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NEWS RELEASE

WHY THE TIME FOR ADVISORS TO BUY OTHER ADVISORS IS NOW PICTURE PERFECT

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Daniel B. Seivert: There are 16,000 advisors who will be moving to other channels

*Editor's note: Garrison Keillor says of his youth that he didn't know anything about girls. "All I knew was that I wanted one," deadpans the National Public Radio host. The more I hear about the mergers & acquisitions market for financial advisors the more convinced I am that similar thinking applies to it. The RIA custody units of Schwab, Pershing, Fidelity and TD Ameritrade are all hustling to ramp up M&A capability. For now the scrambling is mostly being done in the name of financial advisors who know that they want to do deals but who have little idea why, or how they would go about doing them. With that in mind, I present to you **Daniel Seivert**, an M&A veteran who has written a column that brings us up to speed on his industry supported by statistics from a study that his firm, **ECHELON Partners**, will publish next year. This article serves as a great primer. – Brooke Southall*

John Constable couldn't have painted a prettier picture of the landscape for RIAs looking to expand by buying other firms.

The past year's upheaval in the financial markets, combined with long-term trends that are causing advisors to move within the industry, or leave it altogether, are creating an unprecedented opportunity for buyers.

Consider the following numbers, from research report titled "Advisors in Motion," based on data from industry publications and associations. The report is scheduled to be released by ECHELON Partners in 1Q'10.

- Mergers involving wirehouses and banks will likely result in an 11% reduction of advice-providing professionals in those channels by the end of 2010. This means that approximately 16,000 advisors will be moving to other channels, including the regional broker-dealers, the independent broker-dealers, private banks, multi-family offices and RIAs.
- Two percent of the industry's advice-providing professionals, or, 6,000 registered reps, are expected to leave the industry altogether. This means that all the clients of all of these professionals will be changing hands in the near future.
- The number of new RIAs is expected to increase by 2,000 by the end of 2010.
- As the Baby Boomers among the RIA population age, a growing number will be looking to retire over the course of the next five years. We expect this trend to affect 4-6% of the approximately 15,000 RIA firms, with an average of 1.5 partners at the affected firms.

Many advisors seeking to switch channels or get out of the business altogether will sell their businesses in one form or fashion. Among their options will be selling through a competitive auction process, pursuing an internal sale, or hand picking trusted and respected wealth managers from other firms to whom they could sell their practice.

In 2007, the trends in the industry led to an enormous demand for advisory practices. It seemed nearly everyone wanted to own a wealth management franchise. Practice valuations skyrocketed, and many sellers found the deals being offered too good to pass up. With the trouble in the financial markets of 2008 and early 2009, most of the buyers and buying interest have evaporated. Would-be buyers such as banks, insurance companies, investment banks, investment managers, and RIA rollup firms have all either been decimated by the markets or moved to the sidelines by a lack of capital and/or a long list of strategic priorities that do not involve acquisitions.



The rarefied light of this John Constable painting depicts the rebounding M&A market as much as the sleepy market for sheep's wool

Now the market is poised for a comeback. During the down market, there were very few properties for sale because valuations were not where sellers wanted them to be, and the high margins in this business meant very few were for sale out of distress. But as the Dow climbs, more breakaway advisers are regaining the confidence it takes to make a move. Many of them want to avoid the time and hassles of a startup, which creates a buying or merger opportunity. With the market already up 40% from the trough, [though it's still 30% off the peak], valuations are improving, which is reviving interest from would-be sellers.

In short, we're in a moment as golden as the light in a Constable painting: There will be an enormous opportunity to buy wealth management firms in the next two years and the trend toward industry consolidation is likely to continue for the next decade.

The time may be right and the opportunity may be there, but is your firm ready to take advantage? Look for an upcoming column by Dan Seivert that includes a checklist to help you decide whether or not your firm is prepared to acquire.

Daniel B. Seivert is CEO and Managing Partner of ECHELON Partners. Prior to founding the firm, Mr. Seivert was one of the initial Principals of Lovell Minnick Partners (previously Putnam Lovell Capital Partners) in 1999, following a career at The Capital Group, where he held executive and operating positions. Mr. Seivert is a financial and strategic adviser to CEOs, other senior executives, and boards of directors in the investment management and wealth management industries.

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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