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2nd UPDATE:Wachovia Brokers Won't Receive Retention Packages

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(Updated with additional information on name change to Wells Fargo Advisors and comments from recruiters and brokers.)

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NEW YORK (Dow Jones)--Wells Fargo & Co. (WFC) won't be handing out retention bonuses to the Wachovia Securities brokerage force.

Wachovia Securities President and Chief Executive Danny Ludeman held a conference call with managers early Friday afternoon to announce that the more than 14,000 brokers wouldn't receive a retention package.

Brokers at both Morgan Stanley (MS) and Citigroup Inc.'s (C) Smith Barney, however, received better news late Friday. The two companies plan to offer advisers payments of between 35% to 105% of their 2008 annual production as they create a joint venture to be called Morgan Stanley Smith Barney, which will have more than 20,000 financial advisers.

Wachovia Securities made the announcement to its brokers during an internal conference call Friday afternoon. The company also plans to change its name to Wells Fargo Advisors, effective in May.

Wachovia Securities spokesman Tony Mattera confirmed that there would be no package, but mentioned other new incentives for brokers.

"We did look carefully at paying a retention bonus and want to retain every adviser, but a confluence of things led us to believe it would not be appropriate right now," he said.

Mattera said the market environment, perception of the industry, and the company's belief that the Wells Fargo acquisition didn't materially change the Wachovia brokerage force's business model were all contributing factors.

Despite not offering a retention deal, Wachovia is increasing the payouts that brokers can receive in the "4front" client loyalty program, which was launched in 2006. Brokers can boost their annual compensation by meeting certain thresholds in the program.

Mattera said brokers can earn between 25 and 75 basis points on clients' assets, which could "add up to significant percentage of their trailing 12-month production." Mattera wasn't immediately able to quantify how much the incentives would translate into dollars. Previously, brokers had to implement the entire program to receive payouts.

During Friday's conference call with brokers, Ludeman explained to brokers that, with clients and investors hurting so much, the company just couldn't afford to offer a stay bonus to the brokers.

Several brokers said the 4Front program isn't going to make up for the lack of retention package, because many brokers don't want to establish loyalty with the company among their clients. If a broker moves to a new organization, it is vital that his clients are more loyal to him than the original company.

During previous calls since Wells Fargo announced it would buy Wachovia, Ludeman and other executives have assured brokers that they would be compensated for staying with the new company.

However, brokers and recruiters have said that expectations about the size or possibility of a deal were being lowered as four months had passed since the announcement of the acquisition and no offer had been made.

Some brokers think the decision is politically minded as the widening financial crisis has made compensation and bonuses paid out by Wall Street companies a hot-button issue.

Brokerage firms are no exception.

Brokers affected by recent mergers have been worried that their retention packages would be trimmed because of U.S. congressional scrutiny of pay practices in the financial industry and their companies' concerns with public perception.

Companies that have received bailout money are likely to be the most affected.

Brokers expected a retention package because stay bonuses have become the standard industry practice in acquisitions.

In June 2007, Wachovia agreed to acquire A.G. Edwards, a mid-size brokerage, and offered significant retention packages to brokers at A.G. Edwards and a lesser package to those who worked at Wachovia.

The former A.G. Edwards brokers are still under contract from those retention deals, which made some people skeptical of whether Wells Fargo would be willing to offer another one.

Brokers in Wachovia's private-client group, as well as bank brokers in the Investment Services Group, have said that offering no stay bonus would result in a mass exodus of brokers, especially top-producing ones, from the company.

Top-producing brokers are being offered as much as 200% of production to change employers and, with no retention package at Wachovia, they will be more likely to do so.

Some recruiters are already preparing to reach out to Wachovia's financial advisers.

"My firm will be working all weekend speaking to Wachovia advisers," said Darin Manis, chief executive of RJ & Makay, a recruiting firm.

"Many of them have been waiting to see what the retention deal will be before deciding if they want to look at other firms to go to or not. Now they have their answer," he said.

Wachovia hired more than 170 brokers in January, paying out large signing bonuses to bring them aboard.

"They can afford to pay millions for new brokers, but they can't reward people who have been loyal to the firm for years," said a Wachovia broker in the southern U.S. "It is just insulting to us."

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