Meet the $3B RIA that wants to go national

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The Mather Group is serving notice it wants to be a player in the race to become a national RIA.

Since opening its doors as a Morgan Stanley breakaway team with around $180 million in assets in 2011, the RIA's AUM skyrocketed to $1.8 billion – organically.

The Chicago-based firm aggressively targets retiring Fortune 500 executives looking for retirement planning and in short order opened additional offices in Houston, Dallas and Atlanta.

This month Mather made the leap to also become a buyer, and a big one at that. It's planting its flag in one of the nation's most lucrative – and competitive – markets, acquiring a $1 billion dollar San Francisco Bay Area wealth manager, Berman Investment Advisors.

"We absolutely want to build a national brand," says founding partner Stewart Mather.

A new force in M&A?

After growing to nearly $2 billion in AUM organically in 7 years, The Mather Group is now an M&A buyer, having purchased Berman Advisors in the San Francisco Bay area.

Headquarters: Chicago

Offices: Atlanta, Dallas, Houston, Mill Valley, CA.

AUM: $2.8 billion

Capital source for M&A: Self-funding

Source: SEC Form ADV, company data

In addition to the firm's fast-growth track record, Mather is relying on a distinctive pitch to attract RIA founders considering selling: he's a younger version of them, only 40 years old, with plans to be around for another 30 years.

"There's not a lot of next gen buyers," Mather says. "For a fee-only fiduciary firm looking for a strategic partner and concerned about their clients and employees, we offer a long runway. We're going to be around for a long time."

Plenty of sellers will find the offer appealing, says investment banker Steve Levitt, founder of Park Sutton Advisors, which represented Mather in the Berman deal.

"It's a crowded market with a lot of buyers," Levitt says. "Mather's story is a bit different and will help them stand out. I think you're going to see a lot more deals from them."

As Mather begins to compete with giant aggregators like Focus Financial Advisors, HighTower Advisors and United Capital for national prominence, his proposition to fellow RIAs could be an advantage, says M&A consultant David DeVoe.

A number of advisors feel better about selling to one of their own, DeVoe notes.

"Most consideration is cash and we are well capitalized," says Stewart Mather.

"There is a sense that because the RIA has 'sat in their chair' they better understand their organization and client needs," he explains. "Given the sophistication of many of the consolidators today, this isn't technically necessarily the case. However, from a cultural or emotional perspective, if a given seller sees this as an asset, then this shouldn't be ignored."

Mather says he is looking to expand "to most major markets" and that acquisitions will be funded "off [the firm's] balance sheet."

Deal structures will be customized "to a partners' specific situation," he says. "Most consideration is cash and we are well capitalized. We are well aware of market pricing and are extremely competitive, especially for folks we want to partner with."

The firm has fueled its strong organic growth leveraging technology and referral sources such as accounting firms, using the success of Leawood, Kansas-based Creative Planning as a model, Mather says.

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Mather will be competing against many companies backed by private equity, but he argues that private equity "is not good for our space."

According to Mather, PE firms have "a substantial misalignment of interests. There is a reason law firms have to be owned by lawyers. When there is a bear market, will advisors have to answer to limited partners whose interests compete with clients and next gen staff?"

At any rate, DeVoe believes a $3 billion firm run by a young principal targeting retiring advisors is well positioned in the coming M&A battles.

"The demographics of this industry, combined with the lack of succession planning, creates an environment where we will need more buyers," DeVoe says. "If M&A doubles in a given year – and there is a good chance it will – there currently is not enough buyers to absorb so many sellers."

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