

POWERHOUSE REGIONAL RIAs RISING, DEALMAKERS SAY

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Expect powerful regional RIAs to emerge from the current round of financial advisory deal-making.

That's the word from both industry experts and acquisition-minded wealth managers at the inaugural Deals & Deal Makers Summit in Santa Monica, Calif., on Thursday.

"The competitive dynamic of the industry will change," said **Dan Seivert, chief executive of investment bank and consulting firm Echelon Partners**, which hosted the event. "RIAs used to compete with either wirehouses or other RIAs of equal size. Now you're beginning to see a new dynamic [as] larger RIAs with assets approaching \$2 billion or more assert themselves in a region."

Mark Tibergien, chief executive of Pershing Advisor Solutions, agrees. Speaking at the keynote session of the mergers and acquisitions conference, he said he expects "larger firms with regional dominance" to become prominent in the "next phase" of industry consolidation.

ROLL-UPS QUESTIONED

Indeed, Tibergien added, regional RIAs with active management may have an advantage over national roll-up companies that are focused on buying local advisory firms as a "financial play" for income streams. "Strategic consolidation of RIA firms doesn't lend itself well to passive ownership," he told the nearly 100 attendees at the sold-out conference.

A senior manager spearheading strategy and business development for TD Ameritrade Institutional's M&A initiative -- the year-old "RIA Connect" program -- also questioned the roll-up strategy. "I don't see roll-ups gaining steam," Matt Phillips said in an interview. "Sellers are not attracted. It's a pure cash-out model, vs. continuing actively in the business -- which is what most advisors want to do."

He was less enthusiastic about big regional firms. They are a valid option for some smaller firms looking to sell, "but it's not for everyone," said Phillips, whose division has played matchmaker for buyers and sellers with combined assets of \$2 billion. "It's a model where firms who are joining have to adapt to the management style of the acquiring firm."

REGIONAL GOALS

A number of acquisition-minded advisors at the conference say they are indeed vigorously pursuing a regional strategy.

"We don't feel like there is an RIA in the southwest that has the resources and purposefulness to serve that market," said John Burns, co-CEO of Exencial Wealth Advisors, a \$1.2 billion wealth management firm based in Oklahoma City. Burns is

actively looking for firms to acquire in Texas and Oklahoma, and says he hopes to do one or two deals a year as he charts a growth path for his firm.

Highline Wealth Management of Bethesda, Md., hired a corporate development executive last year and has three deals lined up in the corridor between New York and Washington, D.C., said chief executive Neal Simon. "I've never been as excited about the future, in terms of deals, as I am right now," says Simon. "There's a great chance that we'll be able to double our size by this time next year."

Baker Tilly Investment Advisors plans to grow the \$1.8 billion firm outward from its home base of Milwaukee and expand outward throughout Wisconsin and Minnesota as far as Chicago and Detroit, said president Steve Parish.

'SAY GOODBYE'

Raleigh, N.C.-based VisionQuest Wealth Management plans to use cash as a catalyst to fuel an aggressive expansion plan in the southeast. "We've got a lot of available cash from our investment banking division, and we think that will give us the upper hand when we make an offer," said Nick Kolbenschlag, the firm's direction of operations and services.

"Our model is to buy a book of business for cash flow and create liquidity for the owners," he added. "We'll keep them on for 12 to 18 months to transition clients and then say goodbye. We may or may not keep the office open, but we're going to be very centralized from Raleigh, using the scale we've created."

Out west, the lucrative San Francisco Bay Area market is being targeted by Greg Friedman, founder and president of Marin County-based Private Ocean Wealth Management. "We have a great home base in the North Bay and are talking to a number of firms in the East Bay and South Bay," Friedman says. "We're looking for an older advisor who wants to monetize his practice or a younger advisor who wants to tuck in with us, and combine that with organic growth as our path for the future."

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