

Are Fee-only Financial Advisors More Expensive?

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Before partnering with a financial advisor, most prospective clients will want to have a firm understanding of the cost of service. During your search, you'll come across fee-only, fee-based, and commission-based pricing structures.

The truth is, there is no direct answer to if fee-only advisors are more expensive. All firms are different, and their pricing reflects that. Before we dive into cost efficiency, we need to understand each pricing structure available to clients.

Fee-only

Fee-only is payment directly from clients for the services provided. Under this pricing model, there will be no commission or financial kickbacks for advisors. Within this structure, there can be a flat fee, an hourly or monthly rate, or an asset under management (AUM) fee. An AUM fee is when the advisor charges a percentage on the assets entrusted to their care.

Commission-based

Commission-based is when the advisor's revenue primarily comes from the products they sell to clients. These products often include mutual funds, annuities, and insurance products. Often, these investments provide advisors with kickbacks when their products are recommended.

Fee-based

Fee-based is a mix of fee-only and commission-based. This pricing method involves a fee for the services provided, but the advisor may also receive a commission for certain products their client's purchase.

Is Fee-only More Expensive?

There is a generalization that fee-only financial advisors are often more expensive than others. For certain firms, this generalization might be true, but it isn't always true for all fee-only advisors. While a fee-only firm's cost of service may appear more expensive on paper, there could be additional/hidden costs in fee-based or commission-based models that cause your all-in cost to skyrocket.

Exchange's Perspective

Exchange operates under an AUM fee-only pricing model because we find value in simple and full disclosure pricing. At Exchange, we will explicitly state how much you are paying us in fees front and center on your client portal. Additionally, we believe fee-only allows us to foster transparent relationships by removing commission incentives for advisors.

Outside of simplicity and transparency, we find the value we provide clients with outweighs our cost of service. On top of high-quality financial planning work, our clients get access to our investment management team at no added cost. Our in-house investment management team extensively researches investments to build portfolios aligned with your financial plan. Lastly, we built Exchange to be an ensemble firm. This means you aren't paying for one advisor, but rather a firm filled with industry professionals that are working together to help you reach your goals.

The Bottom Line

All these pricing models operate differently, but that doesn't mean one is always more expensive than the other. The true price depends on the advisor and firm you partner with. To understand how our pricing structure works, consider scheduling a discovery meeting. We'd love to discuss how we strive for a transparent, straightforward pricing structure for our clients.