

BROKER'S WORLD: BofA, Merrill Make Retention Offer To Brokers



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(Updates with additional information and details of Bank of America's retention package for its brokers beginning in second paragraph.)

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Of DOW JONES NEWSWIRES

NEW YORK -(Dow Jones)- Bank of America Corp. (BAC) announced its long-awaited retention package to financial advisors at Merrill Lynch & Co. (MER), offering its top-tier brokers as much as 100% of their annual production to stay with the combined firm.

Meanwhile, Bank of America Corp.'s (BAC) brokers whose production over the past six months when doubled is more than \$2 million, will be offered a 50% deferred cash payment.

A Merrill Lynch spokeswoman confirmed that Bank of America's package had been offered to the firm's brokers. A spokesman for Bank of America confirmed that the bank had offered a retention bonus to its own brokerage force.

Speculation had mounted in recent weeks over when Bank of America would present a deal to Merrill's more than 16,000 brokers after agreeing to acquire it on Sept. 14 for \$50 billion.

Under the terms of the deal, financial advisors at Merrill who produce more than \$1.75 million are eligible to receive the full 100% amount in return for staying with the firm for seven years. These brokers will receive 75% cash up front, with another 25% in deferred cash over three years.

If the brokers leave before seven years, they would need to pay back the bonus.

Brokers who have \$1 million to \$1.749 million in production can receive up to 100% of their annual revenue, with 75% cash up front and a 25% growth award.

In addition, financial advisors who produce between \$750,000 and \$999,000 are eligible to receive up to 75% of their production, with 50% cash upfront and a 25% growth award.

Meanwhile, those who generate \$500,000 to \$749,000 can receive up to 50% of their production, with 25% cash up front and a 25% growth award.

Brokers below the \$500,000 level would get a 20% deferred cash payment.

Financial advisors who joined Merrill Lynch after December 2005, however, weren't offered a retention package, according to two Merrill brokers.

"In the context of extraordinary change in financial services and a volatile market and economic environment, it is important for clients, shareholders and the future of the combined company to retain top-performing advisors at the two current firms," said Robert McCann, vice chairman and president, Global Wealth Management at Merrill Lynch in an emailed statement.

At Bank of America, brokers must stay three years to receive the full retention bonus. Financial advisors who had \$900,000 to \$1.99 million in production can receive a 40% payment, while \$600,000 to \$899,000 producers are eligible for 30%. Brokers who had between \$350,000 and \$599,000 would receive a 20% payout.

"This program is about helping Main Street clients navigate the most volatile markets we've seen in decades," said Keith Banks, president of Bank of America's Global Wealth & Investment Management division in an emailed statement.

Yet some recruiters, brokers, and industry experts say the offers would likely lead to departures from both low and high-producing financial advisors at both Merrill and Bank of America, citing more lucrative deals offered by competing firms.

"We're pretty sure you are going to see a stampede of people leaving Merrill," said a Merrill broker on the East coast. "We had no intentions of leaving, but now we are having talks we never thought we'd have before."

In this market, after Bank of America announced poor earnings earlier this month, the firm could be worried about facing a backlash from investors should it spend excessive amounts on retaining advisors, said a Merrill Lynch broker on the West Coast.

Several brokers said the package seems in line with what advisors at Lehman Brothers Holdings Inc. (LEHMQ) were offered by Barclays PLC (BCS) a few weeks ago after Barclays purchased portions of the Wall Street firm.

Barclays offered Lehman brokers who bring in at least \$1 million a year a retention package equal to 100% of their trailing 12 months' production in the form of a seven-year forgivable loan.

A Merrill broker in New York said high-net-worth advisors have reacted positively to the retention plan because Merrill has made a good attempt to keep them on board.

But advisors who generate less than \$500,000 in production, he said, are starting to take those calls from recruiters because the retention offering, to some, seems meager.

"I think that for those brokers doing under \$1 million in production, it's not a retention package it's an attrition package," said Darin Manis, chief executive of RJ & Makay, a recruiting firm.

Bob Ellis, senior vice president of wealth management at Celent, said that most financial advisors at the two firms could get a better deal by "jumping ship" to one of their competitors.

Jerry Dubrowski, a spokesman for Bank of America's global wealth and investment management unit, said he was confident the firm's package would hold up given the capabilities of the combined firm.

"It would be hard to imagine a place other than Bank of America that a financial advisor would want to work," he said.

A spokeswoman for Merrill Lynch declined to offer further comment.

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