The Year of Movement

BY **FRANCES A. MCMORRIS**
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It was a busy year at the firms and, as a result, our seven recruiters are predicting quite of bit of advisor movement in 2012. They lay out their reasons below. Whether the firms are just getting aggressive or retention packages are losing their grip, advisors are watching their own bottom line. There is dissatisfaction within the ranks, our experts say. There is an end to blind loyalty and, of course, the management changes at the various firms may not be viewed with much enthusiasm. After all, change is difficult to take for anyone—especially when it has an effect on your livelihood. So read what our recruiters—Carri Degenhardt-Burke, Mindy Diamond, Jonathan Manela, Danny Sarch, Rich Schwarzkopf, Mickey Wasserman and Bill Willis had to say when we met on November 2nd in Lower Manhattan.

FRANCES McMORRIS/OWS: I want to start off with the new guy in our group [Jonathan Manela]. So how was recruitment in 2011 and what's it going to be like for 2012?

JONATHAN MANELA: For Rainmaker, 2011 was a good year. We hit our goals. It was consistent throughout the year. We feel good about what we're seeing going into 2012.

OWS: Mindy, what do you see?

MINDY DIAMOND: The retention packages at the major firms had a significant impact on movement in general. So it was a good year; it wasn't a great year in terms of a lot of movement. We expect 2012 to be a robust year in terms of movement.

OWS: Carri, do you agree with that?

CARRI DEGENHARDT-BURKE: Yes, definitely. Degenhardt Consulting has actually had a very good 2011 but unlike in past years, there was really no clear-cut winner with my clients. But we expect 2012 to be very strong.

OWS: Rich, what are you seeing?

RICH SCHWARZKOPF: I'm not seeing that. I think it's slower. I mean last year it was 50% less movement in the industry as far as brokers moving. I don't think it's changed much. Since we work on a fee basis, it's good, but I see a lot less movement and I don't think 2012 is going to be much different.

MICKEY WASSERMAN: I agree that retention packages have slowed movement in 2011. It's slightly better than 2010 but as they start to evaporate, yes, we're going to see a lot more movement, and 2012 should be very good. There are a lot of unhappy brokers out there.

OWS: So Danny, are you predicting a stronger recruiting season for next year?

DANNY SARCH: I think 2010 was, in my mind, a hangover after 2009, so I'm not going to say it was welcome. It slowed down. It's never fun; 2011 has been terrific, so it's a really good year and I expect the same in 2012.

BILL WILLIS: It was a good year for us and better than the previous year—and ending strong. That foreshadows a very strong 2012. There are really two reasons for that: retention packages are amortizing. There is less in those packages, and firms are getting more aggressive. That combination makes the numbers work for some people.

CULTURE CHANGE

OWS: What are some of the other reasons that you think there's going to be movement?

JONATHAN MANELA: There's an obvious February/March for Merrill Lynch where we're seeing some of the largest levels of dissatisfaction with advisors specifically some of the tier one teams. February/March they have deferred comp is going to get paid out. It seems that many firms are picking that money up. They're going to vest on some deferred comp and they're going to vest on a portion of their retention bonus. The foundation has been laid, and I suspect going through that first quarter should be strong, very strong.

MINDY DIAMOND: I think that 2008 and 2009 was the beginning of the end of blind loyalty. You combine that with the fact that for the larger producers, February/March early 2012 is that inflection point in terms of marrying the economics. You've got an increasing frustration level, lower loyalty and the economics become freer, we're going to see a lot of movement.

DANNY SARCH: You've got two major players with very strong cultures that are now becoming part of everybody else. I agree; the loyalty is just destroyed from that standpoint. It's one of the ironies that UBS is able to keep that. They made a management change, which was seen as a positive, but they haven't gone through a significant merger like some of the other firms have. Wells Fargo is proud almost of their mutt culture. I don't say that in a pejorative way. They've always been a place where a lot of places have been brought together.

OWS: I thought they were all locked in for eight bazillion years on these contracts. What's going on there?

BILL WILLIS: The deals themselves, the notes amortize just like an upfront deal. Therefore, as time marches on, they become less of an anchor in their current form. Again, the deals are getting very aggressive right now, particularly for high-end brokers.

MINDY DIAMOND: At the end of the day, if I'm frustrated enough, if I feel mad enough that Bank of America came in, for example, and usurped enough of that culture where my business—quality of business life has suffered enough and I feel I can't service my clients or grow the way I want to, then despite the economics and despite the ease of staying put, I'm going to consider leaving.

MICKEY WASSERMAN: If the retention package gets lower than they owe and the pain of staying gets higher, at some point it'll overflow.

RICH SCHWARZKOPF: The deferred comp is less of the hole, of course, because Morgan Stanley was selling at $85 a share and it's now $14. Merrill Lynch is down to $7 a share. UBS got hammered. The firms did it to themselves, and the brokers have less to leave on the table now.

BILL WILLIS: A lot of firms are willing to pick up that deferred comp now, too. They'll do the deferred comp; they'll do special deals. The purpose of [those] deals is to liberate them from retention packages, to put it simply.

MINDY DIAMOND: The winners in all of this are the million or multimillion-dollar wirehouse advisors, fee-based, clean, compliant.

CONSOLIDATION WOES

OWS:I want to move on to the selling of Morgan Keegan and Regions Financial. Does this mean that there's no market for Morgan Keegan? Is consolidation is over?

DANNY SARCH: Part of the problem is that acquisition of big firms buying small is a proven failure on the Street in terms of retail brokerage. There hasn't been a successful deal for years. The Morgan Keegan brokers have spoken up in saying, "Yeah, big guy, you can sell us to a big bidder, but we're not going to stay." I believe there'll be another layer of negotiation that's going on.

MINDY DIAMOND: The culture of a typical Morgan Keegan advisor, it's a sleepier culture, so they're in wait-and- see mode. I think there will be a second negotiation to retain the top producers, and I think that at some point you're going to see some of the under-million-dollar set or under-seven-hundred set look to leave because life isn't what they promised.

BILL WILLIS: Margins in our business are not what they used to be for a number of reasons, upfront deals, pension packages, which are necessary when you buy a firm certainly. The question becomes why would you want to own a brokerage firm? I think the answer to that is the lack of bids we're seeing for Morgan Keegan and the lack of activity we're seeing in general for M&A. It's a very low- margin/high-risk business.

MICKEY WASSERMAN: I don't know if it's a lack of bids. I think there have been offers for Morgan Keegan but Regions was holding pretty true to its price. Now, Regions is bending a little bit with the $200 million finance offer that they've made, so we're going to see a little bit more activity at this point.

OWS: You think that those advisors are going to stay if the negotiations go well?

MICKEY WASSERMAN: If there's a retention package, they'll stay. If they get an equity piece of the business, they'll stay. If there's none of that, they're out of there.

DANNY SARCH: They're willing to listen. They're anxious to be out from under Regions.

JONATHAN MANELA: There is really no downside at this point for Morgan Keegan advisors to stay. There are opportunity costs to leave. They don't know what opportunity [will] be provided to them if they stay. We don't really know what Regions is really holding firm to. They don't want to give the business away. They obviously have a liquidity issue. They haven't paid back their TARP money yet.

OWS: What kind of advisor is the Morgan Keegan advisor? What's the typical advisor?

MICKEY WASSERMAN: The culture of Morgan Keegan is where the advisor controls his clients a bit more.

MINDY DIAMOND: A lot of who is at Morgan Keegan are the people that were legacy Piper Jaffray and Advest, and McDonald and Legg Mason. Part of the reason they stayed, which sort of is a commentary on the industry in general, is less about being thrilled with where they are and more about a general feeling of, "Where would I go?"

CARRI DEGENHARDT-BURKE: A lot of their offices also tend to be in smaller marketplaces. When you have a smaller marketplace, they're just—there isn't a lot of choice of competition around you.

BILL WILLIS: There's probably not an Oppenheimer or Stifel Nicolaus or whatever, that might be a more viable choice for them.

OWS: Do you think there's going to be any real consolidation, I mean beyond this firm being bought by somebody?

JONATHAN MANELA: You'll see some smaller BDs and you'll see continued consolidation there. Ladenburg [Thalmann] seems to be out acquiring some of these BDs. It's a scale game, so they're going to want to continue to grow. Other than that, I mean who is really in play?

RICH SCHWARZKOPF: The consolidation is happening in the independent segment. LPL is buying up everything, Ladenburg is starting. Another firm, Ameriprise, they lost one but they're always looking.

OWS: But in the employee channel we're really not seeing that?

RICH SCHWARZKOPF: It doesn't work.

JONATHAN MANELA: It's been proven to be a failure. It's recruiting en masse, but then you don't end up with the hassles and the headlines; 15% of the people that you paid 100% for. Even Wachovia buying A.G. Edwards, I mean they paid 3.5 times book at the peak of the market.

OWS: Is this the structure we're going to have?

BILL WILLIS: Particularly where the market is evaluating the firms that trade publicly. They're at the low end right now. The business looks a little less attractive than it did 10 years ago, say.

MINDY DIAMOND: When big buys small, or even when like size buys like size, or merges with like size, they don't always take into account the fact that an advisor is used to one way of doing things or one culture.

MICKEY WASSERMAN: The smaller BDs or some of them might have a tough time weathering the tougher regulations that are coming down the pike, the higher fiduciary standards. I think there will be much more M&A activity.

M&A FRENZY?

BILL WILLIS: The bottom line is if you own an RIA you probably need to have a compliance structure now. I think that's why you're going to see a lot of consolidation in that space, RIA and smaller BDs because of the regulatory piece.

OWS: So you really think that the whole issue of the new regulations, compliance through Dodd-Frank and all that other stuff, is going to hit the independent space and the RIA space much harder than the big firm space?

BILL WILLIS: Absolutely.

DANNY SARCH: A lot of these smaller BDs, they bought a bunch of crap. How many of these firms went out of business? They got caught up in limited partnerships that were 20-years-old from the wirehouse thing when they were selling real estate partnerships and all this other stuff. It was just disastrous. These places all went out of business.

RICH SCHWARZKOPF: If anybody screwed up in this industry it was the wirehouse firms. They almost destroyed an industry here.

DANNY SARCH: We're talking about apples and oranges though, Rich.

RICH SCHWARZKOPF: Talk about screwing up, it's been the wirehouse that almost destroyed Wall Street, over-leveraging, endless greed and stupidity.

DANNY SARCH: No argument.

RICH SCHWARZKOPF: They did.

DANNY SARCH: No argument, but you're talking about a whole bunch of smaller broker-dealers that essentially sold limited partnerships in a way that they're all out of business.

BILL WILLIS: The regulatory piece, I don't think is necessarily reactive to products or services sold. It's just more regulation facing small firms that don't have the staff to face up correctly with the regulators. More regulation is leading to consolidation in that regard.

FAST TRACK

OWS: Let me go back and ask Rich this particular point then—if it's tougher for the RIA, if it's tougher for the independent space because there might be more consolidation, then are we going to continue to see the whole notion of the breakaway broker going from the wirehouse or even the regional space into the independent space?

RICH SCHWARZKOPF: The RIA space is the fastest growing space by far, and not only in bodies, but in assets. I mean they are killing everybody. Schwab, Fidelity, Pershing and I guess TD Ameritrade; they're sweeping up all the assets from the wirehouses primarily. I saw that one article on the 50 top women RIAs, run by women. The 50th had a billion dollars. The top RIA run by a woman is $20 billion.

JONATHAN MANELA: First, the RIA space is growing because, one, you go to that segment of the market, you don't leave it. There is nowhere really to go from there. You're kind of at the most entrepreneurial point you can get to as a financial advisor.

WHITHER REGIONALS?

MINDY DIAMOND: The biggest surprise is that there is such an opportunity right now for the regional firms to be that sort of best of both worlds, to be the anti-wirehouse. Regional firms like Raymond James and RBC and Stifel Nicolaus have a real opportunity yet they haven't increased their deals and so they're not competitive.

CARRI DEGENHARDT-BURKE: As Mindy was saying, the regionals are in an interesting space but the problem is mainly their platform. They don't have the money to keep up with the technology. Anyone who actually says that brokerage isn't an economy of scale is a little bit off because it is.

THE UBS STORY

OWS: I want to move into some of our particular firms. The first firm I want to talk about is UBS. Its Wealth Management Americas unit came off of a really pretty strong third quarter. Has McCann sparked a real turnaround?

BILL WILLIS: They've done a great job. They've gone from frankly No. 4 out of the Big Four to someplace else above that.

MINDY DIAMOND: [McCann] has absolutely turned it around big time. But I don't think they can run a victory lap, because I think that even though a lot of advisors may like the fact that they're the boutique of the wirehouses with 6,800 advisors or so, they're largely sub scale and in a lot of ways can't compete platform and technology-wise with the Morgans and the Merrills and the Wells that are much bigger.

OWS: But they're also saying, per advisor, we have more average assets under management.

JONATHAN MANELA: In terms of their promoting net new assets, I know Morgan is up year-to-date net new assets. I know Wells is up year-to-date net new assets. I think Merrill is as well. The other thing that UBS has done is they've gotten very, very aggressive with their recruiting. There's no question about it.

OWS: How aggressive are we talking?

JONATHAN MANELA: I'm hearing deals as high as 350% for tier one advisors.

MINDY DIAMOND: Oh my goodness. I want to go there.

BILL WILLIS: And I'm hearing as much as 200+% that happened kind of early on in the first few months.

MICKEY WASSERMAN: What they've done is take early money and start pouring it on the advisors up front.

DANNY SARCH: They've done a great job in turning around what was a very difficult culture into a very positive culture. To that end I don't think he'd ever say, "We're ready to take a victory lap." There are two stories. They're no doubt being very aggressive on recruiting, but they're not losing the bodies they were when they were under scandal. A lot of that is because they're reaching out to people.

RICH SCHWARZKOPF: They did a great job with the attrition rate there. It's down to like 3%, which is terrific.

OWS: Do you think they're still having problems with reputation in terms of hiring new people, UBS?

RICH SCHWARZKOPF: Well, I think they're not hiring as many as they should. I mean they've really almost flat-lined. They're losing as many as they're gaining, which is a positive step for them. They've stopped losing client assets, which is good.

JONATHAN MANELA: I think that like all the four major firms, UBS is a story you can sell and it's definitely a story you can sell against.

THE MERRILL LYNCH SHAKE-UP

OWS: We're going to move on to Bank of America and its Merrill Lynch division. They lost Sallie

Krawcheck. She's out. Darnell's in. Do you think that she's going to end up somewhere else in the wirehouse world?

DANNY SARCH: I don't think she'll end up back in the wirehouse world. She's been at two of the major players already, she's a charismatic leader. She liked a lot of it but her roots really weren't in wealth management.

CARRI DEGENHARDT-BURKE: There is no space for her anymore.

OWS: So what has all this management upheaval meant to Merrill? What does it mean to the advisors?

CARRI DEGENHARDT-BURKE: It means a lot of these very high-powered million-dollar-plus producers are now absolutely miserable.

MINDY DIAMOND: A lot of the bigger producers, many of them have said they feel the culture has become more pedestrian. Regardless of how advisors felt about Sallie Krawcheck, her departure that week was a real inflection point in terms of the straw that broke the camel's back because it felt to advisors you're bringing in yet another banking guy and it's yet another erosion of the culture.

DANNY SARCH: Culturally, it's a tremendous difference. If you talk to the Merrill advisors, they're terrified to refer loans because the client experience will reflect directly back on them even though they have no control over it whatsoever. It's very frustrating to them that here they should be doing this and taking advantage of the leverage of a big bank, and instead they're miserable about it.

BILL WILLIS: It's interesting when you look at all the majors, they're all banks aren't they? Three of them are U.S. banks. Some advisors are making a very positive use of the lending capabilities and others are turned off by it. In terms of Sallie Krawcheck, I won't comment on her but I will tell you, putting John Thiel in charge culturally was a fantastic move.

OWS: Why?

BILL WILLIS: John's old line Merrill Lynch and finally they have someone who has written tickets running the firm again. For Merrill Lynch, that's important, I can promise you that. John is a great leader. He ran PBIG (Private Banking and Investment Group). He's now running the firm and he's united PBIG with a traditional Merrill Lynch retail. Her departure probably got more press than his promotion and elevation, but for people who've been there and know the firm, they're pretty delighted to [have] someone who's a 20-, 25-year veteran of the firm who has served in almost every capacity of the firm.

OWS: What about the new structure, with these 11 regional markets? Can anybody speak to that?

DANNY SARCH: They eliminated a couple of layers of management. Unless they empower these 11 people in a way they've been unwilling to do before—and BofA's culture has been to prevent that much power in a person—you're going to have essentially a gridlock in terms of decision-making.

MICKEY WASSERMAN: The 11 regions were created to empower the Merrill culture a bit more. Every one of the new market leaders, so to speak, have approximately 20+ years at Merrill Lynch. What John Thiel took was the best of the best and he put them into those positions and they've had to de-layer a little bit. Now there's a straight line from the branch to John Thiel. Dave Darnell said that he was going to step out of John Thiel's way and let him run Merrill as Merrill. We're not all happy with what Bank of America is doing, but Merrill is trying very hard to retain its culture and this is a step in the right direction.

OWS: So do these market leaders give their complex and branch managers the authority to do the hiring and the recruiting?

BILL WILLIS: These are the folks who were just the regional directors before by and large and this is just slightly—you know the only difference they have is a little more territory and authority in three businesses rather than one.

MINDY DIAMOND: I guess the bigger question [is] is Bank of America running the show? Is it the Merrill show or is it the Bank of America show?

JONATHAN MANELA: That's a good point. Eleven guys running the country, you're not getting a lot of hands-on on the advisor level. Certainly the branch and complex managers are still in that role. In terms of their ability to protect those regions and protect those markets and protect those advisors from what BofA wants to do if it's not culturally what Merrill Lynch wants, well time will tell.

RICH SCHWARZKOPF: I don't think there's really much doubt who runs the show there. I mean Bank of America runs it on one hand, Darnell and those guys. Merrill Lynch went out of business pretty much. They couldn't find a place. Bank of America calls the big shots.

MINDY DIAMOND: A lot of this is rhetoric. What you're really going to look at is what are the advisors saying life is like on a daily basis for them. Life on a daily basis has become much more bureaucratic and tedious for them.

BILL WILLIS: That's the experience that's happening throughout the major four wirehouses. They have become more compliance-oriented. The whole industry has become more restrictive.

OWS: Is Merrill just losing its image? Are they being subsumed by Bank of America?

DANNY SARCH: To an extent. I think there still is a Merrill culture, to their credit. But they're very worried about the stock price. The Merrill advisors are very upset about, again, tying their business and their practice to an organization that the problems have nothing to do with them on a day-to-day basis.

CHANGES AT MORGAN STANLEY

OWS: Morgan Stanley Smith Barney is said to be changing broker pay. The minimum amount of revenue a broker has to generate is going up to $300,000 from $250,000. Advisors are being given incentives to bring in new clients and increase lending. Greg Fleming apparently wants to reduce the lower-producing advisors in order to cut costs. What's going on at Morgan Stanley, Carri?

CARRI DEGENHARDT-BURKE: I have a lot of friends there. They love the new comp plan.

OWS: Is Morgan Stanley going to lose head count?

MINDY DIAMOND: The loss of head count, first of all, part of it is a planned loss of head count, to sort of manage out some of the under-producers and not training, you know not building up the ranks in the training program. But while they changed the payout, there was no change to grid.

BILL WILLIS: I'd say it's no big deal. I mean, I don't know how many people are at the 250 to 300 range. That's basically what they do and so 100 people, 200 people are affected? I don't know; I'm guessing. My guess is some of them will find a way to get 300 and others will become team members. A few may leave but I don't think it's going to create any type of significant exodus from the firm.

JONATHAN MANELA: The most interesting piece of the new comp plan is their desire to reward advisors for bringing in new accounts, bringing in new assets as a focus. There was something I think in the last comp plan that was tied to increased revenue but it was structured differently. There's something in this that says if you bring in four new accounts and X amount of net new assets, depending on what your level of production is you could actually bonus as much as $300,000.

MINDY DIAMOND: You could earn an additional $315,000 for the net acquired asset bonus and $127,000 for banking and lending.

CARRI DEGENHARDT-BURKE: If you hit your thresholds it's literally—it goes up to 56% to 57% payout.

OWS: Is this new payout plan something they can really take to market?

DANNY SARCH: Yes, I think the payout plan has lost the splash that I think they wanted to make.

RICH SCHWARZKOPF: The firm has really been poorly performing in a lot of different areas. The last 10 years, it's lost 33% of its brokers. They had 1,000 branches two years ago; they have 770 now.

OWS: Are they losing them to regional space or independent or really both, or just their other competitors?

RICH SCHWARZKOPF: Not to independents, but I think they're losing them to other wirehouses or some of the regionals are taking them, too, you know an RBC.

BILL WILLIS: Getting back to the payout, I think probably there are a few brokers there who really like it, and there are a few that this is no big deal at all. I don't see it being a big recruiting tool for them. I don't think it's a huge differentiator, their payout versus other firms' payouts. Payouts are largely the same on Wall Street these days.

MINDY DIAMOND: The place where you talk about payout differential is when you're thinking about going wirehouse independent. But payout is largely a non-event.

FOLLOW THE LEADER

MICKEY WASSERMAN: If the new Morgan Stanley comp plan proves to be best practices, then all the rest will follow suit.

OWS: What kind of advisor is Morgan Stanley now attracting?

MINDY DIAMOND: They all want the same advisors. They all want the holistic wealth management, compliance, trending toward fee-based.

JONATHAN MANELA: What they mean by that holistic advisor, because it's a word that every industry uses today, is an advisor who can take a total high-level view at a household that they're servicing and service beyond the investment portion of that business.

BILL WILLIS: It's all about the cross-selling that Merrill gets a bad rep for. Everybody is doing that and everyone wants to service a lot of different areas.

WELLS FARGO: THE QUIET ONE

OWS: I want to move on to Wells Fargo. It's really been in a lot of ways the quietest of these four big firms.

BILL WILLIS: It's working for them. The fact that they offer three different ways to align with them is really smart and really different and really is a differentiator. They've had success in certain spaces when other spaces have been slow. The bank piece has been very strong for them this year.

MINDY DIAMOND: Wells Fargo has a unique culture, and even though they're almost as big as the other three wirehouses, they don't really feel and get lumped into the same bucket as the wirehouses.

OWS: And one of their top guys, Danny Ludeman, doesn't even like to have them referred to as a wirehouse.

MINDY DIAMOND: That's precisely right. People describe it as sort of a folksy sort of a culture. For a lot of folks, that's kind of the anti-wirehouse. That's actually the appeal behind it.

JONATHAN MANELA: The unique [thing] about Wells Fargo is they're not losing their top producers. And the reason they're not losing their top producers is a very high percentage of them are profit formula people, and until profit formula gets screwed with, which is a Danny Ludeman sort of baby, those people are going to be staying put.

BILL WILLIS: Whereas payout usually isn't an issue, their payout tends to be a little big higher if you're a big producer, because you're getting paid 50% on everything in excess of $10,000 a month.

MICKEY WASSERMAN: As far as profit formula goes, they're not allowing any new advisors to the profit formula regimen. That tells me that they're trying to do away with profit formula as it looks today. It might be too profitable for the advisors.

OWS: Is Well Fargo the biggest rival for the regionals when it comes to smaller producers?

RICH SCHWARZKOPF: The FiNet division is doing very well. Their revenue is up 30%. Only 5% of brokers are in the bank channel nationwide, so it's not a big thing. If I'm talking to a regional broker, Wells Fargo is something that everybody listens to because they sort of missed most of the mess, most of it, not all of it. But they missed a lot of it. They're the strongest—maybe the strongest financial bank right now.

MINDY DIAMOND: And their deals are the biggest, too. Compared to the wirehouses they're smaller, but compared to the regionals they're significantly bigger.

BILL WILLIS: For FiNet, their deal is No. 1. If you want to go independent and you're a wirehouse person, you could monetize pretty well with FiNet. And you'd feel a little more at home.

JONATHAN MANELA: I'd be careful about the numbers on FiNet because they've allowed Wachovia security brokers to transition over to FiNet. And there's no question about it, the A.G. Edwards component of that business is the most susceptible to going to other regionals.

HEDGING YOUR BETS

OWS: Right, but they're so small at this point. Now, Rich, which one of the regionals is really performing well this year?

RICH SCHWARZKOPF: RBC would be my No. 1 choice. Usually Edward Jones is up there but RBC was No. 1.

DANNY SARCH: I'm a big fan of Raymond James. They, like Wells Fargo, give you multi-channels in terms of the ability to affiliate with them.

MINDY DIAMOND: I agree with Danny about Raymond James. You're going to see them be more of a player this year. They're never going to be the biggest deal on the Street but they've got a wonderful culture that advisors love.

BILL WILLIS: [Going back to RBC] I don't know why we call RBC a regional because they're really kind of a national. They only want to recruit people over 500, which makes them a little different than the traditional regional. In terms of technology, it's simply numbers: If you've got 20,000 it's just cheaper per person to be cutting edge. If you have 4,000 or 5,000 people, it's a lot more expensive per person.

DANNY SARCH: I disagree with that paradigm. The 20,000 person or whatever they are, it is tougher to unleash that through the whole firm. It's just tougher logistically. Even though your price per computer or the technology goes down, the total cost and the hassle factor is just greater. It's not simpler.

BILL WILLIS: You're talking about execution. Other firms have pulled it off successfully. They're struggling right now. And look, I'm no technocrat but obviously they've been trying to bring two firms together. That's even a greater challenge, and they're probably trying to legacy a little bit from both sides.

WIREHOUSES VERSUS INDEPENDENTS

Two of our regulars, Rick Peterson and Michael King, couldn't make the roundtable this year. But, they still had opinions they wanted to share:

From **RICK PETERSON**:

- "The Merrill name will disappear and that it will be Bank of America Securities...It will happen later rather than sooner."
- Advisors are continuing to get pressure from their clients because the firms have been getting so much bad press. "We're hearing from brokers who are hearing from their clients: 'What is the relationship you have with your firm? What's in it for me? You guys are in the press all the time.'"
- "We've seen this enormous movement into the independent world. The difference this year is that the average productivity is higher. Big, big, big brokers are now going independent."
- "It seems like LPL is talking to every single broker we're talking to. The platform that LPL has seems to favor larger brokers."

From **MICHAEL KING**:

- "A lot of the people that got retention packages, those packages will be up. Once those packages are up, there will be some more movement ... Merrill Lynch will be the most likely place people will leave at this point."
- They are not thrilled because of the Bank of America arrangement. They don't want to be part of a bank. They want to be just Merrill Lynch or be independent."
- "I don't see that much of a change in [deal sizes]. Of course, if [advisors] perceive weakness in one particular firm, they might give special bonuses to the brokers of that firm ... Wells Fargo is more likely to work very well with a $350,000 producer. All the other firms prefer people above that level."
- "You have to watch the independents, and HighTower for the bigger producer has some appeal."

RECRUITERS' PICKS - Our seven panelists made hypothetical investment decisions about each retail brokerage unit (not the parent company). Here's how they would invest, ranked by buys.

FIRM	BUY	SELL	HOLD
JP MORGAN CHASE (BEAR STEARNS)	6	1	0
BARCLAYS (LEHMAN)	5	2	0
RAYMOND JAMES & ASSOCIATES	5	1	1
AMERIPRISE	5	0	2
WELLS FARGO	4	3	0
UBS	4	2	1
MORGAN STANLEY SMITH BARNEY	3	4	0
CREDIT SUISSE	3	4	0
BANK OF AMERICA MERRILL LYNCH	2	5	0
RBC WEALTH MANAGEMENT	2	5	0
JANNEY MONTGOMERY	2	4	1
RW BAIRD	2	2	3
LPL (THE INDEPENDENT THREAT)	1	6	0
STIFEL NICOLAUS	1	5	1
OPPENHEIMER	1	4	2
MORGAN KEEGAN	1	3	3
HILLIARD LYONS	0	4	3
EDWARD JONES	0	6	1
DEUTSCHE BANK	0	7	0
GOLDMAN SACHS	0	7	0