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# Merrill Advisors Hit Record New Household Growth after Comp Plan Changes

By Alyson Velati April 17, 2019

Merrill Lynch **Wealth Management** has posted record net new household growth for its first quarter, after the firm revised its advisor compensation plans to drive organic growth.

Bank of America's Global Wealth and Investment Management (GWIM) division – which includes Merrill Lynch Wealth Management and **Bank of America Private Bank** – saw its total assets under management climb to \$1.13 trillion at the end of the first quarter of 2019, up from \$1.08 trillion a year earlier.

## Merrill Lynch

- NUMBER OF ADVISORS

17534

- FIRM-WIDE ASSETS

\$2,384,492 Million

- FEE-BASED ADVISORY ASSETS

\$1,126,255 Million

- DISCRETIONARY ASSETS

\$248,617 Million

- KEY PLATFORMS

Merrill Lynch - Merrill Edge Advisory Account Program (MEAP), Merrill Lynch - Strategic Portfolio Advisor, Merrill One - Custom Managed Strategy, Merrill One - Defined Strategy, ...

- Profile updated as of 04/18/2019

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Part of the growth was driven by Merrill advisors reeling in 12,000 net new households during the first three months of 2019, according to parent company Bank of America's first quarter earnings. Merrill's gross new household acquisition is up 41% year over years, with advisors bringing in 17,625 new client relationships during the first quarter.

The net new household figure is up 85% year over year from the first quarter of 2018 and should hit 50,000 on an annualized basis this year, says a senior Merrill Lynch executive.

The average size of a new household has remained constant at about \$1.5 million, the senior executive says.

Merrill Lynch and other wirehouses have sought to focus on new client acquisition, rather than advisor recruiting to drive growth in recent years. Advisor headcount across Merrill Lynch Wealth Management, Bank of America Private Bank and **Merrill Edge** grew to 19,523 in the first quarter of 2019, up from 19,276 from the first quarter of 2018. But Merrill Lynch's headcount dropped slightly to 14,761 in the first quarter from 14,827 a year earlier.

Net new household acquisition is seven times greater than it was two years ago, when Merrill announced a new compensation plan rewarding advisors who meet certain metrics around new assets and households and punishing advisors who don't meet minimum growth hurdles. Merrill's 2019 compensation plan increased the new household targets advisors must meet to earn higher payouts, as reported.

The first quarter numbers show that Merrill's stick and carrot approach, which aims to encourage Merrill advisors to build up their clientele and assets, is working, says **Mark Elzweig**, head of **Mark Elzweig Company**, an advisor recruitment firm.

"But the risk is that those advisors who feel that these new policies are too heavy-handed might jump ship," he says. "What they're doing is working, but it may come at a price."

Across the industry, it's been difficult for firms to add net new accounts, since they are focusing on providing ongoing financial advice, modifications to their clients' accounts, reports and updates, says **Andy Tasnady**, a compensation consultant with **Tasnady & Associates**.

"I think over time as the industry has matured, it's very easy to reduce your focus on prospecting and trying to get new accounts," he says. "You need to have lots of meetings and discussions to try and develop new business. It's easier to serve existing accounts than getting brand new accounts."

Merrill Lynch is "fully committed to the grid," according to the senior executive.

During the first quarter of 2019, 11% of new Merrill Lynch client relationships came from other parts of the company. Advisors made over 41,000 referrals to other parts of the company, which was up 9% from the previous year, according to the senior executive. Over 6,000 of the new Merrill Lynch relationships were based on referrals during 2018. If the pace from the first quarter continues throughout 2019, the executive predicts the number of new relationships could hit 8,000 annualized this year.

Contact the reporter on this story at [avelati@fundfire.com](mailto:avelati@fundfire.com) or (212) 542-1282.

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