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MORGAN STANLEY SMITH BARNEY RECRUITING DEALS BREAK 300 PERCENT

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The cooling off of recruiting bonuses didn't last very long. This week Morgan Stanley Smith Barney upped its recruiting offer for "top quintile" reps to 330 percent of trailing 12-month production—among the highest figures the industry has seen.

But MSSB is not the only firm offering deals above 300 percent. Merrill Lynch has been making equivalent deals available for about six weeks. "Smith Barney is bringing their deal in line with the competition, and show they are serious about recruiting," says Darin Manis, chief executive of RJ & Makay, a financial recruiting firm in Colorado Springs, Colo.

Both firms are recruiting aggressively for top advisors. MSSB defines top quintile reps in several tiers according to their length of service and annual production. Reps with 16 years or more in the business must generate at least \$860,000 in annual revenue, those with 11 to 15 years should produce \$775,000, reps with eight to ten years should produce at least \$575,000 and advisors with six to seven years should have a minimum production level of \$450,000.

"It's quite a generous deal. A lot of advisors are asking about it. It shows that Morgan Stanley Smith Barney is committed to attracting the best brokers on the street, and their goal is to be the firm of choice on Wall Street," says Howard Diamond, managing director of Diamond Consulting, a recruiting firm in Chester, N.J.

The MSSB deal includes 140 percent in upfront cash with a cash bonus of 20 percent if the advisor brings over 70 percent of his book in the first year. In years two through five, the rep can get additional cash bonuses, one based on production and the other based on asset levels. These can be granted individually, or if both goals are met, combined.

Year Two: The rep can receive bonuses of 20 percent and 15 percent, respectively, if annual revenue and assets under management are at 85 percent of original levels.

Year Three: The rep can receive bonuses of 20 percent and 15 percent, respectively, if annual revenue and AUM are at 100 percent of the original.

Year Four: The rep can receive bonuses of 25 percent and 15 percent, respectively, if production and AUM are at 125 percent of the original.

Year Five: The rep can get another 25 and 15 percent, respectively, if production and AUM are at 150 percent of the original.

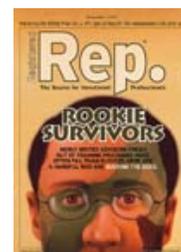
"Our recruiting is competitive with everyone else's on the street," says a Morgan Stanley spokesperson.

"Both the Morgan and Merrill deals give you the upfront 140 percent in cash, but the growth incentives at Merrill are paid in cash and stock. At Morgan, it's all cash. And right now cash is king, so some advisors might find that more appealing," says one recruiter.

According to Discovery Database, over the past year 24,441 reps have moved from one firm to another. Of the 24,441 reps that have changed firms, 40% were wirehouse reps. Furthermore, 52 percent of wirehouse reps stayed within the wirehouse channel, but switched firms.

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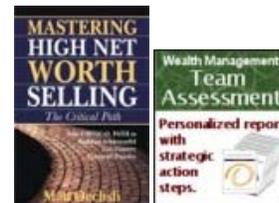


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