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# RIAs Buying Peers Push Industry Toward Record M&A

By Alyson Velati August 6, 2019

Registered investment advisors (RIAs) bought up more of their peers than other types of acquirers — including consolidators, banks and private equity firms — in the second quarter, setting industry M&A on track for another record year, according to a new report.

So far, there have been 65 transactions in the first half of 2019, with 33 deals taking place the second quarter, according to a new report from **DeVoe & Company** and Nuveen. Activity in the most recent quarter surpassed the 12-month trailing average of 29 transactions, and was up from just 18 deals during the second quarter of 2018.

“The activity in the first six months was a solid 30% higher than transactions in the first half of the last two years – both of which were successive records at 50 and 49, respectively,” DeVoe & Co. writes in the report.

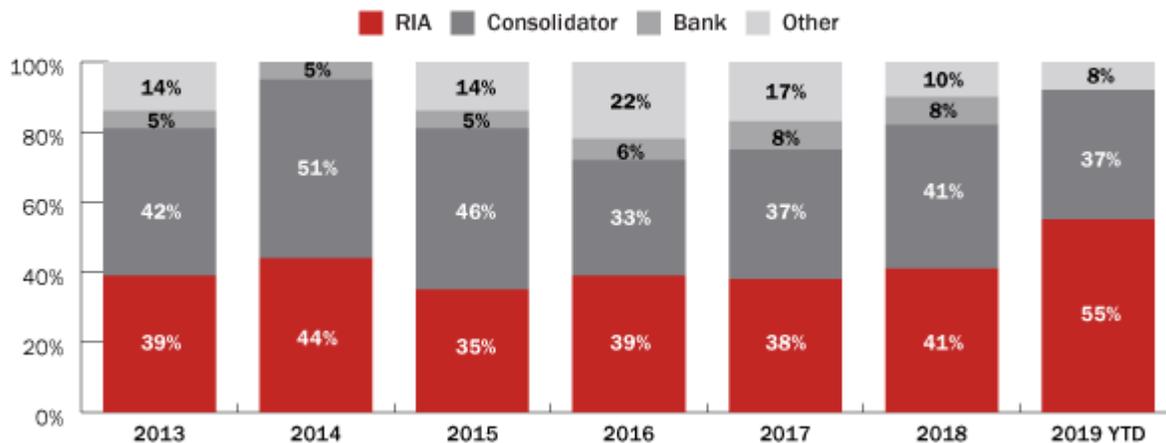
The main drivers of the pickup in deal-making activity are succession planning and advisory firms’ desire to gain scale, says **David DeVoe**, managing director and founder of DeVoe & Company.

Some RIAs are realizing that “joining forces with large firms that have deep expertise, enables them to not only support clients better but can give them a better life,” he says.

But the type of buyers snatching up these RIAs has shifted. RIAs themselves were the buyers in more than half of the deals taking place in the first half of 2019, a level “which is unusual to break,” says DeVoe.

## Who Are the Top Buyers of RIAs?

RIAs surpassed consolidators as the top category of top type of firm acquiring RIAs in the second quarter.



Source: DeVoe & Company

An increasing number of RIAs are looking to sell their firms to buyers that are closely aligned with their own values and have also built similar businesses, says DeVoe.

Mercer **Advisors**, a \$17 billion RIA, has relied on acquisitions to drive further growth, says **David Barton**, who is in charge of mergers and acquisitions at the RIA and was previously CEO of the firm. He stepped down from the CEO role in 2017 to fully devote his time to sourcing acquisitions.

Since 2016, when Mercer bought its first RIA, the firm has notched 24 deals. The firm is on track to announce five more transactions in the next month, which would set the firm on track to double the number of deals it did last year by the end of 2019, says Barton.

Just last month, Mercer bought **Physicians Financial Advisors**, a California-based RIA with \$1.6 billion in assets. In June, Mercer acquired **Jackson Financial Management**, a \$510 million RIA.

“We found that [M&A] was a great opportunity to attract talent and add capacity,” he says. “We’re bringing in [an average of] 800 clients a year and needed advisors to service those new clients. Where is the talent pool? In the firm that you are going to buy. So, we wanted to attract the best and the brightest in the industry.”

In addition to attracting talent to help grow its business, Mercer also wants to continue building out its geographic footprint.

“M&A is wonderful to open a brand-new market with a firm that is connected to [the area],” he says. “It’s much easier to buy then build from scratch.”

DeVoe & Co.’s report also points to an uptick in sub-acquisitions, which are deals done by firms that have already been acquired by another firm. During the second quarter, sub-acquisitions climbed to 11 from just three at the end of the second quarter of 2018.

For example, \$11.8 billion RIA **Wealth Enhancement Group** was recently bought by private equity firm **TA Associates** from Lightyear Capital. Just last month, Wealth Enhancement Group acquired another RIA, **AEPG Wealth Strategies**, its 13th acquisition in the past six years, as reported. In June, Wealth Enhancement Group bought hybrid independent RIA, **Planning Solutions Group**, a Maryland-based firm that had over \$1.3 billion, according to a company statement. Earlier this spring, the firm also acquired **Wiley Group**, an independent RIA.

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