Wells Fargo Advisors keeps focus on simpler pay plan for advisers in 2023

In a break with tradition, the firm is introducing next year's pay plan for its 12,000 advisers earlier this year.

November 1, 2022 By Bruce Kelly

Executives at Wells Fargo Advisors on Tuesday introduced the 2023 compensation plan for its 12,011 financial advisers, in what its executives believe will be seen as a continuation of the effort (see article below) to simplify pay at the firm and reward financial advisers.

For example, in the past Wells Fargo Advisors has had multiple hurdles for its private client group advisers; last year, the firm changed that to a single monthly target of $13,500 to use as a benchmark for adviser 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 adviser.

As an example, if a financial adviser produces or generates $100,000 in eligible revenue in a month, he or she is paid 22% on the first $13,500, which equals $2,970. The adviser is paid 50% on the additional $86,500, or $43,250. That totals $46,220 in compensation for the month.

Sol Gindi, who was promoted in May to head of Wells Fargo Advisors, noted in an interview Tuesday that the firm is revealing the pay plan in early November this year rather than wait until mid-December, an indication it wants the pay plan to be viewed with less mystery.

“We’re talking to everyone a whole lot earlier this year,” Gindi said. “We really think we have a good plan in place. It’s more streamlined with less changes.”

The plan includes enhanced compensation targets for individuals and teams working in both the traditional private client group or as a bank adviser.

Deferred compensation will be based on four components: revenue, length of service, net asset flows and the full balance sheet.

Previous article on Wells Fargo

Executives at Wells Fargo Advisors are rolling out the firm’s 2022 compensation plan for its 12,552 financial advisers and registered reps this week, in what they hope will be viewed as a simpler and potentially more lucrative plan than in years past.

For example, the firm is reducing the number of compensation hurdles its private client group advisers will face each month from three to one, according to executives familiar with the plan, which was to be discussed with advisers Tuesday. Wells Fargo Advisors is also dangling an additional $5,000 in deferred compensation for advisers who qualify.

Each financial adviser will have a monthly hurdle of $13,500; 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 adviser.

The 2021 grid, or pay plan, is more complicated, executives said, with various private client group advisers facing up to three hurdles to get the higher payout. This year, the monthly targets or hurdles range from $12,500 to $14,250.

The 2022 compensation plan for Wells Fargo Advisors was to be introduced Tuesday afternoon.

“I really think that our financial advisers are going to be happy about this,” said John Alexander, whose title is head of divisional network at Wells Fargo. “I’ve been here more than 20 years and we’ve never had a better [compensation] plan.”

Like its competitors, ranging from Merrill Lynch to Raymond James Financial Inc., Wells Fargo Advisors has enjoyed a bountiful 2021, with the broad stock market rising roughly 25% so far this year and advisers generating more revenue than ever. This year, Wells

Fargo Advisors reported its advisers on average produce $1.08 million in annual revenue.

But the broad wealth management lines of business have been under scrutiny. Wells Fargo CEO Charlie Scharf this year took the chainsaw to some wealth management businesses as he works to reorganize the giant bank.

For example, Wells Fargo sold its asset management business for $2.1 billion, shuttered its international group of financial advisers and dropped the Abbot Downing name for managing ultra-rich clients' money. And in October, Scharf said that the bank had "underinvested" in its online brokerage and independent adviser businesses.

As Wells Fargo rolls out the new pay plan, Alexander said that the firm is listening to its advisers and the objective is to simplify how advisers are paid.

"We heard from our advisers that our plan was too complicated," Alexander said. "We heard that loud and clear."