Merrill's New Training Program: Less Selling, More Coaching, Plenty of Skepticism

Can Merrill meet its goal of graduating 1,000 new advisors a year? Will they stick around? Recruiters have doubts.

By Jeff Berman | January 31, 2022

Once upon a time, the Merrill Lynch advisor training program was widely considered the "gold standard" of industry training programs.

Industry recruiters interviewed by ThinkAdvisor this month were split on whether the wirehouse's new, shorter training program will successfully meet that same standard and achieve the firm's recently stated goal of having 1,000 trainees graduate (https://www.thinkadvisor.com/2022/01/19/bofa-reports-47-jump-in-merrill-private-bank-profits-q4-earnings/) each year once it's reached scale.

The wirehouse's new 18-month Advisor Development Program stands to significantly increase the success rate of the firm's advisors, from just 20% to 80%, the company said in June (https://www.thinkadvisor.com/2021/06/14/merrill-exec-expects-new-shorter-advisor-program-to-quadruple-success-rate/). The firm's old program ran 36 months.

Historically, Merrill had hired about 2,000 advisors into its training program annually.

'The Jury's Out'

In recent years, firms in the sector have been struggling to "figure out the secret sauce" to best train people to become advisors, according to Danny Sarch, president of the recruiting firm Leitner Sarch Consultants.

The new program is "interesting and it's different," he told ThinkAdvisor in a phone interview. But "the jury's out" and it's "way too early to say it's going to be successful or not," he said.

The old model the firm used, in which trainees made cold calls maybe "200 times in a day to hope to connect to a few people" willing to buy a municipal bond over the phone is a "laughable model in today's world with caller ID and suspicion of everybody," Sarch said.

That's why the company shifted away from cold-calling in recent years. Since then, Merrill has tried to find a more successful formula to train advisors, and its new program is the latest attempt, Sarch said.

"I think the industry needs it and I wish them luck," he said. "Merrill does have the advantage that the new training program" is based largely on the "broker-in-a-branch model," in which parent company Bank of America's branch clients are referred to advisors and that serves as "almost like a farm system" for the firm, he noted.

The Challenges of 'Shooting High'

Even if Merrill does have 1,000 advisors graduate from the training program after a year, the key question is how many of them will still be with the firm two years later, Sarch said.

Another challenge: Many people will not trust a young person to manage their money. So it's unrealistic to expect many will find success quickly, he said.

Meanwhile, some advisors are retiring later than they did historically, he said, noting younger advisors may get impatient in the meantime and flee the firm.

Merrill is "shooting high," he said, adding: "I give them credit for trying. But I'm sure internally, they're recognizing that only a certain percentage of those [1,000] will be successful. But the ones who do maybe are the future of the organization."

No More 'Gold Standard'

Agreeing with Sarch's skepticism, Tim Welsh, president of Nexus Strategy, told ThinkAdvisor it's "just a challenging way to train somebody when you put a sales goal on top of a professional development program."

With Merrill's new program, "there's probably a little bit more nurturing, a little bit more mentoring," according to Welsh. "But it's not that much different than what they've had."

The expectation is still for a new advisor to produce quickly, Welsh explained. "Maybe they think with this new approach the success rates will go up and so, therefore, they don't have to shove as many people through the funnel as they used to," he said. In his opinion, "they can shove a thousand people through it, but the results will not be any different than before," he said.

"I think the more they can make it [like] an apprenticeship" in which trainees learn from experienced advisors at the firm, similar to how independent RIAs train people to become advisors, the more successful the new program will be, he said. "It takes patience and time," Welsh added.

Asked if he thought it was possible to have a gold-standard advisor training program now, Welsh replied: "Not at that scale. No way. You have to cut too many corners. You have to rely on the law of large numbers and you're just going to have a higher failure rate and that's expensive."

Even 30 years ago, the "failure rate was extremely high," he said, noting he went through Merrill's advisor training program in 1995, when less than 20% of trainees graduated.

It's also hard to have a gold-standard program now "just based on the nature of the beast and how wealth management has evolved and changed," he explained.

Today, "you're giving advice and guidance based on some sophisticated wealth strategies and understand the tax laws, the various retirement accounts and all of the different things involved with doing a full-service approach," he explained, calling this shift the "RIAification of the industry."

More Knowledge, Less Selling

Offering a more optimistic take was Andy Tasnady, managing partner of Tasnady Associates.

"A new, shorter trainee program can work (at least for Merrill Lynch's goals), as long as it still delivers on the new, somewhat less demanding training process required," according to Tasnady.

A broader array of product and service knowledge requirements, but less selling, makes sense, he said by email.

“Since so many ‘replacement’ advisors are needed at a firm the size of Merrill Lynch, the new advisors can survive on the huge number of existing clients in existing teams, and benefit from the large number of ‘client book transition opportunities’ occurring each year as advisors retire or leave,” he explained.

“Key success factors” will include “the quality of the graduates” and the acceptance levels of existing [advisor] teams to ‘add them’ to their groups,” Tasnady said.

New Asset Gathering Strategies

“One of the complaints of the old program was the high attrition rate since the firm (and all major firms offering training programs) had lofty new asset and household requirements,” according to Louis Diamond, president of Diamond Consultants.

That “meant that advisors who didn’t have robust personal networks or who weren’t gifted cold callers had a tough time hanging around,” he said.

“A positive of the new program will be a higher success rate since it will be much easier for advisors to gather assets and bring into the fold candidates who do not come from a privileged upbringing (which likely means a more diverse talent pool),” according to Diamond.

On the other hand, because the firm “now forbids cold calls and new advisors are expected to work with bank- or Merrill Edge-referred clients, it removes the critical business-building skillset from new advisors’ toolboxes and “will make this next generation advisor much more captive and ‘stuck’ than their predecessors,” Diamond predicted.

Merrill Responds

Asked to comment on some of the skepticism, a Merrill spokesperson on Monday only pointed to a few additional details about its new program:

- “Seven months in, we already have 1,000 trainees in the program.”
- “The new program places increased emphasis on recruiting talent from within Bank of America, including the Consumer Bank, Global Banking and Markets, and roles currently in Merrill. We also continue to hire externally sourced talent.”
- “One of the key elements of the new program is that trainees will receive extensive leads and referrals from Bank of America.”
- She confirmed there is an “increased emphasis on coaching and oversight.”
- “The new program has been designed in part to help increase graduation rates to as high as 80%, while also increasing the diversity of our advisor base.”

(Pictured: a Merrill Lynch branch office; Image: Shutterstock)