

## Merrill reps are shown the money

By **Bruce Kelly**  
October 24, 2008, 3:23 PM EST

In the middle of gut-wrenching times for the stock market, top-producing brokers with Merrill Lynch & Co. Inc. will get retention bonuses in line with recent industry deals to stay with Bank of America Corp.

In a conference call with brokers Friday afternoon, Robert McCann told Merrill's 16,850 reps and advisers about the compensation plan, which has been the subject of wide speculation for weeks.

Mr. McCann, vice chairman and president of global wealth management at Merrill Lynch, noted that a retention deal was necessary to hang onto reps and advisers.

"In the context of extraordinary change in financial services and a volatile market and economic environment, it is important for clients, shareholders and the future of the combined company to retain top-performing advisers at the two current firms," said Mr. McCann in a statement.

However, Merrill included a particularly tough non-compete clause as part of the retention package, according to one industry recruiter who spoke Friday afternoon to a number of brokers about the deal.

That may fly in the face of the agreement Merrill and other leading broker-dealers recently made to not sue brokers when they leave and join another firm, said Danny Sarch, a recruiter based in White Plains, N.Y. "If a broker signs this and leaves, it's not just that he has to give back the money, but he can't take clients with him," Mr. Sarch said.

Those reps who annually generate \$1.75 million in fees and commissions will receive 75% of their bonus in a seven-year forgivable loan, and another 25% in deferred cash over three years.

The next tier of reps, those who produce \$1 million to \$1.749 million in fees and commissions, will get a forgivable loan equal to 75% their prior year's book of business, or "trailing twelve."

Those reps are also in line to receive a potential reward for increasing business of 25% of the trailing twelve. A broker needs to grow his business by 25% to get that piece of the package.

Lower-producing Merrill brokers did not fare as well, noted one industry observer.

“For Merrill advisors doing under \$1 million in production, this isn't a retention package, it's an attrition package,” said Darin Manis, chief executive of RJ & Makay, a recruiting firm in Colorado Springs, Colo. “You will have much of the ‘Thundering Herd’ charging for the exits.”

Brokers producing \$750,000 to \$999,999 will get a 50% loan and are in line for a 25% growth reward, while brokers producing \$500,000 to \$749,000 will receive a \$25% loan and can receive a growth award of 25%.

Brokers producing less than \$500,000 are to receive incentives ranging from nothing for the lowest producers to a deferred cash bonus of no more than 20% over three years.

Last month, Bank of America of Charlotte, N.C. agreed to acquire Merrill for \$50 billion in stock. The deal came just as the market was expecting another major investment bank to fail.

As reps waited weeks for details of the retention package, some brokers and recruiters wondered whether retention bonuses could turn into a political lightning rod for public outrage (InvestmentNews, Oct. 20).

Merrill managers have not fared well. On Oct. 10, Merrill's 130 complex managers were told they would not be getting retention bonuses to stay with the firm after the acquisition is completed.

In recent major acquisitions of broker-dealers, bonuses designed to keep reps in their seats have ranged between 50% to 100% of their fees and commissions. All told, Merrill reps produced \$12 billion last year.

Bank of America's almost 2,000 reps and advisers are going to get a bonus as well, in the form of deferred cash awards payable over three years.

The biggest producers, those with more than \$2 million in fees and commissions, will receive a 50% retention bonus. Reps producing between \$900,000 and \$1.99 million will receive an award of 40% of their trailing 12, while those generating from \$600,000 to \$899,000 will get 30%.

The retention bonus for reps producing \$350,000 to \$599,000 will be 20%.