Registered Rep.
The 20th Annual Broker Report Card Survey

Two years after the financial markets tanked and giant mergers and acquisitions dramatically reshaped the landscape of Wall Street, many wealth management firms are still pulling the pieces back together. Some have so far been more successful than others, at least as far as the financial advisors who work there are concerned: The country's five national full service brokerage firms got very mixed grades in *Registered Rep.'s* 20th Annual Broker Report Card, with once-tarnished UBS pulling ahead, while Edward Jones and Morgan Stanley Smith Barney each took a significant hit in their ratings. And yet, despite diminished enthusiasm in some camps, most advisors are planning to stay put rather than switch firms. Of the 887 advisors who responded to the survey in October, 89 percent said they were "very" or "somewhat likely" to be working for their current firm two years from now.

Despite the drop in its overall rating (to 8.5 from 9.4 last year), Edward Jones is still in the lead versus the rest of the firms *Registered Rep.* surveys every year. Jones has received the highest overall rating in our survey for 17 years in a row and is still a big career draw for people interested in the business; total advisors at the firm reached 12,074 this October, up 3.2 percent year over year. (For more on how Ed Jones advisors see their firm, see the story on page 34).

Meanwhile, UBS Financial Services, a low performer in the last survey, scored markedly higher this time around; 73 percent of UBS advisors who responded to the report card declared it the best firm to work for, up from 36 percent in 2009. Bob McCann, who was tapped in 2009 to lead UBS' Wealth Management Americas unit, gets some credit for improving morale and support for advisors. "I like the vision of who we are and what we are to become. McCann is doing a good job making UBS a great wealth management culture," one survey respondent wrote. It certainly doesn't hurt that the firm's Swiss headquarters has managed to put to bed its tussle with the IRS.

This year, the firm with the weakest grade was Morgan Stanley Smith Barney, which has been going through a difficult merger process that won't be complete until the first quarter of next year. Smith Barney advisors are particularly rankled, with only 12 percent calling the merger with Morgan Stanley positive, and 72 percent calling the merger a negative. The firm's overall score sank to 5.0 this year, down from 6.7 last year. Senior management, morale, assistant bonuses and perks all got especially weak ratings. On a scale of 1 to 10, the average rating for morale was 4.1, the lowest of all the firms. Meanwhile, less than half of respondents—45 percent—rated MSSB the best wirehouse to work for, down from 73 percent a year earlier. "Smith Barney was a firm that encouraged entrepreneurial businesses. We have been taken over by a top down dictator—Morgan Stanley," one broker grumbled.

Among the other wirehouses, ratings remained relatively steady versus 2009. Merrill Lynch led the four wirehouses in the best overall experience rating with a score of 7.2, a hair above

Raymond James & Associates: Good Times Roll

Raymond James & Associates pulled off the upset of the year, beating Edward Jones for the top slot in employee satisfaction. RJ&A answered the question, "How would you rate your overall experience at the firm?"with, on average a nine out of 10 possible points. Of course, you may ask: Why is Raymond James included in what has heretofore been a wirehouse survey? Well, one reason, there are fewer firms in the post 2008-meltdown world. RJ&A also wanted to be surveyed, and managed to convince us to include them.

Yes, RJ&A has just 1,270 employee advisors with $80 billion in client assets. (Do not confuse RJ&A with Raymond James Financial Services, which is Raymond James' independent contractor broker/dealer.) Assets under management have grown over the five years ending 2009 at 20 percent CAGR. For its fiscal 2010 (ended Sept. 30), company wide net revenue set a record ($2.9 billion) and net income approached 2007's record ($228 billion). While the firm doesn't break out RJ&A from its private client group line in its earnings, for the year, private client group pre-tax income jumped by 89 percent.

To grow more, the firm needs to hire advisors away from rivals. So far, it seems to be doing all right on that front. "We successfully recruited financial advisors, investment bankers, public finance professionals, institutional sales people and traders, while much of the financial services industry was in shock," said Raymond James Financial CEO Paul Reilly in a statement. As one RJ&A FA noted in the write-in section of the survey on why he would be staying with his firm: "[It's] an honest, ethical firm that places the interests of the client first and simply endeavors to assist the broker in doing what's best for each client." *—David A. Geracioti*

Share price (23 Nov.): $28.74
52-week high: $31.25
52-week low: $22.57
Net revenue (fiscal 2010): $2.9bn
Net income: $228mn
RJ&A total client AUM: $82bn
Number of FAs (RJ&A): 1,270
Ave. annualized production: $475,000
Ave. AUM per RJ&A FA: $68m
Fee-based client assets: 24%
Recurring revenues (including trail commissions and fee-based revenue): 50%
RJA hired 82 veteran FAs in its fiscal 2010 (not including trainees.)

And the Winner Is...

Advisors at Raymond James & Associates put their firm at the top of *Registered Rep.'s* Annual Broker Report Card, with perennial top scorer Edward Jones in second place. Wirehouses, some of whose advisors are still unhappy over integration issues from the mergers that followed the financial crisis, trailed behind.

Overall rating of experience at firm (scored 1-10, with 10 the highest)

Average	Raymond James & Associates	Edward Jones	Merrill Lynch (Bank of America)	UBS Financial Services	Wells Fargo Advisors	Morgan Stanley Smith Barney
7.1	**9**	**8.5**	**7.2**	**7.1**	**5.7**	**5**

average, although its acquisition by Bank of America seems to have cooled some brokers' passion for their firm. The share of advisors who felt it was the best place to work was down to 71 percent from 78 percent last year. Meanwhile, brokers at Wells Fargo Advisors placed their overall experience rating at a well-below-average 5.7; yet the share of brokers who called it the best place to work rose slightly, from 53 percent to a still-unimpressive 57 percent.

Finally, this year, we decided to include Raymond James & Associates, whose full-service platform employs 1,266 advisors, in our annual survey. Apparently, the advisors at RJ&A are a pretty happy bunch: They graded their employer the highest in terms of the overall quality of their experience, giving the firm a 9.0 out of 10. Especially high marks went to overall ethics, risk management, training and resources and products and research.

It may be that the sturm und drang of the 2008 collapse and the ensuing damage to the big Wall Street brands is what keeps advisors happier at firms like James and Jones, one analyst surmised. "Raymond James has been outside the Wall Street stigma that goes with the upheaval," says Dennis Gallant of Gallant Distribution Consulting in Sherborn, Mass. "They weren't dealing with the integration. That integration is disruptive. And that's going to have an impact on broker satisfaction."

Being Numero Uno

Most advisors believe their brokerage is the best place to work. One big exception: Morgan Stanley Smith Barney, whose numbers fell off sharply from last year.
A comparison.

Firm	% who believe their firm is the best to work for, 2010	% who believe their firm is the best to work for, 2009
Raymond James & Associates	94%	N/A
Edward Jones	85%	98%
UBS Financial Services	73%	36%
Merrill Lynch (Bank of America)	71%	78%
Wells Fargo Advisors	57%	53%
Morgan Stanley Smith Barney	45%	73%

How This Survey Was Conducted:

On October 6, 2010, Penton Research, a sister business to this magazine, e-mailed invitations to participate in an online survey to all print subscribers of *Registered Rep.* who provided an e-mail address and worked for one of the following six firms: Edward Jones, JPMorgan Chase, Merrill Lynch, Morgan Stanley Smith Barney, UBS Financial Services and Wells Fargo Advisors. The study was also promoted in the Sept. 30 and each of the October issues of *Registered Rep.'s* "Wealth Management Letter," a weekly e-newsletter.

Raymond James & Associates requested that we include its employee advisors in the survey, too. Raymond James & Associates subscribers of *Registered Rep.* were sent an e-blast on Oct. 18, 2010. Management promoted the research internally. (Raymond James & Associates is not to be confused with the Raymond James Financial Services unit, which is an independent broker/dealer. Its affiliated advisors are independent contractors and so were disqualified from this survey.)

By Oct. 25, 2010, 1,066 completed responses were received. Of those, 887 responses were from one of the five major wirehouses and Raymond James & Associates. The findings that follow are based only on those 887 respondents.

Reps rated their current employers on 28 items related to their satisfaction. Ratings are based on a 1-to-10 scale, with 10 representing the highest satisfaction level.

Home Is Where the Heart Is

Most advisors appear happy to stay where they are, but Wells Fargo Advisors and Morgan Stanley Smith Barney have large shares of employees who are thinking of working for themselves. Overall, 89 percent of respondents said it is "very" or "somewhat" likely they will be working for their current firms two years from now.

Q: Have you considered going independent in the past year?

	Edward Jones	Merrill Lynch (Bank of America)	Morgan Stanley Smith Barney	UBS Financial Services	Wells Fargo Advisors	Raymond James & Associates
Yes	22 25.9%	22 28.6%	33 44.0%	29 22.1%	81 46.8%	62 18.5%
No	63 74.1%	54 70.1%	42 56.0%	102 77.9%	91 52.6%	273 81.3%
No reply	-- --	1 1.3%	-- --	-- --	1 0.6%	1 0.3%

Firm	% very OR somewhat likely to remain at firm two years from now	% very likely to remain at firm two years from now.
Raymond James & Associates	96%	94%
UBS Financial Services	91%	73%
Merrill Lynch (Bank of America)	90%	69%
Edward Jones	85%	78%
Wells Fargo Advisors	84%	57%
Morgan Stanley Smith Barney	72%	47%

But Edward Jones' culture is also very attractive to many advisors, Gallant adds. The firm "has a very strong and very deliberate process and structure for developing advisors and supporting them. It works very well. Because they provide consistency in how they conduct their business, it's not an environment where there's a lot of uncertainty," he says. "For advisors who like that particular model, it works very well."

Uncertainty is what has some brokers on edge at Morgan Stanley Smith Barney, says Rick Peterson of Rick Peterson Associates, a Houston-based industry recruiting firm. "The problem is they've had some integration issues and that's irritated mostly the Smith Barney brokers more than the Morgan Stanley ones," he says. Setting up a new structure between two different businesses takes time, Peterson adds—particularly in a business that has 18,000 advisors. "It's evaluating talent, seeing who the best is and going with that group and terminating the others. This is a massive undertaking," he says. "I think the finished product will be better than the parts … Now if there's still dissatisfaction after that, that will be a different issue."

Other matters popped up in the Broker Report Card findings that are nagging advisors. Like, why can't brokerages pay more for sales assistants and perks? Advisors at most of the brokerages rated the quantity of sales assistants below average (only Edward Jones and Raymond James were above the mark.) Perquisites such as free office parking and the coverage of certain expenses also drew below-average responses from the wirehouses.

Peterson says cutbacks at the firm are the result of squeezes on revenue, particularly this past summer. "Are brokers upset about that? Yes they are," he says. "Instead

Bosses and Paperwork

Management and compliance are sometimes sources of advisor discontent. This year, morale is weak among the major Wall Street firms, with most firms scoring below a 7. Compliance support got mixed marks. (Scored 1-10, with 10 the highest)

Management	Average Rating	Edward Jones	Merrill Lynch (Bank of America)	Morgan Stanley Smith Barney	Raymond James & Associates	UBS Financial Services	Wells Fargo Advisors
Your branch manager	7.7	8.2	7.4	6.8	8.8	7.6	7.2
Senior management	7.1	8.5	6.9	4.5	9	7.9	5.5
Strategic focus	7.2	8.4	7.2	5	9.1	7.8	5.8
Overall ethics	7.8	9	7.4	5.5	9.6	8.2	7
Public image	7.2	9	6.5	5.4	9.4	6.4	6.6
Morale	6.8	8.5	6.7	4.1	9.2	6.9	5.3
Overall rating of employer's performance	7.2	8.7	6.9	4.8	9.2	7.4	5.9
Compliance support							
Risk management	7.4	8.6	7.2	6.1	9.1	7.1	6.5
Compliance-specific training	7.5	8.6	7.5	6	9	7.3	6.6
Reduction of administrative burden (time and effort)	6.4	8.6	6.1	4.6	8.4	6.2	4.4
Average rating of compliance support	7.0	8.6	6.7	5.4	8.8	6.8	5.6

The Fedman Cometh

The SEC is preparing its mandate to implement new financial regulations set out in the Dodd-Frank legislation approved this year. Far more advisors saw this as bad news than good, but even more advisors fell squarely in the middle, perhaps preferring to take a wait-and-see attitude.

Q: How do you expect the Dodd-Frank legislation to impact your business?

	All	Edward Jones	Merrill Lynch (Bank of America)	Morgan Stanley Smith Barney	UBS Financial Services	Wells Fargo Advisors	Raymond James & Associates
Very positively	14 1.6%	3 3.5%	1 1.3%	1 1.3%	2 1.5%	3 1.7%	4 1.2%
Somewhat positively	41 4.6%	4 4.7%	6 7.8%	3 4.0%	6 4.6%	3 1.7%	17 5.1%
Neutral	410 46.2%	41 48.2%	44 57.1%	35 46.7%	63 48.1%	73 42.2%	149 44.3%
Somewhat negatively	266 30.0%	19 22.4%	18 23.4%	26 34.7%	42 32.1%	67 38.7%	93 27.7%
Very negatively	65 7.3%	5 5.9%	3 3.9%	8 10.7%	8 6.1%	17 9.8%	23 6.8%
No reply	91 10.3%	13 15.3%	5 6.5%	2 2.7%	10 7.6%	10 5.8%	50 14.9%

of having their own sales assistant, they have to split her with two people or three people or four people, depending on how big they are. On the other hand, their production isn't anywhere near as big as it used to be. As that happens, the level of support they expect to receive is also going to be diminished."

Gallant says brokerages that are realigning their organization are still trying to decide what their staffing priorities are. "Support is going to be weak because the infrastructure is smaller. The staffing levels aren't as high as they used to be. It's costly to bring new people in," he says. "I think firms are hesitant to step up too much. They want to keep those earnings looking good."

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Show Me the Money

Market improvements since 2009 may be boosting advisor compensation. Advisors at half the brokerages posted better ratings on cash and deferred pay versus last year. But ratings for perks and assistant bonuses were low. (Scored 1-10, with 10 the highest)

Compensation and Benefits

	Average Rating	Edward Jones	Merrill Lynch (Bank of America)	Morgan Stanley Smith Barney	Raymond James & Associates	UBS Financial Services	Wells Fargo Advisors
Cash compensation (payout grid)	7.0	8	6.9	5.5	8.6	7	6.2
Fairness and balance of payout on different products	7.2	8.1	7	6	8.4	7	6.5
Deferred revenue and other non-cash compensation	7.0	8.3	7.1	5.2	8.6	7.1	5.9
Health and retirement benefits	7.1	7.2	6.8	6.1	8.4	7.4	6.5
Perks (parking, expenses covered, etc.)	5.9	7.6	5.7	3.9	7.8	5.5	4.9
Assistant bonuses from the firm (not from the advisor)	5.4	8.4	5.8	2.9	7.4	4.9	3
Overall rating of compensation and benefits	6.8	8.2	6.6	5	8.5	6.8	5.8

Help Me Make It Through the Month

Overall, advisors at most brokerages say they're satisfied with sales support, products and research at their firms, although the availability of sales assistants received low grades. (Scored 1-10, with 10 the highest)

Sales support: Training and resources	Average Rating	Edward Jones	Merrill Lynch (Bank of America)	Morgan Stanley Smith Barney	Raymond James & Associates	UBS Financial Services	Wells Fargo Advisors
Quality of sales assistants	8.2	8.7	8	7.4	9.1	8.2	7.5
Quantity of sales assistants	7.1	9	6.6	5.4	8.8	6.9	5.8
Ongoing training	7.4	8.3	7.4	5.8	9.1	7.3	6.6
Quality of technology/advisor workstation	7.5	8.2	8.6	6.2	8.1	7.3	6.5
Clarity of account statements	7.7	8.9	8.2	6.7	8.8	7.6	5.8
Client access to online account information	8.4	8.5	8.9	7.7	9	8.7	7.3
Resolution of client account problems	7.8	8.9	7.8	6.7	9.3	7.8	6.3
Access to in-house estate planning and wealth management experts	7.7	7.8	8.4	6.8	9.2	7.6	6.5
Access to in-house investing experts	7.7	8.2	8.3	6.5	9.3	7.7	6.2
Overall rating of sales support: training and resources	7.6	8.4	8	6.2	9.2	7.6	6.2
Products and Research							
Quality of investment research	7.8	8	8.5	7.1	9	8	6.4
Range of products offered	8.6	7.9	9.1	8.3	9.3	8.6	8.3
Quality of products offered	8.4	8.6	8.9	7.5	9.3	8.3	7.9
Access to alternative investments	8.1	6.6	8.9	7.9	9.1	8.6	7.7
Asset allocation programs	8.4	8.2	8.8	7.9	9.2	8.4	8
Freedom from pressure to sell proprietary products	8.7	9.1	8.5	7.8	9.8	8.7	8
Overall rating of products and research	8.4	8.5	8.6	7.6	9.4	8.4	7.7