

Cetera brokers may go elsewhere with no stay bonuses on horizon

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By Bruce Kelly, [Investment News](#)

Some may feel spurned and leave, while others will simply shrug off latest slight and stay

Will they stay or will they go?

That's the question facing Cetera Financial Group's 8,000 brokers and advisers now that they know the company has no intention of offering them retention bonuses to stay on with new owner Genstar Capital.

That could trigger many of the brokers to look for employment elsewhere, while other advisers may simply shrug off this latest change, industry observers said.

Retention bonuses, or stay bonuses, are customary to lock advisers in their seats after a change in ownership of a brokerage firm. Advisers typically work off the payments, usually in the form of a note or loan, over a three to five-year period.

The bonuses are typically given when an existing firm buys another one, requiring a lot of paperwork for clients and their accounts. Because no such disturbance will occur at Cetera, the firm doesn't believe the retention bonuses are necessary.

"Given that there will be no disruption to our advisers and their business we do not anticipate the need for a traditional retention plan," said Joe Kuo, a spokesman for Cetera, in an

email.

Cetera advisers have remained remarkably loyal despite the persistent changes in ownership over the past 10 years.

In 2010, Lightyear Capital, led by Don Marron, bought the majority of ING Advisors Network from Dutch insurer ING Groep and then renamed it Cetera. Then, in 2014, nontraded REIT czar Nicholas Schorsch and the brokerage company he controlled, RCS Capital Corp., bought Cetera for \$1.15 billion from Lightyear.

Burdened by \$1.1 billion in debt used to fuel Mr. Schorsch's broker-dealer buying binge, RCS in early 2016 entered a pre-arranged bankruptcy, from which it emerged with new management and a new board in May. RCAP's debt holders were the new owners of the company.

This latest acquisition of the company by private equity firm Genstar may just be the proverbial last straw.

"There are certainly those [Cetera advisers] who have a feeling that they want to be rewarded for their loyalty over the past few years, putting up with the conference calls, the bad press," said Jonathan Henschen, an industry recruiter. "They're thinking throw me a bone. That's kind of their attitude, and I understand that."

"Genstar invested in a healthy company," said Casey Knight, another recruiter. "I don't think they are going to go into Cetera and disrupt things. Therefore, I do not see a lot of attrition of the advisers. I bet less than 5% move because of this."

The six firms that make up Cetera's independent broker-dealer network are: [Cetera Advisor Networks](#), [Cetera Advisors](#), [Cetera Financial Institutions](#), [Cetera Financial Specialists](#), First Allied Securities and Summit Financial Services Group. Together, the six broker-dealers controlled \$241.2 billion in client assets at the end of 2017, according to InvestmentNews

data.