Wells Fargo 2020 comp plan: Higher bar for small households, bonus changes

Wells Fargo will leave core payout rates unchanged under its 2020 comp plan — but it is making changes to small account policies and bonuses intended to spur advisors to focus on larger clients.

“We’re trying to create an alignment between strategy and compensation,” says Rich Getzoff, head of Advisor Led at Wells Fargo.

Wells Fargo is the last wirehouse to unveil its comp plan for next year. It has not made changes to its hurdles ($11,500; $12,500; $13,250) or grid payout rates since 2014 and 2011, respectively. That stands out this year in contrast to competitors Morgan Stanley and UBS which increased grid thresholds for their 2020 comp plans.

Among the changes to the plan, Wells Fargo altered how it pays advisors on smaller accounts. For households under $250,000, advisors will be paid a flat 20% rate. Previously, it was a flat rate for households under $100,000.

The change is in line with moves made by other firms in recent years to push advisors' focus toward larger accounts.

“Today, the best advisors may have just 100 accounts, but they’re large accounts and advisors focus on really servicing them. You end up generating more business than you would if you had 1,000 [small accounts],” says compensation consultant Andy Tasnady.

Large advisors are unlikely to be affected by the changes, Tasnady adds.

Wells Fargo is providing advisors a way to earn a full payout on small accounts, albeit in the form of deferred compensation. To qualify, advisors need to generate at least $250,000 in trailing-12 month revenue and have at least 75% of their client households above $250,000 in assets. Advisors who fall short of the segmentation goal — landing between 50-74.9% of households above $250,000 — will get a partial payout.

In other changes, Wells Fargo upped thresholds for its so-called base award by approximately 15%. For example, an advisor generating between $635,000 and $885,000 in revenue (the lowest tier) would get a 5% award in 2020. That's up from $550,000 to $770,000.

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To get the max base award of 10%, an advisor would need to exceed $6.38 million in revenue, up from $5.5 million under the 2019 comp plan.

The wirehouse's award for length of service remains unchanged: 0.5% of total gross revenue for advisors hired prior to Jan. 1, 2006.

Wells Fargo tweaked its adoption award, which was first introduced several years ago. Thresholds remain unchanged, but payouts dropped under the core payout. An advisor meeting the base criteria (75% of client households over $250,000 in net AUM and total gross revenue of $400,000 to $449,000) would get a 0.45% award, down from 1.15% under the prior plan.

Wells Fargo restructured its additional adoption award to give advisors an extra way of qualifying — provided they have between 50-74.99% of client households with more than $250,000 in net AUM.

Advisors have until Dec. 31, 2020 to qualify for either award.

“We expect to spend more [on bonuses] in 2020 than we did in 2019,” Getzoff says.

Wells Fargo also left its client segmentation award unchanged for 2020.

“What we have traditionally tried to do and tried to do again this year is to create a compensation plan that is strategically aligned our top two priorities: high impact advice and solutions for clients and, number two, to be innovative with how we think about the future of the business,” Getzoff says.

Last week, Wells Fargo unveiled compensation changes for its independent advisors operating under its FiNet brand. Wells Fargo FiNet cut bonuses and revised its core comp grid to include higher payouts for the first time since 2017.