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Broker's World

Brokers On The Move Again In December

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NEW YORK -- December was a busy month for broker movement, marking the first month-to-month increase since last summer, according to research firm Discovery Database.

The company, which tracks adviser moves each month, said that nearly 445 brokers left the four major wirehouses, which include Morgan Stanley Smith Barney, Bank of America Corp.'s (BAC) Merrill Lynch, Wells Fargo Advisors, and UBS Wealth Management U.S.

December's movement is more than double that of November, when Discovery reported the year's lowest month in terms of activity. The first half of the year at least 1,000 wirehouse advisers switched firms each month.



Analysts attributed the increase in December at least in part to the continued improvement in financial markets, making advisers more confident about their own job market. But the end of year always has been a popular time for advisers to make a move.

Carri Degenhardt-Burke, of Degenhardt Consulting, said many advisers decide on a move in December because recruitment offers are usually of short duration, one or two months. Bonuses in these deals can exceed 300% of a broker's annual production.

"They run the risk of not getting a proper deal if they prolong a move into the next year," she said.

Some advisers who signed in December may have been motivated by an expectation of higher taxes in 2010. Another reason to move in the holiday season: Colleagues at the old office are likely to be on vacation, and less able to claim clients that the adviser hopes to take with them. "Less guys in the office is always good for a moving broker," Degenhardt said.

Also, for some brokers, deferred compensation or other incentives will vest at year end, making the timing for a move more financially beneficial.

Dennis Gallant, president of GDC Research, which does consulting and research for financial-services firms, says that movement dropped off in the summer and fall because so many people jumped ship at the beginning of the year.

"Now, what we're seeing is the next batch of advisers who wanted to wait and see how the dust settled deciding to make that decision to move at year end," he said. "But we also have firms making a push in recruitment again."

The brokerages backed off of recruiting during the summer and fall while they focused on integration and broker retention.

Firm by firm, Merrill Lynch stood out with a gain of roughly 260 advisers and a loss of about 75. On the low end, UBS saw about 140 leave while gaining about 10.

A UBS spokesman said the firm lost only 40 financial advisers in the month of December, but acknowledged that UBS saw 110 departures over a two-month period that includes November.

Morgan Stanley Smith Barney lost 120 advisers, but almost made up for it, with the addition of 100 brokers. Wells Fargo Advisors saw 110 departures, but gained 85 advisers.

A Morgan Stanley Smith Barney spokeswoman said that "turnover of most productive financial advisers is at historic lows and those we do lose are mostly below-average in revenue production."

Representatives for Merrill Lynch, UBS, and Wells Fargo didn't immediately respond to requests for comment.

Of the more than 400 brokers leaving wirehouses, nearly 40% went to another wirehouse, while other departures were split fairly evenly among independent firms, banks, regional firms and the institutional channel.

Discovery's numbers aren't exact because the data aren't reported publicly by the firms. The reports sometimes include moves from the previous month because of lag time in gathering the information.

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Brokers World is a column about financial advisers and their jobs, with a focus on the challenges brokers face as the industry moves from traditional stock brokerage to high-net-worth wealth management. Annie Gasparro can be reached at 212-416-2244 or by email at annie.gasparro@dowjones.com. Brett Philbin can be reached at 212-416-2173 or by email at brett.philbin@dowjones.com

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