Why are so many Merrill Lynch advisers leaving?

[yellow highlight below is from Peter Kote]

Whether inclined to stay or to go, advisers owe it to their clients and themselves to pay attention to the subtle, but important, changes happening at the company.

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With so much movement by top advisers, even diehard Merrill Lynch & Co. folks, who have been the industry's most loyal over the years, are asking: "Why are so many people moving and what am I missing by staying?"

Certainly no one wants to be the last one standing, left behind to turn out the lights, nor miss out on a life-changing new opportunity. But does the now ongoing stream of departures by top advisers send a message or even a warning that others should heed?

There was an undeniable, elevated level of frustration among big firm advisers entering 2020. The pandemic and work-from-home environment made it easier for advisers to contemplate their situation and perform due diligence. And this momentum has only accelerated in 2021 as advisers discovered that they could choose from an expanding variety of options that allow them to solve for their frustrations without sacrificing the benefits of their current firm.

Merrill advisers, both those who have moved over the past 18 months and those now seriously considering it, have also questioned the future, exposing concerns about where Bank of America Corp. is taking Merrill in the months and years ahead. In essence, those who moved saw the handwriting on the wall.

So what is providing advisers with clues to the future direction of Merrill and is leading so many to leave?

Bank of America has been a patient parent over the past 10 years. However, a string of recent developments suggests that changes from the bank are accelerating, and Merrill advisers should brace themselves for the start of a new era-one in which has a more dominant voice.

While each change on its own may look relatively innocuous to a tenured adviser, when viewed together, these changes summarized below paint a picture of what BofA is planning for Merrill's future.

RECRUITING PROGRAM

Merrill, by its own admission and choice, is not recruiting experienced advisers. And advisers may not care about the fact that Merrill is only recruiting private bankers and very early tenure nontraditional

hires. They may even hope that this allows to focus more on appreciating and supporting its existing advisers. But this recruiting strategy signals a focus on building a next generation of advisers whose skills and expectations for compensation and responsibilities are far different than the current experienced adviser community.

TRAINING PROGRAM

Merrill's training program is being revamped to draw trainees from Merrill Edge and the bank channel, and to replace cold calling with bank referrals. While this decision makes good business sense in many respects, it also signals the development of a workforce that is bank dependent in terms of both business development and product availability and expertise. The related prohibition against cold calling, however, applies to every adviser, an example of one standard being applied regardless of experience or circumstances.

OUTREACH TO CLIENTS

The bank has gradually become more emboldened in its efforts to communicate directly with Merrill clients, often without the adviser's knowledge and certainly without permission. Advisers who have built meaningful and longstanding relationships with clients see this as a disintermediation that undermines the unique value they provide to clients. Most advisers do see great value to clients in leveraging the resources of the bank, but only when the adviser determines that it's appropriate for the client.

CLIENT RETENTION TEAMS

When an adviser leaves Merrill, clients will now receive a call from a member of the client experience team, rather than a local manager or another local adviser. This is another example of how BofA is standardizing its processes and attempting to turn Merrill clients into customers. The impersonal and bureaucratic nature of this process again seeks to diminish the personal relationship that a Merrill adviser customarily has with clients.

LIMITATIONS ON PORTFOLIO MANAGEMENT

Whether or not an adviser is actively managing a book and creating models, further limitations on the portfolio management platform highlight BofA's priority of managing risk while making assets sticky to the bank. Advisers have universally shown that they value control and flexibility, and restrictions on a qualified adviser's ability to differentiate their investment management approach — that is, to think independently — should raise concerns for every adviser.

In answer to the adviser's question, "What am I missing by staying?" it may be nothing — so long as they believe that Merrill is and will continue to be — the best place to serve clients and meet their goals. Planning for the future requires a bit of forecasting, and BofA has made it easier to envision the next five to 10 years for those paying attention.

The signs point to a new era being ushered in, one in which, the firm believing it "owns" the client, is entitled to make decisions and set policies to control the adviser and determine the client experience. Whether an adviser is inclined to stay or to go, they owe it to their clients and to themselves to pay attention to what's changing and to understand what the total view portends for the future.

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