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NEWS RELEASE

PAINT YOURSELF INTO THE CURRENT BUYING LANDSCAPE

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In simple terms, buying other firms is a great way to obtain growth beyond that which can be achieved through the harvesting of additional assets from existing clients and/or the recruitment/referral of new clients. Given the unprecedented challenges in the financial markets and the enormous structural change going on in our industry, there has never been a more attractive time to buy other firms.

Below is a summary of the opportunities that pervade throughout the current buying landscape:

- ▶ Merger activity involving the 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.
- ▶ The number of new RIAs is also expected to increase by 2,000 by the end of 2010.
- ▶ Five percent of the industry's advice-providing professionals, or 14,000 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.

Buying is Important

John Constable, the 19th century British landscape artist, could not have painted a prettier picture for potential acquirers; indeed, many of the migrations outlined above will involve some form of buying transaction.

Buying is also important because, over the course of the next 10 years, a very large percentage of today's advisors will be retiring. Many of these advisors will sell their businesses in one form or fashion, and that creates an enormous opportunity for those who want to take over these practices. These retiring practitioners will sell through a competitive auction process, pursue an internal sale, or seek out trusted and respected wealth managers from other firms to whom they could sell their practice.

Another Key Point

Competition and demand for deals are way down. The competition for the acquisition of wealth management firms reached a fever pitch in 2007, when nearly everyone wanted to own a wealth management franchise. As a result, practice valuations skyrocketed and many sellers found the deals being offered too good to pass up. With the onset of the considerably more troubled 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 been moved to the sidelines as they deal with lack of capital, troubled balance sheets, and a long list of strategic priorities that do not involve acquisitions. This creates an enormous opportunity to buy wealth management firms: enterprise valuations are now much lower and competition for deals is way down relative to 2007.

In Summary

There will be many great opportunities for buyers over the next two years. Further, this trend is likely to continue for the next decade, given the retirement of many of today's practitioners. However, taking advantage of these unprecedented opportunities will require more than just an artistic flourish: wealth managers need to become knowledgeable about this topic and proactive about making advance preparations.

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 one of the leading financial and strategic advisers 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.

Daniel Seivert
Managing Director
dseivert@echelon-group.com

Tyler Resh
Principal
tresh@echelon-group.com