**Merrill Lynch Cuts Broker Pay**

Compensation changes aim to trim costs and spur cross-selling, but prompt grumbling

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Merrill Lynch is cutting broker pay to trim costs—while at the same time providing an incentive to promote cross-selling of parent-bank products and spur growth.

Starting in January, brokers won’t be paid on all of the business they produce, Bank of America Corp.’s wealth-management arm late Thursday told its ranks of about 17,000 advisers.

Instead, Merrill said it will pay brokers on 97% of their wealth-management production monthly. The penalty maxes out at about $1.6 million in annual brokerage and investment advisory production, meaning an adviser will be paid fully on the business they produce above that level.

The changes would likely mean a 3% pay cut for the average Merrill adviser, who produces about $1 million in annual business. Financial advisers at Merrill Lynch and other brokerages typically keep a portion of what they generate through asset-management fees, commissions and other factors. In 2018, an adviser producing $1 million in annual business kept 42%, or $420,000.

Advisers will be able to recover some of the money they lose through bonuses rewarding growth and the firm said it would award top performers with extra pay.

Sales by Merrill brokers of Bank of America products such as mortgages, money-market funds and margin loans won’t be affected by the change.

That means brokers will continue to get a full cut of the revenue produced by selling bank products to wealth-management clients. Merrill Lynch said that the money advisers make on bank products is relatively low. Retirement accounts are also excluded from the shift.

Executives say the 2019 compensation plan builds on [a revamped system](https://www.wsj.com/articles/merrill-lynch-revamps-broker-pay-to-reward-referrals-stronger-growth-1510179042?tesla=y&mod=article_inline&mod=article_inline)put in place for this year. But the changes have sparked dissent among Merrill’s ranks. Brokers say they feel cheated out of pay they have earned and bristle at what they say is an incentive to sell more bank products, like checking accounts, to wealthy clients.

Merrill executives said the changes are meant to cut costs and juice growth. Adviser compensation is at a record level in 2018 and has outpaced revenue, one person said. Market performance is one reason behind the climb, with early-year gains in major stock indexes boosting monthly paychecks for advisers.

Last year’s revamped compensation system helped bring in the most new clients in at least five years.

Still, money flowing into fee-based accounts, the best gauge for new money coming into Merrill, has slipped in recent quarters. Merrill in 2018 began clawing back pay from advisers who didn’t meet minimum growth targets. Merrill has said about a third of its ranks [have been penalized with a clawback](https://www.wsj.com/articles/merrill-lynchs-thundering-herd-braces-for-pay-clawbacks-1527162126?mod=article_inline)this year.

Some advisers stand to lose even more next year. Merrill will punish advisers who fail to meet certain minimum targets for net new asset and liability growth and new customer acquisition, by sliding the adviser down two percentage points on the so-called cash grid used to lay out production tiers and payout rates. That means the $1 million producer who misses both targets next year would see a pay cut of about 7.7%.

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Two of the Comments

Stockbrokers at full-service brokerage firms are SALESPEOPLE, they are rarely *certified* investment advisors.  Full-service brokerage firms like to misuse the word ADVISORS because it implies a higher level of professionalism than the word salesperson.

Stock salespeople are compensated at various different levels for favoring (*i.e.*pushing) certain offerings the employer wants sold. Look up words like block positioning, principle trading, and I.P.O.

I recall, several years ago Bank of America bought the Charles Schwab brokerage firm. After a brief period of that combination, Bank of America sold the Schwab division.  BofA claimed the different "cultures" in brokerage and banking were incompatible.  Salespeople are temperamentally much different than clerks.

No sympathy here ... rather an opportunity for these people to repent.

It is an obscene, unethical and immoral occupation to promote yourself as a "financial adviser" when you function as a "salesperson" to promote high margin investments (which you employer has typically taken a stake), churn your clients portfolio to generate additional commissions (without disclosure), walk away with a mid six figure compensation package for having less knowledge than the average CFP.

For those less informed, this is the equivalent to a realtor charging a commission every year on the investable assets you've accumulated over a lifetime by convincing you to sell your house back to yourself for a fee each and every year you maintain a 'relationship' with them ... all such that you can finance their lifestyle.

If there is any karma in this world, these folks will come back as cockroaches in their next life.  Absolutely disgusting breed of sub human life forms preying on the under-informed.