

Edward Jones: Drinking The Kool-Aid

What's in the water supply at Edward Jones? For the 16th consecutive year, the firm scored the highest overall approval rating (9.4) on our Annual Broker Report Cards survey.

Ed Jones reps may be pooh-poohed in some precincts as small and unsophisticated, but if that's true, at least they are *happy*, small, and unsophisticated. Doesn't hurt that Ed Jones never seems to make headlines these days—well, not bad headlines anyway.

As one Ed Jones rep puts it, "Edward Jones may be considered 'boring,'" but the firm "had no exposure to any of the mortgage problems due to our ethics and investment philosophy."

Under the five-year plan laid out earlier this year, James Weddle, managing partner, says the firm is going to increase FA headcount by 8 percent to 10 percent this year. So far, so good: The firm had added 850 FAs (as of mid November), and Weddle says he expects that number to reach 1,000 by the end of the year—a growth rate of about 9.3 percent. This would make for a global advisor army of 12,000 dually registered FAs, an impressive cohort. (Dually registered advisors can broker trades as well as offer comprehensive financial advice as a fiduciary. Who's unsophisticated now?)

For the past couple of years, Ed Jones' Achilles Heel has been its lame technology offering, but advisors say the firm is making progress. Last year, Ed Jones rolled out a suite of financial planning software called Financial Assessment and Solutions Tool (FAST), bringing advisors to equal footing with their colleagues at

Edward Jones at a Glance

Company hero: **Jim Weddle**

Share price performance: **Private company**

Q3 net client assets, growth (decline) vs. 07:
\$477.0 bn, (9.8%)

Q3 advisors, growth (decline) v. 07:

11,900, 9.0%

Performance of retail unit (Q1-Q3 2008):

Revenues: \$3.0 bn

Pre-tax income: \$274.7 mn

Profit margin: 9.1%

Branches:

U.S.: 9,200

Canada: 590

U.K.: 230

Write-downs, loss reserves: **N/A***

Bank deposits: **N/A***

Bank branches: **N/A***

*Edward Jones does not have private, retail or commercial banking operations.

other financial firms. And, in the summer, the firm rolled out the much-awaited, fee-based advisory account (called Advisory Solutions™), which attracted assets quickly (\$4 billion by mid-November). Advisory Solutions™ also has the distinction of being the largest new product or service launch the firm has ever had.

—Christina Mucciolo

PLUMMETING PRESTIGE

This year's Registered Rep. Broker Report Cards found a general souring of advisors' opinions of their firms. This is not surprising given that some nearly went out of business. Edward Jones was the notable exception. In general, reps say they're not happy with management—their overall rating of their employer's performance saw the largest drop (almost an entire point) from 8.4 last year to 7.5. The survey was conducted from June 14 to September 22.

After September 15, the day that Merrill announced its hasty marriage to Bank of America and Lehman Bros. filed for bankruptcy protection, respondents began to give their firms even lower "grades." While the sample was small (just 59 after that date), the average FA overall approval rating went from 7.4 to 7.1. Here's how reps rated their firms on work environment, compliance support and management on a scale of 1 to 10.

FIRM	All Firms Average	BofA Investment Services	Citigroup Smith Barney	Edward Jones	JPMorgan Chase/Bear Stearns	Merrill Lynch	Morgan Stanley	UBS Financial Services	Wachovia Securities/A.G. Edwards
Overall Rating	7.4	5.7	6.3	9.4	6.8	7.7	7.1	6.0	6.3
Work Environment	C	F	D	A	D	C	C	D	D
Freedom from pressure to sell certain products	9.0	7.3	9.1	9.7	7.3	8.9	8.5	8.8	8.6
Realistic sales quotas	8.3	6.6	8.0	9.5	6.9	8.1	7.8	7.6	7.7
Hiring and recruiting practices	7.6	5.3	6.7	9.3	7.0	7.3	6.6	6.5	6.9
Payout	7.2	4.9	6.7	9.0	5.4	7.3	6.5	5.2	6.9
Benefits	7.6	7.2	7.0	8.8	6.4	8.2	8.0	6.3	6.6
Overall work environment and compensation	7.8	6.1	7.1	9.4	6.6	8.0	7.3	6.5	7.0
Compliance Support									
Risk management	7.1	6.3	5.3	9.5	7.0	6.6	6.6	5.0	6.2
Compliance-specific training	7.6	6.6	6.4	9.4	7.1	7.9	6.9	6.6	6.6
Reduction of administrative burden (time and effort)	6.5	3.7	4.9	9.1	5.5	6.6	5.4	4.7	5.4
Overall compliance	7.1	5.3	5.6	9.3	6.2	7.2	6.2	5.4	6.1
Management									
Your branch manager	7.6	6.5	7.0	9.4	7.5	7.8	7.2	7.1	7.4
Strategic focus	7.6	6.1	6.0	9.5	7.2	7.7	7.2	6.0	6.6
Overall ethics	8.1	7.6	6.9	9.7	7.8	8.3	7.9	6.6	7.4
Public image	7.4	7.2	5.8	9.7	8.2	7.0	7.9	4.6	5.8
Overall performance	7.5	6.7	5.9	9.6	7.5	7.5	7.4	5.6	6.3

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