

THE FUTURE OF ADVICE

HOW TO BUILD
A FEE-FOR-SERVICE
FINANCIAL PLANNING
PRACTICE

It's about expanding access to financial planning.

There is a big need in the industry for investors to be able to access financial planning services, as most Americans have little saved and continue to make mistakes.

Historically, the advice and guidance for financial planning advice was paid out of an AUM fee or product sale. However, for most people under 50, they do not have the minimum asset levels to qualify (typically \$250k), despite having substantial income levels.

This group is more than happy to pay for advice, they just don't qualify because of a lack of time to accumulate savings and a large debt load from student loans, mortgages, credit cards, etc. That's where the need for a new business model for advisors comes into play - the fee-for-service model.

Charging your clients on an hourly, retainer or subscription model provides many business benefits, enabling you to grow with the 90% of people not working with an advisor. This Guide will provide the step by step approach to developing and designing a fee-for-service practice, expanding your ability to serve more people and grow your business.



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Why Fee-For-Service?

A New Way to Grow Your Practice

MINIMIZE CONFLICTS OF INTEREST

When clients pay you directly for advice, and not anything else, you can give advice that is in the best interest of your clients, free of any competing incentives to sell a certain product or add money to a client's portfolio, boosting their confidence in you and increasing your chances for a long-term relationship.

INCREASE FEE TRANSPARENCY

When clients pay a fixed fee, whether upfront and/or ongoing, it is clear how much they are paying. There are no complicated fee structures to explain or potential "hidden" fees that may confuse a client or cause them to lose trust. Financial planning becomes a fixed cost that is a part of their budget.

EXPAND YOUR CLIENT POOL

Barely one-third of all households in the U.S. have enough assets to meet even a \$100k asset minimum. In this context, retainer fees can reach a wide swath of the population who can't be served by the AUM model at all, but do have the income, need, and desire to pay for financial planning services from their cash flow instead. This population includes many adult children of existing clients, clients paying discounted AUM fees, and also prospects who have assets tied up in a business, real estate, or other illiquid investments.

ADD FLEXIBILITY TO YOUR FEE STRUCTURE

Various fee-for-service payment structures include: hourly fees, project-based fees, flat fees, and recurring tiered fees based on tiered services. With diverse billing options, the fee-for-service model offers financial planners a variety of ways to bill for their expertise, allowing them to tailor their fee structure to their business needs, ideal clients, and the services rendered.

ALIGN YOUR CORE VALUES WITH YOUR FEES

Many financial planners want to get paid for their advice, and new technology can be the way to get paid in a compliant, secure, and efficient manner. When you get paid specifically and solely for your advice, you demonstrate that the financial needs and best interests of your clients are at the forefront of everything you do. When you process your invoices and payments with workflows that avoid custody, you're operating efficiently and effectively for sustainable practice growth.





**Be an
advisor
who helps
clients
build
wealth,
not just
manage it.**

Crafting Your Business Plan

The Retainer (or Fee-For-Service) Model is the ideal way to successfully structure your financial planning business. The industry has been reluctant to let go of the AUM model, an old-faithful that until recently was seen as the eternal standard.

The reality is that an AUM model is simply not profitable when it comes to younger clients. It doesn't take an expert to see that an asset management structure is irrelevant when it comes to servicing those without assets. While some Gen X and Y clients may have a large net worth, the most common story is that their assets will not be liquid in a way that will allow you to manage them profitably.

By instituting the Retainer Model, where pricing structures are based on the client paying a monthly fee, you are speaking directly to a market that has income to spend on financial planning but does not necessarily possess the traditional asset set of their parents' generation.

The greatest advantage of this approach is that you can establish a relationship with younger clients from early on in their professional lives, allowing you to grow with them financially. In the past, financial planning was thrown in as a bonus to asset management. With this model, financial planning becomes a standalone service that can be the core of your business. At last, you will be compensated for what is essentially the baseline of your work as an advisor—financial planning.

Target Markets

Who is the ideal customer for financial planning retainer fees? The quick answer is younger clients.

The retainer model was born out of a desire to service Gen X and Y customers by taking their financial planning needs into consideration. While in the past, financial planning was typically offered as an add-on service to asset management, the retainer model now gives younger clients the opportunity to access this as a separate service. Its applicability is due to its flexibility, which allows financial planners to grow their client base by scaling their businesses in the direction of a younger market.

While this group may not have a large liquid asset base, they do have income and a desire to use it in an intelligent way. This is where retainer fees come in. The monthly retainer model is perfectly suited to this demographic whose only certainty is flux. A monthly fee is a far more palatable commitment for those whose lives are characterized by dynamism. Pricing transparency, a key feature of the retainer model, is highly suited to a client base that is used to making online comparisons for most of their spending.

By diversifying into the Gen X and Y market, financial planners can forge relationships with clients from early on, prizing long-term client retention as an important facet of the retainer business model. If you can advise your clients about the effective use of their money when they are in their twenties, you may be managing some large assets of theirs when they are in their fifties and sixties.

Calculating Fees

As you determine your fee structure, consider the following:

- What's a realistic pricing structure for the financial demographic you're seeking to serve? Calibrate your fee structure to your niche.
- Identify which of your services are most likely to be sought after by clients in your target reach.
- Consider constructing a lighter package with fewer services at a lower cost to help clients get started.
- Always listen to your clients and their needs. No matter how good your services, if your clients cannot afford them, your practice won't grow.



Managing Compliance

FIND WORKFLOWS THAT WORK FOR YOU

One of the greatest areas of concern when it comes to implementing a retainer model is the issue of compliance. Part of this has to do with growing pains related to regulation in the industry. The structure of the industry and the way in which it monitors its service providers is not always up-to-date with industry trends. While this is a cause for anxiety about the retainer model, it is by no means a reason to steer away from it. There are ways to stay completely compliant with local legislation and still structure your business model in a way that includes recurring fees.

KNOW THE REGULATIONS THAT APPLY TO YOU

The details of retaining your compliance differ depending on your location. Certain states create greater obstacles to compliance than others, but even these hurdles can be overcome. It is important to keep in mind that the purpose of regulation is to ensure that financial services are provided in a transparent and fair way, and that the client's best interests are at the heart. They exist to make financial service providers accountable and reasonable. If you can prove that the services you are providing abide by these core tenets, you will find a way to abide by compliance regulations in any area.

UNDERSTAND REGULATORS' CONCERNS

Historically, regulators have been nervous of retainer models, as there is potential for abuse. Financial advisors could hypothetically take remittance and not provide a service in return. Perhaps more unnerving for clients is that advisors could have custody over their funds, opening them up for abuse and theft. Remaining compliant is therefore an issue of proving that you are operating in an honest way. If you can prove that you are offering your skills and time in a concrete way in exchange for the payment of an agreed amount by your client, you will be well on your way to ensuring that you retain compliance.

SO, WHERE DO YOU START?

Your next step is to figure out who the best targets are for your newly adopted monthly fee structure. The quick answer is younger clientele. A commission-based model works better for more established clients with a large asset base. Retainer fees, on the other hand, work better for Gen X and Y'ers who are looking for financial advice as a stand-alone service. Marketing financial planning as a standalone service to customers who have previously interacted with the AUM model can be difficult; however, approaching a completely new set of clientele who are not used to a commissioned-based model is far easier.

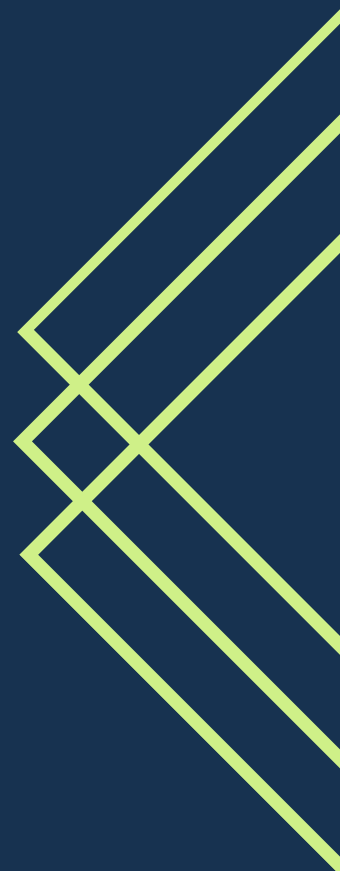


Start with Your Existing Clients

If you are currently in the changeover phase from a model that relies more on AUM to one that adopts retainer fees, your first marketing stop should be with your current clients. Although it may present challenges, we recommend you market your financial advisory services to them as a stand-alone service billed monthly.

You should know from the outset that many people might be resistant to the change, but even having a handful of clients that are willing to adapt will help you with the crossover. At this point, maintaining your purely AUM clients will help make the transition smooth so that you do not have to put all your eggs in the retainer fees' basket.

Once you have explored your existing client set, it's time to move on to discovering a new niche that may or may not include your original customers.



Communicate with Your Target Niche

Think of your specific skills set, your personality type, your interests, whom you are connected to socially — and decide on a niche that you will be able to cater to better than anyone else. Whether it is teachers or outdoor adventurers, one-parent households or digital nomads, defining your target group is vital.

Once you know who they are, find out what they want. Organize an informal coffee date with them where they are able to share with you what they would like out of a financial advisor.

Showing this kind of interest will not only assist you in shaping this new branch of your business, but also in forming relationships with those who could translate into your future paying clients.

Set Minimums

With a younger client set, you will encounter a different set of financial advisory needs. This group may want to invest and plan and save as much as anyone else, but do not meet the minimums for an AUM model. They need a new set of criteria. Your job is to ensure that you offer types of fees that they are able and willing to pay every month, and that your business is profitable for you.

To satisfy both of these criteria, you need to set monthly minimums per client that make sense for your business and at the same time do not exclude your new customer set. In doing so, remember to not undervalue yourself. By setting your fees too low initially, you may end up shooting yourself in the foot later on. It's very hard to justify fee increases to your clients. Instead, take your full worth into consideration from the get-go to ensure you do not need to have that difficult conversation down the line.

Combining Retainer Fees and AUM

Making use of the retainer model does not mean that you have to abandon AUM completely. In fact, combining retainer fees and AUM can be lucrative if you go about it the right way.

Your first step to figuring out whether including AUM in your business model will work for you is understanding the needs of your clients. Do your clients have liquid assets that need to be managed? If not, does it look like they will attain assets in the future? If the answer is yes to either of these questions, incorporating AUM into your business model might be appropriate for you.

It is then up to you to decide whether you want to handle the investment management side of things yourself, or outsource it. You could outsource to a specialist firm or a robo-advisor, if either of these makes sense for your business. Either way, you will be able to charge less for AUM services than other asset managers, as it will not be your main source of revenue.

The bottom line is that by providing this additional service to your client, you will grow your per client revenue. You will also increase your client loyalty, becoming somewhat of a one-stop shop for their financial advisory needs.

In the long term, this will mean that you will be able to earn more from each client, without having to raise your planning fees too much over time.

Compliance + Payment Processing

INTRODUCING ADVICEPAY

The monthly retainer model is appropriate for Gen X and Y customers on so many levels, it's sometimes easy to overlook that it comes with some disadvantages. Perhaps the greatest of these is that payment processing for financial advisor fees is not so simple. It may seem like an easy task to set up a system that allows you to charge directly every month, but the reality is that "compliant" and "billing solutions" are not always compatible terms in the retainer model.

To bring these two ideas together in a fruitful way, AdvicePay created a payment solution. AdvicePay ensures that the client stays in control of their own funds, something which is at the heart of the financial services regulation compliance. It allows you to charge your clients using credit cards or ACH without diminishing the client's agency. Your client has the choice to make this a once-off or recurring payment. Obviously, the choice of the recurring payment is favorable when it comes to the retainer model, but allowing your client the option keeps the ball consistently in their court. They also have the option to cancel their subscription at any time. In addition, there is full disclosure of their payment records at all times, including past invoices and upcoming payments.

AdvicePay is currently the only compliant payment processor for financial advisors, and was created so that you have peace of mind when shifting to the retainer model while maintaining compliance.



About Us

Established in 2016, AdvicePay is a payment processing platform for financial advisors designed to help users bill their hourly, retainer, subscription, and other financial planning and advice fees while complying with custody regulations, keeping client data secure, and providing efficient ways to manage fee-for-service billing.

Unique from any other billing and payment platform, AdvicePay is specific to the financial planning business model, designed for financial advisors, by financial advisors.

Users can issue agreements for signature, accept ACH and credit cards, bill one-time payments, and establish recurrent retainer or subscription billing compliantly - all through the AdvicePay system.



AdvicePay

Efficient. Compliant. Secure.