2020 Comp: Wells Adds More Large-Account Incentives for Brokers

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Wells Fargo Advisors on Thursday told its core group of standalone brokers that it will keep grid payout levels and qualifying thresholds unchanged in 2020, but added further carrots and sticks to have them and its Wells bank-branch brokers work with larger accounts.

The most striking penalty: Brokers will retain just 20% of revenue from household accounts under $250,000, a level that currently affects only sub-$100,000 accounts. The payout policy is revalued monthly, and brokers who bring household levels up to $250,000 during the year are eligible for full grid payout back to day one, according to a summary of the 2020 plan.

The core plan will continue to pay approximately 9,000 brokers in Wells Fargo Advisors' standalone offices 22% on the first $11,500 to $13,250 they produce each month—tiered to their production, growth and large-account service performance this year—and a flat 50% above that.

Payout at Wells' largest competitors approach 50% only for top multi-million-dollar producers, but the firms generally do not impose monthly hurdles before grid rates kick in.

UBS Wealth Management U.S.A. and Morgan Stanley Wealth Management, however, are raising grid tiers in 2020 that will require many brokers to produce more fees and commissions next year to match their 2019 payouts. Merrill Lynch has not yet announced its 2020 compensation plan, but is expected to extend its policy of not paying brokers on the first 3% of monthly revenue they produce.

Wells Fargo Advisors, which has been offering large recruiting packages to experienced advisors to offset losses of more than 1,000 brokers since its parent bank disclosed fake-account incentives three years ago, is following its competitors in incentivizing full-service brokers to focus on wealthier clients.

Merrill offers no pay to its full-service advisors on accounts under $250,000 and UBS and Morgan Stanley have $100,000 cutoffs.

"Wells was the last of the Big Four to adopt a lower payout policy for small households, but now that they joined in adopting a penalty policy, they may be trying to catch up to the other firms," said Andy Tasnady, a compensation consultant who did not work on the firm's 2020 plan.

Wells is continuing to pay a unique five-year deferred bonus to brokers with $400,000 or more of gross annual revenue if at least 75% of their clients keep $250,000 with the firm. But it is adding a new bonus for those who produce at least $250,000 in 2020 if 50%-to-75% of their clients reach the $250,000-asset cutoff.

The size of the "adoption" bonuses for the larger producers—from 0.45% to 4.2%, based on production and household size—appear to be one-third to one-half of the 2019 incentive, according to Tasnady. There also are reduced bonus caps—$28,000 for hitting the 75% level of $250,000 households and $135,000 if 75% of the book includes customers keeping at least $500,000 with Wells. (Brokers also must produce at least $3.1 million to collect the top award).

Wells also has raised breakpoints to qualify for deferred bonuses on base production. Brokers will receive payments in five years equal to 5-to-10% of 2020 production over $635,000, but the breakpoints have been stretched by about 15%, according to Tasnady.

(Wells also will give a $1,000 award to brokers generating $400,000 to $499,000, and at least $3,000 for those producing between $500,000 and $634,999.)

“There is an opportunity to continue the journey of [household] segmentation and rewards for financial advisors,” said Rich Getzoff, head of the advisor brokerage group.

Wells last summer consolidated its force of brokers in bank branches servicing mostly mass-affluent customers into the advisor business that it formerly called the Private Client Group. (Integration is also occurring at Merrill, which is putting Bank of America brokers into advisor offices and at J.P. Morgan, which announced a wealth business reorganization on Wednesday.)

Wells Fargo’s bank-branch advisors will continue to be paid on a conventional grid ranging from 25% (below $300,000 production) to 46% ($7.7 million) in 2020. But the bank is adding a new 50% payout for each new account or household that bank brokers self-source without referrals from bankers.

It also penalizes bank-based brokers with a 10% payout for accounts with less than $100,000 and a 20% payout for those between $100,000 and $250,000. Pay reverts to full grid rates if the bank advisors reach $250,000-household segmentation targets.