Search For Talented Advisors Drives M&A, Acquirers Say

By Karen Demasters for FA Mag

The never-ending search for talent is part of the driving force behind the fast-paced increases in financial advisory firms' mergers and acquisitions, according to Marty Bicknell, CEO and president of Mariner Wealth Advisors, a national financial services firm.

"Acquisitions always have been about talent acquisition for us. That is our number one objective," Bicknell said Wednesday during a webinar sponsored by Advisor Growth Strategies, a management consulting and transaction advisory firm.

The webinar explored the M&A market from the perspective of three acquiring firms.

"We look for the organizations that have done a good job of attracting the next generation of talent," Bicknell said.

"Talent is the key to more than just a good valuation in a transaction. We are in the middle of a transformational growth period that is driven by recruiting and retaining talent. The next 10 years will be defined by a sharp split between those who execute, and those that do not," said Brandon Kawal, principal at Advisor Growth Strategies.

A survey of 101 RIAs released this week by Advisor Growth Strategies found that "the hunger for talent is the biggest motivator—and stumbling block—for mergers and acquisitions in the independent advice space. The search for talent is as competitive as it has ever been." More than half of the RIAs in the study had more than $1 billion in AUM and 77% were fee-only firms

For the third year in a row, finding talent was listed as the firms' biggest challenge and more than 50% of firms across every size segment described it as "very challenging" or "challenging." In past years, talent shared the spotlight with tech and growth as primary hurdles in the RIA industry. "This year, RIAs are focused almost exclusively on talent, demonstrating the acute pressure of our current labor market," the study said.

Advisor Growth Strategies also found that the percentage of buyers or sellers who were "not prepared" for M&A had decreased to 42%, from 53% in 2021 and 51% in 2020. "More firms are willing to entertain conversations around deal-making, putting pressure on all participants to clarify how their firm will stand out from the competition," the study said.

Seventy-seven percent of respondents identified the next generation within the firm as the preferred people to succeed them. However, valuations of firms, which have soared in recent years, makes that improbable.

“Many firms want to transition internally [but] that becomes unachievable” because of the current high valuations, John Furey, managing partner of Advisor Growth Strategies, said in the webinar. The next generation often cannot afford to buy out the owners.