
The 80/20 rule (more or less) applies to Registered Investment Advisors

By Editorial Staff Thu, Nov 2, 2017

'Billion-dollar RIAs are becoming formidable competitors for B/Ds,' according to new research from Cerulli Associates.

The 687 retail-focused advisory firms with \$1 billion or more under management comprise less than four percent of such firm but control about 60% of retail assets under management, valued at \$2.4 trillion, according to global research and consulting firm Cerulli Associates.

"Billion-dollar RIAs make up only 3.8% of all retail-focused firms. The clear majority of RIAs are much smaller, with less than \$100 million in AUM," said Marina Shtyrkov, a research analyst at Cerulli, in a release.

M&A helps explain it. "Since 2012, billion-dollar RIA firms have steadily accumulated asset marketshare by attracting big teams from other channels and engaging in a significant amount of merger and acquisition (M&A) activity," the release said. "RIAs of all sizes are choosing to merge for a number of reasons: depth of specialization, succession, and growth through economies of scale."

Cerulli finds that the largest RIAs that have already amassed billions of dollars in AUM are increasingly merging to expand their talent, strengthen their intellectual capital, and create super-regional firms.

"Some of the largest RIAs resemble small broker/dealers (B/Ds) in size, service, and brand awareness among advisors," said Kenton Shirk, director of Cerulli's intermediary practice, in a statement. "Their ability to lure breakaway advisors should be a concern for B/Ds. Half of breakaway advisors prefer to join an established independent practice. Billion-dollar RIAs are becoming formidable competitors for B/Ds."

Cerulli's latest report, *U.S. RIA Marketplace 2017: Ascendancy of the Billion-Dollar Firm*, offers an analysis of the dynamics of the RIA channel, including market sizing, advisor attributes, custodian and asset manager relationships, investment decisions and product use, practice operations and growth strategies.

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