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Morgan Stanley Smith Barney Gives Retention Pay

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NEW YORK -- Advisers at Morgan Stanley Smith Barney who were eligible for retention packages as a result of the brokerages' merger will get their checks, which range from 30% to 75% of their production in cash, Tuesday.

The package, which was revealed to brokers last February, is in the form of a nine-year forgivable loan, and was offered to any brokers producing more than \$500,000 annually.

Morgan Stanley offered retention payments to 6,500 brokers. The brokerage, which now has just over 18,000 advisers, didn't say exactly how many brokers accepted the package, but that nearly all of its top producers are on board.

The brokerage has lost roughly 2,000 advisers since it announced the joint venture a year ago, many of whom left because they weren't included in the retention program.

Now that the remaining advisers are receiving their checks, it could open up the door for additional departures. Brokers now will know their price.

"It puts a number on everything that didn't have one previously," a Morgan Stanley Smith Barney adviser in the South said.

He said many advisers weren't sure how big their bonus checks would be this month, between the retention package and other deferred compensation. Once they know how much money they will get to stay at Morgan Stanley Smith Barney, they will know how big of a signing bonus they would need to be lured to a new firm.



However, analysts say they think the flood of brokers leaving the joint venture has come and gone; anyone who was going to leave as a result of the merger has already left.

Because the cash is in the form of a forgivable loan, the brokers will have to repay the remainder of the loan if they leave the firm before the nine-year mark.

The package is on a sliding scale, offering brokers with \$500,000-\$749,999 in production 30% of their production in cash. Brokers with \$750,000-\$999,999 receive 50% of production. Those with \$1 million and more will get 75% of their production in cash.

The deal also offers deferred compensation that will be paid out in January 2012, giving the \$1.75 million-and-up producers another 30% of their production. All other brokers will receive additional bonuses from 25% to 30% of production in January 2012 if they are able to increase their production by 25% by then.

In most mergers and acquisitions that include retention packages, checks are handed out to the brokers right after the deal closes. But Morgan Stanley waited until the joint venture had been complete for six months.

The firm said the delay was an effort to ensure that the retention money, which was originally said to reach as much as \$3 billion, comes from the earnings of the Morgan Stanley Smith Barney joint venture and not from taxpayer money the firms received from the government's Troubled Asset Relief Program.

(Annie Gasparro writes 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. She can be reached at 212-416-2244 or by email at annie.gasparro@dowjones.com.)

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