by InvestmentNews.

ECHELON Partners says there were 128 departures in the first quarter, compared to an average of 100 first-quarter breakaways in the past five years, according to InvestmentNews. ECHELON attributes the heightened activity to Morgan Stanley, UBS and Citigroup abandoning the broker protocol over the past several months, the publication writes.

The industry accord lets departing advisors take some client information with them without the threat of lawsuits.

“The threat and reality of wealth management firms departing from the broker protocol pact is a scary proposition for financial advisors, and thus we’re seeing a significant uptick in the number of advisors evaluating breakaway options and the speed at which they are doing so,” **Mike Wunderli**, managing director at ECHELON, says in a statement cited by InvestmentNews.

Mergers and acquisitions in the RIA space, meanwhile, were higher as well in the first quarter, with 46 RIA deals compared to 41 deals in the fourth quarter last year, according to ECHELON data cited by the publication. ECHELON estimates that 2018 will see 193 deals, a 15% rise over 2017, InvestmentNews writes.

Carolyn Armitage, a managing director at ECHELON Partners, says activity in the first quarter isn’t typically this high, and could be a “signal of what to expect for the rest of the year,” according to InvestmentNews.

The company also says its method for calculating the number of deals is limited in scope, and the actual number may in fact be up to seven times higher, according to Armitage, the publication writes.