

RIA Industry M&A

Behind the numbers

October 2021

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Total firm AUM post-deal ranging
from \$150M to \$24B



Average AUM acquired: \$355.6M



Total AUM acquired: \$1.7B

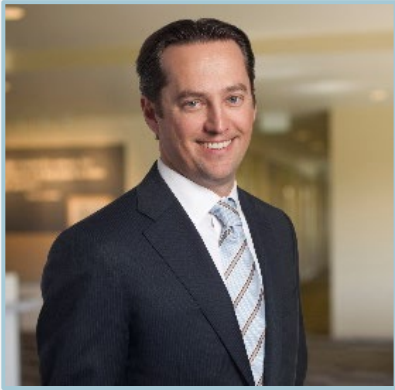
In the first half of 2021, M&A volumes continued to set new records. According to Schwab's 2021 [Assets in Motion](#) report, 85 deals were completed, nearly matching the total number of deals in all of 2020. Almost \$160 billion in total AUM has been acquired in the first six months of this year, an increase of 19% over 2020 and 23% over 2019.

Average deal size is also up. More than two in five sellers in the first half of this year had more than \$1 billion in AUM, and average deal size was \$1.86 billion, up 19% over 2020 and 23% over 2019.

The transaction data alone only tells part of the story, however. And a one-dimensional part at that. Behind the numbers, M&A is a very human, multi-faceted endeavor.

We interviewed the buyers and sellers in five recent transactions for a closer look at what is happening beyond the industry M&A data. The following report reflects key takeaways from these interviews and provides a lens into the M&A process, along with advice for firms who might be considering a transaction of their own.

Foreword



Tony Parkin

Managing Director
Business Consulting & Education
Schwab Advisor Services

The independent advisory industry continues to grow each year with assets managed by independent advisors nearly tripling over the last ten years.¹ And, as we look to the future, we believe independent advisors will remain center stage. As the popularity of fee-based advice increases alongside the growing awareness of the independent model, firm leaders, like the ones in this report, are seeking better infrastructures, more scale and efficiency, additional high-quality talent with additive skillsets, and, at times, a means to a succession plan.

This report does not focus on the number of deals or other common headlines you may have heard around M&A. Instead, it tells a different story. It offers a snapshot of how some of today's independent advisory firms courted other firms and secured a successful deal to deliver an increasingly compelling client experience and continued growth for their businesses.

These firms, driven by passion and a vision for the future, have created their own unique path forward by thoughtfully preparing for and implementing inorganic growth strategies. Partnering with like-minded advisors, they have joined forces to increase market share, enter new geographic regions, or achieve other growth-oriented strategic objectives.

But most importantly, they did it for their clients and their people. Instead of looking to M&A strategies based on economics alone, these firms have leveraged M&A to advance their service offering, deliver increased value to their clients and expanded career paths for their employees. Whether buying or selling, being able to connect with other firms who share a similar culture and values allowed these leaders to add more resources, achieve better delivery, and provide net positive experiences so their advisors can reinvest their time with their clients.

How do leaders, like the ones represented here, forge a successful partnership when aligning with another firm?

A successful M&A strategy is both a financial and business transaction requiring conversations and decisions that leverage art and science. Trust and synergy between firms are born from open and honest dialogue about each other's practices and philosophies—as well as each firm's deal imperatives and non-negotiables—with the intent of building something with a sum greater than its parts. Alignment of culture and core values within both firms is also mission critical. And for both parties, it is more important than ever to have a strong and clear value proposition that ensures a fruitful future for all involved.

At Schwab, we believe strongly in the importance of having a vision for the future. As the industry evolves, we see a marketplace that is growing stronger than ever before, bringing with it newly-formed firms that have fresh faces and perspectives on what this industry represents. And, as you consider your path forward, we are excited to bring the stories of the firms in this report to life with the hopes that they give you fresh insights as you explore your future from a slightly different angle.

We are committed to the success of this industry and to each of you in it. Many of you have already taken steps towards successful transactions, but there is still work to do. In the coming months and years, we look forward to helping you navigate these conversations and reach new levels of success no matter which path you choose.

1. The Cerulli Report, U.S. RIA Marketplace 2020, Firms, Assets, and Advisors, 2009-2019 (pg. 58)

Strategic framework for inorganic growth

Schwab's framework for inorganic growth outlines the critical steps firms should take to define what they are working to achieve, to help them be sure that inorganic growth makes sense, understand the deal imperatives that are most important to them, and help them clarify their value proposition so that they stand out as they connect with potential matches. By using the framework, firms take the time to understand their people, culture, processes, and tech stack and align their acquisition goals with their long-term vision. Next, they set expectations, deal terms, and due diligence processes so that they have a detailed plan to help them achieve their goals. From there, they are well-positioned to identify the best potential opportunities for their firm.

Envision



What are you working towards?

Prepare



What are your deal imperatives?

Connect



How do you find the right match?

Buyer and seller, *pre-deal*

Introducing the firms



Deal close: June 2019
Total deal AUM: \$5.8B



Rick Buoncure
Managing Partner
MAI Capital Management



Steve Trax
Head of MAI Sports +
Entertainment & Regional
President,
Senior Managing Director
MAI Capital Management

Formerly |
Founder & President,
MTX Wealth Management

“MAI was started over 50 years ago with one simple goal in mind: to take care of the client. And one of the things that we look for when we look for partners is people and firms that have that same passion to take care of the client. When we talked to Steve, he said he had three major things to take care of: one was clients, number two was clients, number three was clients, which is when he had me at hello.”

– Rick Buoncure



Deal close: January 2021
Total deal AUM: \$150M



Rob Santos
Founder & CEO
Arrowroot Family Office



Diane Young
Managing Director
Arrowroot Family Office

Formerly |
President
The Athena Financial Group

“Family office, for us, means managing money for people on the platform as well as holistic additive service. We are trying to be of value to our clients in a 360-degree way. We felt there was a huge opportunity for advisors like ourselves who didn't want to go the route of a wirehouse and didn't want to go the route of building a firm to sell to an aggregator. So, we're defined by what we are not. And we thought that there was absolutely demand in the marketplace for like-minded advisors out there.”

– Rob Santos

Deal close: January 2021
Total deal AUM: \$24.8B



David Barton
Vice Chairman
Mercer Advisors



Scott Kays
Managing Director
Mercer Advisors

Formerly |
Managing Principal,
Kays Financial Advisory
Corporation

“We are a comprehensive wealth management RIA. We’ve been in existence since 1985, and I would describe our current service model as a limited family office with the core service being financial planning, which is what we’ve been doing since day one. So, the fundamental tenets of our limited family office, e.g., estate planning, tax return preparation, and corporate trust are embedded into that core offering. A panoply of professionals and subject matter experts, standing shoulder to shoulder, to envelope the client in complete financial care.”

– David Barton

Deal close: August 2021
Total deal AUM: \$508M



Michael Moore
Chief Investment Officer
and Managing Director
American Money
Management



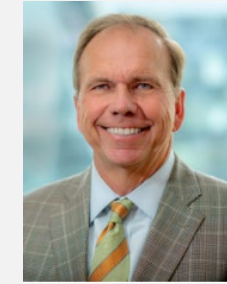
Jeanni Harrison
Financial Planner,
Investment Advisor
American Money
Management

Formerly |
Founding Principal,
Wealth Quest Partners

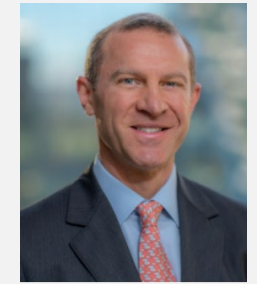
“On the surface, we’re a typical RIA offering investment management and financial planning to about 700 families, mostly in the Southern California area. Our differentiating factors include offering private investment deals to clients that we do in-house due diligence on and running an in-house equity strategy that we incorporate as a sleeve in portfolios. We offered financial planning to clients, and, historically, we’d offer it as incidental to the investment process. But with the Wealth Quest deal, we immediately added immense professionalism on the planning side that accelerated this planning offering.”

– Michael Moore

Deal close: January 2021
Total deal AUM: \$8.4B



Andy Berg
Principal & CEO
Homrich Berg



Sammy Grant
Principal
Homrich Berg

Formerly |
President
SG Financial Advisors

“When Homrich Berg was founded, our idea was to be different than the pool of other advisors, which was almost 100% commission-oriented. We wanted to eliminate conflict and always be on the same side of the table as the client. That, combined with the high level of service that we provided, enabled us to attract and retain our clients. Also, another thing that’s very important to us is combining financial planning with investment management. We were, and still are, of the belief that you really can’t effectively do one without the other.”

– Andy Berg

Key takeaways

I. Get focused, stay focused



There is a growing tide of RIAs who want to remain independent but still create scale, opportunity for employees, enter new markets, expand services to clients, or plan for succession. The most important step is to be clear about what you are trying to achieve and to recognize that this step needs to happen long before any conversation with a potential transaction partner.”

Lisa Salvi
Managing Director
Business Consulting & Education
Schwab Advisor Services

Across all interviews, firms underscored the importance of being clear about why a transaction made sense for their firm and its clients. They challenged themselves to define their long-term strategy, and once defined, to keep it front and center as they considered what benefits a deal could bring.

For some, it was about planning for eventual succession; others sought partners whose strengths complemented theirs or saw benefits in expanding their services or geographic footprints.

It was also an exercise in being clear about what they didn't want. From non-negotiables around deal structure and investment philosophy, to critical intangibles such as company culture, these factors were equally important in helping firms stay focused on their long-term strategy throughout the process of identifying the right partner and navigating a deal.

Perspectives:

“We were looking not for a buyout, but a merger, so that we could eventually transition out. This was a great way for us to transition gradually and still take really good care of our clients who are very important to us.”

– Jeanni Harrison
Financial Planner, Investment Advisor
American Money Management

“From a management standpoint, Sammy is additive to the partnership group and then from a client service standpoint, he's very involved and additive to the client service team leads, providing help and sharing best practices.”

– Andy Berg
Principal & CEO
Homrich Berg

“It's important to make sure that you're putting your clients, your people and your business in a position where they can get better every day, and that the firm can be successful even without you.”

– Steve Trax
Head of MAI Sports + Entertainment &
Regional President,
Senior Managing Director
MAI Capital Management

“A lot of advisors just go with who's going to write the biggest check. And that is a huge mistake, because there is life after the deal and just having the biggest check won't matter if you're miserable with what you do. The money is little consolation.”

– Scott Kays
Managing Director
Mercer Advisors

II. More than just deal economics



What I love about working with firms who are considering M&A is that every story is truly unique and that there can be a role to play, or a potential fit, for all participants who have made their way into the ecosystem.”

Nikolee Turner
Director
Business Consulting & Education
Schwab Advisor Services

Despite the industry-wide focus on deal data when looking at M&A trends, it is clear from these interviews that transactions are about so much more than deal economics. Rather, firms highlighted the benefits of quickly adding services and capacity or offloading operational weight to focus more on clients instead of supercharging the investment philosophy.

Across the firms interviewed, the transactions delivered benefits as unique as the firms themselves, underscoring that the ultimate success of every deal is shaped by the individuals at the heart of every deal: the leaders and management of the firms, the teams that serve clients day-to-day, and the clients themselves.

Perspectives:

“It was really a merger of interests... a team that has the same sort of outlook, the similar investment philosophy, business philosophy, client philosophy - that is critical.”

– Michael Moore
Chief Investment Officer and
Managing Director
American Money Management

“What Mercer has done immediately has been an expansion of capacity and the additive services beyond what we were offering previously. We've seen lots of benefits pretty quickly as a result of the transaction.”

– Scott Kays
Managing Director
Mercer Advisors

“We wanted to make sure we stay competitive. We were a smaller RIA so getting to a larger scale was attractive to us from a resource and regulatory standpoint. M&A provided the opportunity for us to do that in a thoughtful and less capital-intensive manner than trying to accomplish this on our own.”

– Rob Santos
Founder & CEO
Arrowroot Family Office

“High touch and sophisticated planning was something I was looking for and Andy, to his credit, was really the first and only firm at the time who appreciated that and said, ‘that's why we want you.’ He never asked the question of how many clients I was going to bring with me, which is what most other firms led with.”

– Sammy Grant
Principal
Homrich Berg

III. Knowing who can help fulfill your why



For any transaction to live up to its expectations, firms must come together with the purpose of ensuring a fruitful future for all involved: clients, employees and owners. So much of this hinges on culture and without alignment there, reaching strategic goals will be a path fraught with friction.”

Tony Parkin
Managing Director
Business Consulting & Education
Schwab Advisor Services

The right deal requires both a strategic and a cultural fit if it is going to be additive over the long-term. To ensure this cultural fit, successful firms prioritize alignment over numbers, and they go to great lengths, and take the time, to truly understand each other, both formally and informally.

Firms highlighted the importance of honest and candid conversations, they conducted due diligence and welcomed it in return, and they gravitated to shared values, integrity, and commitment to clients.

Perspectives:

“The people factor was most important to me. The bottom line is that I can match the priorities I have had for many years with MAI’s philosophy and be able to improve my business with great partners, a broader service offering and a group that is focused on getting better every day.”

– Steve Trax
Head of MAI Sports + Entertainment and
Regional President
MAI Capital Management

“The first time we talked it was clear that we had a lot of synergy. Which I think, for most of us, is really important. To know that the key principals really get along, have a shared value, shared vision”

– Diane Young
Managing Director
Arrowroot Family Office

“A lot of firms think about revenue growth, but the human capital component added something deep and helpful to our firm. We wanted to have more like-minded people, and it has really made the firm a much stronger firm from a person perspective.”

– Michael Moore
Chief Investment Officer and
Managing Director
American Money Management

“We went deep with their firm to understand their ways of doing things. The client service model, how they pay their people, their advisors, their investment strategy, back office, technology – you name it. And Scott was inquiring in the very same way about us.”

– David Barton
Vice Chairman
Mercer Advisors

IV. Clients front and center



Across all M&A activity, we see firsthand that firms are coming together very deliberately so that they can continue to serve their clients in a truly boutique way well into the future. To do this successfully they must have a shared philosophy and passion for placing clients at the center of everything they do.”

Paul Fullerton
Director
Business Consulting & Education
Schwab Advisor Services

M&A is not just a means to an exit. It is a strategic, thoughtful decision that enables buyers and sellers to continue to support their clients in the best way possible.

Firms acknowledged how critical it is to identify a partner that can create immense value to existing clients. Not to mention, one with whom integration can happen without distracting from or disrupting clients.

What did these firms look for? A commitment to being a fiduciary, a passion for service, ethical business practices, long-term relationships, and a desire to manage and grow the firm to better meet clients' desired outcomes.

Perspectives:

“In any deal, you've got three constituent groups: the seller and what their needs are; the staff and making sure that they're taken care of, including career development opportunities; and your clients. We're living in an age of service expansion. People want increased value delivered to them.”

– David Barton
Vice Chairman
Mercer Advisors

“One of our goals in looking for a merger partner was making sure it was right for our clients. And then we looked at things like ethics and it had to be a good fit all around. We wanted to work with people that we liked and respected.”

– Jeanni Harrison
Financial Planner, Investment Advisor
American Money Management

“I wanted to make sure that my clients would be in a great place without me – a place where, when the time comes, I would be comfortable leaving my legacy, my business, and my clients would be in great hands. As I worked through the process and learned more, I felt much more comfortable.”

– Steve Trax
Head of MAI Sports + Entertainment and
Regional President
MAI Capital Management

“The most important thing was the impact on my clients. I wanted this to be a positive for them, something that would add to their experience.”

– Sammy Grant
Principal
Homrich Berg

V. Positioning for success in the talent war



More and more, we're seeing the targeted use of M&A to win the race for talent...to fast track the addition not only of people but also of professional development and growth opportunities that a firm might see as critical to their future success."

Tony Parkin
Managing Director
Business Consulting & Education
Schwab Advisor Services

The growing demand for independent advice is driving heightened competition for attracting and retaining talent.

Across the board, firms acknowledge they are only as good as their people, and they carefully considered how the transaction would impact their current teams.

Ultimately, they recognized the benefits that a transaction could bring.

In the immediate term, it was deepening their talent bench to build out their capabilities and service offerings.

Longer term, it is seen as critical for attracting and retaining talent by providing more opportunities for individual growth and development.

Perspectives:

"M&A has been a talent acquisition strategy for us. Ours is a people business and you're only as good as your people"

– David Barton
Vice Chairman
Mercer Advisors

"[The merger] has led to more continuing education and more professional development and just a lot of other resources... [Our advisors] have the best of both worlds. Nothing changed from what they were doing, but they have access to these expanded resources now if they want them"

– Sammy Grant
Principal
Homrich Berg

"There's two ways to grow: organically and inorganically. And if you only grew organically, you would have a lot of problems because you'd have to keep getting more and more people and you don't really know if they're going to make it or not. But when you buy a firm and you do all the diligence, that's even better for clients."

– Rick Buoncore
Managing Partner
MAI Capital Management

"The added diversity of opinion and people has been a humungous plus for us."

– Rob Santos
Founder & CEO
Arrowroot Family Office

Advice for RIA firms considering M&A

“Do the hard work. Have a real value proposition that you're going to be able to offer the buyer. I don't think a lot of advisors have really done that hard work.” – Diane Young, Managing Director, Arrowroot Family Office

“Take your time and get to know the people that you're talking to. It is going to be a better opportunity for everyone around the table if you build a relationship first. So, take a lot of time to talk to those people.” – Rob Santos, Founder & CEO, Arrowroot Family Office

“You've got to partner with firms that believe what you believe. If you start with a firm that doesn't believe what you believe, you're never going to integrate them. They're never going to arrive at a point where the customer experience is the same, or the feeling among employees is the same. It's just not going to work. So, it starts there. It continues into integration.” – David Barton, Vice Chairman, Mercer Advisors

“Take steps to ready yourself for sale. Be the best firm you can be. As you grow, there is a big difference between being a good financial planner and developing an organization that delivers good financial advice. We were very process oriented so that things flowed smoothly. When it came time then for the sale, it made the transition a lot smoother.” – Scott Kays, Managing Director, Mercer Advisors

“Focus on the kind of growth you want. Growth just for growth's sake isn't a helpful strategy, but if you focus on sustainable growth, on finding like-minded people, it's a really great way to build your RIA practice.” – Michael Moore, Chief Investment Officer & Managing Director, American Money Management

“Common sense and common courtesy. That attitude was pervasive in this whole deal. There was a lot of respect and no egos ... just having a common goal and respecting everyone's opinion. I think common sense should always prevail.” – Jeanni Harrison, Financial Planner, Investment Advisor, American Money Management

“I cannot express this enough: the most important thing is not the economics and it's not the expertise of the person; it's the cultural fit. The other things eventually will take care of themselves. But if it's a cultural fit, you're past the 50-yard line at the start.” – Andy Berg, Principal & CEO, Homrich Berg

“Don't focus on the finances, or the numbers or what's in it for you. Focus on what's going to be best for the clients you are working with. Everything else will always fall into place. That's how I created my business. That's why the cultures were so easy to bring together.” – Sammy Grant, Principal, Homrich Berg

“Don't get enamored with a number just because someone's paying attention to you. I see people make terrible mistakes that way. Do your due diligence, know what you're looking for, what your priorities are, and what you're trying to solve for.” – Rick Buoncore, Managing Partner, MAI Capital Management

“Consider the opportunity when it's right for you. Take your time – walk, don't run, because it's an important one.” – Steve Trax, Head of MAI Sports + Entertainment and Regional President, MAI Capital Management

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