

Will FiNet's (Wells Fargo Advisors Financial Network LLC) new bonus scheme change the industry?

Wells Fargo B-D aims to reward reps who bring in new business; no longer 'recruit or die'

By **Bruce Kelly**

April 18, 2012 2:19 pm ET



(Photo: Bloomberg News)

Wells Fargo Advisors Financial Network LLC — commonly known as the independent broker-dealer network FiNet — has introduced a new annual cash bonus for its 1,100 registered representatives and advisers that rewards them for landing new clients.

The program signals something of a shift at the firm. While recruiting advisers will remain a focus at the firm, the new bonus plan rewards current advisers working to drum up new business, said chief executive John Peluso. "Most of our growth will come from current advisers increasing productivity," he said. "And now we've introduced an annual cash bonus. I think this is going to change the industry."

FiNet has built its sales force of high-producing brokers over the past ten years with aggressive recruiting that consistently included upfront bonuses in the high range among independent B-Ds. Such bonuses could range from 20% to 40% of an individual rep's "trailing twelve," or the fees and commissions generated over the prior year, industry recruiters said.

FiNet's growth has pushed it into the top 10 largest independent-contractor firms. Last year, the firm reached \$519.9 million in total revenue, an increase of 19.8% when compared with a year earlier.

The new bonus program, which was introduced to a limited number of advisers at the end of last year, will be called the voluntary growth opportunity award. Mr. Peluso said other bonus plans will be rolled into this program.

At FiNet, bonuses "used to be a percentage of [an adviser's] production," he said. "Now we are disproportionately allocating bonuses to those who are growing."

"We want to invest in small advisory practices that are growing," said Craig Avery, managing director of innovation and growth at FiNet.

Advisers must generate \$350,000 in annual fees and commissions to qualify for the new bonus. With an average of \$470,000 in annual production, a majority of FiNet's adviser force will be able to take advantage of the program, he said.

If an individual adviser brings in \$1 million of new assets, he can qualify for the plan, Mr. Avery said. Those advisers who work in groups or practices have higher tiers to qualify, starting at \$2 million in net new assets.

After that, the bonus is calculated from annual fees and commissions, with the adviser receiving between 1% and 7% of gross dealer concession. "To get into the program, you bring in assets," Mr. Avery said. "We want to invest in companies that are growing new assets."

Mr. Avery added that recruiting still is very important, but keeping the B-D's current advisers happy is just as important. "It's not just 'recruit or die' anymore," he said.