

# WISE RHINO GROUP

RETIREMENT  
ADVISORY  
FIRM

SPOTLIGHT  
Q3 2021

IN PARTNERSHIP  
WITH STATE STREET  
GLOBAL ADVISORS

**STATE STREET** GLOBAL  
ADVISORS



## *What's inside*

- Q3 M&A Update
- Current Trends, Metrics & Multiples
- TPAs Follow Advisor Consolidation
- Building Equity Value



**DICK DARIAN**  
Founding Partner

### *Contributing Authors/ Team*

**PETER CAMPAGNA**  
Partner

**ROB MADORE**  
Director

**FRED BLOODGOOD**  
Sr Advisor

**MAGGIE HOWE**  
Associate

**KELLY MADIGAN**  
Associate

**BOB FRANCIS**  
Co-Founder; Sr Advisor



Thank you for checking out the third quarter edition of the WRG Retirement Advisory Firm Spotlight!

When we founded Wise Rhino Group in 2018, our mission was to assist retirement and wealth advisory firms with the critical analysis and process necessary to make impactful go forward decisions to best align Firm partners, staff and clients. After 38 years spent entirely in the retirement component of the financial services business, I felt equipped to execute this job better than most.

WRG is now almost four years in, and we have served more than 160 retirement and wealth advisory firms and assisted with 65 sell-side and buy-side advisory transactions. Based on our experience so far, I can confirm that our team's backgrounds working as retirement advisors, building retirement TPAs, working for a recordkeeper, building an early-generation aggregator, and finally managing a DCIO complex, has been invaluable but frankly necessary in achieving the kind of results our advisory firm clients require and deserve. As important as all my retirement industry experiences have been in helping our clients, it was the fifteen years I spent in the beginning of my career as a retirement advisor that fuels our empathetic approach to each advisor engagement.

Sure, the deal process and the negotiation of terms and price are extremely important and there are many advisory firms who do a great job here. However, most of these firms, focus on the wealth advisory or benefits/P&C advisory

verticals. Many have no real understanding of even the basics of retirement advisory industry, the day-to-day job of a retirement advisor, the buy-side aggregators, or the challenges facing retirement advisors today.

In this issue of Spotlight, we begin with an M&A update of the retirement and wealth advisory marketplace, including trends, metrics and transactions.

Our feature article focuses on the addition to our team of TPA industry legend Fred Bloodgood. Fred is focusing on providing M&A sell-side advisory services to retirement TPAs and is off to a great start in a segment of the industry that was the original foundation of the advisory business.

We then have an article on building equity value. Here we make comparisons to the National Football League, an organization I became very familiar with as their retirement advisor for many years and where a close friend ran the business side of the NFL.

We hope you find this edition of Spotlight informative and useful.

And from the entire team at WRG, our best wishes to you and your family for a wonderful Holiday season!

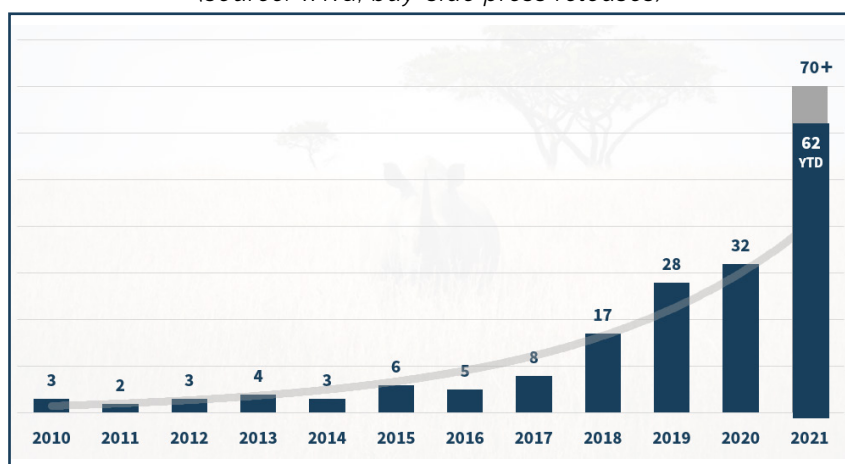
Best,

Dick Darian  
CEO & Founder  
Wise Rhino Group

# RETIREMENT ADVISORY FIRM M&A UPDATE

For the fifth consecutive year, 2021 set records for retirement advisory firm M&A, with this trend having no end in sight. WRG has tracked 62 closed transactions so far in 2021 and projects that there will be more than 70 transactions completed by the end of 2021. This very busy M&A year continues an upward trajectory in transactions since 2017, with thirty-two (32), twenty-eight (28), seventeen (17) and eight (8) closed transactions during the previous four years.

*Exhibit 1.0 - 2021 is the 5th Consecutive Record Year of M&A Activity  
(source: WRG, buy-side press releases)*



In addition to the record volume, it is important to note that many of the firms who are choosing to merge are the largest and most successful in the retirement advisory space. And although there have been more than 180 transactions since 2006, more than 700 scaled retirement advisory firms remain independent, along with another 5,250 smaller unscaled firms and practices who focus primarily on retirement advisory services.

There is no shortage of factors driving this record M&A activity, including solid secular trends, such

as competition (more and larger, well-capitalized and well-managed buyers), consolidation, and an increase in succession planning where M&A is pressuring retirement advisor founders to consider ownership transition; high valuations; focus on the benefits of scale; significant interest from outside capital, mostly from PE firms leveraging complementary capital markets; emerging increase in wealth advisory acquisitions; focus on participant monetization; evolving client service demands; tax concerns; and finally as the increase in success stories around deal making and integration from successful buyers, attracting more potential sellers to the table.

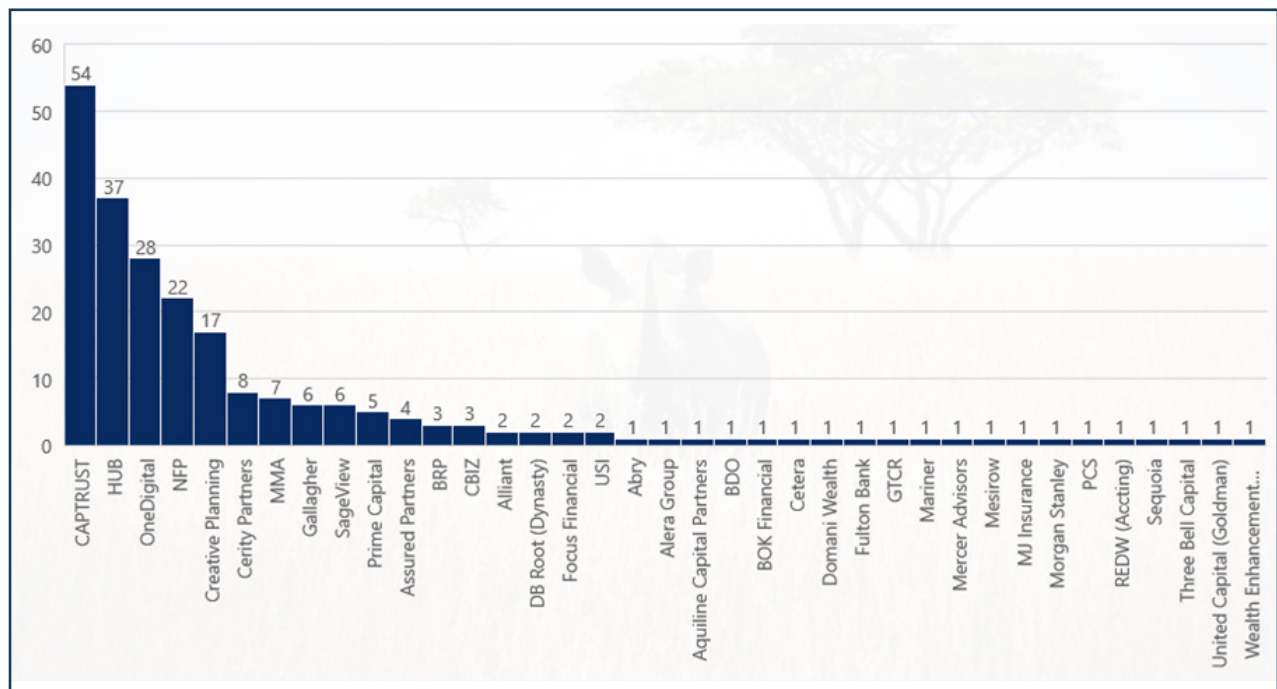
*Exhibit 2.0 - Representative M&A Transactions (source: WRG, buy-side press releases)*

Selling Firm	Buying Firm	Selling Firm	Buying Firm	Selling Firm	Buying Firm
20/20 Financial Advisors	Prime Capital	Financial Network Limited	Prime Capital	Nachman Norwood and Parrot	CAPTRUST
Aegis Retirement Group	HUB	Fulcrum Partners - Newport Beach	OneDigital	Pacific Investment Consultants	CAPTRUST
Alliance Benefit Group - Rocky Mountain	PCS	Fulcrum Partners - Remaining Offices	OneDigital	Plan Sponsor Consultants	HUB
Alpha Pension Group, Inc	HUB	Future Benefits	OneDigital	Praxis Consulting	OneDigital
Arnerich Messina	Sageview	Garnett Retirement Group	HUB	Private Capital Group	NFP
Bainco International Investors	Cerity Partners	Genovese Forman & Buford Asset Mgmt.	CAPTRUST	Private Ocean	NFP
Bingham, Osborn & Scarborough	Cerity Partners	Hyas Retirement	Morgan Stanley	Procourse	MJ Insurance
Bloomfield Hills Wealth Management	SageView	IBG Group	HUB	Randy Grose (Tuck-In)	HUB
Brandon Chase (Book)	HUB	Iron Financial Retirement	Creative Planning	Sageview	Aquiline Capital Partners
Cammack Retirement	CAPTRUST	Jason Noble	Prime Capital	Savant Wealth Advisors	Mariner Wealth
Castle Wealth	Creative Planning	Kainos Partners	Assured Partners	SBSB	Creative Planning
CIBC Oppenheimer Retirement	Mesirow	Keystone Advisors	OneDigital	Stewardship Financial Advisors	CAPTRUST
Clearview Advisory	OneDigital	Kip Adams (Book)	HUB	TCG Group Holdings	HUB
Compass Financial Partners	MMA	LMC Financial Advisors	Assured Partners	TJS Financial Services	Assured Partners
Covenant Family Offices	CAPTRUST	Lockton Retirement	Creative Planning	Truist Retirement	OneDigital
Dashboard Wealth Advisors	Creative Planning	Lowery Asset Consulting	BDO	Vertical Retirement	OneDigital
Ellwood Associates	CAPTRUST	Magis Financial Partners	Cetera	Waterford Group	Alera Group
Epstein Financial	HUB	Millenium Financial	HUB	Westminster Consulting	OneDigital
Fiducia Group	HUB	MJM 401K	SageView		
Fiduciary Plan Advisors	OneDigital	MRA Associates	CAPTRUST		



The retirement advisory firm buyer composition continues to be dominated by certain strategic RIA and Insurance Brokerage Firm players, most of whom are Private Equity backed. Overall there have been sixteen distinct buyers of retirement advisory firms in 2021, led by HUB, OneDigital and CAPTRUST with thirteen, eleven and ten acquisitions so far this year. After being acquired by Aquiline Capital Partners in December of 2020, SageView has come out of the gate strong with four retirement and wealth acquisitions to date in 2021.

*Exhibit 3.0 - Retirement & Wealth Acquisitions to Date by Acquirer (source: WRG, buy-side press releases)*

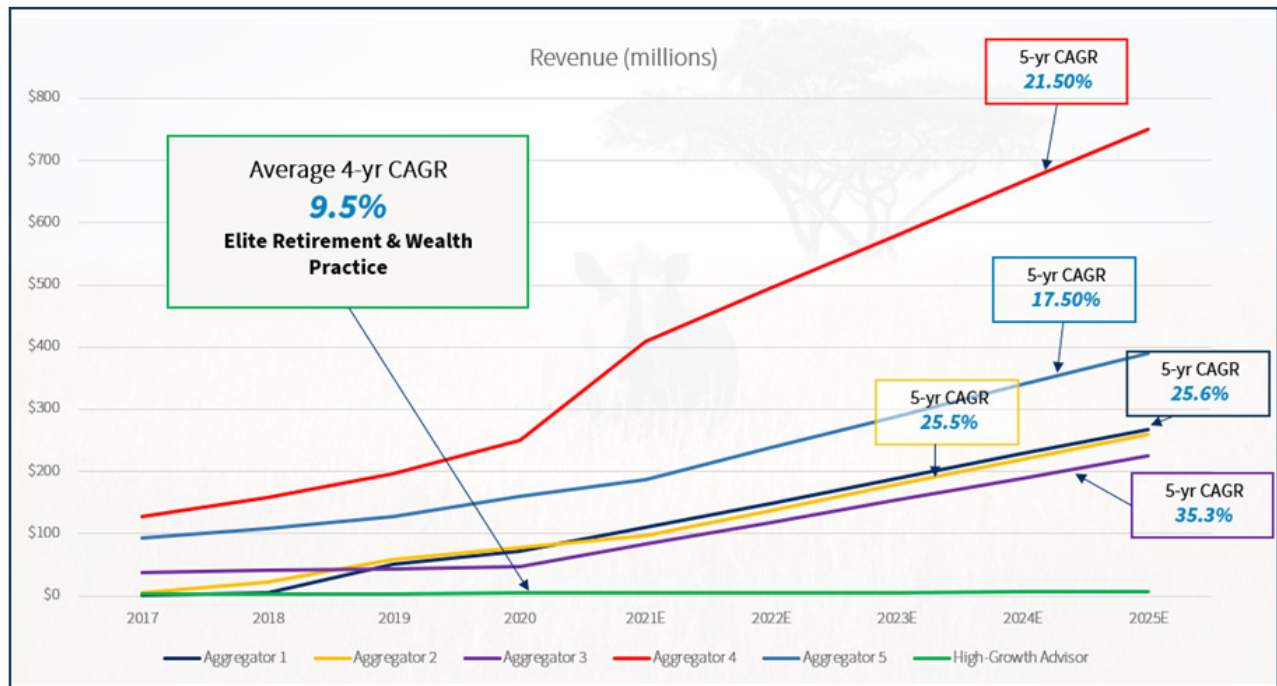


Although there is a crowded field of retirement advisory firm acquirers, there continues to be new buyers entering the market both from the RIA and Insurance Brokerage verticals. It remains to be seen what exactly the M&A strategy will be for the recently announced Creative Planning and Lockton Retirement integration, but we would expect that this new retirement/wealth firm combination will join the retirement M&A competition. On the insurance brokerage side, Alera Group has begun to acquire retirement advisory firms and has the team and footprint to continue successfully. With more players continuing to enter the market, we expect intense competition for high quality targets to escalate.

Firm sellers have evolved to expect more than they did in past years from acquirers. These expectations include: finance - deep access to capital; scale - strong back-office resources and middle office infrastructure; institutionalization - dedicated management access to core and specialized services; and growth - organic growth process and channels.

Like the record keeper and investment consulting verticals, the retirement advisory space is beginning to see the emergence of fast-growing firms pulling away from the pack. This growth is being fueled by both M&A as well as organic growth focused on participant engagement/monetization and cross-sell. The scale and service breadth advantage of these firms will continue to present challenges for independent firms.

Exhibit 4.0 - Retirement Aggregators Revenue Growth CAGR (source: WRG proprietary data)



Valuations continue to rise, and it all begins at the top of the food chain where private equity investment in several large firms have driven multiples into the 20X plus range. This rising tide is lifting all boats, as multiples for retirement advisory firms with between \$3m and \$10m in revenue are in the 10.0X to 14.0X adjusted EBITDA range.

Deal structures and terms continue to gravitate toward a preference for cash. Equity has been in the 20%-30% range of guaranteed proceeds. At the beginning of the Pandemic, risk sharing contingencies rose somewhat. While not all buyers incorporate shared risk, those that do typically have structures that now last fewer than 12 months. Earn-Out provisions have increased in 2021, with firms looking to focus on future economic alignment.

Looking forward in the near term, we expect the current strong M&A market dynamics to continue. We expect valuation levels, as well as the many other market factors, will continue to drive sellers to the market opportunistically. More buyers will continue to emerge, although some existing players may lose the strategic will to continue as an acquirer, especially as the strategic need for a scaled wealth business becomes more important.

# TPA CONSOLIDATION INCREASING

## Record Breaking Advisor M&A Activity Extends to the TPA Vertical

While consolidation in the world of retirement and wealth advisory firms gets much of the headlines, it's important to recognize that the TPA channel is in a parallel universe, experiencing considerable M&A activity. Joining the Wise Rhino Group team earlier in 2021, Fred Bloodgood (Sr Advisor - TPA M&A) notes that there are a myriad of buying organizations, from Ascensus' Future Plan (backed by Private Equity) as well as others such as EGPS, NPPG Group, Definiti Group, Prime Pensions, TRA and more scaling through inorganic means.

"There are countless options from sell-and-stay, sell-and-leave, as well as minority investment," says Fred. "The competitive pressures, record multiples and career opportunities shown in the advisory world are also being experienced by TPA owners."

"Since we began receiving calls from TPA owners over the last few years, it was important for us to have a true expert assisting us with these companies. With the unparalleled industry experience and great reputation Fred has earned, he was a natural choice," offered Dick Darian, Partner and Co-Founder. "As a former TPA founder himself, he gives us the depth of understanding to serve as the best stewards of their unique businesses."

### Fred's guidance to owners considering their next steps:

"It is all too often I speak with [TPA] business owners that have a longer time line for potentially selling their firm and whether tomorrow, next month or down the road, who may have a longer time horizon for transitioning their business. It's easy to become distracted by immediate operational needs and dismiss the importance of beginning the strategic process.

It's never too early to start the conversation about building a strategic plan. Transitioning the business you've built is a daunting endeavor and you only have a single chance to do it the right way. Owners should consider far more than the first option presented to them if they're looking for a partner. Every acquiring firm operates in such a unique fashion and we've spent the last six months learning the nuances of each. Spend time understanding the partner that best aligns with your business model as this will ensure optimal long-term success for partners, staff and clients.

As an owner that has built and sold my own TPA practice, it's important to work with a group that has the DNA of a Third-Party Administrator, that understands your business, your goals and your challenges. For any owner it should be a focus on the blend of strategic fit and financials...not just financials. We've seen our clients go from nearly signing the first deal presented to realizing things like how you take fees are important.

With the right match, it's a win-win-win for partners, clients and the acquiring practice."



**FRED BLOODGOOD**

Sr Advisor - TPA M&A

### LINCOLN FINANCIAL

- Head of TPA Channel
- Director, Advanced Markets & Industry Insights

### JOHN HANCOCK

- Head of TPA Channel
- RVP - External Wholesaling

### PENSION SERVICES INC.

- Retirement TPA
- Co-Founder

# HOW NFL TEAMS & ADVISORY FIRMS BUILD EQUITY VALUE

A longtime friend of mine is Eric Grubman, who after a successful career as a Goldman Sachs investment banker joined the NFL in 2004 to run the league's business operation. In our earliest discussions about the league, he said he was amazed at how the successful and seemingly sophisticated team owners had little practical understanding of the importance of building equity value. They only seemed to care about increasing cash flow. His primary goal, he said, was to educate owners on the importance of increasing equity value and how to execute on that.

Numbers show that he was extraordinarily successful. The acceleration of the average franchise value of NFL teams began with Eric's tenure. By 2008, the average value of an NFL franchise more than doubled, going from \$423 million to more than \$1 billion. By 2020, the average value surpassed \$3 billion.

Successful retirement advisory firms today are in many ways exactly where NFL franchises were 15 years ago. These firms are led by smart, hard-working and innovative advisers. They are focused on serving existing clients, finding new ones, managing staffs and expenses, and making sure the business continues to survive and thrive. So much energy goes into making sure the cash keeps flowing and the bills paid that they often neglect developing what is without a doubt the most valuable asset they have, the equity value of their firm.

Like the founders of these successful advisory firms, I have been an entrepreneur for most of my career. I have at times made the same mistake in not realizing how critical it is to always be thinking about the value of my firm. When ADP approached me and my partners in 1997 with an offer to buy my defined-benefit and defined-contribution consulting firm, we were completely unprepared. The offer was very good, but when I reflect on the deal I can think of a dozen things we would have done differently. Number one on the list was making the small changes to my practice the year before the sale that would have taken the offer to the next level. When I sold my share of National Retirement Partners to LPL in 2010, we were much better prepared in terms of maximizing our equity value. As a result of our foresight, and despite an incredibly challenging market, we were still able to benefit from what we had built at NRP.

Since founding Wise Rhino Group in 2018, we have provided sell-side and buy-side advisory services to more than 65 retirement and wealth advisory firms. In many of the situations here, the sale of the firm was less about a well-developed long-term plan or strategy and more about opportunity and circumstance. And it showed, both in terms of the number of opportunities but also the ultimate valuation of the firm by buyers.

The following are what retirement and wealth advisory firm leaders should be thinking about as they prepare for the inevitable partnership opportunities that will come their way:

- Develop and maintain a formal business plan and prioritize the process of evolving the plan as the business grows and changes.
- Become a student of the M&A marketplace and gain a fluent understanding of what drives the value of a retirement and wealth business.
- Institute a tight financial reporting process focused on a detailed profit-and-loss statement. Be able to explain every number.
- Review all your client and regulatory agreements and understand what they say. Be sure that in the event of a transaction you can utilize a negative consent process with clients during the transition.
- Transition your clients entirely to a fee-based model. Add a cost-of-living escalator in all your client agreements.
- Review and improve your client revenue concentration and diversity.

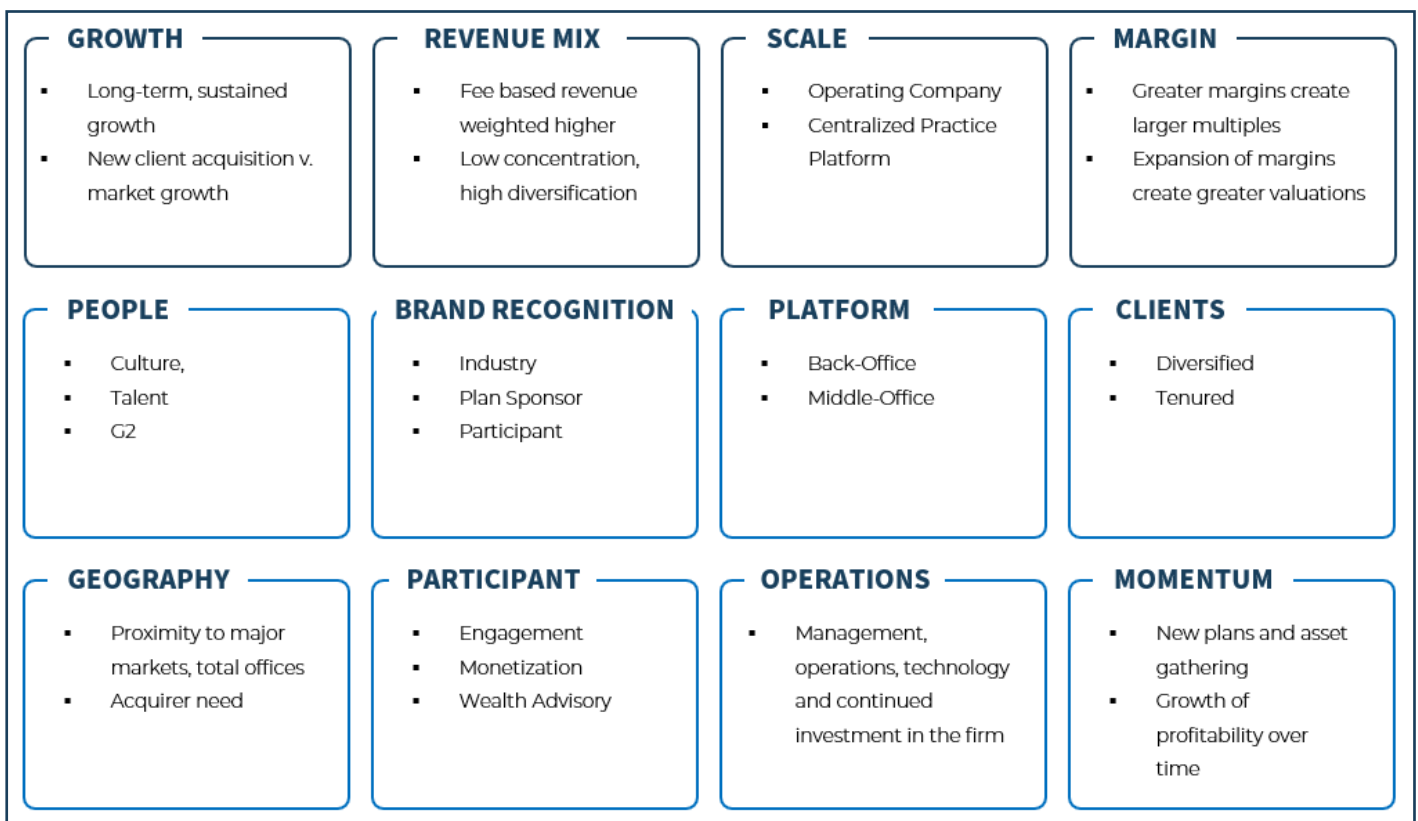
*(continued next page)*

- If you have not yet developed a wealth advisory business, begin to understand that opportunity relative to your retirement plan client participants.
- Put in place a written succession plan. In addition, try to hire talented next generation staff as the firm grows - especially important for firm owners over age 55.
- Formalize any arrangements with advisers who affiliate with your firm but who are not actual members. Most often this is executed through buy-sell agreements or acquisitions.
- Depending on the anticipated timing of selling your business, be sure that you allow one year for any new partners to receive any proceeds as capital gains.

Whether you are years away from even considering a change or looking to make a move in 2022, there are important steps you can still take right now to maximize your firm's current and future equity value.

## VALUE DRIVERS

*Exhibit 5.0 - Primary and Secondary Factors Impacting Firm Value*





# ABOUT WRG

Wise Rhino Group is a unique resource and catalyst for retirement plan and wealth advisory, third-party administration, and industry related firms who are in pursuit of accelerated growth and sustained competitive success. We begin each engagement with assisting our clients with gaining a complete understanding of the current state of their business relative to the broader retirement advisor marketplace. We then work together to define the most appropriate path forward for firm leaders, staff, and clients.

We deliver unbiased counsel and guidance backed by a unique experience-based understanding of all aspects of the retirement business, an impactful set of processes and databases and an extensive network of relationships. We are committed to bringing these qualities and resources to every engagement, with a focus on integrity and trust.



Valuations & Financial  
Benchmarking



M&A  
Advisory



Business Strategy  
& Planning



Perpetuation  
Planning



Retirement Analytics  
& Perspectives

## By the Numbers

- 165+ retirement advisory firm engagements
- 65+ retirement advisory firm transactions
- 100+ years of retirement industry experience
- 180+ Retirement Advisory Firm valuations conducted
- 900+ acquisition targets evaluated

**For additional inquiries contact:**



**ROB MADORE**  
Director

rob@wiserhinogroup.com  
(724) 825 -2190



## THE MOST EXPERIENCE & TRUSTED M&A ADVISOR FOR RETIREMENT ADVISORY FIRMS

### Representative Engagements/Transactions

WISE RHINO GROUP

**COMPASS**  
FINANCIAL PARTNERS

has been acquired by:

**MARSH & MCLENNAN**  
AGENCY

WISE RHINO GROUP provided the Partners of Compass Financial Partners with:  
**Sell-Side Advisory Services**

WISE RHINO GROUP

**ProCourse**  
Fiduciary Advisors

has been acquired by:

**MJ**

WISE RHINO GROUP provided the Partners of ProCourse Fiduciary Advisors with:  
**Sell-Side Advisory Services**

WISE RHINO GROUP

**MAS** **Millennium**  
Advisory Services, Inc.

has been acquired by:

**HUB**

WISE RHINO GROUP provided the Partners of Millennium Advisory Services with:  
**Sell-Side Advisory Services**

WISE RHINO GROUP

**CLEARVIEW**  
ADVISORY

has been acquired by:

**ONEDIGITAL**  
INVESTMENT ADVISORS

WISE RHINO GROUP provided the Partners of Clearview Advisory with:  
**Sell-Side Business Strategy & Practice Valuation Services**

WISE RHINO GROUP

**WESTMINSTER**  
CONSULTING

has been acquired by:

**ONEDIGITAL**  
HEALTH AND BENEFITS

WISE RHINO GROUP provided the Partners of Westminster Consulting with:  
**Sell-Side Advisory Services**

WISE RHINO GROUP

**SAGE**  
VIEW

has been acquired by:

**AQUILINE**  
CAPITAL PARTNERS

WISE RHINO GROUP provided the Partners of Aquiline Capital Partners with:  
**Buy-Side Advisory Services**

WISE RHINO GROUP

**EPSTEIN**  
FINANCIAL SERVICES

has been acquired by:

**HUB**

WISE RHINO GROUP provided the Partners of Epstein Financial Services with:  
**Sell-Side Business Strategy & Practice Valuation Services**

WISE RHINO GROUP

**ALPHA**  
PENSION GROUP, INC.

has been acquired by:

**HUB**

WISE RHINO GROUP provided the Partners of Alpha Pension Group with:  
**Sell-Side Advisory Services**

WISE RHINO GROUP

**LAKE SIDE**  
WEALTH MANAGEMENT

has been acquired by:

**CAPTRUST**

WISE RHINO GROUP provided the Partners of Lakeside Retirement with:  
**Sell-Side Advisory Services**

WISE RHINO GROUP

**BLUE**  
PRAIRIE  
— Group —

has been acquired by:

**CERITY**  
PARTNERS

WISE RHINO GROUP provided the Partners of Cerity Partners with:  
**Buy-Side Advisory Services**

WISE RHINO GROUP

**STRATEGIC**  
RETIREMENT  
PARTNERS

**PARTNERS & 14 AFFILIATES**

WISE RHINO GROUP provided the Partners and Management of Strategic Retirement Partners and Affiliates with:  
**Practice Valuation & Business Strategy Services**

WISE RHINO GROUP

**ABk**  
AMERICA'S BEST 401k

has been acquired by:

**CREATIVE**  
PLANNING

WISE RHINO GROUP provided the Partners and Management of America's Best 401k with:  
**Sell-Side Advisory Services**

WISE RHINO GROUP

**CAFARO**  
GREENLEAF

has been acquired by:

**ONEDIGITAL**  
HEALTH AND BENEFITS

WISE RHINO GROUP provided the Partners and Management of OneDigital with:  
**Buy-Side Advisory Services**

WISE RHINO GROUP

**Edelman**  
Financial Engines®

WISE RHINO GROUP provided the Partners and Management of Edelman Financial Engines with:  
**Buy-Side Business Strategy & Planning Services**

WISE RHINO GROUP

**WELLS**  
FARGO

**JW RETIREMENT GROUP**

has been acquired by:

**HUB**

WISE RHINO GROUP provided the Partners of JW Retirement Group with:  
**Sell-Side Advisory Services**

WISE RHINO GROUP

**the waterford**  
group, llc.

has been acquired by:

**ALERA** GROUP

WISE RHINO GROUP provided the Partners of the Waterford Group with:  
**Practice Valuation Services**

WISE RHINO GROUP

**Gallagher**

WISE RHINO GROUP provided the Management of Gallagher with:  
**Buy-Side Advisory Services**

WISE RHINO GROUP

**MONTGOMERY**  
Retirement Plan Advisors

has been acquired by:

**ONEDIGITAL**  
HEALTH AND BENEFITS

WISE RHINO GROUP provided the Partners of Montgomery Retirement Plan Advisors with:  
**Sell-Side Advisory Services**

WISE RHINO GROUP

**PENSION**  
ADVISORS  
AdviseMe!

has been acquired by:

**NFP**

WISE RHINO GROUP provided the Partners of Pension Advisors with:  
**Sell-Side Advisory Services**

WISE RHINO GROUP

**CAMMACK**  
RETIREMENT

has been acquired by:

**CAPTRUST**

WISE RHINO GROUP provided the Partners of Cammack Retirement with:  
**Pre-Sale Consulting & Strategic Advisory Services**