



# Path to Growth: Why RIA firms leverage M&A as a growth strategy

By Christopher V. Gunderson | Originally published in *InvestmentNews* September 19, 2017 – 12:01 am EST

Increasingly, Registered Investment Advisory (RIA) firms are expanding strategic goals, responding to rising competitive pressures and building scale by turbo-charging growth through mergers and acquisitions. Organic growth may still be the primary business strategy for many RIA firms across America; however a recent *InvestmentNews* study found that 31% of advisory firms plan to pursue M&A deals over the next year as a way to grow their businesses. What's more, 44% of firms expect to do a deal over the next five years, according to the same study.\*

At BNY Mellon's Pershing Advisor Solutions, we've seen an increase in M&A-related conversations, incorporation of M&A into strategic goals and actual deals in recent years. For many, this move has been somewhat reactive in nature, constituting a tactic for building scale to offset spiraling operational, technology, and compliance-related costs. However, for enduring advisory firms, the pursuit of M&A as an inorganic growth strategy is an inherent part of their long-term vision, sculpted by the kind of clients they seek to attract and the solutions they are uniquely equipped to provide. Firms are becoming more M&A savvy, prepared professionally and these M&A deals have been well-orchestrated, strategic moves.

To gain deeper insights into these vision-driven M&A strategies, we interviewed leaders at three firms that have recently undertaken significant, strategic mergers or acquisitions. These conversations formed the basis for two videos which are part of our Secrets Behind Success series. In the first video, "Path to Growth," we hear from the firm executives why they looked to M&A as a growth strategy:

## 1. **Operational Demands Won't Stop Intensifying**

Intensifying—There's a good reason why more and more firms are pursuing M&A strategies: operational requirements are simply outpacing most firms' ability to fund them. These costs—stemming from technology, to cybersecurity, to compliance—are so high that many firms must combine others to have the scale to make the right investments and to serve up the right opportunities to advisors, noted Joseph Belfatto, Managing Partner of Massey Quick Simon Wealth Management Investment Consulting, whose firm merged with New Jersey-based William E. Simon & Sons in the spring of 2017.



## 2. **Staying Small May No Longer Be an Option**

Option—No doubt, our industry has been shaped by admirable entrepreneurs and innovators who have “gone it alone” and achieved success. But, today’s competitive environment is making it increasingly difficult to compete and build valuation without scale and professional management, notes Rob Mooney, Managing Partner and Chief Executive Officer of Snowden Lane Partners. Founded in 2011, Snowden Lane has grown rapidly through a series of M&A transactions across the country.

## 3. **It’s About More Than Assets**

Clearly, M&A will quickly drive growth in assets under management. But, a carefully considered M&A strategy will consider other strategic assets as well, and will seek to broaden the firm’s professional experience, noted Richard Hough, Chairman and Chief Executive Officer of Silvercrest Asset Management Group. Silvercrest acquired New Jersey-based RIA Jamison, Eaton & Wood in 2015.

Based on my experience in collaborating with firms as they’ve progressed through the M&A continuum, I have seen great success stem from those that carefully consider their firm’s vision, expectations for growth and insistence on a strong cultural fit with any business they might acquire—and prepare accordingly. Absorbing a smaller firm, merging with an equal, or bringing in an advisor in transition team of relative or even larger size (which involves many M&A attributes) all have their challenges but that is where the opportunity lies for RIAs with a clearly defined M&A strategy. In the second video, we explore the keys to success in M&A deals: honestly assessing one’s own strengths, agreeing on why and how the firm needs to grow, then finding a new partner that shares values and aspirations that can deliver differentiating solutions to clients and superior financial results.

Check out other videos in our *Secrets Behind Success* series, including the journey advisory firms take to become independent, and their transition from being part of a large financial organization to forming their own RIA firms.

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\**InvestmentNews* Research, 2017

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