

# 2022 COMP: UBS Retools Broker Pay Grid and Bonuses, Raises Pressure on Low Producers - AdvisorHub

Thursday, November 18, 2021

Clipped from: <https://www.advisorhub.com/2022-comp-ubs-retools-broker-pay-grid-and-bonuses-raises-pressure-on-low-producers/>



UBS Wealth Management USA is introducing today a new payout grid that will overhaul its payout formula for its roughly 6,000 brokers next year to simplify its bonus structure and also raise the so-called 'penalty box' threshold for low producers, according to a copy of the plan reviewed by AdvisorHub.

As part of the changes, which are being announced internally by U.S. wealth boss Jason Chandler, UBS is eliminating a net new asset award and consolidating a length of service bonus into its core payout grid. Both of the two bonuses had been paid in deferred compensation.

The new combined LOS and revenue grid will raise top-end payouts to as high as 60%, up from 50% under the 2021 plan, for those who have spent 20 years or more at UBS. But the new plan will also automatically defer 15% of that payout for producers over \$750,000 in a year-end bonus that is paid in a mix of cash and stock and vests over six years. The deferred total will range between 10% and 15% for sub-\$750,000 producers.

"We anticipate that over half of advisors will experience an overall rate increase," the firm told managers in a talking-points memo they could use in

rolling out the plan to brokers following the firm-wide call. "Our new grid will provide greater certainty, transparency and simplicity to your reward structure."

A UBS spokesman declined to comment or confirm details of the plan.

While raising pay for some of the most loyal brokers, UBS's new formula could translate into pay cuts or more deferrals for others depending on their time at the firm, how much new business they had brought in and whether they are on a team, according to two sources at the firm and compensation consultant. It could rile some high producers who had not been with the firm for a long time and now see their pay more directly linked to tenure, said one of the company sources.

"It sounds like it will be a simpler design for the future, but the impact is going to be customized for each individual on each team for each length of service and production level," said compensation consultant Andy Tasnady, who was briefed on the plan by a reporter. "Every person is going to have to evaluate the impact."

The cuts could be particularly acute for smaller producers. Under the current grid, which was last [modified to raise the hurdles](#) in 2020, the floor had been set at \$300,000, below which brokers earned a 'penalty box' payout of 28%. The new plan raises the floor to \$500,000 but also raises starting pay to 30%.

"That's the highest penalty box grid in the industry," Tasnady said. "No firm had tried to go over \$400,000. That's definitely sharpening their focus on larger producing FAs."

How higher producers fare under the new grid will depend in part on whether they had qualified for that deferred Strategic Objective Award that paid between 1% and 6% based on net new asset growth and is being discontinued.

"We will no longer use Net New Money as an incentive metric due to its variability from year to year and uncertainty," the firm told managers in the memo that noted the change also "aligns with our public reporting metrics." (UBS [stopped reporting](#) net new asset flows in the U.S. this year.)

Incorporating LOS into the grid will also affect brokers on teams that had generated over \$6 million in annual revenue and qualified for the firm's team incentive grid. Advisors on those teams will still be eligible for a payout grid threshold based on the combined total revenue of the group but could lose points for shorter individual length of service.

In an example included with the manager presentation, a \$2-million producer on a \$7-million team will qualify for a payout rate of 53.5% if they have between five and 10 years of experience. But another \$2 million producer on the same team with 20 years at the firm would qualify for a 58% payout with the length-of-service adjustment. They had all previously earned the same rate.

"The more you grow, and the longer you are at UBS, the more you make,"

the company told managers. "Our new plan...is geared toward making UBS the best place for Advisors to join, grow with and retire from."

UBS is also driving its brokers further up-market and cutting payout on 'small' households under \$100,000. It is raising the bar on its small household policy, lifting the threshold for what qualifies as a small account to \$250,000 from \$100,000. Brokers stand to earn a 30% incentive grid rate on those accounts if they shuttle them to the firm's call-center-based brokers at the Wealth Advice Center. The small account changes take effect in July and reflect "alignment to our core client base," according to the memo.

UBS has maintained lower account minimums than some wirehouse peers, including Merrill Lynch, which [eliminated payout](#) on accounts under \$250,000 as part of its 2021 pay plan.

UBS's 2022 plan comes as the brokerage's Swiss parent under new Chief Executive Ralph Hamers has been looking to trim expenses company-wide and as the U.S. division has been focused for several years on a strategy aimed at focusing on high-end producers while some smaller brokers have left.

UBS is the second major wirehouse to announce compensation for next year. Merrill Lynch in October told brokers it would [leave their core compensation grid unchanged](#) after making substantial modifications in recent years to drive brokers to add new customers. Morgan Stanley Wealth Management and Wells Fargo Advisors have yet to announce their 2022 plans.

Morgan Stanley Wealth Management in 2015 made a similar change as UBS's 2022 plan to consolidate a length of service award with its core pay grid and defer around 1.5% for low producers, scaling up to 15.5% at the top end.

"Deferring comp can help advisors in terms of an almost forced savings [plan]," Tasnady said. "And it helps the immediate finances of the firm because they don't have to pay out as much cash."

*-Miriam Rozen contributed to this story.*