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Bonus question: What will Wells Fargo pay to keep brokers?

Wait-and-see approach is what most Wachovia advisers are resorting to

Charlotte Business Journal - by Will Boye Staff writer

After a grueling period of uncertainty, financial advisers at Wachovia Securities are waiting to see what kind of retention packages **Wells Fargo & Co.** will offer them.

But advisers and recruiters say they don't expect the San Francisco-based bank to offer much more than what **Bank of America Corp.** has offered advisers at **Merrill Lynch & Co.** That offer has been called underwhelming by some.

Last week, Wachovia Securities Chief Executive Danny Ludeman traveled to San Francisco to meet with top executives at Wells, a company spokeswoman confirmed. But Wells has not yet communicated anything to the firm's 14,635 financial advisers about retention bonuses. A Wells spokeswoman says it's premature to discuss such plans.

Wells expects to close its $15 billion acquisition of **Wachovia Corp.** before the end of the year.

Wachovia Securities had just over $1 trillion in client assets at the end of the third quarter, down from $1.1 trillion at the end of June. Wells has a smaller brokerage force of 2,500 advisers and $256 billion in client assets.

Wachovia advisers expect to be offered some kind of "stay bonus" as part of the merger and believe the retention package offered by BofA to Merrill advisers sets a precedent in their favor.

Darin Manis, chief executive of recruiting firm **RJ & Makay**, believes Wells will offer no more than what BofA has offered to Merrill's brokers, however, which could lead to increased turnover at Wachovia Securities.

"You're going to have most of the advisers at Wachovia not be very impressed with their retention deal," Manis says. "It's not a big money motivator to stay, and right now there's not a ton of other motivators to keep them there."

The retention package BofA offered to Merrill advisers will pay the firm's top producers a bonus equal to 100% of fees and commissions produced over the last 12 months, but they must stay with the firm for seven years.

Advisers producing $1.75 million or more will receive 75% up front and the remaining 25% over three years. Advisers producing between $1 million and $1.75 million also get 75% up front and are eligible to receive the remaining 25% if their production grows over three years. For the rest of the firm's advisers, the bonuses range from 75% to 20%, depending upon the size of their book of business.

When BofA announced its acquisition of Merrill, Chief Executive Ken Lewis said the bank had the wherewithal to offer retention packages to Merrill's "thundering herd" of 16,000-plus financial advisers, calling them the "crown jewel" of the company.

Danny Sarch, president of recruiting firm **Leitner Sarch Consultants**, says while Merrill's top advisers are satisfied, the remainder are "very disappointed" with the BofA package. Merrill advisers who produce between $750,000 and $1 million will receive a 50% upfront bonus with potentially another 25% based on growth, much less than they might get by jumping to another firm, Sarch says.

However, Sarch believes expectations are lower at Wachovia Securities. He notes the firm's advisers already received retention packages in the wake of Wachovia's acquisition of St. Louis-based A.G. Edwards Inc. last year.

"There's not the same level of expectation for a package the way it was at Merrill," Sarch says, citing Merrill's culture as another factor pushing expectations higher. "I think there's palpable relief that it wasn't Citi (that acquired Wachovia) and they can go on with business as usual."

Sarch says handing out big retention packages to brokers might also be politically dicey for banks such as Wells and BofA, given that they have received capital from the U.S. government.

BofA is selling $15 billion in preferred stock to the U.S. Treasury Department, and Wells is selling $25 billion in stock under the Troubled Asset Relief Program.

Wachovia's top advisers are being wooed by rival firms, however.

And some say a reasonable retention package from Wells would be well-received by financial advisers who have suffered through the company's collapse.

“Look at the hell we had to go through -— none of which was in our control and all of which we had to explain to clients, more than once,” says one adviser who asked to remain anonymous.

“We essentially have been out of business for the last three months. I had a prospective client say to me, ‘It has nothing to do with you and everything to do with Wachovia.’ ”

QUICKINFO

BREAKING DOWN BROKERAGES

•**Wachovia Securities:** 14,635 financial advisers with $1 trillion in client assets

•**Wells Fargo:** 2,500 financial advisers with $256 billion in client assets

For complete Charlotte Business Journal coverage of the developing Wachovia story, ***click here****.*