

## Positive Start to the Year for RIA M&A Activity

### First Quarter's Gains Continue Momentum from Q4 2023

RIA M&A activity eked out a slight increase in the first quarter of 2024. Transaction volume was up 3% on a year-over-year basis, with 65 transactions this quarter compared to 63 transactions in Q1 2023.

The industry now has two consecutive quarters of positive growth in mergers and acquisitions. Although 2023 was the first down year for M&A activity in nearly a decade, the fourth quarter rebounded into positive territory largely unnoticed. With six months of upward momentum, the industry is marching along and has entered a period of sustained stability.

Although the quarter wasn't marked by dramatic events or shifts, several noteworthy developments emerged. Q1 saw a material increase of private equity investments and an acceleration of small firm sales. *Consolidators* remained the top buyers in the industry, but *RIAs* seeking to grow through acquisition are gaining share. The minority investing market continues to attract attention as several new players entered the space during the quarter.

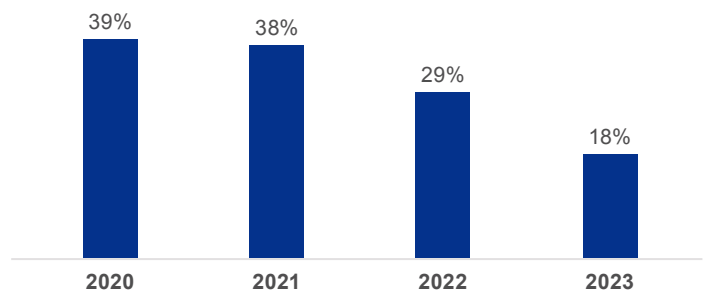
Ongoing challenges with succession planning will likely drive RIA sales for the foreseeable future, as founders are more often challenged to sell internally. Overall, the industry is tipping toward a succession crisis. As

reported in the recent *2023 DeVoe RIA M&A Outlook Report*, fewer than one-fifth of surveyed advisors are confident that the next generation of leadership can afford to buy their firms, down from 39% of advisors in 2020. This data points toward a likely increase in external sales in the future.

Despite a tepid start to the year, the trends noted above are all likely to contribute to increasing M&A activity. DeVoe & Company forecasts that 2024 will likely exceed the 251 transactions announced in 2023.

### NextGen Affordability Index Plunges

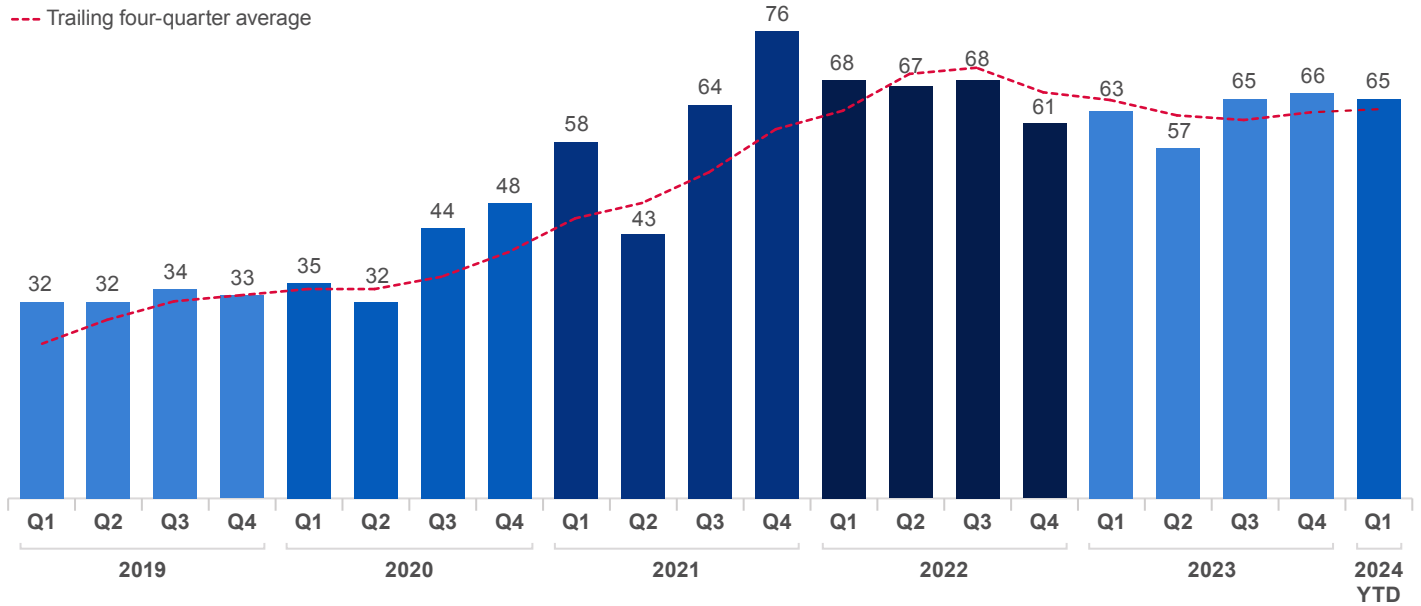
Percentage of RIA executives confident of NextGen's capacity to buy out founders



Source: 2023 DeVoe RIA M&A Outlook Report

## Quarterly Transaction Volume Remains Steady

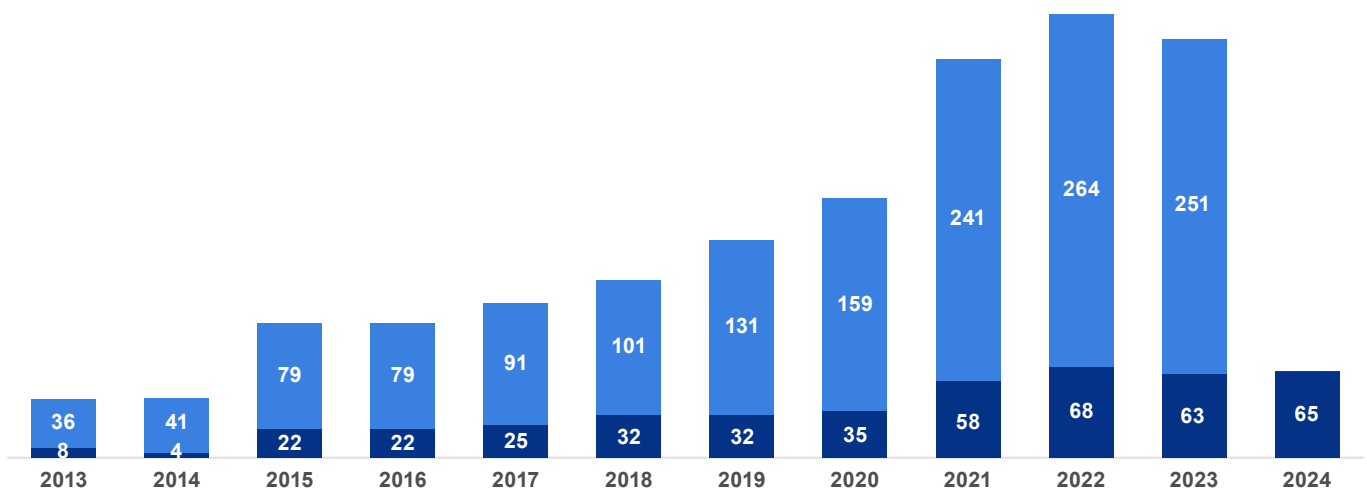
Number of transactions reported per quarter



## Q1 2024 M&A Activity Up Slightly from 2023

Annual and Q1 M&A activity

■ Q1 ■ Annual



## Sub-\$1B Sellers Maintain Momentum

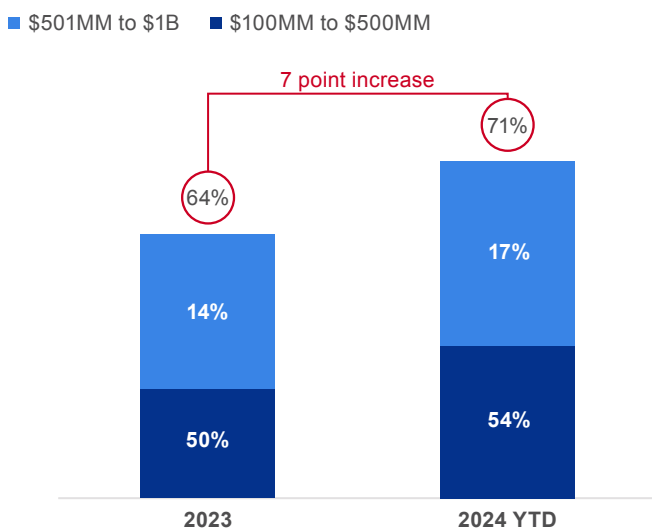
Sales of firms with under \$1B in assets under management (AUM) maintained upward momentum in the first quarter of 2024. The category accounted for 71% of all transactions in the period, ticking up seven percentage points above its share during the full year of 2023. Notable acquirers MAI and Allworth contributed to this material shift, with five and three transactions, respectively. Although other *Consolidators* also had success with sub-\$1B sellers, it was *RIAs* as a buyer category that executed the majority of the transactions. The concept of selling to another RIA — as opposed to a serial acquirer — tends to be more compelling for firms under \$1B in AUM.

**Small RIA Sellers (\$100MM to \$500MM):** RIA sellers with assets between \$100MM and \$500MM accounted for 54% of transactions during the period. This uptick extends the consistent increase in this cohort's percentage share since 2021. It is also the highest percentage of total transactions since 2014, when small firm sales reached 59%.

Smaller firms are selling in greater numbers to solve business challenges beyond liquidity. Many founders believe merging into larger firms will help them run better businesses, grow faster, and provide their clients with more services. Other sellers are using an external sale for succession purposes. Smaller firms are often forced to sell externally, as many are too small to have internal candidates who can afford the required investment or have the skills to be a successor.

## Sellers Under \$1B in AUM Spike in Q1

Percentage of total transactions below \$1B in AUM



In many cases, these smaller sellers are seeking to join forces with their peers: other *RIAs*. Selling to another RIA can feel safer in some regards than selling to a mega consolidator. Anecdotally, advisors say that selling to another RIA “gives them a seat at the table,” contrasting with the fear that they “will be lost” or “just another employee” if they sold to a major acquirer. *RIAs* as a buyer category have been more active in this AUM tier than in recent years, ticking up nine percentage points over the last two years. During Q1 2024, 40% of sellers with assets between \$100MM–\$500MM sold to another RIA.

## \$1B+ Seller Activity Slows

Last year's surge of large firm sales slowed in the beginning of 2024. The 2023 wave of \$1B+ sellers was primarily driven by new capital that had flowed into several major acquirers, leading these newly capital-rich investors to go on buying sprees. As a result, from 2022 to 2023, this category surged from 27% to 36% of total transactions.

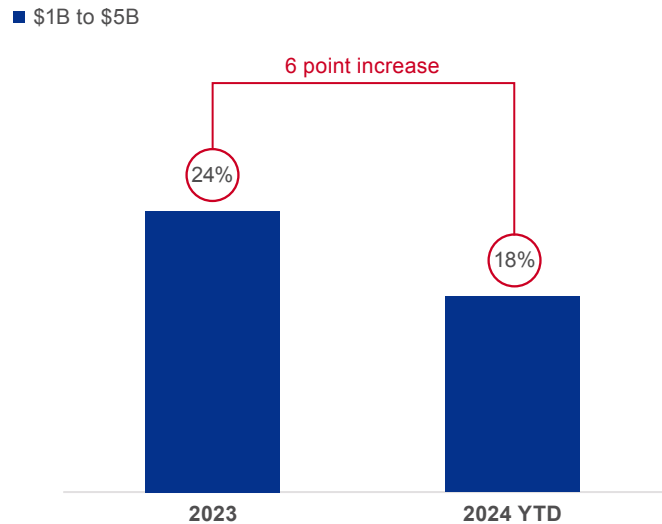
With this flurry of investment activity behind the *Consolidators*, the large/mega-firm category compressed seven percentage points. DeVoe & Company expects activity within this group of sellers to accelerate over the course of the year as the market reverts toward its historic mean.

**Large RIA Sellers (\$1B to \$5B):** Only 12 RIAs with \$1B–\$5B in AUM sold externally during the period. On a percentage basis, large sellers declined to 18% of transactions YTD from 24% in the full year 2023.

This is the lowest percentage share this category has seen since full year 2018, when it was 17%. Of the 12 transactions this quarter, *Consolidators* initiated five, and *RIAs* initiated four.

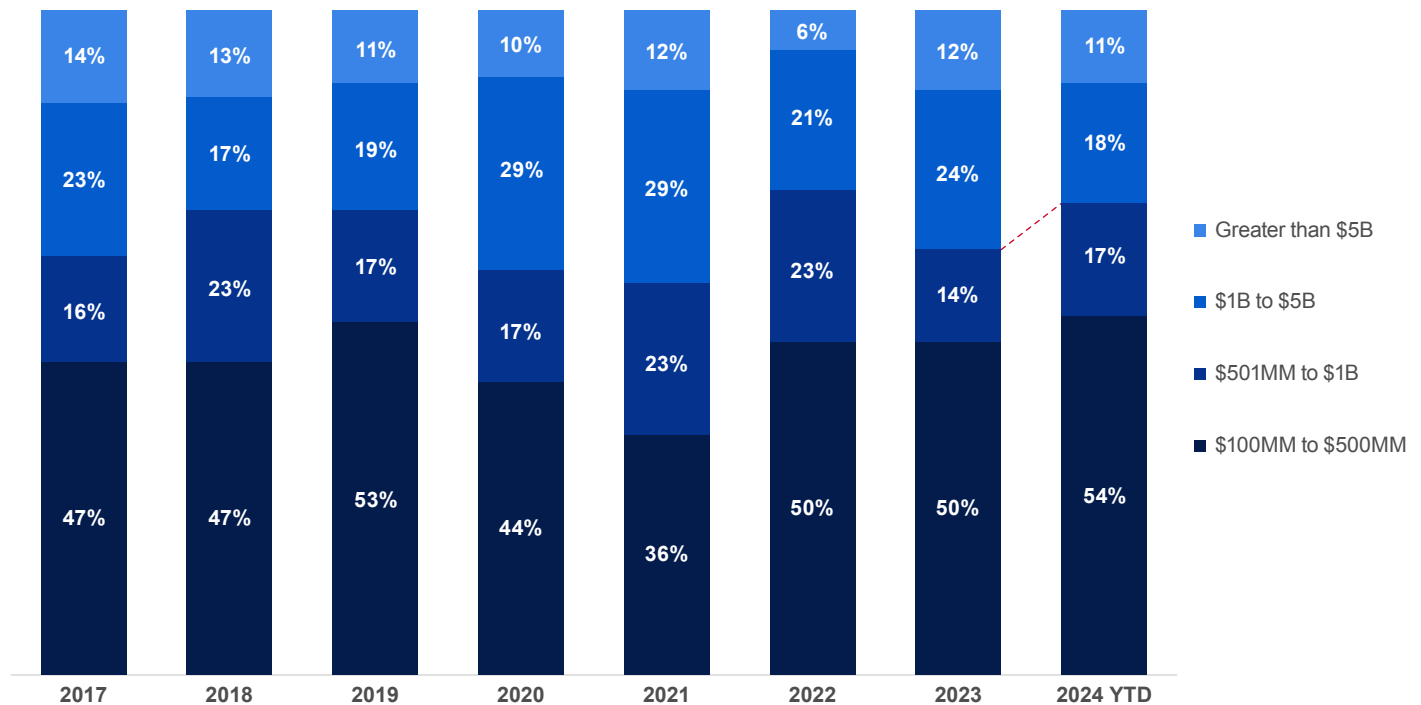
## Large RIA Seller Transaction Activity Takes a Dive

Percentage of total transactions \$1B–\$5B AUM



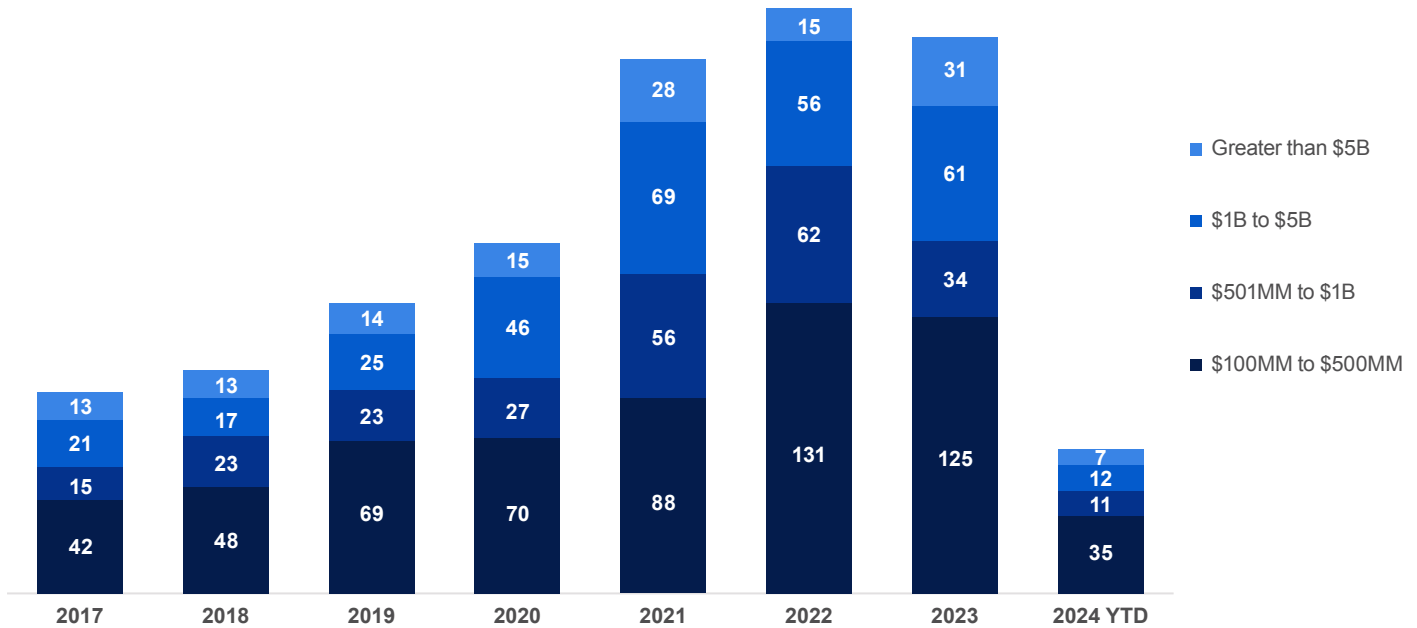
## Small and Medium Sellers Increase in Proportional Transaction Volume

Percentage of total transactions by seller AUM



## Smaller Firms Drove Q1 Transaction Volume

Number of transactions by seller AUM



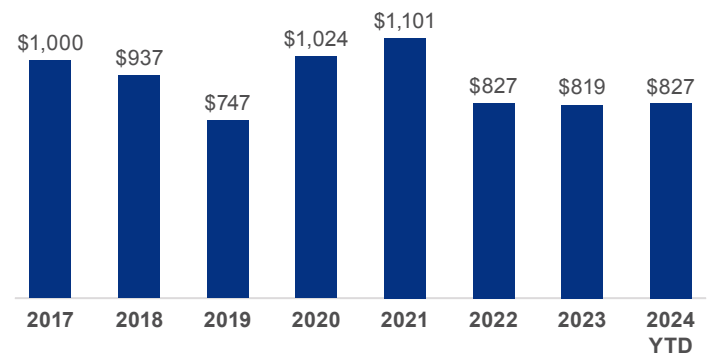
**Mega RIA Sellers (\$5B+):** Sales of mega firms maintained their historical average during the first quarter. Excluding 2022, this segment of sellers has been in the 10–12% range of total transactions consistently for the last six years. DeVoe & Company forecasts roughly 30 mega transactions by the end of year.

## Average Seller Size Remains in the \$800MM Range

Despite the shifts in seller segments noted above, the average size of RIA sellers did not change materially. At \$827MM AUM for the first quarter, this sets the stage for the third successive year that the average seller is in the low \$800MM range.

## Seller Size Remains Consistent

Average AUM of sellers  
(Sellers with AUM greater than \$100MM and less than \$5B; in MM)



DeVoe & Company excludes seller transactions over \$5B in AUM

## RIAs Continue to Increase Market Share Among Buyer Categories

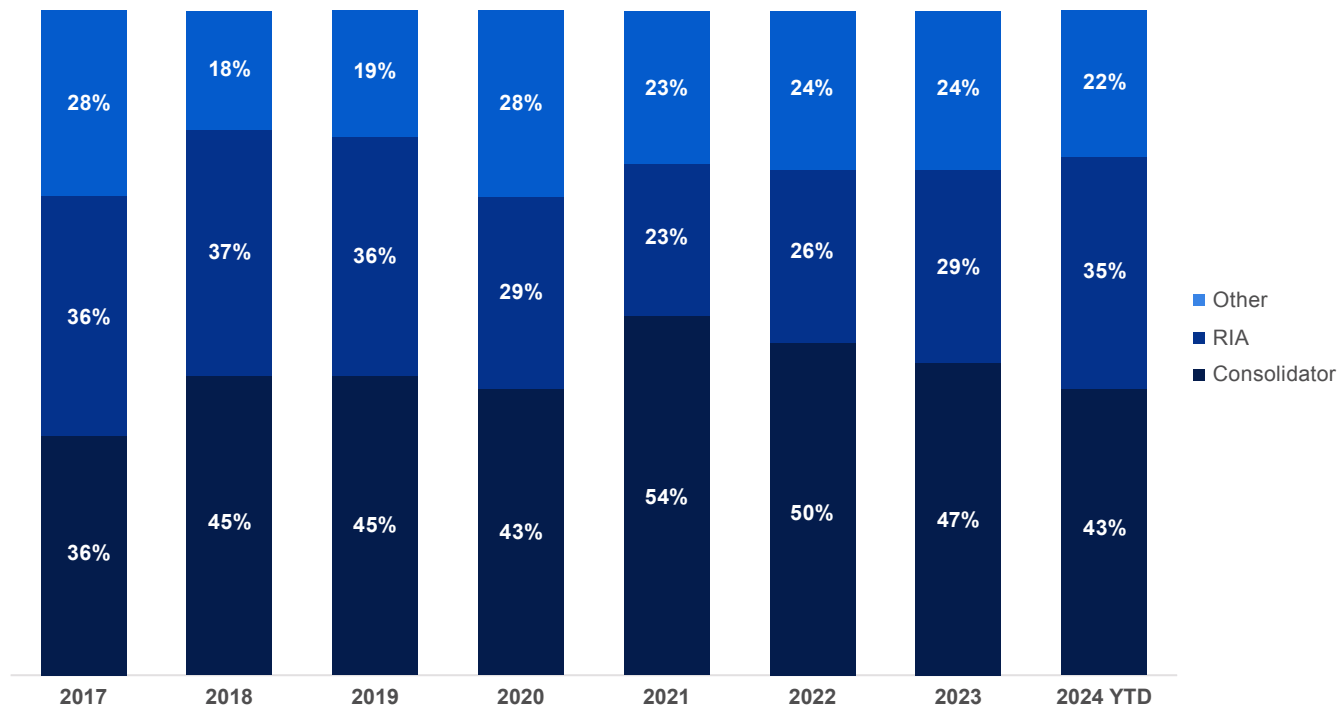
The trends amongst the three buyer categories have been holding steady over the last three years. *RIAs* as a buyer category have consistently increased their share of transactions at the expense of both *Consolidators* and *Other* buyers. This is likely due to both the increase in small seller activity and the fact that *Consolidators* are actively decreasing their acquisition strategy.

## Consolidators

The *Consolidator* category continued its steady decline from the majority position held several years ago, seemingly by design. *Consolidator* leadership teams exercised continued restraint within the high-interest-rate environment. This intentional slowdown in activity was part of a broader strategy to manage debt ratios and mitigate risks related to violating any debt covenants. In related actions, many *Consolidators* replenished their capital, driving an increase among private equity buyers in the *Other* category, as noted below.

## RIAs Increase Share as Consolidators Continue Decline

Percentage of acquisitions by buyer category



As a result, *Consolidator* market share percentage dropped 11 points, from 54% in 2021 to 43% in Q1 2024. DeVoe & Company expects *Consolidators* to increase their M&A activity when interest rates eventually decline.

Consolidation has begun within the industry’s largest consolidator, Focus Financial Partners. Early in the year, Focus Financial’s CEO, Dan Glaser, outlined the firm’s new strategy of intra-merger consolidation. In January, Kovitz Investment Group acquired \$3B Telemus Capital, both of which are Focus Financial affiliates. By March, Focus Financial signed its second intra-partnership merger in 2024 with The Colony Group’s acquisition of GW & Wade. Continued consolidation is likely coming within Focus Financial.

Despite the downward trend in terms of percentage share, *Consolidators* are still the dominant buyer group. This category made up a large portion of the most active buyer list for Q1 2024.

## Top Acquirers in Q1 2024

Level activity among the top players

Company	Number of Q1 Transactions	Share of Q1 Transactions
MAI Capital Management	5	8%
Allworth Financial	3	5%
Constellation Wealth Capital	3	5%
Diversify Wealth Management	3	5%
Mercer Advisors	3	5%
Arax Investment Partners	2	3%
Mariner Wealth Advisors	2	3%
Merit Financial Advisors	2	3%
Miracle Mile Advisors	2	3%
Perigon Wealth Management	2	3%
Wealth Enhancement Group	2	3%

## RIAs

As noted above, the *RIA* buyer category extended its market share of transactions in the first quarter. *RIA* buyers accounted for 35% of transactions in 2024, which represents an increase of 6% over full year 2023, 9% over full year 2022, and 12% over full year 2021. This category is currently the second largest behind *Consolidators*. Numerically, acquisitions facilitated by *RIAs* increased 35% when comparing year-to-date 2024 versus the same period in 2023, putting *RIAs* on pace for an all-time yearly high. As noted earlier, part of the lift is due to *RIA* buyers being more successful in acquiring smaller advisors.

## Other

The *Other* buyer category, which includes private equity firms, broker-dealers, insurance/benefit companies, diversified financial services, asset managers, and accounting firms and banks, remained mostly flat at 22% of transactions. Currently, the 22% year-to-date share in this category is on par with the yearly average of 24% over the last few years.

Of the *Other* category’s sub-components, private equity was the most active, accounting for 71% of total transactions in the category. Private equity was responsible for 15% of total transactions for 2024 YTD, nearly 10% higher compared to every other year. Private equity is on pace to potentially achieve its most active year of all time.

## Minority Investments Ticks Up in Popularity

*RIA* transactions involving minority investments have been a focus of media attention over the last several months. In addition to an increase in activity, some high-profile industry executives launched new firms and one proceeded to execute a number of transactions right out of the gate.

Despite the recent attention, minority acquisitions have been steadily declining since their peak of 14% of total transactions in 2020. Their market share has methodically dropped to 8% in 2023, but signs suggest this trend may be reversing. Six minority transactions were reported year-to-date, slightly above the recent average volume and an uptick to 9% of total transactions. *(Please see our Methodology for how DeVoe tracks minority transactions.)*

Notable new entrants include Rise Growth Capital, run by Joe Duran, and Constellation Wealth Capital, launched by Karl Heckenberg. The two CEOs gained notoriety in the industry after running high-profile firms United Capital and Emigrant Partners, respectively.

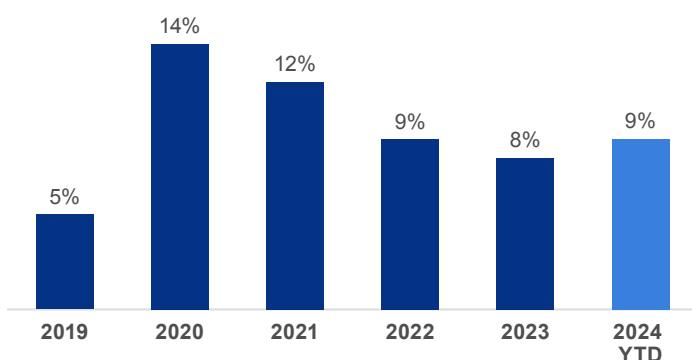
Rise received a capital commitment of \$250MM from middle-market private equity firm Charlesbank in February. Constellation has made four minority investments in RIAs since its launch in late 2023 (Lido Advisors, AITi Global, Perigon Wealth Management, and AlphaCore Wealth Advisory).

In related news, M&A veteran Liz Nesvold joined Emigrant in board roles, serving as Vice Chair of Emigrant Bank and Chair of Emigrant Partners.

With a number of established players maintaining momentum and new players entering the space, this category is likely to expand within the RIA marketplace.

## Minority Investments Experience First Uptick Since 2019

Minority transactions as a percentage of total transactions



For financial professionals only. Not for use with the public.

## Talent and Growth Drive Acquisition Activity

Intuitively, one would assume that growth is the number one reason for firms to acquire RIAs. A recent study shows that this isn't the case. Because people are integral to the success of RIAs, acquiring talent has become the biggest reason.

As reported in the *2023 DeVoe RIA M&A Outlook Report*, 76% of surveyed advisors stated that 'adding strong talent' was a key goal of their acquisition strategy, even eclipsing 'growth' as the number one reason. Clearly, advisors believe investing more in people today will make their firms stronger tomorrow. Having an engaged, experienced, and happy staff will make a firm more attractive to buyers and will arguably increase the value of the company.

'Grow clients and assets' was the second-highest decision driver for acquisitions, with 74% of polled advisors stating its importance. Unfortunately, organic growth results have withered over the last six years, dropping from 9% to 3%. To put things in perspective, a typical buyer would likely pay a premium of about 30% for a seller with demonstrated growth of 9% versus 3%. Investing in growth can clearly create an attractive ROI.

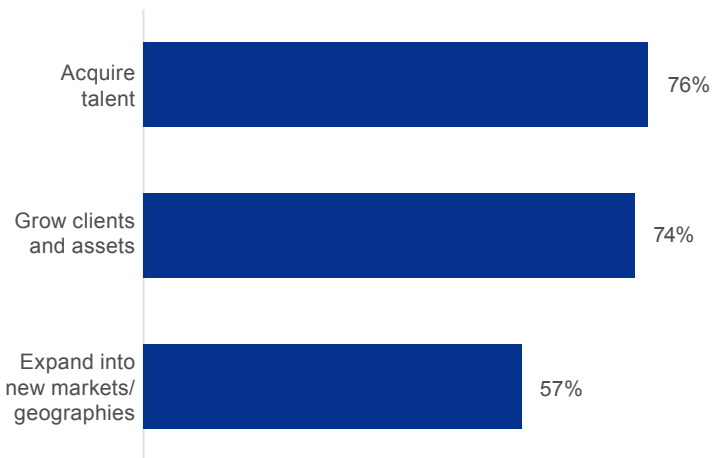
The third-highest driver, at 57%, was expansion into new markets and geographies. As a strategic initiative, expansion gives firms the opportunity to gain new clients and assets, while also gaining a competitive advantage over rivals.

Sophisticated buyers possess a clear understanding and conviction regarding the overarching strategic objectives of their growth strategy. Likewise, a seller's comprehension of the specific or collective goals of potential buyers can enhance its positioning for a more successful sale.



## Buyer Goals: Talent Tops the List

If your firm were to acquire an RIA, what would be the main drivers?



Source: 2023 DeVoe RIA M&A Outlook Report

This chart represents partial findings. See 2023 DeVoe RIA M&A Outlook for full results.

## Conclusion

The current RIA M&A environment remains healthy overall and surprisingly steady. For nearly three years, the number of deals per quarter has consistently hovered around the mid-60 range. This stability is especially notable given the more chaotic backdrop of market volatility, macro-economic factors, and global events.

As the shifting competitive landscape and value propositions of major buyers continue to draw more RIAs into discussions about selling, DeVoe & Company expects that deal activity in 2024 will exceed 2023. Ongoing succession challenges and consolidation at the top of the industry are expected to drive increasing transaction volume for the next five or more years.

## Our Methodology and the Focus of the RIA Deal Book™

The DeVoe RIA M&A Deal Book provides the wealth management community with detailed tracking and analysis of mergers and acquisitions trends, so they can make more informed strategic decisions. DeVoe & Company has tracked wealth management M&A activity for over 20 years.

The RIA Deal Book seeks to track all transactions of SEC-registered RIA sellers, advisors with at least \$100MM of assets under management from individuals and/or HNW individuals (in the case of minority transactions, we only include material transactions), and actively screens out hedge funds, IBDs, mutual fund companies, and other companies that aren't operating as traditional RIA firms. DeVoe excludes 'breakaways joining RIAs' unless there is evidence or indications that consideration was associated with the transaction.

Statements contained herein are solely those of DeVoe & Company as of the date published, are based upon information it considers to be reliable and does not necessarily reflect the opinions of Capital Group or its affiliates. This information is intended to highlight issues and should not be considered advice, an endorsement, or a recommendation.

For financial professionals only. Not for use with the public.

## About DeVoe & Company

DeVoe & Company is a goal-based consulting firm and investment bank focused exclusively on guiding wealth management and investment management companies to a higher level of success. We provide consulting, M&A, and valuation services to help you accelerate the achievement of your business goals. Leveraging our team's 400 years of combined experience in RIA business consulting and management, we develop solutions tailored to your unique goals, needs, and situation. The wealth and investment management industries are highly dynamic and evolving at a fast pace. DeVoe & Company can help you better understand your options, determine your optimal path, and craft an implementable plan for you to capitalize on the opportunities.

## What We Do

Our mission is to help you achieve success on an accelerated basis. Our services fall into three major categories:

BUSINESS CONSULTING

M&A GUIDANCE

VALUATIONS

## Who We Are

Founded and led by RIA thought-leader David DeVoe, our team has grown to over 20 professionals with 400 years of combined experience. Our consulting approach is a reflection of the team's background: An ideal balance of analytically rigorous theory and real-world experience. Our team includes a McKinsey-trained management consultant and several former CEOs/COOs of \$1B to \$200B RIAs. As a result, we are positioned like no other consulting firm to provide you advice on any strategic challenge you may face. Our breadth of experience enables us to be your complete partner.

## How We Do It

DeVoe & Company creates transformational change for our clients through a unique, highly focused approach. Most engagements begin with our proprietary strategic planning process: StrategicContext™. During the StrategicContext™ stage we gain a detailed understanding of your business, professional, and personal goals. Through this methodical approach a strategic "North Star" for the engagement emerges. This North Star provides the management team with a consistent point of alignment for the myriad decisions throughout the process. As a result, the outcome will be deeply rooted in the company's core goals and integrated into a cohesive plan.

DeVoe & Company executed more than 700 engagements in the last several years, supporting firms managing \$100MM to over \$250B in AUM

## Our Insights

We regularly publish white papers, are quoted in financial publications and create other thought leadership pieces that we make available on our website at [www.devoeandcompany.com](http://www.devoeandcompany.com).

A few of our most recent articles / white papers include:

- *The Heart of the Deal: Understanding and Overcoming the Emotional Barriers of Selling Your RIA*
- *It's Time for a Human Capital Revolution*
- *DeVoe RIA M&A Outlook Study*
- *Succession Planning: Planning Your Future*
- *Putting Strategic Context Around Your Succession Plan*
- *Tailor-Made Successor*
- *True Value: Learn to Focus on the Things that Drive Up the Value of Your Practice*

## Engaging DeVoe & Company

For more information or to engage our services, call us at 415.813.5066 or send an email to [info@devoe-co.com](mailto:info@devoe-co.com).

This page intentionally left blank.

# Capital Group's commitment to the RIA industry



## Business management

We recognize the challenges facing RIAs. We stand ready to assist you with our wealth strategy solutions, benchmarking and elite engagement services.



## Investment management

From due-diligence consultations to portfolio analysis to the latest market insights – we can equip you with information and solutions to help meet your clients' financial goals.



## Client communications

Leverage our proprietary research on clients' attitudes and preferences. We have insights, tools and specialists to help improve your client relationships.



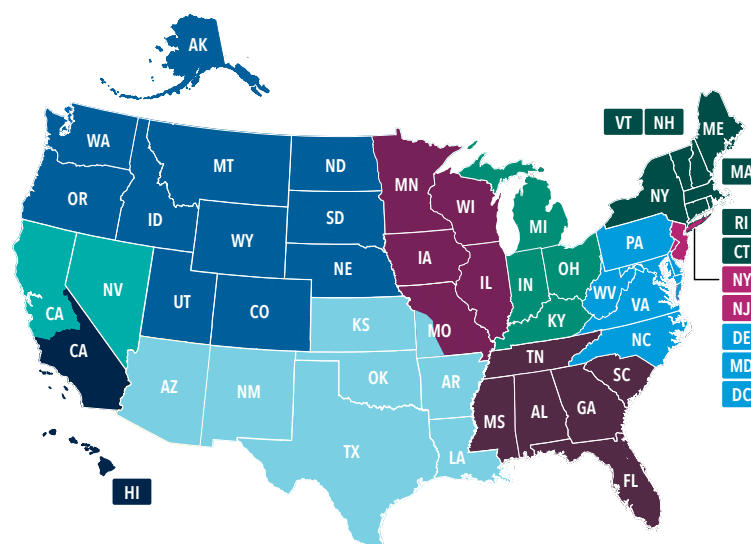
## An online community exclusively for RIAs – RIAInsider.com

Enjoy curated insights and a community of peers and thought leaders. Access specialized tools relevant to RIAs, including advisor management platform Truelytics. And boost your brand with Marketing Lab, Capital Group's client-ready publishing tool.

## A dedicated RIA team to collaborate with your practice

Contact your relationship manager or specialist directly, or call our RIA support line at (800) 421-5450.

REGION	RELATIONSHIP MANAGER	RELATIONSHIP SPECIALIST	REGIONAL RELATIONSHIP MANAGER
Southwest	Tyler Furek (213) 509-6410	Holden Dippel (800) 833-2732	Hayden Fleming (866) 420-2026
Northern California	Brandon Ma (415) 260-7163	Jake Keehn (866) 471-2696	Susanna Chan (866) 420-2027
Northwest	Ryan Radtke (206) 446-8688	Jake Keehn (866) 471-2696	Ben Wooden (866) 818-4125
South	Robert Peché (832) 289-1673	Holdel Dippel (800) 833-2732	Ben Wooden (866) 818-4125
North Central	David Morrison (309) 370-7281	Kirsten Bayer-Petras (866) 960-7283	Ryan Hoover (800) 421-9907
Southeast	Marek Blaskovic (949) 266-7532	Vabo Patel (800) 421-8297	Natalie Wright (800) 421-7020
Great Lakes	Kristen Nelson (317) 646-2444	Kirsten Bayer-Petras (866) 960-7283	Ryan Hoover (800) 421-9907
Northeast	Damian Carroll (860) 573-8064	Troy Tipton (800) 421-9546	Joel VanDerWeele (317) 706-5362
Mid-Atlantic	Antonio Bass (202) 322-9170	Vabo Patel (800) 421-8297	Natalie Wright (800) 421-7020
Tri-State	Alex Diorio (516) 242-6376	Troy Tipton (800) 421-9546	Joel VanDerWeele (317) 706-5362



All Capital Group trademarks mentioned are owned by The Capital Group Companies, Inc., an affiliated company or fund. All other company and product names mentioned are the property of their respective companies.