

**RETIREMENT  
& WEALTH  
ADVISORY**

**SPOTLIGHT  
Q2 2022**

IN PARTNERSHIP WITH  
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**STATE STREET** GLOBAL  
ADVISORS

# WISE RHINO GROUP

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We hope that you find the information and perspectives in this issue of Spotlight helpful as you manage your retirement and wealth advisory business. This is our third installment since beginning the series last year and expect to distribute the next issue in the early Fall.

In the pages that follow, we provide an M&A recap of 2021, which in summary was by more than double the busiest deal year on record for the retirement advisory vertical. We also review the retirement advisory M&A progress so far in 2022 and provide our insights into why there has been a pullback in activity thus far. We also discuss the most recent buying firm entrants into the retirement space - World Insurance and Creative Planning - and what we expect from them going forward.

Beyond M&A, we provide our thoughts around the "Bridging" of retirement and wealth advisory. This dynamic is as old as the 401k plan itself but will continue to garner more and more focus by scaled retirement businesses looking to drive continued revenue growth.

Finally, as we continue to provide an increasing amount of sell-side and buy-side services to Third Party Administrators, we provide insights into what TPAs should be considering now in terms of their business planning. WRG has been very busy on both the sell and buy side of TPA M&A and will continue to share our insights as the consolidation of this industry vertical continues.

Moving past the contents of this issue, here are a few more general thoughts and observations as I write this in May of 2022:

**Current Economic and Geopolitical Environment:** Economic and geopolitical trends impact almost everything. Add to that a pandemic, supply chain disruption and rate hikes. There are many significant short to midterm challenges facing all financial service firms. However, in our discussions with the private equity firms backing many of the retirement and wealth aggregators, this environment is only reinforcing their keen interest in and commitment to the sound fundamentals of the retirement and wealth advisory verticals, relative to other investment opportunities. We expect retirement and wealth advisory M&A as an aggregator growth engine to remain competitive and active.

**More Than Meets the Eye:** When we review our sell-side client service model, we often break down our work into four (4) key areas: Analysis and Preparation, Marketing and Buyer Reviews, Deal Negotiation, and Transition. Each of the four components are very important to success in the overall process and each stage impacts the next. For example, during the analysis and preparation stage, we execute a valuation and produce a comprehensive diagnostic of the Firm. Success in marketing, partner selection, deal terms and price negotiation and the ultimate transition to a new partner is only successful based on a sound foundation of knowledge gained in the analysis and preparation phase. This logic follows in every stage of our representation.

In addition, many of our advisory Firm clients are surprised to see how much time we commit to the transition phase of the process. In fact, ensuring a successful transition is not only about the early preparation work, but requires the most time commitment from our team as compared to the other components.

**Mind Your Business:** We have provided consulting and advisory services to more than 225 retirement and wealth advisory firms. More than two-thirds of our engagements have been focused on work other than the sell-side or buy-side advisory work that ultimately is publicized.

Most often, we are engaged to provide a comprehensive analysis and diagnostic of a Firms business - including a market valuation, which is based on several factors but most importantly real time transaction comparatives (we often wonder how firms with little or no retirement advisory M&A experience can provide anything of real value here). We also provide a primer on the retirement advisory ecosystem and a deep dive review of the many the potential buyer partners.

The main point here is that most of our work is focused on preparing firms for what is next - understanding who they are, their strengths and weaknesses, how to fix them and improve the enterprise value of their business - and decide on continued independence or partnership but be ready for anything.

From the entire WRG team, have a wonderful summer!

Best,

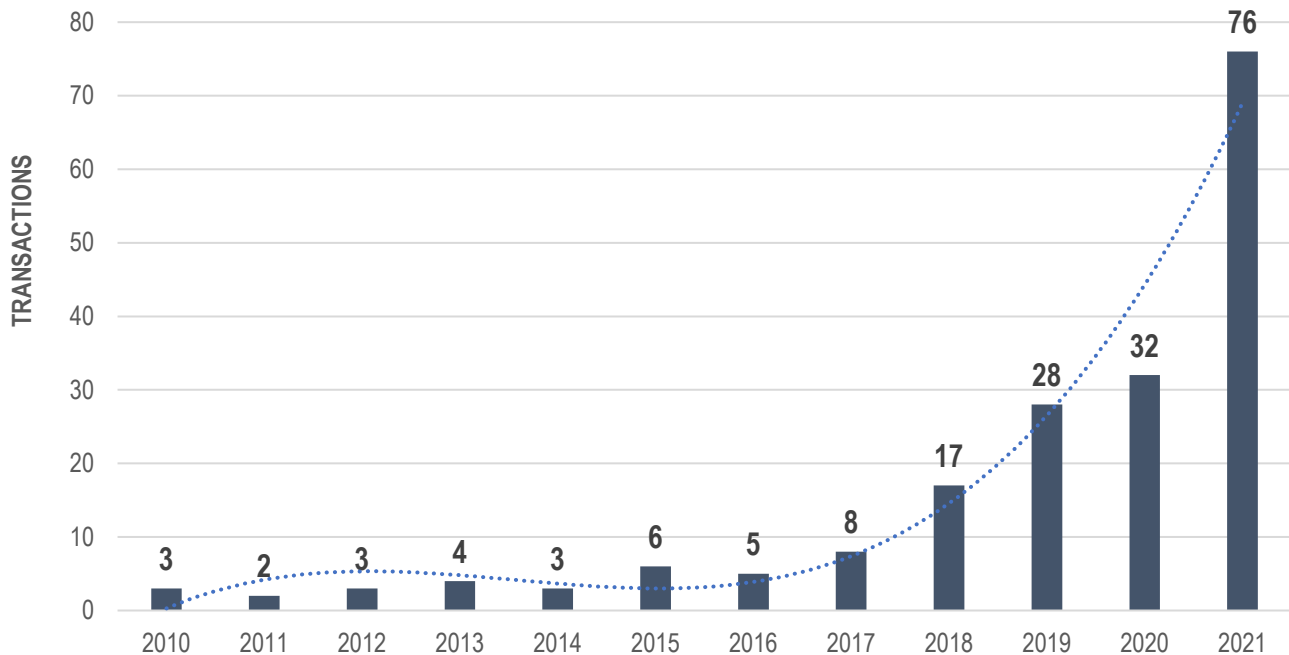
Dick Darian CEO & Founder

Wise Rhino Group

## Retirement Advisory Firm M&A Update

### M&A INCREASES FOR THE FIFTH CONSECUTIVE YEAR

Retirement Advisory Firm M&A activity hit a new record high for the fifth consecutive year in 2021, more than doubling the total from any previous year. The seventy-six (76) reported transactions represented a significant jump over the twenty-eight (28) and thirty-two (32) transactions reported in 2019 and 2020, respectively. In the ten years since 2012, 187 retirement advisory firms have been acquired.



The upward trend in M&A activity has been consistent across most of the financial services' industry advisory verticals. Insurance Brokerage and RIA Wealth Advisory also experienced record-breaking M&A activity in 2021 with 923 and 308 transactions announced, respectively. PE backed branded and strategic buyers accounted for a significant majority of the transactions in insurance brokerage, retirement and wealth.

Several macro level factors continued to influence this unprecedented pace. First, like the insurance brokerage and wealth advisory verticals, retirement advisory is going through the natural evolution of consolidation. Factors behind this consolidation include the demographics of founders who have used the sale of their firms as a successful succession strategy; the formation of well capitalized and well managed buyers from multiple financial services industry verticals; cooperation of the capital markets combined with an increase in interest and dry powder from private equity, who are attracted by the strong fundamentals of the retirement advisory business; advisor leaders looking to leverage the benefits of scale by integrating with a larger organization to access an improved platform, broader service capabilities, accelerated growth as well as a reduction in administrative burdens; and valuations, which have been at unprecedented levels.

Deal multiple levels also ended the year at peak historical levels, rising approximately 30% from 2019 for the most attractive Firms. Deal structures remained relatively constant, although the Pandemic induced shared risk components became less pronounced in 2021.

## **M&A BEGINS MODEST MODESTLY IN 2022**

Based on announced M&A transactions through the end of April 2022, announced retirement advisory deal levels are down as compared to the first quarter of 2021.

Although it is too early to project a downward trend, there are several factors that have been noted in discussions with retirement aggregators that may account for this sluggish start. A few firms noted that after a very active M&A year in 2021, they are now focused on the task of integrating their newly acquired advisory firms. In addition, many noted the continued commitment of resources toward the development of centralized platforms and processes, as well as the search for talent to support their business in key areas.

In addition, the current geopolitical and economic challenges need to be considered. As of this writing, the Russia-Ukraine conflict is not only a tragedy, but it has a significant negative impact on oil prices and the global economy. In addition, supply chain issues continue to impact the U.S. economy, inflation is over 8%, interest rates are rising, the stock market has been in decline - not to mention the lingering effects of the global pandemic. The impact on the macro business environment has both near and midterm implications and could impact activity for a while.

Despite these challenges, interest in retirement and wealth advisory M&A remains high and competition is strong for acquisition targets. Discussions with many of the retirement aggregator firms reflect that M&A will continue to be core to their growth strategy and most have full pipelines and expect 2022 to be another very active year. The Wise Rhino Group pipeline supports this sentiment by the retirement aggregators, as our current sell-side client roster is as full as the same point in 2021.

## **ADDITIONAL RETIREMENT ADVISORY FIRM BUYERS CONTINUE TO EMERGE**

Over the past five years, retirement and wealth advisory firm buyers have emerged from several segments within financial services, with the most active acquirers coming from the insurance brokerage and branded RIA aggregator segments. There was a new significant player added to each of these verticals in the first quarter of 2022: Creative Planning, a wealth advisory RIA who acquired Lockton's scaled retirement operation, and World Insurance Associates, who acquired Pensionmark Financial Group and made an investment in 36 of the platform's affiliate Firms.

Creative Planning, with \$100 billion in assets under advisement, acquired the Lockton retirement \$100 billion in retirement assets under advisement business, creating a formidable, scaled retirement and wealth advisory Firm. Creative Planning may have "tipped their hand" earlier with two previous retirement vertical related transactions: WRG represented America's Best 401(K) and Iron Financial. Creative Planning will now have a substantial national footprint of retirement and wealth advisory offices. We expect that the Firm will be an active retirement advisory firm acquirer, filling their geographic retirement advisory gaps with acquired advisory Firm talent and continuing to scale their wealth advisory business.

Lockton’s decision to find a buyer for their retirement business was not completely unexpected. The rapidly growing retirement plan aggregators are creating pressure throughout the ecosystem, including on other aggregators. One of the most important strategies that each will have to execute successfully will be the building of an equally scaled wealth advisory business, followed by the “bridging” of the two verticals through an effective participant monetization operation. Some aggregators may see this as a “Bridge too far” and will lack the strategic will to execute.

On the insurance brokerage side, World Insurance Associates acquired Pensionmark Financial Group in April. Pensionmark founder Troy Hammond and partner Mike Woods will now manage the retirement and wealth advisory arm of a Firm that has 170 benefits and property and casualty offices nationwide. Pensionmark brings a retirement and wealth advisory business that totals \$80 billion in assets under advisement and 4,000 retirement plans. In addition, World Insurance invested in 36 Pensionmark retirement and wealth advisory firm affiliates.

## RAPID BUYER GEOGRAPHIC SCALING CONTINUES

Many of the retirement & wealth advisory Firm acquisitions over the past five years have been executed by these seven Firms: CAPTRUST, HUB, OneDigital, NFP, Marsh McLennan Agency, Sageview and most recently World Insurance. Each of these Firms strategically have focused first on establishing multi-disciplinary office hubs within each of the major regions, and then filling their advisory talent within each of the U.S. major markets. For the insurance brokerage firms, having retirement and wealth talent available for cross-sell opportunities is critical to the growth of each of their verticals.

### *Retirement & Wealth Aggregator - Acquisition Geography Analysis*

	Captrust	SageView	HUB	OneDigital	World	NFP	MMA
Northeast	2	1	7	1	0	1	1
Mid-Atlantic	6	2	12	5	6	4	1
Southeast	5	4	4	7	4	5	2
Mid-Central	5	7	4	2	0	2	1
Mid-West	2	4	0	3	3	2	1
Southwest	2	4	4	1	5	1	0
Mountain	0	2	3	1	2	0	0
West	4	13	5	8	13	4	1
<b>Major Markets Covered (38)</b>	<b>26</b>	<b>21</b>	<b>19</b>	<b>18</b>	<b>16</b>	<b>14</b>	<b>7</b>
<b>Regions Covered (8)</b>	<b>7</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>6</b>	<b>8</b>	<b>6</b>

## **DEAL VALUES**

There seems to be a consensus from the retirement and wealth advisory buyers that we may have reached an equilibrium between sellers and buyers, after many years of increasing valuations.

However, unlike the insurance brokerage segment and many of the wealth aggregators, most of the scaled retirement Firms are still looking to acquire to fill gaps in major markets, where many have strong benefits and/or property & casualty hubs. In addition to geographic expansion, the need for overall talent in all areas remains very high. The struggle for next generation talent is ubiquitous in a tight labor market with upward wage pressure. These factors will most likely play a role in the valuation stability of the segment in the near future.

## **LOOKING AHEAD**

Based on discussions with many of the scaled retirement advisory firm leaders, the mid-term and long-term view remains overwhelmingly positive, as retirement and wealth M&A will remain a critical component of their overall growth strategy.

Buyers will most likely continue to evolve around how they analyze sell-side firm opportunities. Revenue composition and growth trend lines will become more important, with a bias toward new client acquisition growth versus same client market growth. Sellers will also have to focus on developing a compelling story and demonstrating a strong record. A straightforward value-added story of organic growth engaged talent, and unique capabilities will be needed to achieve premium valuations. Demand will still outweigh supply, but it will take more to stand out.

Finally, in addition to the acquisition of larger "regional hub" retirement advisory firms, we expect that retirement aggregators will have a renewed focus on sub acquisitions and market penetration going forward.

## Building the Bridge

### RETIREMENT TO WEALTH BRIDGE ENABLING PARTICIPANT MONETIZATION

Retirement advisors will need to determine the most appropriate strategic path towards driving expanded and/or alternative revenue sources at the plan and plan participant level. The most impactful opportunities are not mutually exclusive and include participant in-plan participant advice, design and delivery of plan level CIT and managed account investment solutions, and opportunities with numerous other solutions and services such as HSAs, emergency savings accounts, 529 plans, Insurance (Life, disability), student loan repayments, work/life benefits (e.g., employee assistance program), banking, and purchase affinity programs - to name a few.

Providing comprehensive in-plan advice matches up particularly well for retirement advisors in terms of matching their acumen and experience. Most advisors have historically provided some type of participant level service, often in the role of delivering plan enrollment meetings. For plan sponsors and participants, in-plan advice is a natural extension of these services. It also promotes engagement and dialogue, which is critical in combination with digital technology in building a financial relationship and expanding to broader wealth services conversations.

When surveyed, plan sponsors and plan participants have consistently rated retirement in-plan advice as one of their top priorities. Going deeper, The Cerulli 2021 Retirement Report reflected surveys detailing that a high percentage of plan participants in fact have no professional source of in-plan advice.

In addition to in-plan advice, there is a sizable revenue opportunity for retirement advisory firms around institutional plan level investment solutions. As the top 15 aggregators approach \$2.5T in combined AUA, they are well positioned (and possibly fiduciarily mandated) to leverage their scale to deliver lower cost CIT solutions. Most aggregators are already beginning to execute here. Some like NFP have taken the next step toward taking a role in the management of an investment solution.

Retirement aggregators will have to decide the extent to which they provide institutional investment management services for their institutional clients, in the form of CITS or managed accounts. Regarding CITS, most firms have or will at a minimum use their scale and move to an increased utilization of CITS and negotiate lower expenses for core offerings. Some, like NFP, offer their own management for a fee of certain investment structures, including a target date offering and "single box" CITS. Even more firms are beginning to take a role in the delivery of managed account solutions. It is important to note that an advisor can't legally offer both advice and investment management for a fee on the same client.

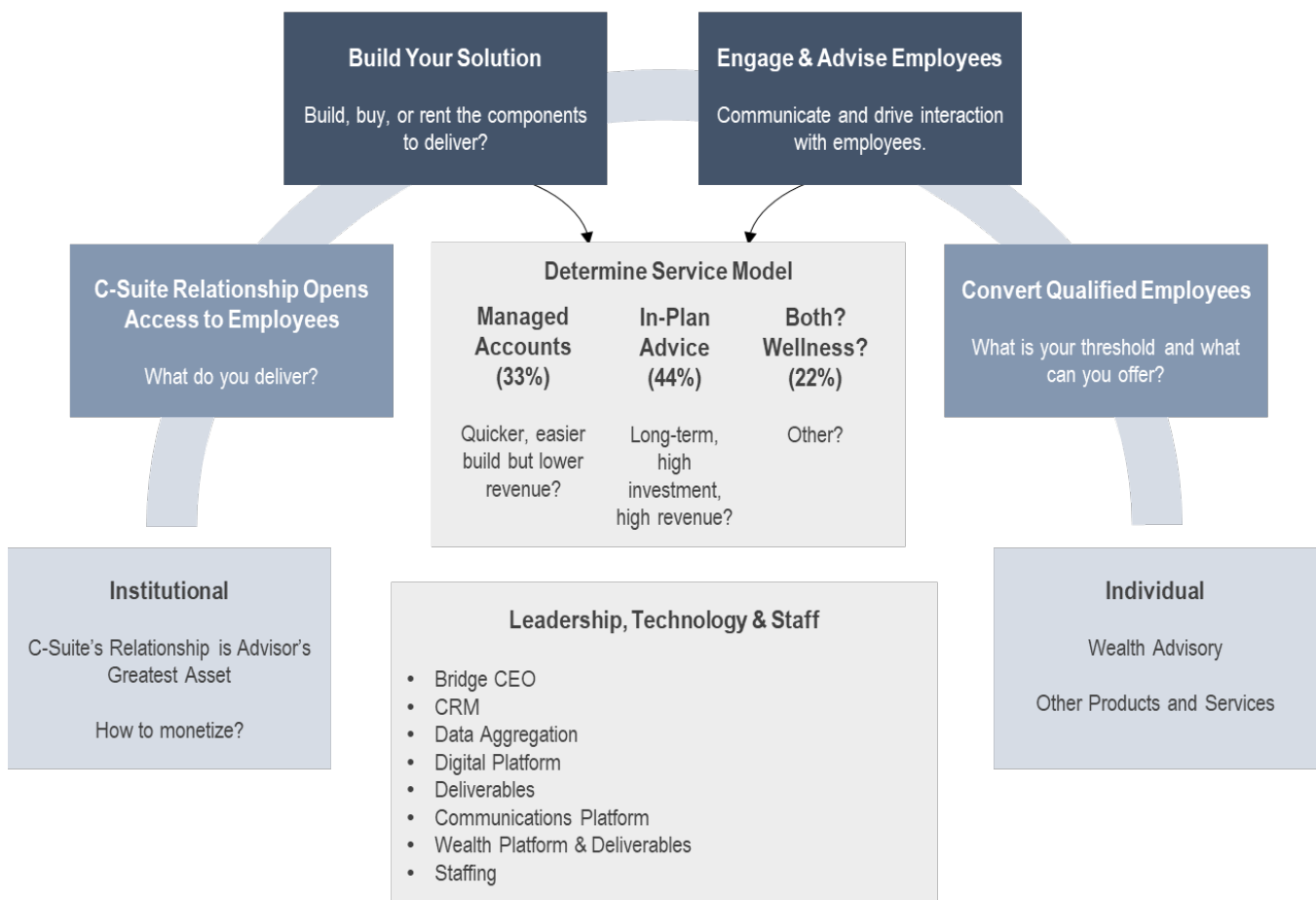
Regarding managed accounts, there are both recordkeeping and other market solutions available where advisors can play a role. One clearly defined role for the retirement advisor here would be assisting in the selection, monitoring, and oversight of the most appropriate third-party solution for a plan. Firms will need to access the benefits of moving beyond this limited role into providing a role in the solution itself, especially as it relates to the most effective path to the management of a participant's broader wealth.

In terms of the retirement advisors "best and highest purpose" as well as achieving an appropriate level of monetization, WRG believes that the model which focuses on a fee for service approach in providing in-plan advice, toward building a potential wealth advisory relationship in specified target demographic segments, will prove most effective. In this model participant managed accounts can also be utilized, but not typically as a

core solution. Regarding managed accounts, there is also a model where a partnership can be formed with the plan recordkeeper utilizing their data and technology in a managed account solution. This solution is very alluring due to its comparative ease and payoff is potentially more immediate. However, this consideration could have an impact on the future of the business with such reliance on the potential future competitors' platform. In addition, the advisors' involvement with the Retirement aggregators will require adoption of an appropriate strategic path to gain necessary leadership, staff, and technology to engage and monetize the plan participant effectively and efficiently.

This in-plan advice model is designed to provide service to all plan participants regardless of a participant firm's position, compensation, or retirement plan account balance. However, in terms of the actual strategy and service delivery, these factors are considered in terms of how people and technology are deployed. Many firms have a focus segment of HNW and Mass Affluents where most of the in person and people assets will be focused. For other participants, digital technology will take the lead.

Both the development of technology and knowledgeable and effective leadership and staff will be very important to each aggregator's success in engaging and monetizing retirement plan participants. WRG in partnership with Retirement Leadership Forum (RLF), a retirement industry research consulting firm, is currently conducting a deep survey of retirement aggregators focused on each firm's participant engagement strategy and current execution. We expect to gain insights into the approach and path each firm is taking. We also hope to assist the segment with possible collaboration in the development of technology that can be used by each.





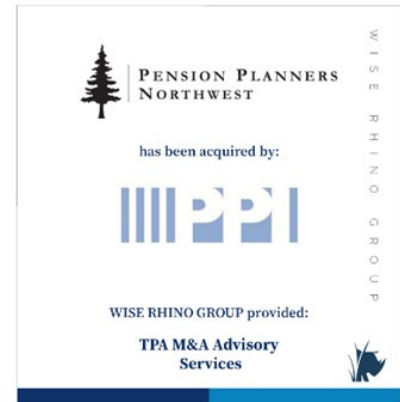
## TPA Corner

### TPA M&A UPDATE Q2 2022

In the Advisor world, time and market fluctuations have yet to cool the market for leading Third-Party-Administrators. Coming off of Wise Rhino Group's first full year of providing Valuation, Succession and M&A Advisory services to TPA Firms, data shows clearly that firms with more than one-million (\$1,000,000) in recurring, non-restatement related, revenue receive the largest multiples. Those firms that also provided specialized services such as Defined Benefit in-house, with Actuaries on staff benefit from the greatest "qualitative" driver and can realize even more of a bump in value.

Overall, multiples remain at a high with the vast majority of transactions based on a multiple of top-line revenue, though monitoring business margin becomes more relevant for larger, more scaled firms (\$5,000,000+ in revenue) Driving increased demand is a diversity of buyers and buyer types, some entering or attempted to enter the fray in only the past few months, including large-TPA businesses, PEO, Family-Office, and Private Equity.

This variety creates a number of scenarios available to owners selling, including pure succession, where owners exit at or soon after a transaction, as well as true growth partnerships where an owner stays on to help grow and direct the acquiring organization's strategy. In both, significant opportunity for employees of the acquired firm to take on larger roles and expand service to the existing client base.



### TALENT SHORTAGE FUELING SELLER INTEREST

Following the trends prevalent across the financial services industry: hiring, training and retaining credentialed, experienced (specifically QKA and QPA certifications) talent is becoming increasingly difficult.

With a successful TPA business highly dependent on a high-quality group of employees, owners find themselves on the defensive; one employee away from diminishing the integrity of service, cashflow and enterprise value they've worked hard to build at the firm. To retain key staff and enable future growth, more owners are considering merger or sale of the business to leverage additional capital, back-office support and staff opportunity provided by acquirers.

### LOOKING AHEAD: FRED'S ADVICE FOR OWNERS



"Failing to prepare is preparing to fail," Selling your business should rarely be used as a defensive mechanism, even as the future of the business loses some of its sheen. Charting your path forward whether selling, merging or continuing on requires preparation, maintenance of the status quo and retention of the leverage you've built in your business: understanding the enterprise value of the firm, streamlining financials, highlighting the key drivers of the firm including key

employees and prospective next-generation leadership, and pre-emptively determining the options you have at your disposal to retain and grow your people and your business.

## Wise Rhino Group's Recent Client Experience

### 2022 HIGHLIGHTS

Wise Rhino Group has worked with more than 200 retirement advisory firms and successfully guided 72 transactions since our founding in 2018.

**Pensionmark**

has been acquired by:

**WORLD**

WISE RHINO GROUP provided the Partners of Pensionmark Financial Group with:

**Sell-Side Advisory Services**

WISE RHINO GROUP

#### **Pensionmark Financial Group and certain affiliate Firms completes sale to World Insurance, a portfolio company of Charlesbank.**

Pensionmark Financial Group has been one of the most successful retirement and wealth platforms, attracting a nationwide affiliation of retirement and wealth advisory Firms with 65 locations and growing to \$80 billion in assets and 4,000 retirement plans across its network. World Insurance, a top 50 insurance brokerage firm measured by revenue, acquired the core platform as well as a financial interest in 36 affiliate advisory Firms. This partnership will provide World Insurance with a first-class retirement and wealth platform, top retirement and wealth leadership, as well as an instantly scaled retirement and wealth advisory business.

**Portfolio Evaluations, Inc.**  
THE BENCHMARK IN INVESTMENT CONSULTING

has been acquired by:

**CAPTRUST**

WISE RHINO GROUP provided the Partners of Portfolio Evaluations Inc. with:

**Sell-Side Advisory Services**

WISE RHINO GROUP

#### **Portfolio Evaluations Inc. (PEI) completes sale to CAPTRUST, a portfolio company of GTCR.**

CAPTRUST's acquisition of New York metro based PEI brings a stellar institutional retirement consulting reputation and \$107 billion in assets under advisement and several hundred clients to the Firm. This partnership will allow PEI to leverage CAPTRUST's broader platform and brand as well as provide access to participant-based services for PEI clients. This was CAPTRUST's third large institutional retirement acquisition in the past year, following Cammack Retirement Group and Ellwood, pushing the Firm closer to \$1T in assets under advisement.

**G&M**

has been acquired by:

**ONEDIGITAL**  
HEALTH AND BENEFITS

WISE RHINO GROUP provided the Partners of Gouldin & McCarthy with:

**Sell-Side Advisory Services**

WISE RHINO GROUP

#### **Gouldin McCarthy completes sale to OneDigital, a portfolio company of Onex.**

Gouldin McCarthy brings an experienced leadership team to OneDigital focused on both retirement and wealth advisory. The New York metro based Firm has long succeeded in both disciplines and has worked to engage segment focused retirement plan participants to drive their impressive wealth advisory growth. OneDigital continues to build their national retirement and wealth footprint with key opportunistic acquisitions regardless of geography.

## Wise Rhino Group's Recent Client Experience 2022 HIGHLIGHTS

Wise Rhino Group has worked with more than 200 retirement advisory firms and successfully guided 72 transactions since our founding in 2018.



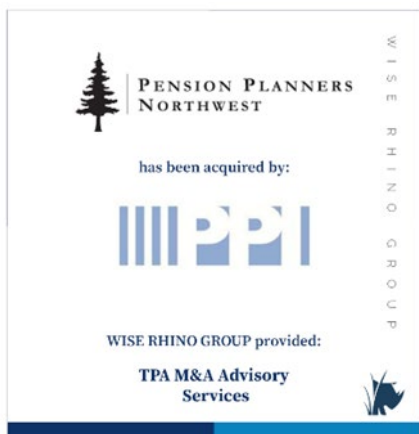
### **Channel Financial completes sale to Sageview Advisory Group, a portfolio company of Aquiline Capital Partners.**

Channel Financial is a leading Minneapolis based retirement advisory Firm led by three experienced and dynamic advisors. The Firm has 150 retirement plan clients with \$3.1 billion in assets under advisement. The addition of Channel to Sageview's strong Minneapolis presence will provide the firm with a formidable bulkhead in the region. Channel will benefit from Sageview's strong investment process and participant engagement capabilities. Since their acquisition by Aquiline Capital Partners, Sageview has aggressively accelerated the build out of its national footprint with top retirement and wealth advisory talent.



### **AFS Advisors completes sale to NFP, a portfolio company of Madison Dearborn.**

Suwanee Georgia based AFS Advisors provides retirement plan advisory services to mid-sized plans as well as wealth advisory services to high-net-worth individuals. AFS has been able to build both a strong retirement and wealth advisory business by leveraging their institutional plan relationships. The partnership with NFP will allow AFS to utilize the Firm's broader participant engagement tools and services.



### **Pension Planners Northwest completes sale to Prime Pensions, a portfolio company of Mill Point Capital LLC.**

Eugene Oregon based TPA Pension Planners Northwest is a leading provider of third-party retirement plan design, administration, compliance, and consulting services to small and medium sized businesses. The partnership with Prime Pension will allow the Firm to leverage meaningful resources to drive growth.

# About Wise Rhino Group

## FIRM OVERVIEW

Wise Rhino Group provides M&A Advisory Services for Retirement & Wealth Advisory, TPA and Financial Services Industry Technology Firms.

We are committed to being a unique resource and catalyst for Firms in pursuit of accelerated growth and sustained competitive success. Our team brings over one hundred years of cumulative experience in every aspect of the Retirement & Wealth verticals, assisting firms with the most impactful alignment of partners, staff, and clients.



We deliver unbiased counsel and guidance backed by a unique experience-based understanding of all aspects of the retirement and wealth businesses, 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



Mergers, Acquisitions, and Sale Advisory



Business Strategy Consulting



Succession Planning



Retirement Industry Analytics & Perspectives

**225+**

CLIENT ENGAGEMENTS

**70+**

COMPLETED TRANSACTIONS

**\$400B+**

AUA REPRESENTED

**\$1.5B+**

TOTAL DEAL PROCEEDS



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