Speculation Stirs Over Wirehouses’ 2021 FA Pay Plans

By Miriam Rozen September 8, 2020

Planned hikes in production thresholds and other factors impacting wirehouse advisors’ pay got put on ice in response to the global pandemic earlier this year. But the thaw is on at some firms, raising questions about how compensation plans will look in 2021.

Traditionally, **Merrill Lynch**, **Morgan Stanley**, **UBS** and **Wells Fargo** have unveiled their compensation grids for the following year in late October or November.

While advisors generally expect such changes to mean meeting higher thresholds to avoid getting lower pay, this year has introduced so many new variables it’s hard to be sure what to expect, recruiters and consultants say.

But there are a number of elements that may prove significant to FA pay programs next year, they note.

Those include:

- The rebounded stock markets’ boost to most FAs' assets under management
- The pressure of low interest rates on firms’ overall profitability
- The potential cost savings if wirehouses reduce their office space, assuming remote working arrangements endure
- The rollout now of changes put on pause or reversed in response to the impact of the pandemic on markets and individuals. At least two wirehouses — Morgan Stanley a UBS — will instate previously-announced changes starting next month. (See sideba Too many changes too fast can be disruptive, recruiters say.

If past is prologue, **Louis Diamond** expects wirehouses to pinch almost all of their FAs' pay next year.

“It seems like every year, there’s some sort of change. Sometimes they’re more far-reaching or impactful than others, but, almost always, there’s some sort of change, “ says Diamond, who is executive vice president and senior consultant at Morristown, N.J.-based **Diamond Consultants.**

Reconsidering Comp

All four wirehouses have adapted their 2020 comp plans in light of the pandemic. Here's a look at changes announced since March 1

Merrill Lynch in June:

- Cut the number of new households required by mid-year from two to one. The change meant helped about 1,000 FAs avoid a 1% cut to payouts, the bank said.

Morgan Stanley in March:

- Postponed a roughly 10% hike in revenue threshold requirements for FAs generating less than $5 million by six months. The new standard will now take effect Oct. 1.

UBS in May:

- Postponed effective date for revenue threshold increases affecting teams and those categorized to "highest producers" by three months.
- Starting Oct. 1 team thresholds go from $5 million to $6 million; "highest producers" thresholds increase from $2.5 million to $3 million.

Wells Fargo in April:

- Altered calculations of payout rates for revenues generated on household accounts with less than $250,000 in client assets.
- Until year-end, rates will be based on the higher of either the current account value, or that of Dec. 31, 2019.

Source: Company statements

“I’m sure with markets rebounding and just overall cost of business rising, these firms will continue to push forward different changes to try to wring more profitability out of their wealth management units,” he adds.

But **Andrew Tasnady**, owner of compensation consulting firm **Tasnady Associates**, offers that advisors may be spared if the shift to remote work lets firms chop real estate costs.

With advisors now having worked remotely successfully for so long, wirehouses may become more malleable in their business models and squeeze enough savings from eliminating office space to leave FA pay untouched, he says.

Near-zero interest rates continue to drag on firm’s profits, especially since they are making virtually nothing on holding clients’ cash, notes **Danny Sarch,** president of White Plains, N.Y.-based recruitment firm **Leitner Sarch**.

But the firms likely won’t get too engaged in reformulating compensation factors, given the myriad of other issues the pandemic and the rest of 2020’s troubles have churned up, says Sarch.

“My prediction is that the firms have been too preoccupied to brainstorm on yet another pay change,” he says.

Mark Elzweig also rates it as “unlikely” that firms will “monkey much with their payouts for next year.”

“Anything new at major wirehouses will probably be around the margins — deferred compensation, bonuses for asset and household growth,” Elzweig, president of New York-based recruiting firm **Mark Elzweig Company**, writes in an email.

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