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Smith Barney Raises Recruiting Deals For Top Brokers

Article

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By **Brett Philbin**
OF DOW JONES NEWSWIRES

NEW YORK (Dow Jones)--Citigroup Inc.'s (C) Smith Barney retail brokerage has raised its recruiting package for top-producing financial advisers, according to people familiar with the situation.

In boosting its recruiting package, Smith Barney is seeking to align its recruiting deal with that of Morgan Stanley (MS), recruiters believe. Last month, Citi and Morgan Stanley agreed to create a joint venture called Morgan Stanley Smith Barney, which will combine the two firms' brokerage forces and have roughly 20,000 advisers.

Smith Barney is now offering brokers in the first and second quintiles, rankings determined by trailing 12-month production and length of service, up to 245% of their trailing 12-month production. These advisers can receive a 140% cash upfront payout. In the subsequent three years, they can receive additional payments of 35% of their prior production for bringing in a large proportion of their clients' assets: 75% of the assets the first year, 90% the second, and 100% of their clients' assets to Smith Barney the third year.

Previously, Smith Barney offered some top-tier brokers a 120% upfront cash payment.

A Smith Barney spokesman declined to comment for this story.

Recruiting of advisers has become ultra-competitive in recent months, given the wave of consolidation in the brokerage industry during the financial crisis. Advisers are looking to join new firms because of instability at their firms, and to recover lost wealth from plunging company stock prices, which lowers their deferred compensation levels.

In many cases, however, lower-producing brokers are being pushed out as firms look to integrate large brokerage forces into one entity.

There had been talk that after the first of the year, brokerage firms would begin paying less to recruit financial advisers. Big recruiting "deals that were supposed to be coming down are still aggressive, but only for first and second quintile producers," said Darin Manis, chief executive of RJ & Makay, a recruiting firm.

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