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## **RIAs Expect Further Increases in M&A Activity, New TD Ameritrade Institutional / FA Insight Survey Shows**

*Deals Offer Buyers an Opportunity to Reach New Markets and Gain Capabilities, While Sellers Can Address Succession Needs*

**JERSEY CITY, N.J. -- March 21, 2017** – Independent registered investment advisors (RIAs) say they're gaining an appetite for expansion through mergers and acquisitions, and most are setting their sights on small firms and solo practices. These and other signs point to continued acceleration in industry M&A activity, with RIAs continuing to lead the charge.

Across all firm sizes, more than three out of four RIAs indicated their growth plans include a merger or acquisition over the next five years, according to FA Insight's [Securing Your Firm's Future](#) survey.<sup>1</sup> Of those considering a transaction, more than 60 percent plan to acquire a solo advisor, while 47 percent intend to buy just a book of business. Forty-two percent anticipate acquiring firms with multiple advisors.

"For more than a decade, the industry was abuzz with talk of an 'impending' M&A boom. After a few false starts, it now appears the trend is finally about to take hold," said Vanessa Oligino, director of Business Performance Solutions at TD Ameritrade Institutional.<sup>2</sup> FA Insight became a division of TD Ameritrade Institutional in 2016.

The financial advisor industry, which on average entered into 42 transactions a year from 2000 to 2014, saw M&A announcements surge to a record 85 in 2015. Though deal count slipped to 77 last year, 2016 still ranked as the second-highest since 2000, according to FA Insight data.<sup>3</sup>

Over the past five years, roughly one third of transactions involved a solo advisor folding into a larger, existing practice, while 15 percent were purchases of books of business. Notably, 52 percent of 2016 investment advisory firm transactions featured an RIA as the acquirer.

More than a third of respondents to a separate FA Insight survey<sup>4</sup> last year said they were involved in a transaction during the previous five years, compared with 26 percent in 2014. Now, 76 percent of advisors expect to be in a transaction over the next five years.

As RIAs increase in size, so too does their interest in M&A. Among advisors with \$1.5 million to \$4 million in revenue, 76 percent expect to be involved in a transaction over the next five years, up from 50 percent who experienced a deal in the previous five years. Among firms generating \$4 million to \$8 million, 100 percent expect to enter a transaction, versus 69 percent that did a deal in the past five years.

### **A Strategy for Growth and for Succession**

For advisors, revenue growth and economies of scale were the biggest drivers of M&A activity. Other catalysts for increased activity include a steadily aging population of advisors, some of whom may look to cash out firm equity as retirement age nears.

Indeed, respondents said one out of four deals provided some type of succession solution for firm owners. Seeking a succession solution is a motivator for 30 percent of advisors contemplating a deal over the next five years.

"Nearly half of RIA shareholders are over the age of 55,<sup>5</sup> which means succession planning is on their radar," said Oligino. "For smaller advisors without a next generation of talent waiting in the wings, an acquisition may be the right strategy for taking care of clients and realizing equity built up in their firm."

The survey also found that 17 percent of firms completed a deal to reach a new market, whether expanding geographically or to build up a presence within an existing niche. Fifteen percent pursued M&A to add skills or fill a gap in expertise, while 7 percent did so to increase their service capabilities.

M&A isn't a silver bullet, to be sure. Some transactions can fall short of delivering expected benefits, which might be caused by a bad cultural fit or lack of alignment during the transition. Still, if due care is taken, M&A can be part of a broader strategic plan RIAs employ to grow and evolve their business.

One popular strategy is "tucking in" advisors interested in becoming independent RIAs but not looking to operate their own business. To help advisors find other advisors for continuity, succession, mergers and acquisitions, TD Ameritrade Institutional offers an introduction service called RIAConnect®.

"Over the years, we found that one in four breakaway brokers chooses to join an existing RIA, rather than go out on their own. We see that trend continuing," said Scott Collins, TD Ameritrade Institutional director of Broker Independence. "Regardless of whether an advisor is joining a new firm or selling their practice, the right deal can benefit clients and create a business that might otherwise have taken years to build organically."

### **For more information**

TD Ameritrade Institutional will host a [webcast](#) on Thursday, March 23, 4:00pm ET, where [survey findings](#) will be analyzed and a whitepaper, *Mergers & Acquisitions in the RIA Industry: Overcoming the Big Disconnect*, will be available for download. To learn more about the survey or RIAConnect, TD Ameritrade Institutional clients can contact their strategic relationship manager. Other advisors can call (800) 934-6124.

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### **About the Survey**

The [Securing Your Firm's Future survey](#) was completed in December 2016 through an online survey with the owners / shareholders of 234 independent RIAs, followed by interviews and focus groups. The median size for RIA firms represented in the study was \$800,000 in annual revenue. The margin of error is +/- 5.6% based on a 90% confidence interval.

### **About TD Ameritrade Institutional**

[TD Ameritrade Institutional](#) is a leading provider of comprehensive brokerage and custody services to more than 5,000 fee-based, independent RIAs and their clients. Our advanced technology platform, coupled with personal support from our dedicated service teams, allows investment advisors to run their practices more efficiently and effectively while optimizing time with clients. TD Ameritrade Institutional is a division of TD Ameritrade, Inc., a brokerage subsidiary of TD Ameritrade Holding Corporation.

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<sup>1</sup> FA Insight, *2017 Securing Your Firm's Future Survey*, December 2016

<sup>2</sup> TD Ameritrade Institutional is a division of TD Ameritrade Inc., brokerage subsidiary of TD Ameritrade Holding Corporation

<sup>3</sup> FA Insight proprietary M&A database, 2000-present

<sup>4</sup> FA Insight, *2014 FA Insight Study of Financial Advisory Firms: Growth by Design*, August 2014

<sup>5</sup> Cerulli Associates, Cerulli Advisor Metrics, 2016

**Source: TD Ameritrade Holding Corporation**