



Wall Street Retention and Recruitment Bonus Payments; "Manny being Manny"

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Recently it was reported that Wachovia would not pay retention bonus money to stockbrokers for staying at their desks and doing their jobs. Not to anyone's surprise the brokers feel insulted and mistreated and have reverted to their normally petulant attitude. That is just "Manny being Manny" in this crowd. Brokers are for the most part very highly compensated sales people. Call them "advisers...call them "wealth managers"...call them "retirement planners"...whatever! They are sales people and relationship managers. In my opinion their greatest contribution to our society and culture is that they are the ultimate consumers and contribute mightily to our economy due to their typically excessive spending habits.

It is shameful that anyone from within that industry would claim a right to a retention bonus when taxpayers are the backbone of providing "rescue" funds to these institutions. What galactic ego, insensitivity and willful disgust for the public investor that has been trampled in both market and job loss.

The report that UBS is paying up to 250% of trailing 12 months production for experienced brokers is just as shameful. This means that a broker that generates \$1 million of commission, which is not the least bit unusual, will receive a bonus of up to \$2.5 million for switching firms. Recruiting bonuses never advanced any other cause than fattening the wallet of brokers. How many of you financial service firm employees would support payment of retention bonus money in these times if your identity was disclosed along with your sophomoric complaining in postings on the industry blogs? How many industry employees could look their clients straight in the eye and make a case of how receiving a retention or recruiting bonus is of benefit to the customer?

It was reported recently in an industry poll that compensation with the most important factor in determining stockbroker job satisfaction. I would be much prouder of both brokers and advisers if compensation wasn't #1 on their hit parade. Perhaps the list could have been led by services for customers followed by product, training and support. But I'd be less than forthright if I told you I was the least bit surprised as to their priorities. It is the leadership in financial services that fattened up this 800 pound gorilla in the first place.

No one would think it sensible to use taxpayer money just to keep a well compensated broker at their desk doing their current job. No one would think it sensible to use taxpayer money to help Bank of America or UBS recruit brokers from other firms into their retail system. But then again, we need to ask if whether this free agency system of paying those expected to act as fiduciaries to the public investor has ever made sense or whether this form of compensation comes close to validating the ideals represented by securities firms through their Madison Avenue advertising.

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