Wells Fargo Advisors highlights bump in compensation for $1M producers

The wirehouse is emphasizing better pay for advisors who sell alternative investments and offer loans to clients.

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- By Bruce Kelly

The 2024 pay plan for the roughly 8,000 financial advisors at the Wells Fargo Advisors private client group is sticking to its core pay grid of the recent past but at the same time highlighting a noticeable bump in compensation to advisors producing $1 million who steer more clients to bank loans and alternative investments, according to a slide show of the plan's highlights the firm shared with reporters Tuesday.

For the third year in a row, the firm in 2024 will use a single monthly target of $13,500 of revenues as a benchmark for advisor pay. The below-hurdle grid rate is 22%, or 22 cents per dollar of revenue. Revenue above that rate will generate a 50% grid rate, or 50 cents per dollar of revenue, for the advisor.

But the firm is also emphasizing better pay to financial advisors who sell alternative investments, which can be expensive and volatile, and offer loans to clients, a practice some financial advisors dislike because it is a banking activity rather than an investment or financial planning decision or function.

Wells Fargo Advisors registered reps who annually generate $1 million in fees and revenue, the bread and butter type of advisor at the firm, are in line for a significant pay increase, according to the slide show. But that come with hurdles.

A financial advisor at Wells Fargo with $1 million in revenue next year who reels in a new client with $5 million in net new assets, refers two clients for new loans of at least $2 million, and completes a transaction for an alternative of at least $500,000 will receive roughly 7% more in compensation than a similar advisor who stands pat.

The advisor who grows by these three methods will receive total compensation of $576,000, or $107,000 more than a similar advisor who stand pat and does not record those types of sales or transactions, according to the Wells Fargo Advisors slide show. The $1 million producer who does not achieve those goals will earn $469,000 in total compensation.

Wells Fargo Advisors is also raising expense allowances for its financial advisors next year. The firm rolled out the 2024 compensation plan on Tuesday afternoon to its financial advisors.

When asked about the difference in pay for the two types of $1 million producers, a Wells Fargo Advisors spokesperson in an email said the 2024 compensation plan was not tiered in a way to incentivize sales. “This was an illustration to show what growth can look like for an advisor on the compensation plan,” the spokesperson wrote. “Our plan doesn’t incent alts over other products. We used it as an example because we know more clients are seeking alternatives.”

Wells Fargo decreased its payout this year to financial advisors on mortgages but introduced brokerage liquid deposits and lowered account minimums throughout the year, the spokesperson added.

“It’s a credit to the firm for not cutting or messing with the compensation grid and raising expense accounts for advisors,” said Danny Sarch, a veteran industry recruiter. “But all the big firms like Wells Fargo can’t help tinkering with pay, and when financial advisors leave to become an independent advisor, they always say they hate firms tinkering with the compensation."

Since 2019, Wells Fargo & Co., the giant bank, has been overhauling its wealth management business, jettisoning noncore operations like its overseas client operations and rebranding its private bank, and focusing on overhauling management and better retaining its private client wealth management advisors.

Many of those advisors have been eying its independent arm, Wells Fargo Advisors Financial Network, or FiNet, where they work with greater autonomy and receive a more generous percentage of the revenue, but also shoulder more of the expenses as an independent contractor.