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# Morgan Stanley gets aggressive in luring brokers

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NEW YORK (Reuters) - Morgan Stanley's (MS.N) brokerage unit is getting more aggressive in trying to lure financial advisers as the wider retail brokerage job market heats up.

Morgan Stanley acquired most of Citigroup Inc's (C.N) Smith Barney in the spring, a deal that had been touted as boosting the company's number of financial advisers to more than 20,000.

In June, the company lowered its forecast for how many financial advisers would staff the joint venture to 18,500. That number dropped to 18,160 by the time Morgan Stanley Smith Barney reported results in October.

Morgan Stanley Smith Barney is still the largest U.S. retail brokerage by number of financial advisers.

As it seeks to recruit more advisers, the firm began offering top performing brokers at rival firms as much as 330 percent of their annual fees and commissions over five years if they join the newly combined firm, according to head hunters. Second-level brokers could earn as much as 280 percent.

"They're very ambitious. They have very strong growth components in both the fourth and the fifth years that really reward you," said Rick Peterson, president of Rick Peterson & Associates, an executive recruiting firm for the brokerage industry.


Recruiters said the fourth- and fifth-year incentives were new, while the terms of the initial three years matched what the brokerage had previously been offering for top performers.

The recruitment package may be part of a larger push by Morgan Stanley to grow its wealth management business.

Many see the appointment of Morgan Stanley co-president James Gorman as chief executive as a sign the firm is seeking to bolster its wealth management business while reining in its riskier trading business.

Gorman, who will replace existing CEO John Mack early next year, nearly tripled the operating profit of Morgan Stanley's wealth management

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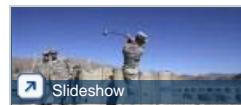
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business in three years and helped drive the joint venture with Smith Barney.

Morgan Stanley paid \$2.75 billion to Citigroup for 51 percent of the venture and has the right to increase its stake starting in three years. Citi will continue to own a "significant stake" through at least mid-2014, the companies have said.

The recruitment package brings Morgan Stanley Smith Barney in line with other top firms such as Merrill Lynch Global Wealth Management, said Darin Manis, chief executive of recruiting firm RJ Makay in Colorado Springs, Colorado.

"Our recruiting is competitive with everyone else's on the Street," said Morgan Stanley Smith Barney spokeswoman Christine Pollak. Pollak declined to confirm the terms of the package circulated by head hunters.

Merrill Lynch, which has struggled with broker defections since the heavy losses that led to its acquisition by Bank of America Corp. (BAC.N), already is offering recruits a very strong package, Peterson said.

He added that Wells Fargo & Co (WFC.N) might improve its offer, and that UBS, which recently named former Merrill executive Robert McCann as its Americas wealth management CEO, should soon have an offer out. [Continued...](#)

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