

M&A panelists: 'Get your house in order' even if you aren't planning to sell your firm

On a mergers and acquisitions panel hosted by Fidelity, dealmaking experts talked about how RIAs can prepare for a potential sale.

BY **PAYTON GUION**

Ted Motheral said that when he starts working with RIAs at the beginning of the sale process, only about half of firms are organized enough to move forward.

The other half of RIAs start the process without having resolved corporate, legal or compliance issues certain to arise in the sale process, he said.

Motheral is an Ohio-based partner at Potomac Law Group where he oversees the firm's mergers and acquisitions practice. On Tuesday, he was speaking on an M&A panel hosted by Fidelity focused on preparing firms for a sale.

'From my standpoint ... if you cure all of these issues, you'll be a very clean company,' Motheral said. 'And if you go to market, you won't see a deal drag because of a diligence issue. Get your house in order, whether you're thinking about doing this never or in 10 years or in one year.'

Most of the people tuned into the Fidelity webinar Tuesday said they aren't actively looking for a deal.

Some 61% of respondents to a poll issued during the panel said their firm was not for sale, while 27% said they were at least considering pursuing a deal. Only 12% said they were in serious discussions for a sale.

But with strong M&A drivers and persistent buyers in the RIA space, it's common to hear from sellers that they weren't actively pursuing a sale prior to a deal.

[Fidelity recorded](#) 50 wealth management transactions in the first quarter of 2024, down from the heights of the past couple of years, but still indicative of robust M&A activity, Dynasty Financial Partners investment bank head Harris Baltch said on the panel. (It's worth noting that investment bank [MarshBerry reported](#) this week that there were 84 wealth management deals done in the first quarter of this year, which would be the busiest first quarter on record.)

Baltch said he sees a universe of 20,000 RIAs, give or take, and that only 5,000 firms have already been aggregated.

'That leaves 15,000 RIAs,' Baltch said. 'If you think about what's going on in our space, each month you hear about a tremendous amount of deals getting announced. That would give us 50 years of runway for consolidation. Given the influx of cap and the recurring revenue ... we don't really see a slowdown happening anytime soon.'

He echoed Motheral's point that firms should always stay organized, with the possibility of an acquisition always on the horizon.

'When you get ready for a party you want to make sure your house is clean,' he said. 'When you are getting ready to sell, you need to get serious. Your business really needs to be organized and squeaky clean ... having all of your legal, organizational and financial information in one place.'

Baltch and Motheral were joined on the panel by moderator Laura Delaney, vice president of practice management and consulting at Fidelity, and Kevin Meehan, regional president and senior vice president of new client development at Wealth Enhancement Group.

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