FINANCIAL ADVISOR IQ

Merrill, Edward Jones Lead in FA Trainees Numbers; Many Likely to Fail

By Miriam Rozen August 11, 2020

Financial advisor trainee washouts are a persistent problem in the broker-dealer industry, so firms must retool their training programs to survive the competition, according to researchers and consultants.

About 50% to 75% of the 19,384 FA trainees who entered the industry in 2019 will fail within their first five years in the business, **Marina Shtyrkov**, a senior researcher at **Cerulli Associates**, predicted in a report published in February.

To address that — as well as the expectation that more than one-third of FAs will retire in the next decade — firms "will need to revamp recruiting and training and intentionally prioritize retention," Shtyrkov wrote in the report.

Andrew Tasnady, owner of compensation consulting firm **Tasnady Associates**, has a similar prognosis: only about 25% of FA trainees will survive more than three years in the business.

Firms must retain more trainees if they want to increase returns on training investments, Tasnady says. They must have a five- or 10-year time horizon when assessing potential returns on their training because thinking short term will tempt them to "reduce, eliminate or suspend" programs, he says.

Attrition

When it comes to recruiting FA trainees, **Edward Jones** and **Merrill Lynch** take in more than their competitors. The typical annual trainee class size is 3,000 at Edward Jones and 1,000 at Merrill Lynch, according to data from the two companies.

In five years, Edward Jones' total FA roster had grown 34% to 19,027 as of March 31, according to company data. Merrill Lynch's five-year total FA roster had grown 9% to 17,8
FAs as of June 30, according to its data.

Most firms are silent on their FA trainee attrition rates.

Charles Schwab, Edward Jones, **Fidelity Investments**, **JPMorgan Chase**, Merrill Lynch, **Morgan Stanley**, **St[illegible] Financial**, **UBS Americas** and **Wells Fargo Advisors** declined to provide FA-IQ with their respective attrition rates.

Raymond James & Associates has a 66% three-year retention rate for program graduates, which bucks the industry-wide trend of high FA trainee attrition, vice president of new advisor development **Matt Ransom** says, without giving comparable industry data.

The firm's typical annual trainee roster size of 220 is much smaller than those of Merrill Lynch and Edward Jones, but higher than the 100 for **Charles Schwab** and 180 for **UBS** Americas.

The industry overall fails to replace all the brokers who exit, and the number of broker-dealers and registered representatives **continued to fall** last year. A total of 39,250 individuals became registered representatives last year, but 44,105 exited the broker-dealer industry.

(Story continues after the table)

Snapshot of Broker-Dealer Training Programs

Company	Typical Annual Class Size	Duration (in months)	Compensation	Participants' Financial Obligation	Licensing and Certificates Awarded
Bank of America/ Merrill Lynch Wealth Management	1,000	43	Salary and production payouts	None	Finra Series 7, 66, optional CFP and other accredited programs
Charles Schwab	100	18 to 24	Salary and salary increases when licenses are obtained	None	Finra Series 7, 66
Edward Jones	3,000	4.25	Hourly compensation and possible production-based bonuses	Pro-rated portion of training costs if trainee defects to another broker-dealer within 36 months of start date	Finra Series 7,66
Morgan Stanley	Not disclosed	36	Salary and monthly/ annual bonuses	None	Finra Series 7, 66
Raymond James & Associates	220	24	Salary of $50K to $100K and production payouts	None	Finra Series 7, 66
UBS Americas	180	36 to 48	Not disclosed	None	Finra Series 7, 66 and CFP
Wells Fargo Advisors	Not disclosed	11 to 24	Not disclosed	Not disclosed	Finra Series 7, 66

Source: Companies and their websites

Training programs

The firms' training programs vary significantly but most transition trainees from salaries into compensation plans based on their production payouts, says Tasnady.

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asset gathering minimums for trainees but gives them more time to reach their goals by keeping them on salary longer, he says.

Merrill Lynch is looking for trainees with prior industry experience, Finra Series 7 and 66 licenses, three years in financial service, and a bachelor's degree or higher, according to a recruitment ad. The wirehouse evaluates its program by measuring the trainees' graduation rates, new assets and client households, and redeployments to other roles, the wirehouse's spokesperson says. Parent company **Bank of America** encourages reassignments for trainees who fail to fit as FAs, the spokesperson adds.

Edward Jones declines to disclose the metrics it uses to evaluate its training. Among the 9,400 trainees it hired between 2017 and 2019, 93% were "new to the industry," according to a spokesperson. A recruiting ad says the firm seeks applicants who want "a brand-new career" and lists a college degree only among its "preferred" but not required qualifications.

Ex-trainees speak up

Two former trainees at Edward Jones — **Rufus Hawkins** and another who wishes to remain anonymous — say the firm begins stripping 4% from rookie brokers' salaries every four months not long after they graduate from the company's 17-week training. Hawkins and the other ex-trainee say Edward Jones tells new FAs that production payouts will replace clawed-back income, but the unnamed ex-trainee says: "They really never did."

Hawkins started at Edward Jones in Wesley Chapel, Fla. in April 2017 and left in August 2019. He now works at the hybrid RIA-broker-dealer **CUNA Brokerage Services** in Tampa, Fla.

Edward Jones' spokesperson says trainees are compensated on an hourly basis and may receive bonuses based on their asset gathering when they receive licenses. Before starting, the trainees sign individual compensation agreements that address "how they will be compensated during training and after they begin serving clients," she says, declining to provide further details.

Many Edward Jones trainees like that there are no insurmountable client asset minimums says **Leopold Alapont**, a former trainee and then FA at the firm.

"Everyone knew that Edward Jones was the only place to start from scratch — meaning you didn't already have a book, or you weren't inheriting a book from a father or an uncle who was trying to retire from the business," Alapont says.

Alapont began as an Edward Jones trainee in Springfield, Ore. in January 2007 and stayed with the company for five years, but now works at hybrid RIA-broker-dealer **Commonwealth Financial Network** in Eugene, Ore.

Many trainees might prefer Merrill Lynch because of its compensation structure, however, recruiters say. The firm pays salaries and offers production payouts at the same time, a spokesperson confirms.

Merrill Lynch expects trainees to attract clients with about $250,000 investable assets, two recruiters and a consultant say. But the wirehouse's spokesperson tells FA-IQ the quarter of a million dollars is not a client asset gathering minimum set for trainees.

Meanwhile, experiences of FA trainees are varied. **Wayne Bland**, who is Black, previously shared with FA-IQ his fears when he was **knocking on doors** in white residential neighborhoods in 2015 as an Edward Jones trainee. Ten former Edward Jones advisors have shared their own door-knocking stories with FA-IQ since then.

"Brutal," is how **Ronnie Oats**, who is also Black, describes the door-knocking experience. Once, a woman's pit bull chased Oats, who says he jumped on his parked car's roof to avoid being bitten, he says. Oats started as an Edward Jones trainee in Brandon, Fla. in March 2018, but left and joined Merrill Lynch as a trainee in Tampa, Fla. in October 2019, where he remains today.

An Edward Jones spokesperson previously told FA-IQ that trainees are not required to knock on doors and FAs have "shifted focus away from residential face-to-face contact."

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