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# Bank of America raises the compensation bar for Merrill brokers

Increases account minimum to $250,000 in bid to bring in wealthier clients

By Andrew Osterland
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The annual tweaking of the compensation grids for financial advisers is nothing new for the wirehouses.

But the changes being made by Bank of America Merrill Lynch this year constitute more than a tweak and could have a substantial impact on broker trainees, small-market advisers and low-end producers at the firm.

The big change is the raising of the minimum account size from $100,000 to $250,000. The firm will continue to pay out 20% on existing accounts of that size, but if more than 20% of an adviser's book is comprised of these smaller clients, he or she will not get paid for any new accounts they take on below that threshold.

While all the wirehouses have been pushing their advisers to pursue more profitable high-net-worth clients, Merrill's move is a not-so-gentle shove in that direction.

“In tough times, profitability is a big concern,” said Alois Pirker, a senior analyst at Aite Group LLC. “This is a clear message to Merrill advisers: Work with bigger clients and produce more revenue.”

For experienced Merrill advisers, who typically have few clients with less than $250,000 in assets, the changes won't have much direct impact. Such accounts represent less than 6% of total client assets at the firm and generate about 4% of revenue in the wealth management division, according to Bank of America Merrill Lynch spokeswoman Selena Morris.

“Each year, we review financial adviser compensation and make strategic adjustments to ensure the plan is aligned with the interests of our clients, shareholders and advisers, as well as to enhance our leadership position within the industry,” Ms. Morris wrote in an e-mail.

Advisers in the bottom quintile of production and those working to build their books — often by taking on smaller accounts they expect to grow in the future — are the most likely to be hit hard by this year's adjustments.

“It's not going to affect my paycheck, but we've got a lot of trainees here and this is going to be tough on them,” said one long-time Merrill adviser.

Trainees aren't the only ones that could get pinched by the changes to the payout grid. Advisers in smaller markets with fewer affluent clients to pursue could also see their compensation take a hit.

“If you're an adviser in Tuscaloosa [Ala.] or Little Rock [Ark.], there are a lot less affluent clients to pursue,” said recruiter Mindy Diamond. “To hold advisers in small markets to the same compensation model doesn't seem fair.”

The changes, however, reflect the difficult operating environment for brokerages, Mr. Pirker said. Margins are shrinking and the costs of serving clients are likely to increase still further with a new fiduciary standard for brokers in the works. Small clients just don't bring in enough for a firm offering a full-service advisory model, he said.

“Regulations and costs are increasing and profits are down. Clearly, this is a reaction to that,” Mr. Pirker said. “Merrill is saying — and rightly so — that they want a bigger book size and they want advisers focused on bigger clients.”