

Fundfire

YourQ&A: Will Economy Cause Wirehouse Defections?

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Question:

Are wirehouses that have been noticeably weakened by the credit crisis now vulnerable to losing high-performing advisors to other more financially secure firms?

– Human Resources Exec, Financial Services Firm, Florida

Answer:



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Wirehouse brokers are not abandoning the wirehouse firms. Some are seeking other venues, but that's always been the case. What they are doing is taking advantage of eye-popping deals in a turbulent but opportune time. This allows them to get a fresh start and to jettison the problems at their current firm. In fact, the subprime mortgage meltdown has accelerated a trend that has been in place for sometime now: the rush for upfront money.

Here's why: signing bonuses are based on commissions from the previous twelve months, which until recently have been quite good. Brokers want to capture that compensation before further market drops potentially drive commissions down. In addition, many brokers have a nice chunk of their net worth in their firm's stock, which hasn't been doing well recently. Changing firms gives brokers a chance to grab a chunk of cash and rebuild their cushion.