Here's Why the Focus IPO is Smart

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Focus Financial's IPO is potentially a big deal for the industry, but its savvy timing may be just as big a story.

The RIA aggregator on Thursday filed a $100-million public-offering prospectus with the SEC. It's considered a bellwether that could open the door to liquidity for RIAs and their private-equity backers.

But Focus is also poised to slip through a window of opportunity that may close at any time. "I think it's smart to do this now (if successful) because the industry has yet to feel pricing pressure or the pressure from technology that may hurt earnings in the wealth industry in the coming years," says Steve Lockshin, a former Barron's #1 advisor and serial entrepreneur and investor. "If I'm a seller, I want to do so at high multiples and while earnings look good."

It's time to make hay while the sun's still shining, in other words. Other reasons industry types are excited about the Focus filing include visibility and credibility for the RIA model as well as the promise of a new liquidity spigot.

If investors snap up Focus' public shares, "it will validate that the IPO liquidity route for the 60-plus other private equity firms backing RIA-based investments," **Dan Seivert**, CEO for the M&A consultancy and research firm **ECHELON Partners**, tells Financial Planning. "This in turn would bring more private equity investors and dollars into the RIA and the wealth management industries."

Will the Focus IPO prompt a slew of other firms to follow suit? Probably not. Focus isn't a typical RIA: It controls about 55 advisor firms and generated $184 million in the first quarter from wealth management fees. But for other private-equity-backed aggregators, its IPO plunge could be a starting bell.