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## NEWS RELEASE

### RIA BUYER SEALS 8<sup>TH</sup> ACQUISITION OF 2009

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In a year when the market for independent advisor firm mergers and acquisitions is off the 2008 pace, one player is unusually active in the deals market. United Capital Financial Partners of Newport Beach, Calif., last week announced its eighth acquisition of an independent registered investment advisor (RIA) firm in 2009, and says a ninth is on the way.

The purchase of Capital Planning Group— an RIA that runs \$300 million in assets and is based in Miami and Fort Lauderdale, Fla. — makes 2009 the most active year for deals yet at United Capital, which launched in 2005 and now has 22 member firms with \$9 billion in client assets. The firm acquires 100% stakes in independent advisor firms, a model slightly different from peers that buy minority or majority stakes, though no two RIA aggregator firms have the same exact model.

Deal activity for RIA firms overall trails the 2008 tallies of 53 transactions involving \$97 billion through three quarters, with this year's tally through Sept. 30 only totaling 50 deals for firms with \$60 billion in assets, according to data compiled by Schwab Advisor Services. Last year ended with 88 deals and \$137 billion in assets, setting new highs in both categories for the seven years Schwab had tracked the data. The average assets managed by acquired firms in the deals also is down to \$1.2 billion so far this year from \$1.6 billion in 2008.

The Schwab report also shows a trend that began gathering steam in 2007 of RIA firms acquiring their peers has continued growing as a percentage of total deals. This year, the level of such deals has hit nearly 60% of the total market after climbing above the halfway mark last year. But where the percentage of deals from RIA aggregator firms had been on the decline, their share this year is tracking upward again, to more than a third of the market — a result that could be largely due to United Capital's spate of activity.

United Capital sees its particular approach as the reason it has been more active, says Matt Brinker, v.p. of partnership development for the firm. He says RIA-buying competitors such as Focus Financial Group of New York and WealthTrust of Nashville, Tenn., have relied on private equity backers for deal capital.

"We haven't seen as many deals from them this year," Brinker says.

Brinker's comments seem more directed at the situation of specific competitors, rather than at the idea of having private equity backing in general, because United Capital itself got a \$15 million investment from Bessemer Venture Partners in August. That investment, announced over the summer, was supposed to help United Capital fuel four to six more deals by the end of 2010. United Capital also has backing from Grail Partners, another private investment firm, as well as capital from its founders.

Indeed, private equity backing in and of itself is not the reason that some RIA acquirers are less active by comparison, says **Dan Seivert**, CEO and managing partner of **Echelon Partners**, a consultant and investment bank in Manhattan Beach, Calif. "You can't blame the slowdown in deals on the private equity partners," he adds. "There may be fewer new RIA rollup firms funded because there is less capital for new initiatives, but [private equity] firms that are in this market are already in and want the companies they have invested in to succeed."

Seivert says the slowdown in activity is more related to the strained economic conditions that have left fewer buyers with deal capital and fewer sellers who see today's valuations as attractive. The activity has been greater on the "breakaway" side of the world –where advisors are leaving the wirehouse brokerages for independent channel options – than it has been for firms that are already in the independent RIA market.

Seivert's firm partnered earlier this year with TD Ameritrade's custody business that serves advisory firms to create an investment banking consultancy program designed to help RIA firms hone their acquisition prowess, while also building a marketplace for sellers to list themselves. But with this year's slower activity, Seivert says the focus has been on working with buyers on their strategy and tactics, while holding back on investing in developing the seller marketplace until the environment for making deals improves. "We would be throwing money at something that isn't going to happen yet, but we will pounce at the appropriate time," he adds.

The relative quiet on the deals front has not affected United Capital's hunger for new partners, however. Brinker says a ninth purchase is on the way, but declines to share details. He says the tally this year includes several "bolt-on" deals in which its existing affiliates have been the buyers of smaller RIAs in their markets.

That type of deal is part of United Capital's "super region" strategy, Brinker says, and the firm sees its newest acquisition, Capital Planning, as its anchor for that strategy in South Florida. Neal Slafsky and Robert Wolfe, the senior partners in charge of Capital Planning, will remain as managing directors of the affiliate.

Brinker says the United Capital model entails shifting many local firm functions to centralized resources, including having them tap into a centralized asset management platform that the company developed earlier this year by signing on FundQuest, a turnkey program provider. But Brinker says individual affiliates are free to keep their own manager lineup for investments not available on FundQuest's platforms, or to have those managers added to the program for other United Capital affiliates to tap into as well.

Capital Planning has about 300 client relationships, and it runs portfolios using separately managed accounts, mutual funds, and exchange-traded funds, among other strategies, says a United Capital spokesman.

Another RIA aggregator firm has also been active in 2009, but in the other direction. Boston Private Financial has announced deals to divest its stakes in five of its RIA partner firms since the start of the year. Most recently, Boston Private announced that it would move up an already planned sale of Westfield Capital Management in Boston from 2014 to the end of this year.

## ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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