Wells Fargo reps to jump higher 'hurdle' in 2021 pay grid

The target to reach the higher payout will increase by $1,000 per month next year which could pinch adviser compensation

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For the first time since 2014, Wells Fargo Advisors is increasing the dollar amount of revenue a financial adviser must produce to get a higher payout, meaning advisers could see a slight decrease in monthly compensation in 2021.

The pay change is being unveiled today to Wells Fargo Advisors' 12,908 reps and advisers and will take effect next month. The wirehouse is raising the minimum revenue amount, known as a hurdle in industry parlance, by $1,000 each month. Above that, advisers will receive a payout of 50% of fees and commissions charged to customers. Below the hurdle, the payout is just 22%.

Those two rates, the percentage of revenue advisers are paid above and below the hurdle, are not changing. What's changing, according to Wells Fargo executives, is the amount of revenue advisers must generate each month to get the more lucrative, 50% payout.

In 2021, the new monthly target or hurdle will range from $12,500 to $14,250. Over the past several years, it was $11,500 to $13,250.

For an adviser generating $1 million in annual fees and commissions, that translates into an annual pay decrease of $3,300, or $275 per month, noted Rich Getzoff, head of branch network, in an interview Thursday morning.

While the firm is raising the hurdle, which could pinch an adviser's monthly pay, Getzoff added that it is also increasing business opportunities for advisers in other parts of next year's pay plan, or grid as it is commonly referred to in the securities industry.

"In its entirety, the comp plan is competitive," Getzoff said.

A year ago, Wells Fargo Advisors for the most part left its pay plan for advisers alone but in early 2019 introduced a new succession plan, called the Summit Program, that ties advisers more closely to the firm.

One sweetener for advisers in next year's pay plan is the expansion of that program, Getzoff said. Wells Fargo will offer financing to young advisers to purchase the practices of senior advisers looking towards retirement for two such transactions. Up to now, the wirehouse was putting capital behind only one such deal.

"Young guys can buy the books of business of more than one adviser," Getzoff said. "Is that a pay cut? No. It's an investment in priorities."

Next year's grid also enhances compensation for financial advisers on teams and expands opportunities for advisers' deferred compensation, including net asset flows and the clients' total balance sheet, which includes lending.

Wells Fargo has reportedly begun cutting hundreds of jobs at the bank to trim costs during the COVID-19 pandemic amid a slump in profits. In October, the wirehouse confirmed it was also laying off a group of advisers who are paid a salary and bonus. Laying off advisers is a rarity in the wealth management business as their jobs is to drive growth of revenues.

Merrill Lynch keeps grid intact, cuts pay on small accounts

Starting in January, advisers will see a reduction in how they are paid for clients' holdings in cash and on accounts under $250,000

December 4, 2020 BY BRUCE KELLY

Near the end of a tough year to find new clients Merrill Lynch yesterday told its 14,000 financial advisers it was making minor adjustments to how they will be paid next year and in 2022, leaving the payout plan for its advisers unchanged with its focus remaining on growth.

"We're making minimal changes for the advisers' compensation plan and no changes to our incentive grid," said a senior Merrill executive who spoke on condition of anonymity. The term grid is industry shorthand for the complex structure of advisers' compensation at large institutions that typically have many parts.

The COVID-19 pandemic has made it a difficult time for advisers to prospect for new clients, advisers and industry executives have repeatedly said throughout 2020.

The changes though minor, will have an immediate impact, the Merrill executive said.

Starting in January, advisers will see a reduction in how they are paid for clients' holdings in cash accounts and money market funds. Compensation is being reduced to two basis points from four in such accounts, reflecting the cut in interest rates back near to zero made earlier this year by the Federal Reserve as part of the government's response to the COVID-19 pandemic.

And advisers will no longer receive any compensation for small accounts, or those with $250,000 or less. They currently get paid 20% of the revenue generated from such accounts, or about half what they are typically paid for client accounts.

For years, Wall Street firms like Merrill have been pushing their advisers to chase bigger, wealthier clients, and this latest move fits that thinking. Merrill is also making it easier for advisers who work in teams to get higher pay that matches the level of the most productive adviser on the team, the executive said.

In late 2017, Merrill unveiled a new pay grid, called the growth grid, which rewarded advisers who bring in a healthy number of net new accounts, while cutting the compensation of those who fall short of the new company goals.

Merrill advisers added over 40,000 net new household accounts in 2019. They are on track to add over 20,000 net new households this year, the executive said, during a time when the pandemic has made it increasingly difficult to prospect for new clients.