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Banks Shop for RIAs

Banks are on the prowl for RIA firms.

As banks watch their interest income dwindle, they're increasingly looking to bulk up their wealth management businesses in a bid to boost their fee-based revenue.

For many, buying an RIA is the way to go, said Jeffrey Brand, a managing director at mergers and acquisitions firm Silver Lane Advisors, explaining that such a move represents the ultimate commitment to wealth and asset management.

"There is strong interest in buying RIAs right now," Brand said.

Regional banks with $5 billion to $50 billion in assets are particularly interested in acquiring RIAs, with many putting in bids and participating in auctions. The interest also extends to banks "another level down" as they ponder whether to enter the business or get back into it in a quest to become more profitable and efficient.

"We're seeing new entrants test the waters," said Brand, adding that a number of banks are considering acquisitions to expand their wealth management business and to a lesser extent build entire wealth units from scratch.

The trend last year bore that out. In 2014, banks acquired 47 registered investment advisors and trust companies, nearly double the total in 2013 and a dramatic step up from only 18 in 2010, according to Silver Lane Advisors.

One of the biggest acquisitions last year involved CIBC, which snapped up Atlantic Trust Private Wealth Management, a Chicago-based RIA, for a whopping $210 million. Other notable deals included Boston Private Bank & Trust's acquisition of Banyan Partners for $60 million and TriState Capital Holdings' acquisition of Berwyn, Pa.-based Chartwell Investment Partners, also for $60 million.

Brand expects the pace to hold up in 2015, if not accelerate. Indeed, the size of some of the deals he's working on surpass last year's $60 million acquisitions of Banyan and Chartwell, with deals ranging from $20 million to $150 million. "I would imagine that given the performance of the marketplace [and] the number of transactions we're seeing, it will be the same pace if not more," he said.

The buzz over RIAs stems from the attractiveness of wealth management, which offers banks more than fee income. The investment services business is not capital-intensive and many say creates loyalty or "stickiness" with bank customers. In fact, research firm Kehrer Bielan Research & Consulting **in a recent report found** that banking clients that purchased an investment from their financial institution keep their deposit and credit products longer.

Banks looking to offer investment management services or strengthen the services they have can, of course, partner with a third-party broker dealer. But that route works best for banks that "just want to dip a toe" into the business, according to Brand.

"Asset and wealth management isn't something you do part-time," he said. "Your board on down has to understand and embrace asset and wealth management if you're going into this business."

According to Brand, the purchase of an RIA is a manifestation of a bank's full commitment to wealth and asset management as it requires board approval. "If you get board approval, the board is really going to do their home-work and understand this business," he said, which may not be the case if the bank simply partners with a TPM.

In addition, when a bank buys an RIA, it collects more of the profits and controls the client experience more than it would if it were to team up with a TPM, Brand noted. It also puts the bank in a better position should it decide to sell the business at some point in the future.

“It is very attractive, but unless you jump in, it’s not something I would just dip my toe in and try to wing it,” he said.

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