Stifel announces agreement to acquire legg mason investment essays example

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One essential strategy often assumed by financial management organizations entails the diversification of risks and its attendant management. In the current context, one way business entities are approaching the financial markets entails mergers, acquisitions and takeovers. The inner drive in such creative and innovative option entails diversification of risks so as to reduce the chances of losses and increase the profitability. Stifel is no exception to this trend.

Through its chief executive officer Stifel announced recently that it shall acquire Legg Mason Investment Counsel. This acquisition, it is anticipated shall increase the profit levels of the former by increasing the nature of its investments in the market. Indeed, the same information has been greeted by a lot of excitement in the markets. However, for financial managers, the reasoning behind the acquisition is not hard to find. In the wake of globalization and excess completion, entities are maximizing their potential and effectively diversifying in the market. The method of portfolio expansion, it is observed shall soon lock out single business entities for shall be forced out because of inability to compete.

The acquisition comes at a time when the acquired entity’s investment asset base was soaring at just $ 673 billion. The approval of the acquisition by the Board of Directors is a testament to the expectation that the acquired entity has something to bring on board at least as far as financial returns are concerned. It is imperative to appreciate the international spread of both entities. This equally comes in the wake of the easing global recession and recovery of the American financial market. Indeed, it is speculated that the acquisition could increase the profits of Stifel significantly.

However, it is essential for the Board of Directors of Stifel as well as its investors to approach the issues of acquisitions cautiously. This is essentially because of the volatility of the international market especially in the context of the American volatile economy. In that context, the investors may not have enough reason to smile yet. However, as is captured by the article, the acquisition already affected the market value of the entity. In financial circles, the increased value Stifel is a natural reaction to the anticipated returns. It is imperative, therefore, that the acquisition is positive and would bring on board an increasing effect to the already diversified portfolio of Stifel Company.

Finally, it is imperative to appreciate the crucial role that the resulting entity would still perform to the clients. Interestingly, the acquisition equally involves the transfer of the clients previously served by Legg. In that context, hopefully that class of clients would now enjoy the relatively superior services provided by Stifel. This argument is informed by the fact that with more capital and a massive market access, the company would be able to discharge its financial services roles to its clients more effectively. In fact, the acquisition means the staff would be combined meaning more superior financial research and analysis calculating into effective financial services to the clients.

In conclusion, it is essential to appreciate the vagaries that characterize financial services and the financial industry in general. In that vein, even with the acquisition, Stifel still faces massive financial risks some of which is external and the others internal. It is necessary that in the financial management the entity is guided by prudent and ethical financial decision making.

Work Cited

Anderson, Sarah. " Stifel Announces Agreement to Acquire Legg Mason Investment Counsel." Wall Street Journal 4 June 2014. .