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MIXED BAG

New Payout Shakes Wachovia Broker Ranks

- 02/27/2009 [To comment on this article click here \(0\)](#)

A new payout scheme by **Wachovia Securities** is getting mixed reviews as some brokers were hoping for a **Morgan Stanley**-style retention package. Instead, the firm told brokers they would see increased payouts as part of the existing 4Front client loyalty program. Hopes were high that **Wells Fargo** would lay it on thick in order to retain the Wachovia brokers it is acquiring in the merger.

The payouts allow brokers to raise their annual compensation by meeting production thresholds. A \$1 million producer at Wachovia must get a minimum of 100 households with \$250,000+ in assets to join his client base in order to earn \$750,000 with 4Front. Then, he either must enroll them in the firm's retirement planning service or meet with them face-to-face at least six times a year, or have at least 60% of their assets in fee-based accounts, according to **Tony Mattera**, spokesman for Wachovia.

The proposed enhancements would require a significant effort on the part of the brokers, said one

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broker based in N.Y. "We were all shocked. We were led to believe for four months that there was something coming. People are definitely considering moving," he added, though he has yet to make a decision.

But a Texas-based manager said his staff would prefer the payout modifications. He noted that the latest **Morgan Stanley Smith Barney** retention package, also released on Feb. 20, did not seem like such a great deal. "They don't even get the money until 2010 because they can't use TARP funds, while my guys can earn up to 50% on their trailing-12 if they increase their client contact time," said the manager. He added that for some of his brokers, this is the third payout increase in six years. Wachovia acquired **Prudential** in 2003 and then **A.G. Edwards** in 2007.

Some recruiters have received an influx of calls from Wachovia brokers since the payout details were released. **Darin Manis**, ceo of **RJ & Makay** said he has had up to 10 calls a day from the brokers. "The number of Wachovia phone calls we are getting, from this week compared to last week, is as different as night and day," said Manis.

A **Wells Fargo** spokeswoman referred calls to Mattera. "A bonus is a long-standing convention but we think these payouts are pretty compelling," he said. Mattera noted the Wachovia brokers felt no disruption in Wells Fargo's acquisition. Retention packages are intended to serve as an appeasement for the disruption of one firm acquiring another, he added, noting this is an inappropriate environment to give large bonuses.

--Meredith Lepore

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