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Where one of the fastest-growing RIAs is going — and how it plans to get there

By Charles Paikert

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One of the industry's fastest growing wealth managers has crossed the \$2 billion AUM mark — and says it's just getting started.

Newport Beach, California-based Beacon Pointe Wealth Advisers, which launched in 2011 with \$164 million in assets under management, has merged with Ironmark Advisers, a Dallas-based RIA with \$340 million in AUM.

"Dallas is a market of super interest to many buyers because of the wealth concentration in the region," says investment banker Steven Levitt, managing director of Park Sutton Advisers. "Beacon Pointe should be congratulated for getting in."

"We reached out to Ironmark because Dallas is a market where we really wanted to be," says Beacon Pointe President Matt Cooper. "It's growing very fast and has a client segment that we like: professionals in their prime earning years. It's also in the center of the country and is a good anchor spot for us to grow in Texas and Oklahoma."

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Following the Money: Cities Where Wealth is Growing Fastest

The Big Apple has the most wealth, but eight other cities grew faster. Which ones?

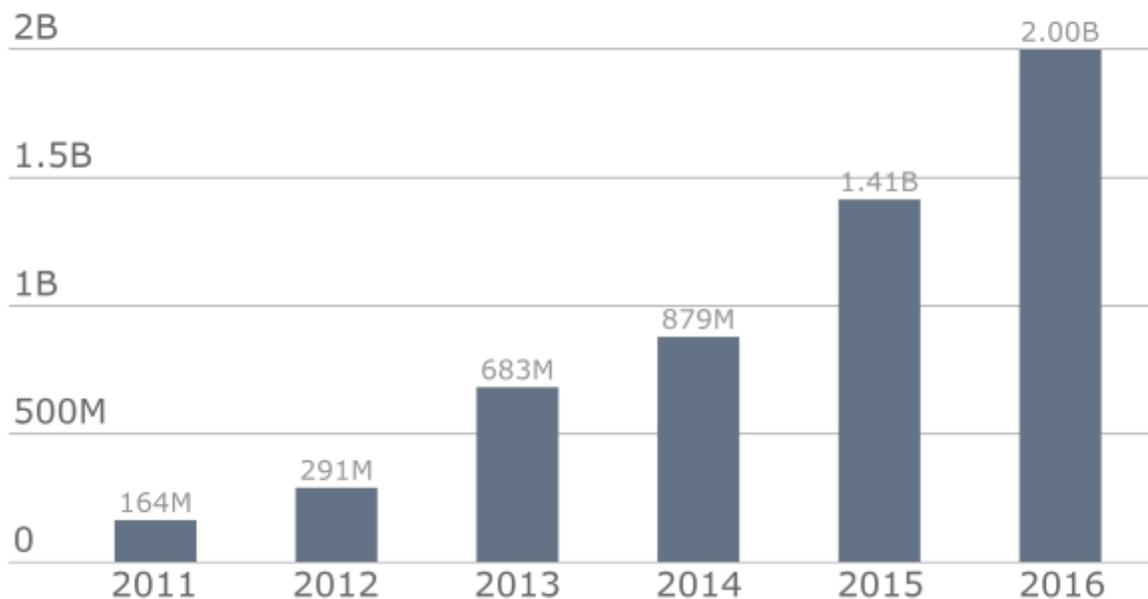
RIA M&A STILL IN EARLY INNINGS?

Beacon Pointe also hopes to close a deal for an advisory firm in the Philadelphia area by the end of the year, Cooper says, giving the wealth manager its eighth office in six years. In addition to four in California and Ironmark, Beacon Pointe is also in Scottsdale, Arizona and Boston.

Despite a fast-paced year for M&A activity to date, Cooper believes the industry is still in "relatively early innings" of consolidation.

Latest deal puts Beacon Pointe over \$2B in AUM

The Newport Beach, Calif.-based RIA has grown dramatically in 5 years.



Source: Beacon Pointe Wealth Advisors

Older owners will want to cash out before the bull market ends, he maintains, and smaller firms will feel pressured to upgrade technology and have a digital platform to compete with robo advisers.

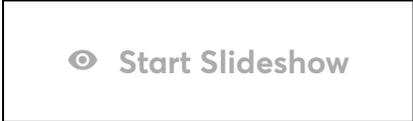
The fiduciary rule will also be a "major mover," Cooper asserts, pushing more wirehouse brokers into the independent space.

SELLERS MARKET

Although Cooper says it's "fair to say" it's still a sellers' market for RIAs, he adds that, because so many nominal buyers are not qualified, "the vast majority of deals won't get done."

Investment banker Levitt agrees.

Interest in the RIA M&A market remains high, he says, but "getting deals done in this space is still very difficult because of the shortage of sellers. At the same time, many buyers are not willing to meet the unrealistic valuation expectations of many sellers."

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RIA M&A: Fast, furious and record breaking

We expect this momentum to continue and potentially accelerate over the next five to seven years, says investment banker David DeVoe.

Cooper says he is undaunted.

Beacon Pointe has hired a new executive, Karisa Diephouse, specifically to spearhead further acquisitions as director of practice integration and strategy, and is targeting cities in the Midwest as well as metropolitan New York, Washington and Atlanta.

DEAL PITCH

To be sure, Beacon Pointe has plenty of competition among acquisition-minded wealth management firms, including EP Wealth Advisors, Mariner Holdings, Savant and Aspiriant.

A big differentiator for Beacon Pointe, according to Cooper, is the fact that the firm doesn't take third-party money.



Matt Cooper, president of Beacon Pointe Wealth Advisers, says RIA M&A is still in "relatively early innings."

Principals of new firms joining Beacon Pointe receive equity in Beacon Pointe Wealth Advisers, which is 50% owned by Beacon Pointe Holdings. "No cash is exchanged," Cooper explains.

"We're looking for partners who want to grow, not those who are in the twilight of their careers," Cooper says. "Their opportunity is to be part of a larger firm that's growing faster than a smaller firm; which will in turn drive larger valuation multiples."

DIVIDING UP THE PIE

A new partner's ownership stake is determined by the percentage of their firms' profit and loss statement relative to the other 14 equity partners, says Cooper, who is also president of Beacon Pointe Advisors Private Client Services Group, a \$7.5 billion RIA.

It's "fair to say it's still a sellers' market for RIAs," - Beacon Pointe's Matt Cooper.

A management holding company, Beacon Pointe Holdings, owns 50% of BPWA and 100% of the larger RIA. Cooper is an equity partner in the holding company.

Partner firms have access to Beacon Pointe's resources, as well as a succession plan: "We have to buy partners out at fair market value when they retire with no discounts," Cooper explains.

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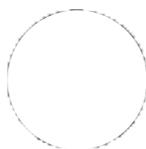
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In a crowded market, the model stands out, says Levitt.

"Beacon Pointe's acquisition model is an interesting concept and distinguishes them in the market," Levitt says. "They typically do all equity deals, versus [the more common M&A transactions] using equity and cash, whereby the seller takes units in Beacon Pointe that enable them to cash in the distant future at fair market value with no minority discount."

Cooper couples his pitch to prospective partners with an appeal to emotion as well as economics: "We want to help advisers fulfill their fiduciary promise to clients and their moral obligation to their teams."



Charles Paikert

Charles Paikert is a senior editor with Financial Planning, a SourceMedia publication.



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