Is the M&A euphoria cause for concern?

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Is it possible that the overheated RIA M&A market is too much of a good thing?

At least one of the industry's most prominent investment bankers is concerned.

The exuberance currently surrounding mergers and acquisitions "makes me nervous," Liz Nesvold, managing partner of Silver Lane Advisors, told advisors at Pershing's RIA Symposium in New York.

"With this much money in play, people don't always make the best decisions," Nesvold said. "There's more emotion involved and people can do dumb things when there's this kind of euphoria instead of thinking a deal through carefully. [Buyers] aren't just overpaying but may also overpromise and not be able to deliver."

There's certainly no doubt the M&A market continues to be red hot. Deal volume hit a record high in the second quarter with 48 transactions, according to **ECHELON Partners' Q2 RIA M&A Deal Report**. The average size of a transaction was over $1 billion for the third straight year.

What's more, private equity capital continues to pour into the financial advisory industry. Case in point: PE firm Genstar Capital has paid a reported $1.7 billion for a majority stake in Cetera Financial Group. And shares in RIA consolidator Focus Financial are expected to begin trading next week at around $37 a share, pushing the price-to-earnings ratio to 18, considered by many analysts to be extraordinarily high.

Unsolicited offers to buy RIAs are another sign of an overheated market, according to Nesvold.

"If you get an unsolicited offer from a party you have never met, rip it up," Nesvold told advisors. "It's coming from an unsophisticated, stupid buyer who is just trying to grab assets."

RIA owners considering selling should also steer clear of all-equity offers, said **Carolyn Armitage**, managing director for M&A consultants and investment bankers **ECHELON Partners**.

"Unless you have a true forensic valuation, you're betting on future results that you don't control," Armitage said at the Pershing Symposium.

Industry euphoria surrounding M&A has resulted in more "wannabe buyers than real buyers," Armitage said. "They think M&A is an easy and cheap way to success, but they don't have the infrastructure to support growth or integration."

Money alone isn't the biggest problem facing the M&A market, said Peter Raimondi, CEO of Dakota Wealth Management, who was also at the Pershing conference.

"There's been a lot of money around this business for a long time," said Raimondi, a veteran dealmaker, founder of the Colony Group in Boston and later Banyan Partners in Florida, which he sold to Boston Private Bank in 2014 after rolling up other RIAs. "Money itself doesn't create the problem. The issue now is the expertise of the buyers and the appropriateness of the seller."