Bonuses cut, payouts raised: Wells Fargo FiNet's sweeping comp changes

Wells Fargo revamped its independent advisor compensation for 2020, cutting incentive bonuses, revising its grid to include higher payouts, and generally simplifying its pay plan.

“We believe it will drive advisors to FiNet because it rewards advisors who are growing. It’s also predictable. So they know what’ll drive the bottom line,” says Brian May, vice president and business strategy consultant at the firm’s IBD, Wells Fargo Advisors Financial Network.

The comp changes are the latest in a series of payout revisions at big firms. Last month, Morgan Stanley raised grid thresholds, meaning some advisors may have to work harder to earn the same pay. Wells Fargo is expected to unveil its 2020 comp plan for wirehouse advisors later this month.

May says the incentive awards for independent advisors were folded into the firm’s new grid which comprises roughly 10 thresholds, paying 78% for advisors producing under $300,000 and maxing out at 92% for advisors generating $6 million or more. The max payout is now higher than the 90% previously offered.

It’s a flat payout rate assigned to the advisor based on their trailing 12 production, according to May.

Payout rates are typically higher at independent broker-dealers than employee broker-dealers, but they do not include various fees charged to advisors.

Losing the incentive awards — which included one for tenure — may not adversely affect all advisors.

But, “if you were achieving them, then you’ll miss it,” says compensation consultant Andy Tasnady.

From the corporate point of view, not all bonuses are created equal. Will advisors grow faster if there is a production bonus? “Sometimes they put them in and they end up paying for the same growth they would have gotten anyway” Tasnady says.

Wells Fargo previously cut some incentive awards for employee advisors in its 2017 comp plan.

May says some FiNet advisors may see a pay raise under the new plan — though for Wells Fargo, overall comp expenses are not expected to change. “At the top of the house, it’s neutral, but the impact could be different at the practice level,” he says.

Patrick T. Fallon/Bloomberg

Among other changes, Wells Fargo will compensate advisors at the practice rather than individual level. It also simplified its fee structure, removing expenses including an administrative fee. Instead, the firm will charge one overall platform fee. It scales according to the size of each practice, shrinking to zero basis points for those with $500 million or more from six basis points for practices of $30 million or less.

Advisors are charged on an à la carte basis for additional services that they may choose to use, such as E&O insurance and cyber security.

“It enhances Finet’s overall competitiveness in the independent space. We also wanted to create a structure that rewards growth,” May says.

Wells Fargo last made revisions to independent advisor pay in 2017 in anticipation of the Department of Labor's fiduciary rule, which has since been vacated.