WEALTH MANAGEMENT: PRIVATE EQUITY'S INORGANIC GROWTH QUEEN

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ABSTRACT

The purpose of this study and the accompanying analysis was to provide general coverage on the accelerated consolidation occurring in the wealth management industry. In describing the conditions that have caused a need or welcomed reception of private equity entrants within the space, this study creates a foundation for the ideology of private equity's approach to investing in this industry. Focusing on the general principles of inorganic and organic growth strategies, the study identifies three consistent ideas found within the dynamics of over 50 transactions involving private equity and related acquirers' investment theses as judged by the transaction dynamics at a high-level. As an additional insight into gauging the general market for merger and acquisition appetite in this study, analysis and figures describing overall activity were cited. Following this notion of gauging the general market, a retrospective multiple analysis was conducted on a limited basket of transactions to determine how susceptible the wealth management industry's market for acquisitions is to macroeconomic conditions. This multiple analysis yielded excellent results in the context of the study, with great observed correlation.

***Keywords**: Private Equity, Multiples, Wealth Management, High Net Worth, Ultra High Net Worth, HNW, UHNW*

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1. INTRODUCTION

As generational demographics enter a new transitory phase, the wealth management industry must adapt to evolving demands to capture what may be its greatest bull market yet. With Generation Z(Gen-Z) aging and entering the workforce, meeting the wealth management needs of a now tech-enabled generation will require the adoption of not only new practices, but new attitudes by advisors trained on a demographic without immersive knowledge of today's technology.

With projections from Allied Analytics estimating a 10.7% annual CAGR leading up to 2030, showing aggregate market growth of $2.15 trillion, this new asset opportunity has potential to yield billions of dollars in fees. (Randall, 2023) Now, the question at hand then becomes what is the path to capturing this asset opportunity?
Figure I.