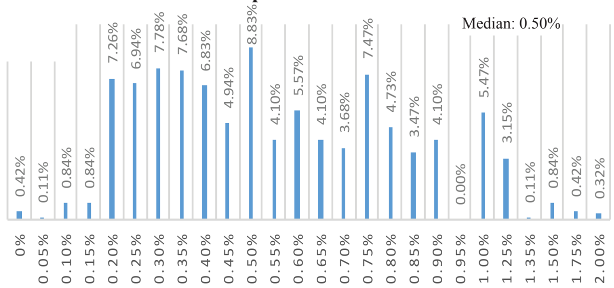
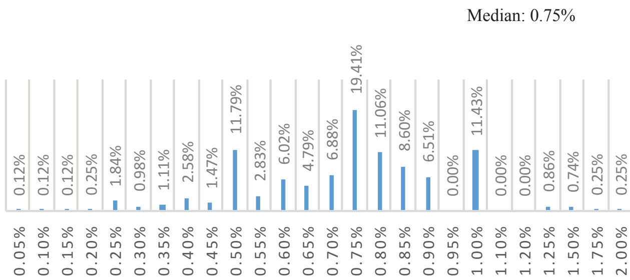
2017 Planning Profession Fee Survey

Presented by: ***Inside Information***
http:www.bobveres.com

Estimated Blended Expense Ratios of Portfolio Investments



AUM Fee Levels: Portfolios $2-$3 million

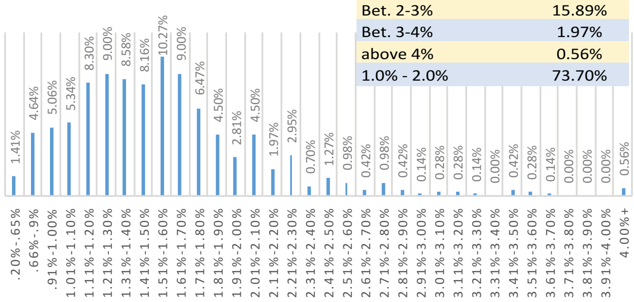


Fee Structure Breakdown	
AUM Only	33.37%
AUM + Retainer	23.85%
AUM + Hourly	8.05%
AUM + Commission	8.68%
AUM/Hourly/Retainer	8.68%
Retainer Only	5.23%
Hourly Only	3.24%
Hourly & Retainer	2.93%
Commission Only	0.63%
Commission + Hourly	0.21%
Commission/AUM/hrly	2.09%
Commission/AUM/Ret.	1.57%
All Four	1.46%

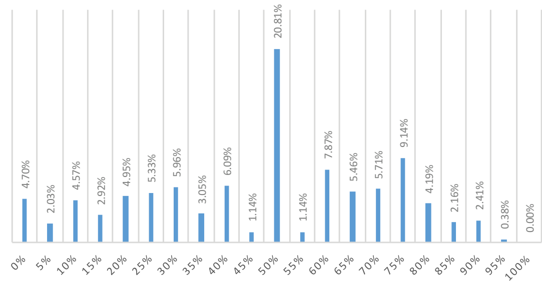
Average AUM Fee:	$6,689
Average Planning Fee:	$6,175
Lowest AUM Fee:	$938
Lowest Planning Fee:	$0
Highest AUM Fee:	$15,750
Highest Planning Fee:	$13,500

Total Annual Costs $1-$2 Million Client Portfolios

Median:	1.50%
Under 1%	8.16%
Bet. 1-2%	73.70%
Bet. 2-3%	15.89%
Bet. 3-4%	1.97%
above 4%	0.56%
1.0% - 2.0%	73.70%



Advisors reporting % of AUM Fees That Pay for Non-Asset Management Client Services (Financial Planning etc.)



Introduction

The DOL fiduciary rule has raised a question that nobody seems prepared to answer: what are reasonable fees for managing a client's investment assets? We hear about an industry standard 1% of assets under management, but we also know that this fee level doesn't apply equally to portfolios of all sizes. Are there any industry statistics which compare different fee levels for different size portfolios, and help us arrive at a working definition of "reasonable?"

At the same time, it has been widely reported that the financial planning profession is moving away from a pure AUM revenue model. The destination is, as yet, uncertain, but we can plausibly speculate that the evolution will move toward a blended AUM/fixed fee (what used to be called "retainer") model, where the fixed fee pays for planning while the AUM fee pays for the asset management activities. Some advisors are shifting to a fixed fee model, while others are adding hourly fees. And, of course, many advisory firms are still earning commissions on their product recommendations.

This, too, raises a lot of interesting questions. Among them: where are we in this evolutionary process? How many financial planning firms are, today, still compensated purely by assets under management? How many are using one of the various blended models: AUM plus fixed fees; AUM plus hourly, AUM plus commissions.

And how many have moved away from AUM altogether, and are charging either fixed fees or some combination of fixed fees plus hourly or commission, or hourly fees alone?

Is the trend away from AUM visible in today's financial planning community, or is it, as yet, purely speculation?

Beyond that, there are other costs to consider. Advisors charge for their own services, but client portfolios also incur the blended expense ratios of the underlying investments, plus trading costs, plus, in some cases, additional platform fees to compensate a broker-dealer, TAMP, custodial NTF program or wrap fee program. What do we know about standard all-in costs of client portfolios, when each of these cost components are added together? Can we arrive at an industry standard for all-in costs?

Are there differences in cost structures among different types of firms? Do portfolios managed by wealth managers typically cost more, or less, than similar-sized portfolios managed by dually-registered advisors, wirehouse brokers or fee-only financial planners? Are there differences in cost when the firms are broken down by size, or by the number of years a planner has been in the business?

When a financial planning firm charges one AUM fee for its full range of services, what percentage of that total fee pays for financial planning and other non-investment related services, vs. what percentage should properly be allocated to managing client portfolios?

Finally, for advisory firms who are looking at moving from an AUM to flat fee arrangement, what would be a reasonable cost for providing financial planning services, and asset management services? Is there a way to arrive at industry standard pricing?

This white paper will endeavor to answer these and other interesting questions about fee structures in the financial planning marketplace. Over the next 22 pages, the reader will find charts which break down the data collected from nearly a thousand financial planning firms in the fall of 2016, as part of a comprehensive technology survey.

The result may represent the most comprehensive picture yet offered of how financial planners are charging their clients, and how much. This report not only offers some tentative answers to the questions about industry-standard fees and all-in portfolio costs, but also paints a picture of a profession in transition.

There will be analysis provided throughout the report, but unlike many white papers in the industry, the goal here is for the reader to draw his/her own conclusions and apply the research to your own circumstances. The opinions of the author are far less relevant than the faithful reproduction of the data we collected, represented here by 59 charts and tables.

I want to offer my sincere thanks to Jo Day of Trumpet, Inc., and Jennifer Goldman of My Virtual COO, who graciously encouraged their audiences to participate in the survey.

And I want to invite any readers to help me think of questions that should have been asked, or ways to evaluate the data we collected in potentially useful ways. Every effort was made to create the most relevant fee survey in the profession's short history, but there is clearly much more work to do.

Bob Veres
Inside Information

Who Are the Participants?

The survey was sent out to three primary audiences in the financial planning profession: the readers of Bob Veres's Inside Information newsletter service; members of Joel Bruckenstein's T3 community, and the readers of the Advisor Perspectives/AP Viewpoint information service.

In all we collected 956 useable survey forms. In order to determine how close our respondents were to a representative sample of the profession, we asked about their experience, their business structure and the size of the firm where they worked, measured in total annual revenues.

The results are shown in the three charts on this page. Generally, the respondents tended to be a bit more experienced than average; almost half reported having spent more than 20 years in the business, and another 31% have worked 11-20 years.

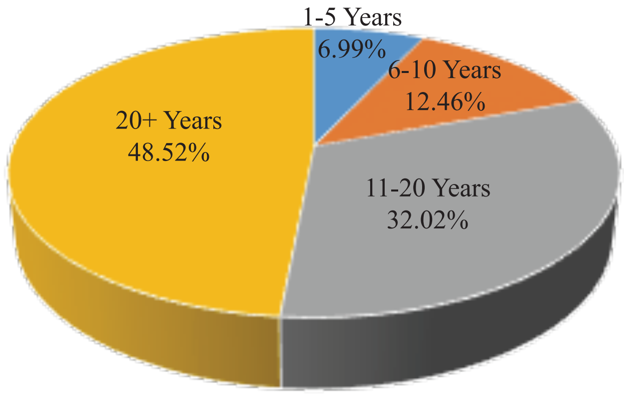
Turning to business structure, we attracted a very small number of wire-house affiliated brokers, and a slightly larger, still insignificant, number of asset managers. The preponderance of the respondents were fee-only planners (52.62% of the total); and comprehensive wealth managers (25.24%), along with lesser representation among the communities of dually-registered advisors (17.43%), asset managers (2.57%) and wirehouse-affiliated brokers (2.14%).

The survey captured a good cross-sample of firm size, with a slight bias toward larger firms that have successfully created scale.

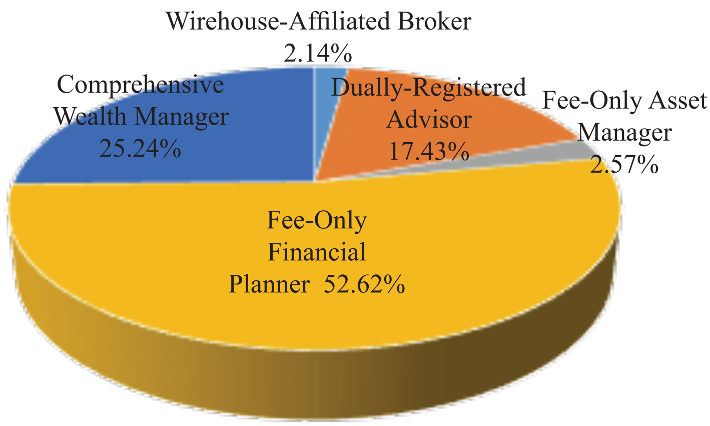
Overall, the survey seems to have been skewed to firms that offer financial planning services, which is to be expected if many of the respondents were members of the Inside Information community.

Let's take a look at how - and how much - these advisory firms charge for asset management and other activities, from a variety of angles.

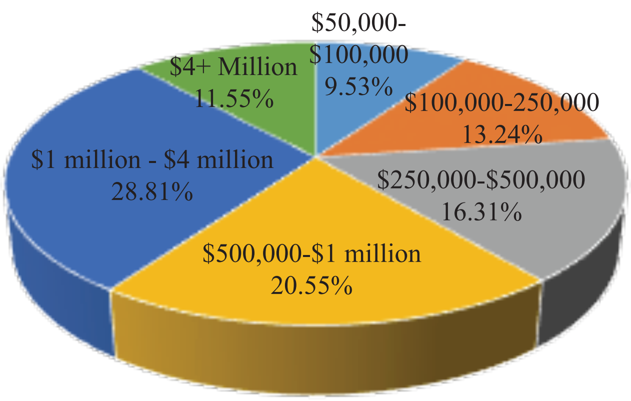
Survey Responents Breakdown: Years in Business



Survey Responents Breakdown: Business Structure



Survey Responents Breakdown: Firm Revenue



Revenue Models

Percent Using AUM As Part of their Fee Structure: 87.75%

Percent Using Retainers As Part of their Fee Structure: 43.72%

Percent Using Hourly Fees As Part of their Fee Structure: 26.66%

Fee Structure Breakdown	
AUM Only	33.37%
AUM + Retainer	23.85%
AUM + Hourly	8.05%
AUM + Commission	8.68%
AUM/Hourly/Retainer	8.68%
Retainer Only	5.23%
Hourly Only	3.24%
Hourly & Retainer	2.93%
Commission Only	0.63%
Commission + Hourly	0.21%
Commission/AUM/hrly	2.09%
Commission/AUM/Ret	1.57%
All Four	1.46%

One key question we sought to answer with this survey was: Is there a visible trend away from the AUM revenue model toward other models?

The chart at the upper right contains a great deal more information than its size would suggest. It reveals a trend toward more diverse revenue sources, but one still in its early stages. Whereas five years ago, the AUM-only category would almost certainly have been over 70%, today it represents almost exactly one-third of the respondents. More than 85% of the respondents still charge some form of AUM, but just under two-thirds are now supplementing AUM fees with retainer or hourly (and some commission) revenues.

Based on the comments we received in the open-ended fields throughout the survey, it appears that the AUM + Retainer and AUM + Hourly models generally mean that an advisor is charging for the up-front planning work and thereafter charging on an AUM basis, with perhaps some project work paid for by retainers or fees as time passes. However, others are bifurcating their asset management work (paid by AUM) and planning (paid by hourly or retainer fees).

Fee Levels

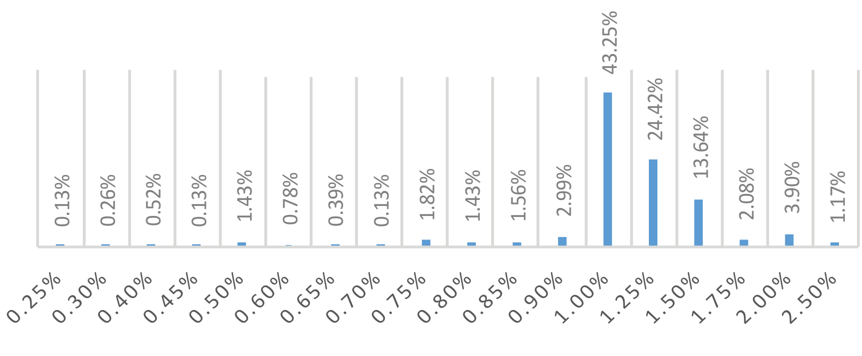
In the absence of clear profession-wide data, it is hard to see how advsiors can determine "reasonable" fees for client portfolios. We hear that 1% of a client portfolio is "industry standard," but is this true for portfolios of all sizes? Is it true for ANY size?

This survey sought to address this question in the most straightforward possible way: by asking survey respondents to provide us their AUM fee level for client portfolios of different sizes.

The first set of charts, to the right, reflect the responses for portfolios below $250,000. A small percent of advisors chose not

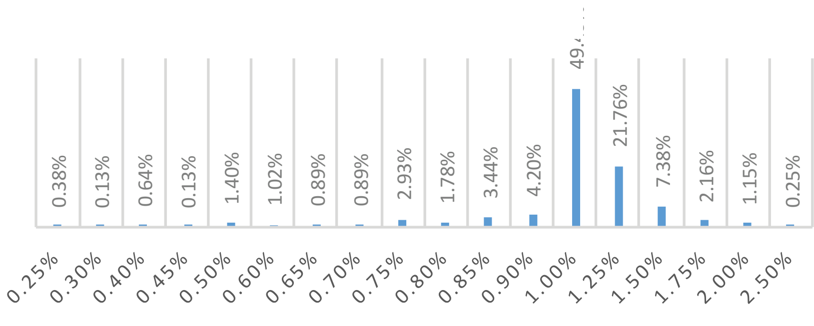
AUM Fee Levels: Portfolios Below $250,000

Median: 1.00%

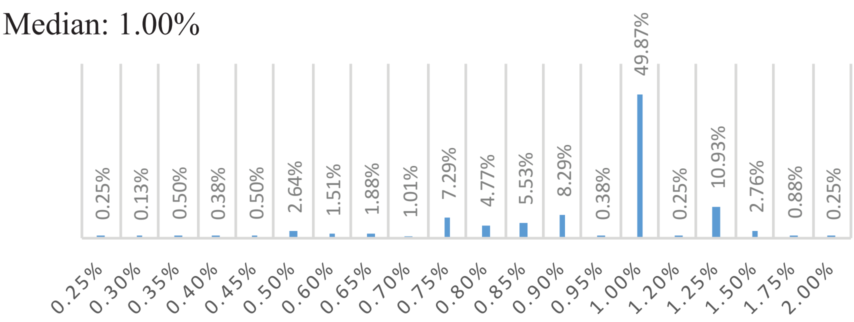


AUM Fee Levels: Portfolios $250,000-$500,000

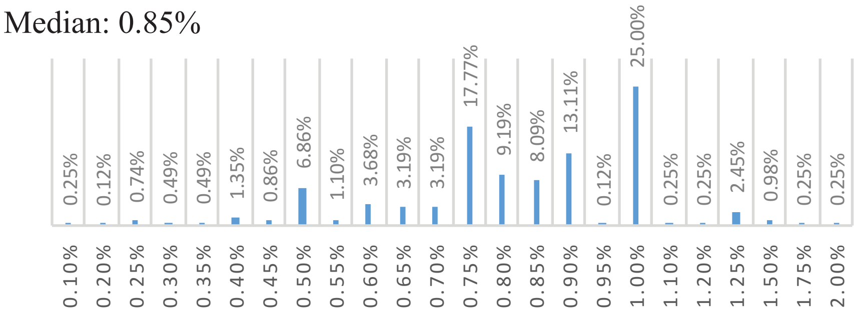
Median: 1.00%



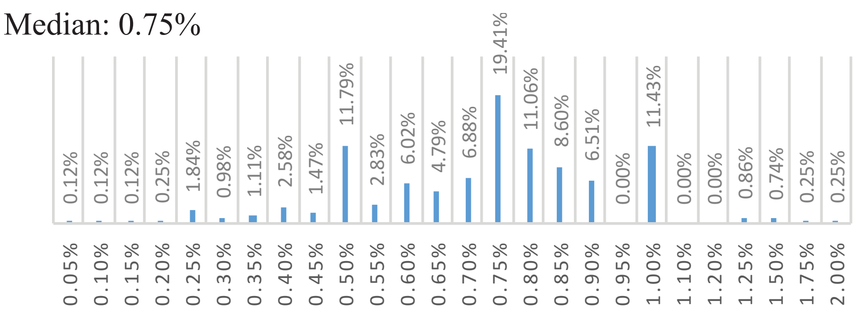
AUM Fee Levels: Portfolios $500,000-$1 million



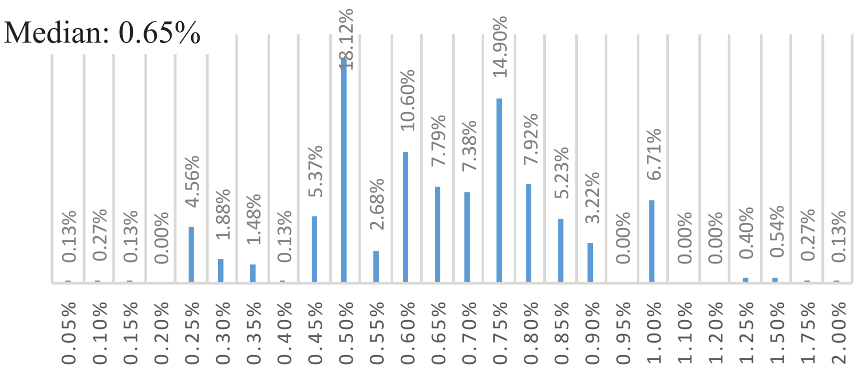
AUM Fee Levels: Portfolios $1-$2 million



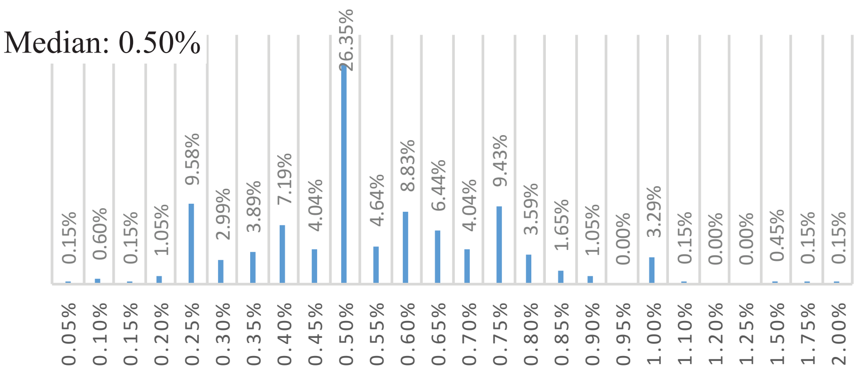
AUM Fee Levels: Portfolios $2-$3 million



AUM Fee Levels: Portfolios $3-$5 million



AUM Fee Levels: Portfolios $5-$10 million



to answer this question, because $250,000 is below their stated minimum, but one of the surprises of the survey was that, in the real world, more than 2/3rds (68.85%) of planning firms are actually managing portfolios of this size.

At this asset level, the 1% consensus estimate seems to be reasonably accurate, and that holds true for portfolios up to the $1 million level (see left). Above $1 million, the standard fee level drops to 85 basis points, and the spectrum of fees becomes wider, making it a bit more difficult to identify what is "reasonable."

The median fee drops to 75 basis points for portfolios in the $2-$3 million range, and further to 65 basis points for client portfolios in the $3-$5 million range. Only about 60% of respondents gave us information in the $5-$10 million range (this level is more aspirational than reflective of actual experience for many firms), but those who did reported a median of 50 basis points. (Several respondents, in the open fields, told us that their fees at that level are negotiable.)

What is interesting, and will be reflected in later charts, is the broad spectrum of fees charged. The industry standard 1% appears to be reflected more in the breach than the actual experience, with a significant number of advisors charging 45 basis points or less on $3 million portfolios. Some readers, meanwhile, are likely to register some degree of astonishment at the long, thin tail along the right side of the graph, which reflects advisory firms charging more than 1.25% - in a few cases, much more - on client portfolios of significant scale.

Additional Portfolio Costs

Of course, AUM fees are only one component of the costs that are paid out of client portfolios. Are there industry standards for some of these other costs?

These additional expenses include the blended expense ratios of the underlying investments in client portfolios - whether they are mutual funds, ETFs or other structures. We asked respondents to estimate their expense ratio costs, and came to the interesting conclusion that the planning profession's portfolio management processes are nowhere near as homogenous as trade press articles would have one believe.

The alert reader will notice that a few advisors report zero underlying expense ratios. How is this possible? The comments fields offers an explanation: the far left of the expense ratio chart is occupied by advisory firms that manage individual stock and bond portfolios for their clients - rather than funds and ETFs.

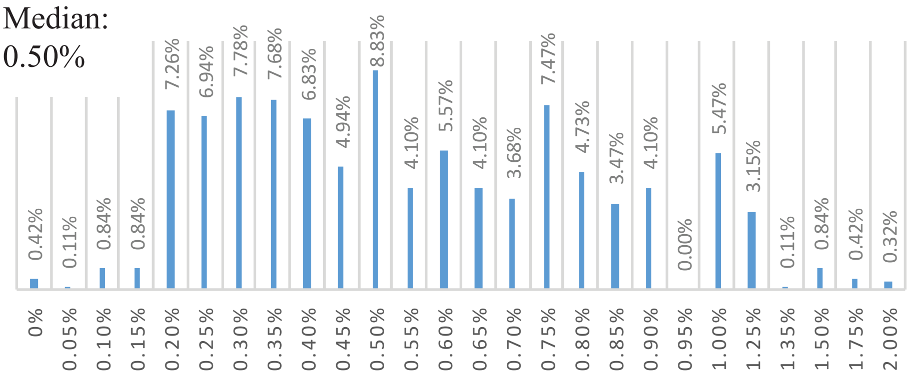
Meanwhile, one can see by the center of gravity weighting on the chart's left-hand side the trend toward index funds and ETFs generally, while a muddled middle seems to show that a large plurality of advisory firms are utilizing actively-managed funds in client portfolios.

Some readers will once again be surprised at the not-altogether-thin tail on the far right side of the expense ratio graph, where advisory firms appear to be investing the majority of client assets in hedge fund vehicles.

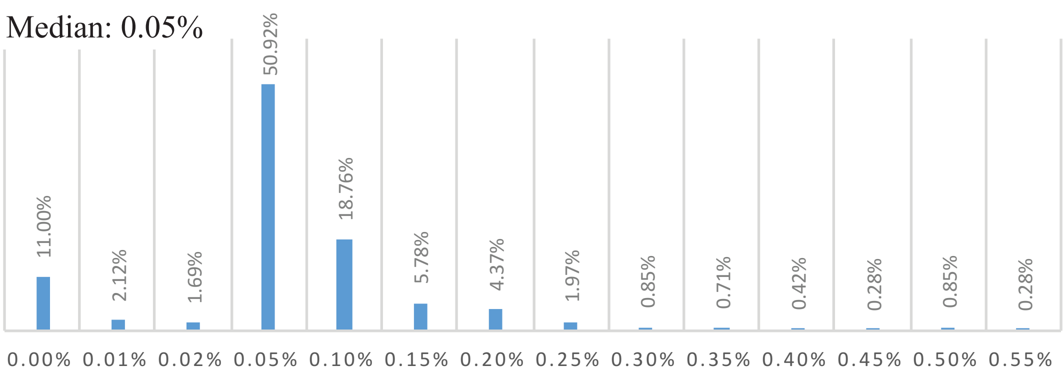
The median of 50 basis points a year would seem to be a decent "reasonableness" figure except that in the real world it probably divides two very different asset management approaches: those who build all-index portfolios would fall on the left; those who follow a "core and explore" management philosophy clustered around the middle, and advisors who employ actively-managed funds positioned somewhat to the right of the center.

Trading costs - that is, the cost of buying and selling into ad out of client portfolios - is another obvious component of portfolio expenses. As the reader can see on the chart below, most advisors appear to be working hard to keep trading costs low (median 0.05%

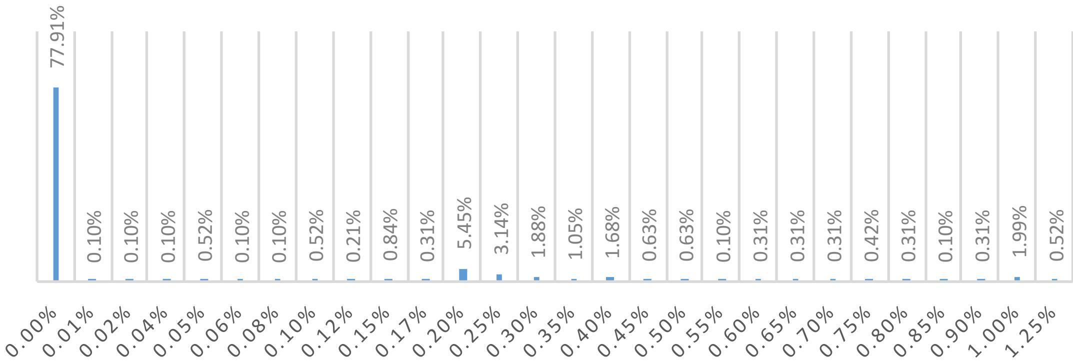
Estimated Blended Expense Ratios of Portfolio Investments



Estimated Annual Trading Costs in Client Portfolios



Annual Platform Fees in Client Portfolios



a year) but there is a very long thin tail that extends all the way out to 0.55% a year. Some advisory firms are adding more than 50 basis points a year in client costs as a result of what one can only conclude are hyperactive trading activities. Based on the chart, it would appear that the "reasonableness" threshold is in danger of being breached if annual trading costs exceed 10 basis points.

The 11% of survey respondents who report 0% annual trading costs might seem perplexing at first, but once again there were two explanations on our "open" fields.

First? Apparently it is not totally uncommon for advisory firms to pay all client trading costs out of their expense ratios - which is to say, out of their own pockets.

The other explanation? We also asked the survey respondents to tell us their platform fees - that is, the fees incurred on their broker-dealer platforms, or for wrap fee accounts, or their participation in institutional NTF platforms. (See chart above.)

As the reader can see, most (just under 78%) are not paying any platform fees at all. For the advisors who incur them, the platform fees often represented some or all of their trading costs. That is, some would report zero trading costs, and platform fees instead. Others reported low trading costs plus platform fees.

Total Portfolio Costs

Once you've gathered the AUM fees for different size portfolios, plus an estimate of the blended expense ratios of the underlying investments in client portfolilos, along with annual trading costs and platform fees, it becomes possible to calculate an all-in cost, for each participating advisory firm, for client portfolios of different sizes.

Here, the profession's search for "reasonableness" reaches its most meaningful stage. It's possible that some advisors are charging above-average AUM but the other expenses are below-average, meaning their clients are paying something comparable to what clients are paying when they work with planning firms that charge higher AUM rates.

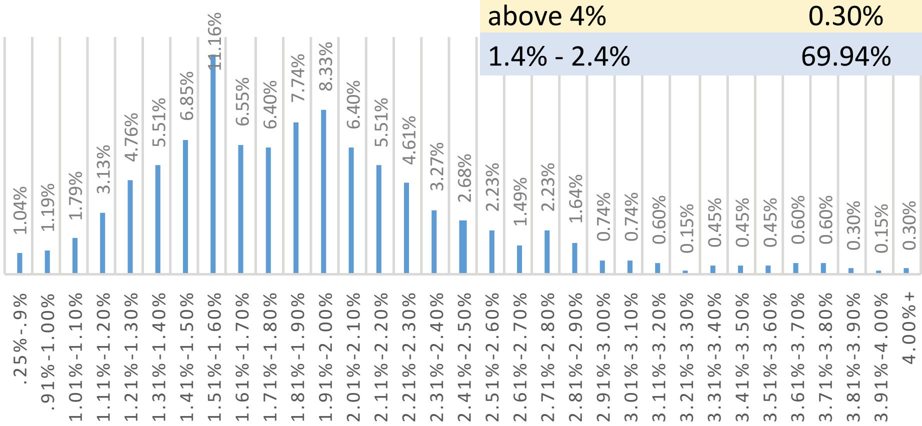
It should be noted, before we take a tour of the data, that no attempt was made to assess the *effectiveness* of the portfolio management activities. It's theoretically possible that some of the highest-cost portfolios reflected in this survey are among the highest-returning. It is also possible that inexpensive portfolios are delivering some of the lowest performance.

On the right the reader can see, for the first time in this survey, two tight bell graphs representing the all-in costs for smaller client portfolios - those under $250,000 in assets, and those with $250,000 to $500,000 in client assets. Each graph comes with a chart that shows the median all-in cost (1.85% and 1.75% respectively) - data that we are certain has not been collected and displayed anywhere else before the publication of this survey.

We also made an attempt to define the "reasonableness" spectrum by identifying the percentage of respondents whose numbers, when added together, fell into certain ranges, and at the bottom, the all-in costs that defined the upper and lower boundaries of the largest range. If the all-in costs fall anywhere between those two numbers - 1.4% to 2.4% for the smallest portfolios - one would imagine that a reasonable person would define them as "reasonable." A court of law or the DOL would probably work off of a broader spectrum.

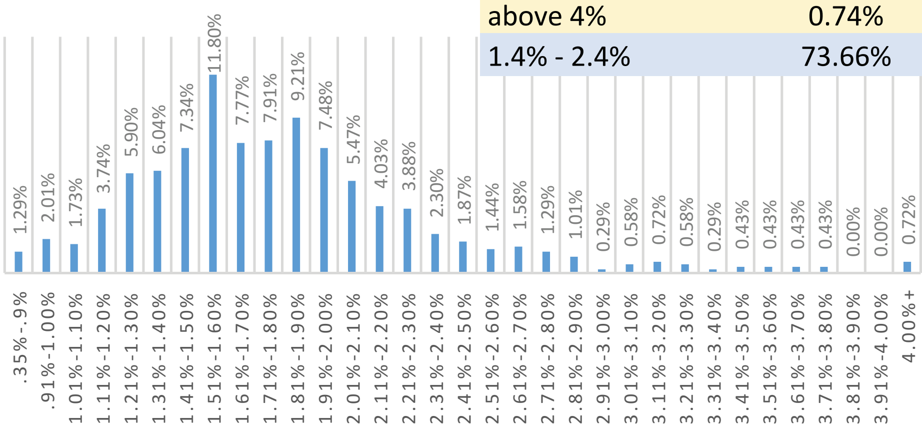
Total Annual Costs Under-$250,000 Client Portfolios

Median:	1.85%
Under 1%	1.79%
Bet. 1-2%	62.65%
Bet. 2-3%	30.80%
Bet. 3-4%	4.46%
above 4%	0.30%
1.4% - 2.4%	69.94%



Total Annual Costs $250,000-$500,000 Client Portfolios

Median:	1.75%
Under 1%	2.23%
Bet. 1-2%	69.49%
Bet. 2-3%	26.79%
Bet. 3-4%	4.61%
above 4%	0.74%
1.4% - 2.4%	73.66%



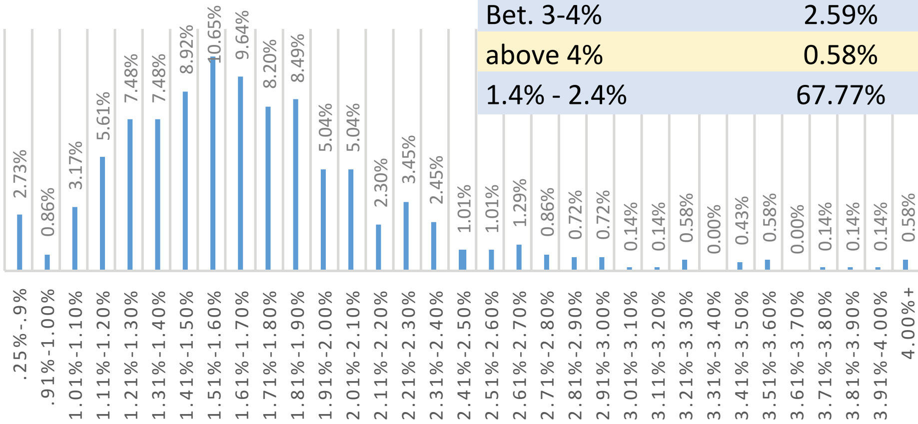
If the reader imagined that the higher AUM levels were somehow cancelled out by comparably low portfolio expense ratios or trading costs, the charts offer an antidote in the form of the long thin tail stringing along to the right of the first two graphs, and continuing through the next five. Once you get beyond all-in costs of roughly 2.4% for portfolios under $1 million, and 2.0% for portfolios under $3 million, you begin to see a small but persistent percentage of the sample whose clients are paying increasingly high costs - higher than 3% and, in a small handful of cases, above 4% a year.

Overall, however, it would appear that clients of financial planning and wealth management firms - the great majority of respondents to this survey - are getting a break on fees. The brokerage world has boasted a flat 3% total all-in portfolio cost, which in recent years has been steadily negotiated downward to 2.5%. Planning and wealth management firms, on the other hand, seem to be clustering, for portfolios above $1 million, in a range below 2% a year, in some cases well below.

Meanwhile, one sees a definite shift to the left (lower all-in expenses) as portfolios get larger, but it's fair to wonder whether these larger portfolios require a great deal more effort on the part of the planning/wealth management firm to justify the slow decline in AUM fees.

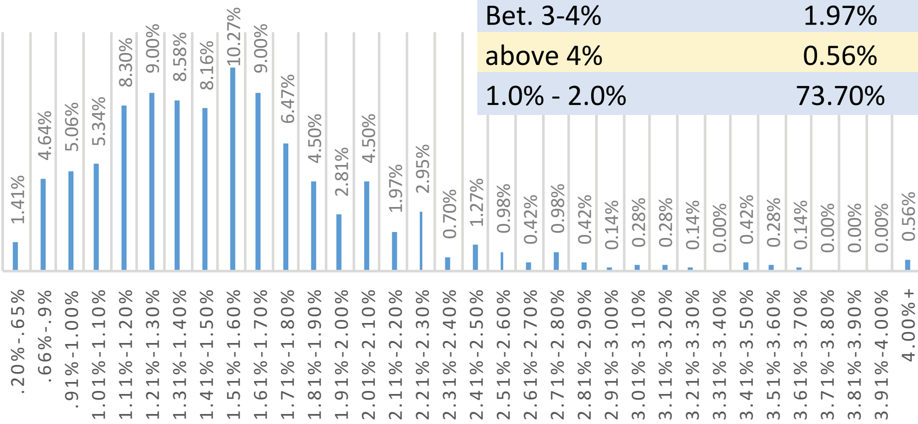
Total Annual Costs $500,000-$1 Million Client Portfolios

Median:	1.65%
Under 1%	3.60%
Bet. 1-2%	73.53%
Bet. 2-3%	20.43%
Bet. 3-4%	2.59%
above 4%	0.58%
1.4% - 2.4%	67.77%



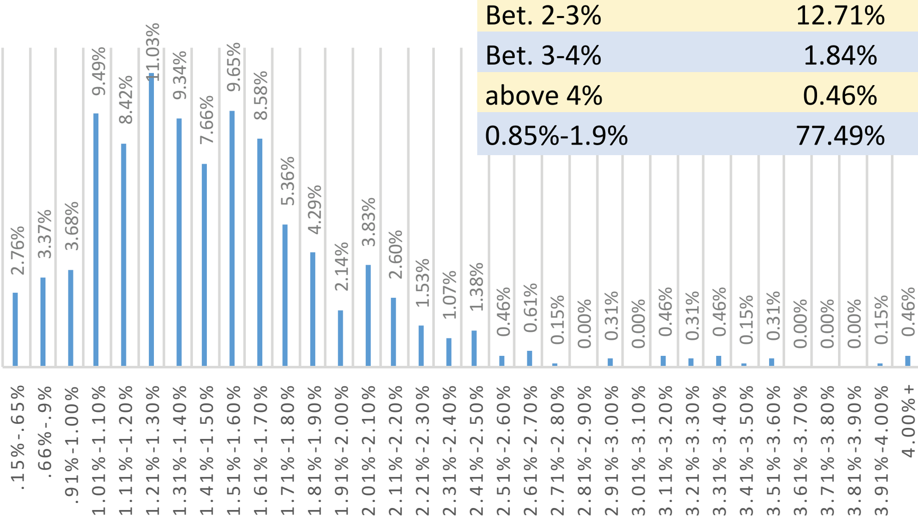
Total Annual Costs $1-$2 Million Client Portfolios

Median:	1.50%
Under 1%	8.16%
Bet. 1-2%	73.70%
Bet. 2-3%	15.89%
Bet. 3-4%	1.97%
above 4%	0.56%
1.0% - 2.0%	73.70%



Total Annual Costs $2-$3 Million Client Portfolios

Median:	1.40%
Under 1%	14.24%
Bet. 1-2%	79.63%
Bet. 2-3%	12.71%
Bet. 3-4%	1.84%
above 4%	0.46%
0.85%-1.9%	77.49%

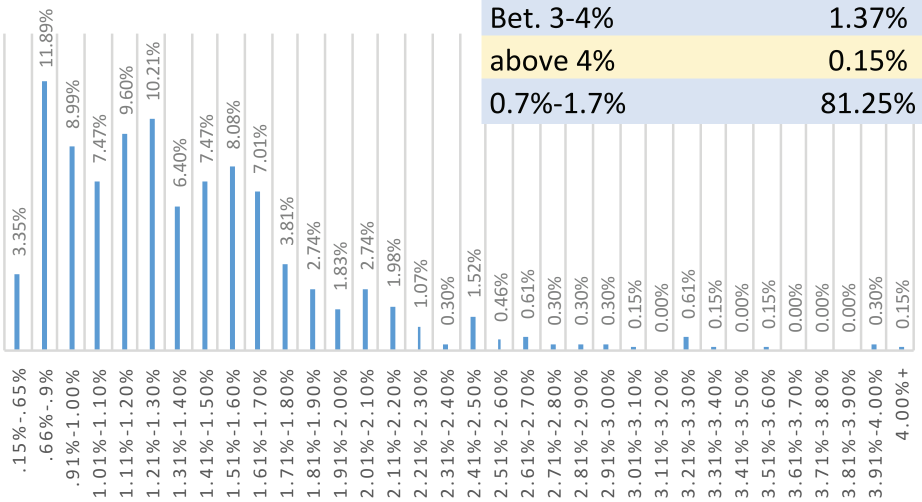


In the final two total annual cost charts, which reflect the all-in expenses of client portfolios above $3 million in size, the slow shift to the left continues, and what had been a bell-like curve more closely resembles a slope.

The center of gravity resides in the 0.6% to 1.7% range, again significantly lower than the reported costs associated with broker-managed portfolios, once again with the now-familiar long thin tail extending to the right. Advisors who are making a mental calculation are likely to be astounded at the costs either charged or incurred by a very small, but still visible percentage of the total respondent base.

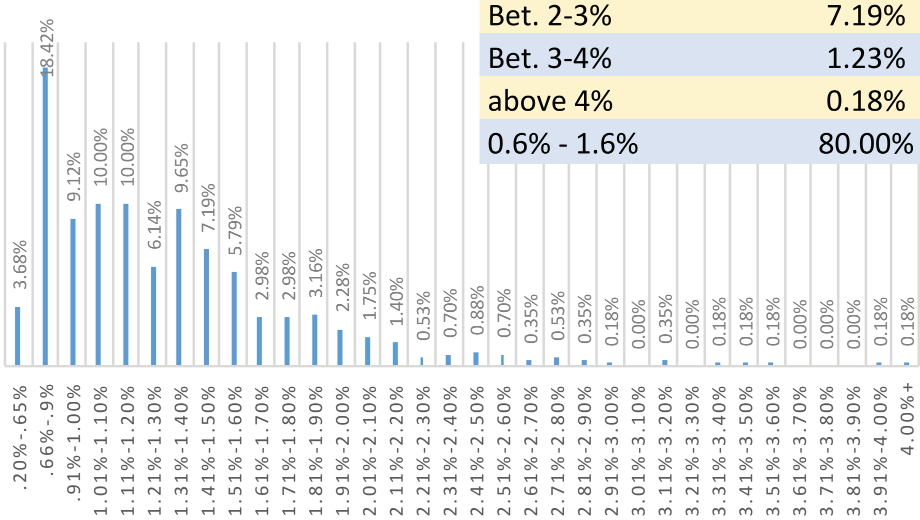
Total Annual Costs
$3-$5 Million
Client Portfolios

Median:	1.30%
Under 1%	20.27%
Bet. 1-2%	68.60%
Bet. 2-3%	9.60%
Bet. 3-4%	1.37%
above 4%	0.15%
0.7%-1.7%	81.25%



Total Annual Costs
$5-$10 Million
Client Portfolios

Median:	1.20%
Under 1%	30.53%
Bet. 1-2%	64.56%
Bet. 2-3%	7.19%
Bet. 3-4%	1.23%
above 4%	0.18%
0.6% - 1.6%	80.00%



All-In Cost By Firm Type

The previous charts begged an interesting question: are different types of firms charging clients differently? Are firms of different size, or advisors of different experience level, managing more or less expensive portfolios?

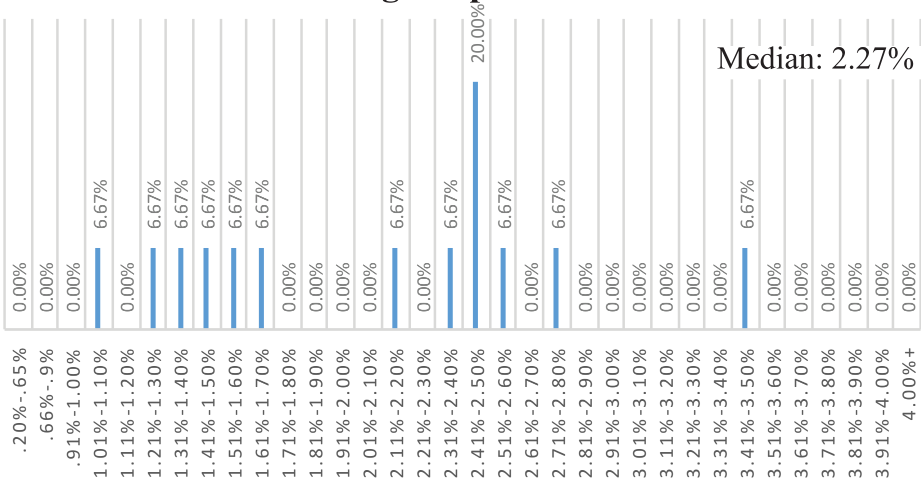
In the beginning of this study, it was reported that we had collected several types of "demographic" data about our respondents: their business structure (wealth management vs. dually-registered, vs. asset manager, vs. fee-only advisor, vs. brokerage firm rep), their years of experience and the size of their firms. By associating that information with the all-in expenses of each respondent for which we had this profile data, we were able to examine whether different types of advisors could be associated with different expense structures.

In this and subsequent pages, we examine the all-in cost structures for portfolios of $1-$2 million in value - a size category that seemed not to be below most minimums or above most firms' actual experience.

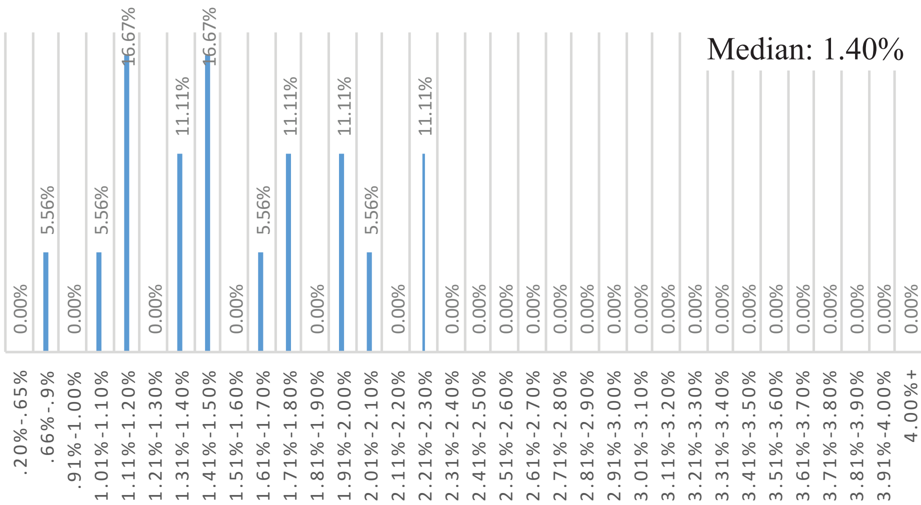
The top right chart reflects the relatively low percentage of brokerage firm representatives in the overall sample (a good reason to view the results with caution), while the bottom chart on this page reflects a similarly small number of fee-only asset managers. The median brokerage firm all-in cost appears to be in line with other published reports, but the surprise is the considerable variation among individual brokers. True, most respondents build portfolios with all-in expenses of 2.3% to 2.6%, but a substantial plurality of brokers with a financial planning orientation - which is what this study captured - are offering a better deal: portfolios costing 1% to around 1.7%.

We see a similar diversity among the fee-only asset managers, although their all-in costs are considerably lower - indeed, the lowest of the total survey. In future reports, we'll need to ask how it is possible to manage client assets profitably for less than 90 basis points a year.

Brokerage Representatives



Fee-Only Asset Managers



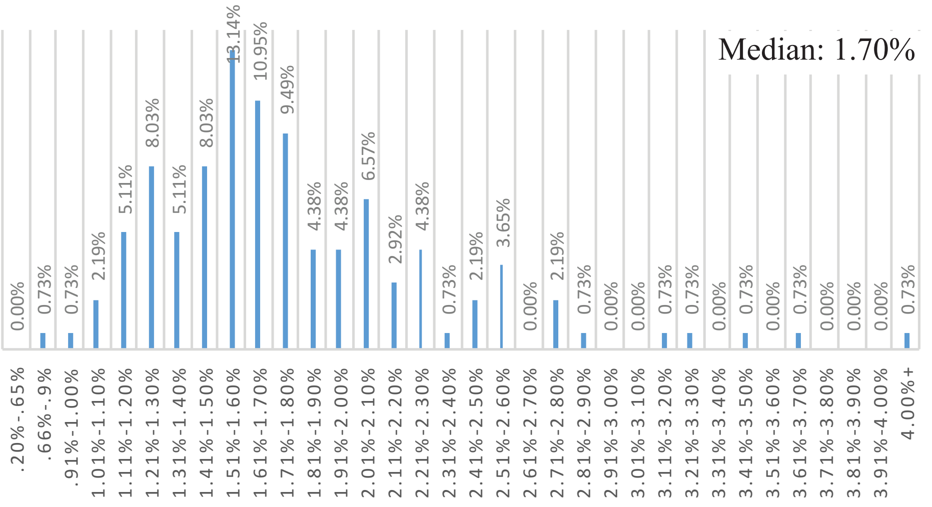
The three graphs to the right represent the three largest cohorts of respondents based on firm type. Dually-registered reps clearly reflect the broadest spectrum of costs, but there is clustering between 1% and around 2.1%. It is important to remember that these AUM fees are, in many cases, supplemented by commissions, so the AUM fee doesn't reflect the full compensation story.

Fee-only planning firms appear to be the most cost-conscious among the different firm types; their median is tied for lowest with the asset managers, and the clustering is further to the left of the graph, with considerable numbers reporting all-in portfolio costs under 1.5%.

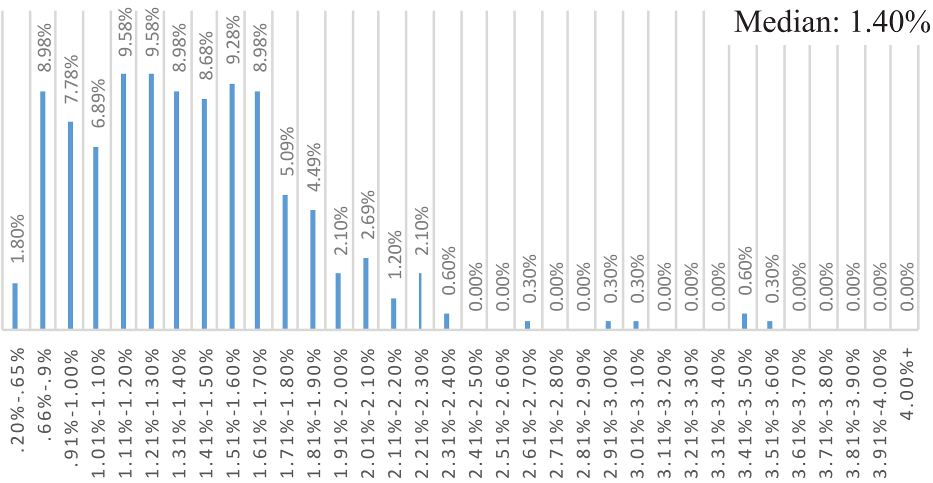
Comprehensive wealth managers are somewhat more expensive in the $1-$2 million portfolio range, and their responses form another bell curve around a median of 1.6% all-in expenses.

By now, the reader will not be surprised by the long thin tails extending out to the right on each graph, with the tails a bit fatter for dually-registered reps and wealth management firms. Indeed, a significant plurality of participants who self-identified as dually-registered or wealth manager reported all-in expenses above 2.6% - as expensive as the standard wirehouse fee structure.

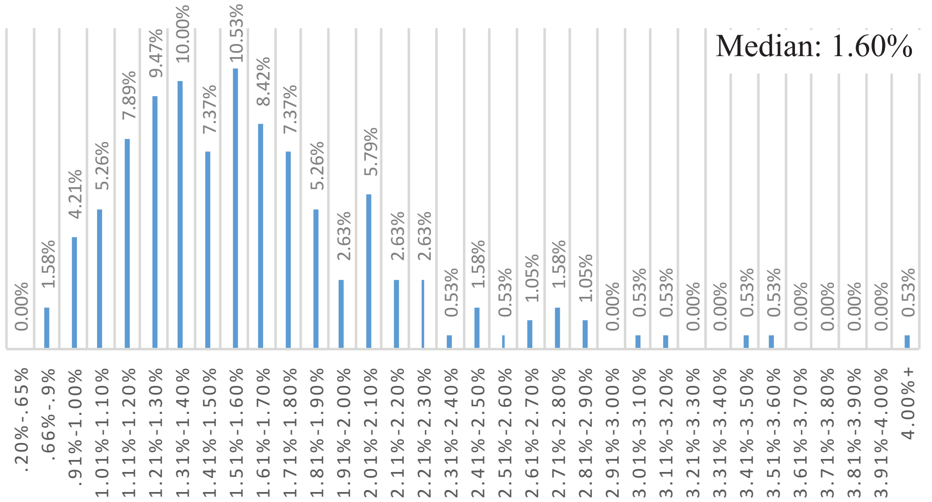
Dually-Registered Representatives



Fee-Only Planning Firms



Comprehensive Wealth Management Firms

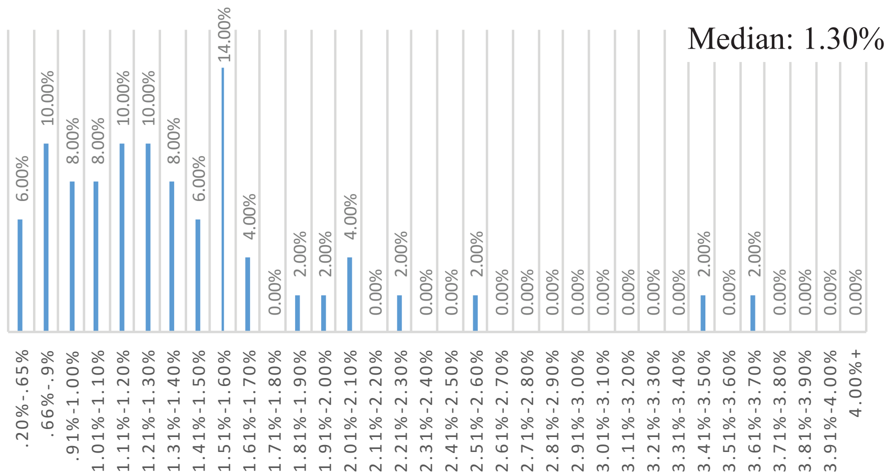


All-In Cost by Firm Size

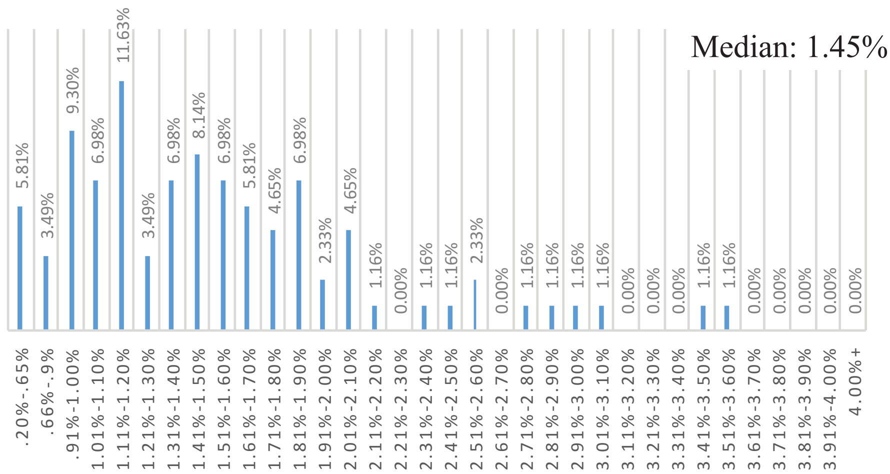
Are there differences in all-in costs based on firm size? The answer is yes; at least, the shapes of the graphs appear to be different, and the medians for the smallest firms (see right) and largest (see next page) firms are different from their peers.

The three graphs on the right side of this page are almost certainly solo advisory firms. The smallest firms are the most cost-conscious, but all three groups are clustered in the 1% to 2% range.

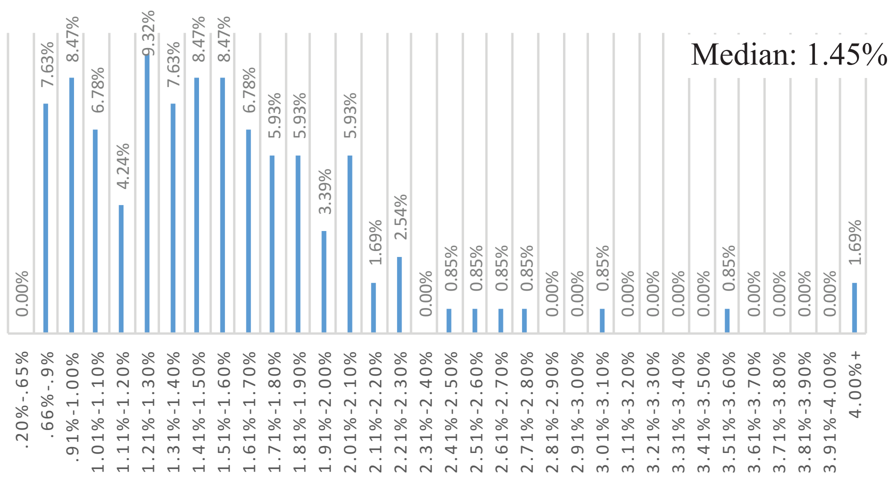
Revenues: $50,000 - $100,000



Revenues: $100,000 - $250,000



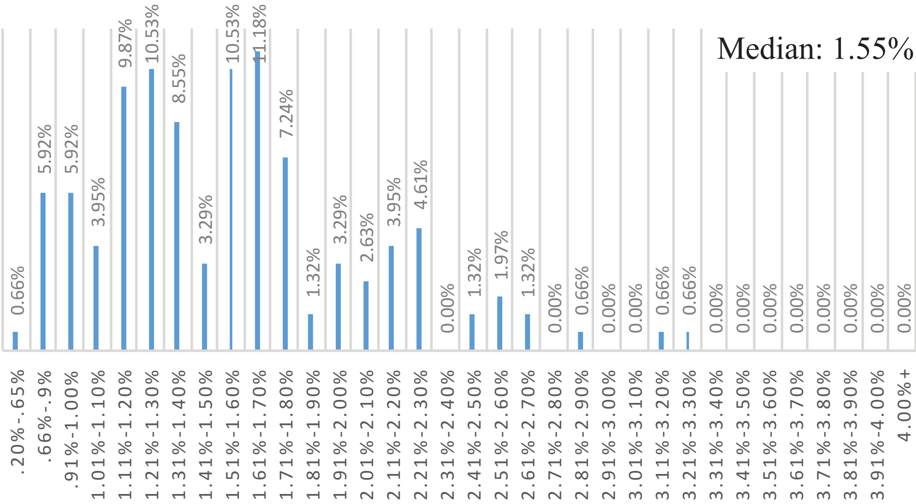
Revenues: $250,000 - $500,000



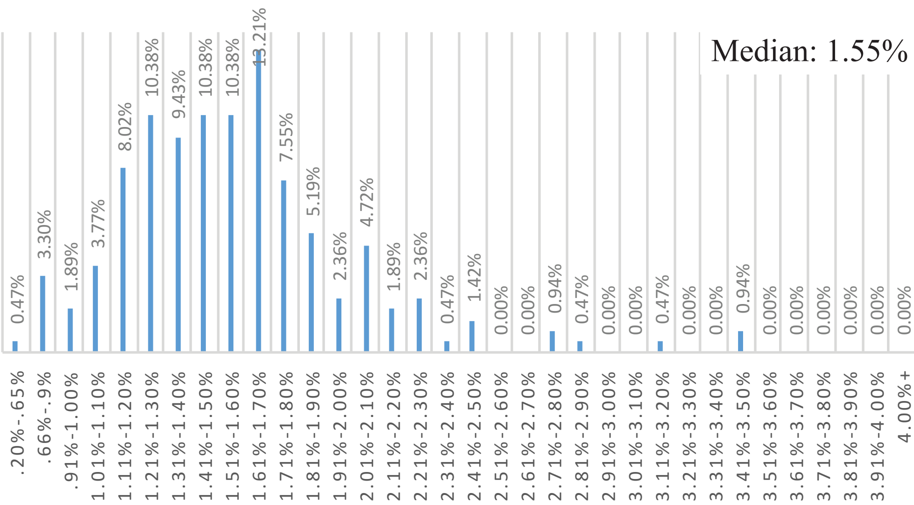
Larger firms appear to charge more, but the difference is not dramatic, and could be due to a wider range of services, or simply a marketing presence in the community that allows for higher fees.

In addition, as firms get larger, the fee structure seems to become somewhat more standardized. There is still a great deal of variation, and certainly no evidence of professional collusion, but the bell shape of the cost curves is more tightly defined around 1.3% to 2.0% a year. As the eye strays to the right side of the graphs, some readers will be scratching their heads at firms incurring as much as 3.4% a year - or, in a handful of cases, reporting all-in fees above 4% a year.

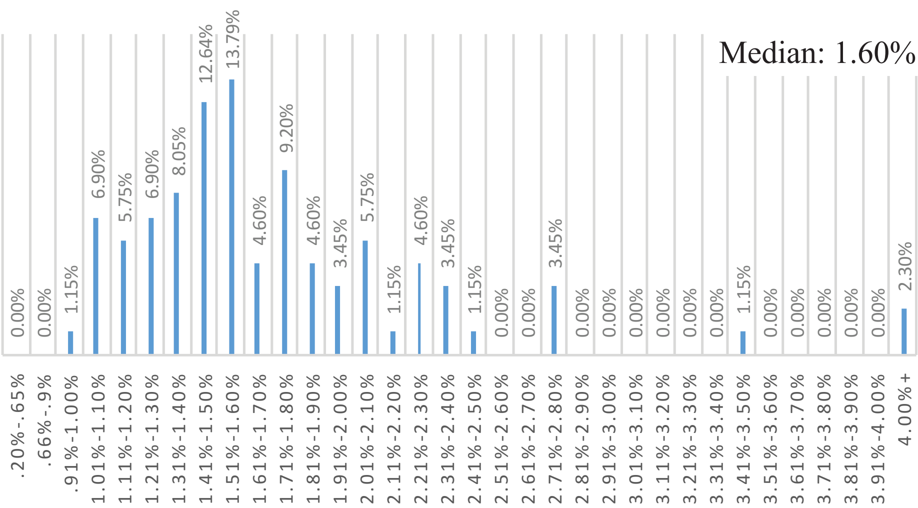
Revenues: $500,000 - $1 Million



Revenues: $1-4 Million



Revenues: $4+ Million



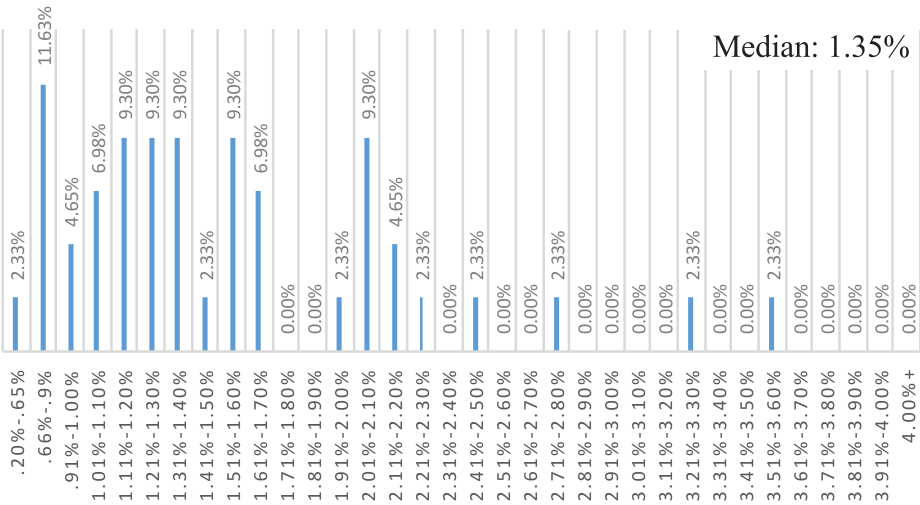
All-In Cost by Years of Experience

Do more experienced advisors charge more, or create more expensive portfolios? The evidence is clearly mixed.

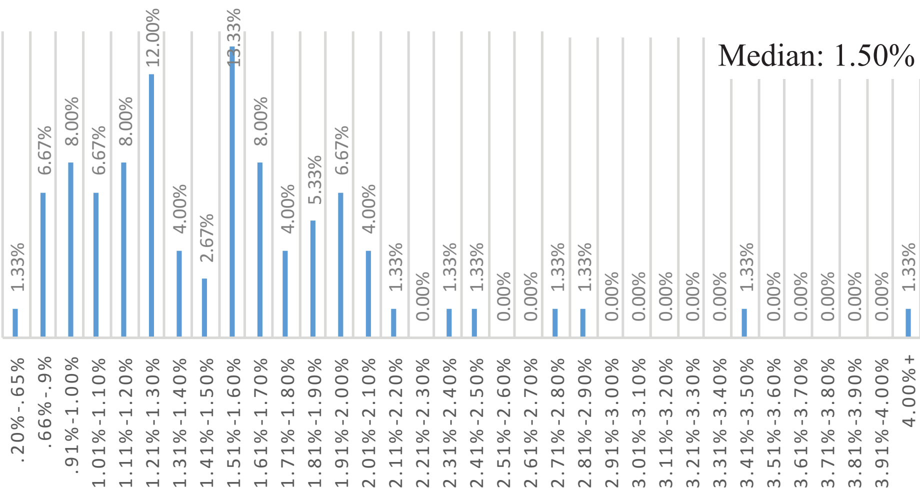
The least experienced respondents to our survey also reported the lowest overall expenses, with the majority telling us that their costs, when added together, amount to less than 1.50% a year.

1.50% was the median for respondents who report having 6-10 years of experience, and from here, the graphs of advisors with diffrent experience levels look quite similar. It would appear that professionals, regardless of experience, fall into much the same pattern in terms of all-in portfolio costs.

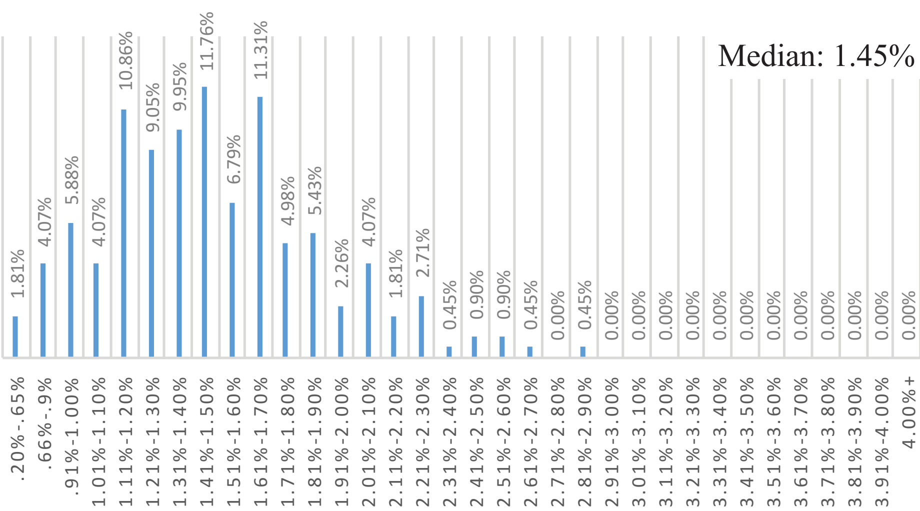
Experience: 1-5 Years



Experience: 6-10 Years

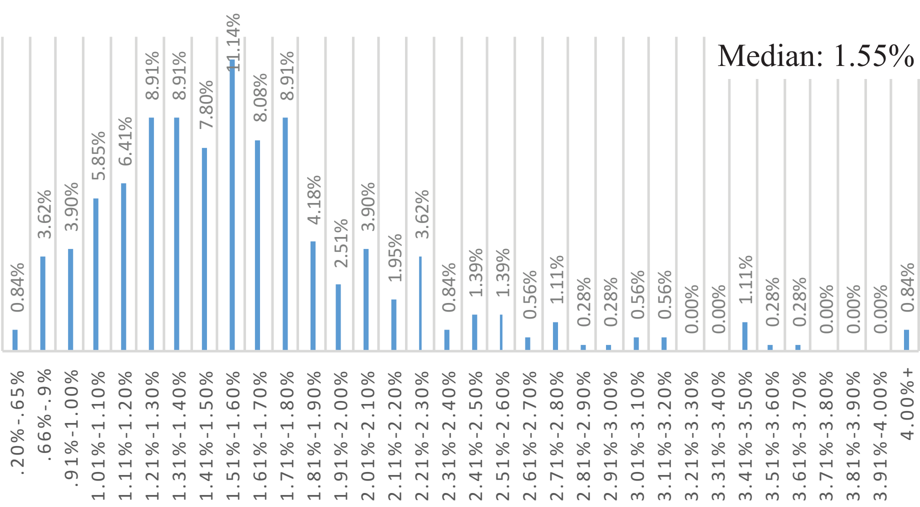


Experience: 11-20 Years



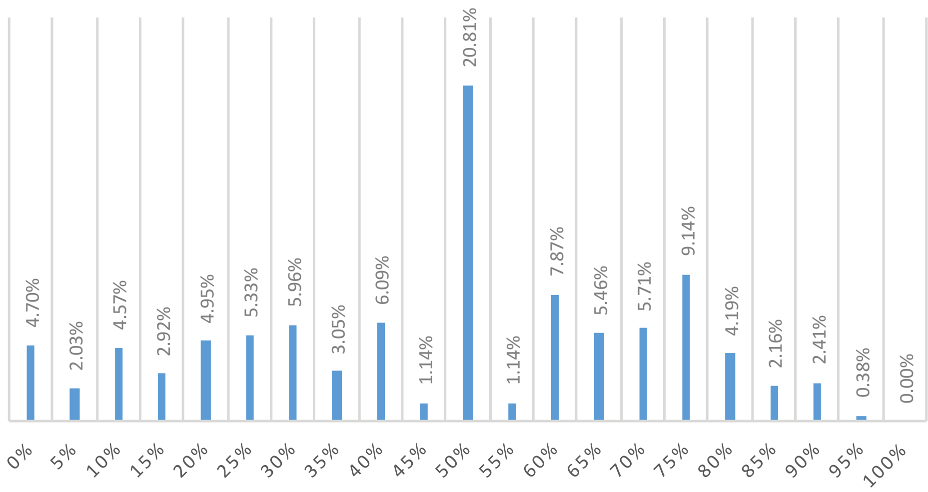
The reader is encouraged to benchmark your own portfolios against advisory firms of your own experience level, but it would appear, from the graph at the right compared with the previous ones, that there is little consensus, and little clear difference among advisors when sorted by this criterion.

Experience: 20+ Years



Allocation of Fees to Services

Advisors reporting % of AUM Fees That Pay for Non-Asset Management Client Services (Financial Planning etc.)



A question which seems never to be asked in the planning profession is: when you charge an AUM fee, what percent of it should properly be allocated to managing assets, vs. non-asset-management services like financial planning, tax and estate planning? In other words, of the total AUM fees you're collecting, how much is paying for other services?

In our survey, we asked that question in just that way. The answers we received are reflected in the chart at the right, which shows almost equal dispersion around the tallest bar representing 50%. There seems to be little consensus among advisors regarding what percentage of their AUM fees are paying for other activities.

There is, however, agreement on one issue. One quickly notices that none of the respondents reported that 100% of their AUM fees should be allocated to planning and other work. Indeed, very few answered more than 80%. The obvious conclusion: advisors who charge some kind of fee for managing assets view the portfolio management activities as having at least some value.

At the other end of the spectrum, a significant number of advisory firms would appear to be pure asset managers, allocating 20% or less of their AUM fees to planning and other non-AUM related work.

However, these numbers should be approached with a degree of caution, and we should be especially cautious of the conclusion that these advisors see little value in their planning work. Two-thirds of the advisory firms who participated in the survey also report charging, in addition to AUM, some form of flat fees, hourly or commission revenue. Indeed, a quick look back at the original data file reveals that more than half of those who would not allocate any of their AUM to planning work do, indeed, charge some combination of flat and hourly fees. 30% of those who would allocate just 5% to non-planning activities are charging in other ways, as are 80% of those allocating 10% to non-investment activities.

As reported earlier, we asked advisors to elaborate about their fee structures in open-ended fields. Some respondents made it clear that their retainer income paid for their front-end planning work, while ongoing planning services were paid for under the AUM structure. Other assess flat or hourly fees on a project basis, while others have bifurcated their annual fees between AUM and a flat fee structure, paid quarterly, monthly or annually. In those cases, the AUM fees are paying purely for AUM activities, while the other compensation methods are covering the planning and other non-AUM work. It is impossible to know, based on the data we collected, whether this represents a trend, but it might possibly explain the high number of respondents whose answers fall on the left side of the graph.

What we CAN conclude from this data is that a significant number of planning firms are using the AUM model to pay for a significant amount of non-AUM services. The median figure is 50%.

Meaning? When we talk about industry standard AUM fees, (whether prompted by some version of the DOL Rule or other exogenous circumstances) we should recognize that a portion of the fees ostensibly paid for managing the portfolio is actually paying for things not directly related to the management of the portfolio.

When you read that the profession charges 1% of AUM for portfolio management, the actual figure may be closer to 50 basis points - or less.

Dollar Cost of Services

The survey collected average AUM fees for portfolios of various sizes, and the percentage of those fees that should be allocated to paying for asset management vs. non-asset management (planning-related) services. With this information in hand, we have an opportunity to explore an increasingly important topic in the financial planning profession.

We've seen already that there is a trend toward either supplementing AUM with hourly or retainer fees, or replacing AUM altogether with these alternative fee structures. But as yet, the trend appears to be in its early stages. Over the next several years, many advisors will be asking important questions:

-What is an appropriate flat annual fee to charge for managing client assets? Does it increase with portfolio size?

-What is an appropriate flat annual fee for the financial planning work that is now paid for out of my AUM revenues? Does THAT change for wealthier clients?

Unfortunately, the survey didn't ask respondents to tell us how much they were charging in retainers. But this data can be evaluated, directly, by other means.

How? Almost exactly a third of the professionals who completed the survey told us that they were compensated exclusively by AUM. Nearly all of them also gave an estimate as to what percentage of their AUM fees should properly be attributed to their asset management services, vs. their non-AUM services.

By looking at the percent-of-AUM fees for different portfolio sizes, and multiplying that by the estimated allocation percentages, we can calculate a dollar cost that this implies for planning and asset management services for each survey participant. Then we can map those dollar costs to different size portfolios, and draw a spectrum of costs for asset management, and for non-asset-managment work like financial planning.

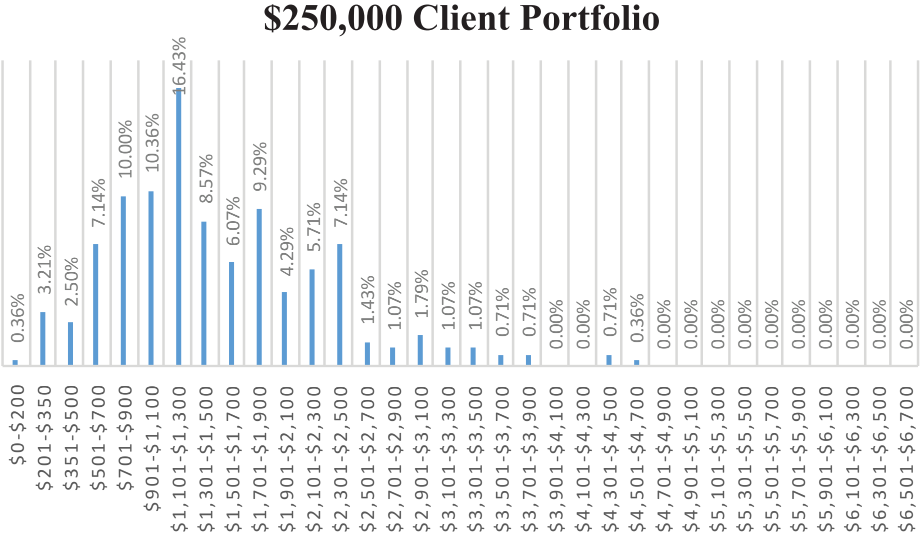
Ideally, this would give an advisor who is looking for a way to migrate from AUM fees to an annual flat fee model some clues about how much to charge.

In this series of charts, we assumed portfolios of different sizes: $250,000, $400,000, $800,000, $1.5 million and $2.5 million.

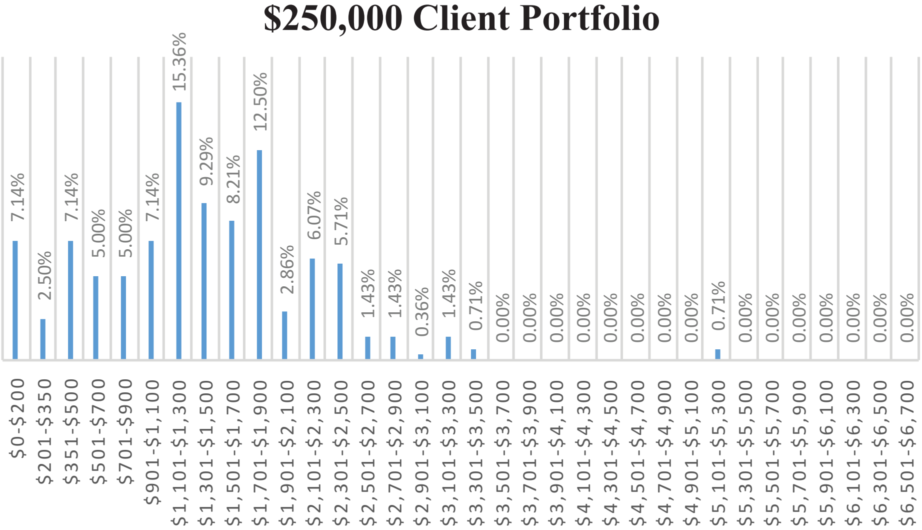
What did we learn? The first set of charts on this page shows a broad spectrum of fees charged by advisors for both types of services, generally clustered be-

Average AUM Fee:	$1,521
Average Planning Fee:	$1,417
Lowest AUM Fee:	$63
Lowest Planning Fee:	$0
Highest AUM Fee:	$4,688
Highest Planning Fee:	$5,313

Annual Asset Management Costs
$250,000 Client Portfolio



Annual Planning (NonAUM) Costs
$250,000 Client Portfolio



low $2,300 with little clarity beyond that.

The picture becomes more interesting as the analysis moves to larger portfolios. What seemed to be a broad spectrum (i.e. no consensus in the profession) becomes broader as we move to $400,000 client portfolios, and this trend continues; that is, the picture becomes increasingly muddled as portfolio size increases.

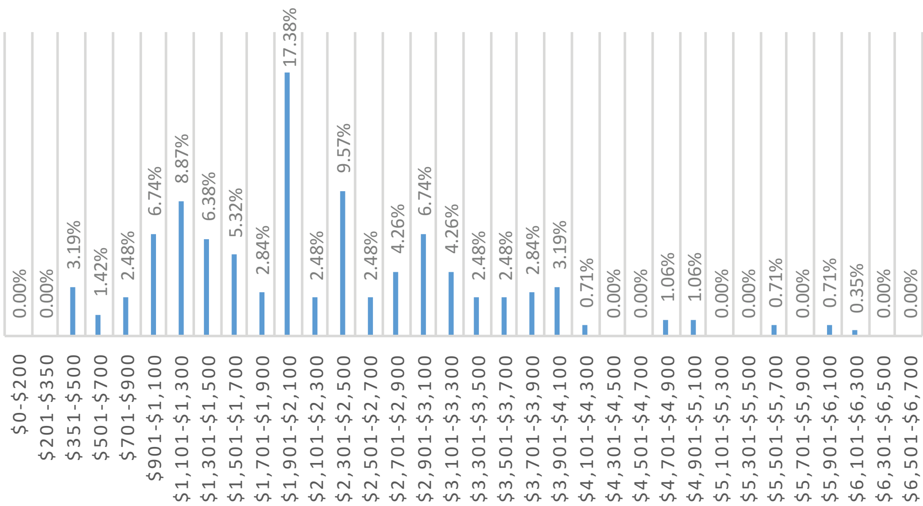
Asset management fees for $400,000 portfolios tended to "cluster" (using the term very broadly) between $350 a year and $4,000, while financial planning fees similarly "clustered" between $0 and $3,900, with averages somewhat higher for the larger portfolio.

The substantially higher planning-related fee for clients with larger portfolios raises a question: should wealthier people automatically pay more for planning work?

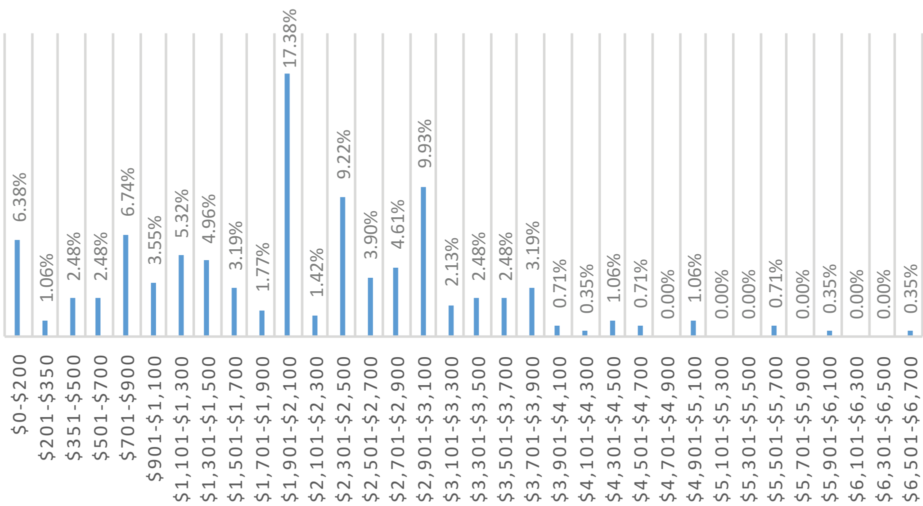
Notice also the long thin tail along the right of these charts. There are apparently advisory firms which charge $4,000, $5,000, even $6,000 a year for asset management work for $400,000 portfolios, and some charge a similar fee for planning work. (Note: the AUM and planning charts are independent of each other; that is, the firms charging $3,000 a year

Average AUM Fee:	$2,255
Average Planning Fee:	$2,099
Lowest AUM Fee:	$400
Lowest Planning Fee:	$0
Highest AUM Fee:	$6,300
Highest Planning Fee:	$6,700

Annual Asset Management Costs
$400,000 Client Portfolio



Annual Planning (NonAUM) Costs
$400,000 Client Portfolio



for AUM may be charging much less, or more, for planning work.)

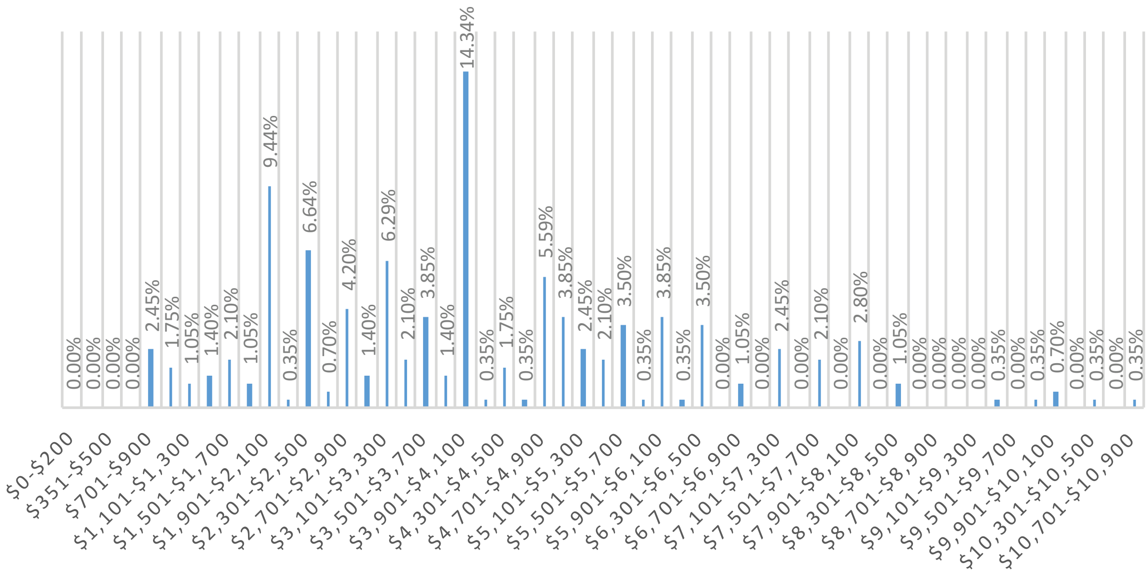
The dispersion is even greater when we look at $800,000 portfolios, and what is most surprising is how quickly (in terms of portfolio size) we arrive at a virtually zero consensus state on how much to charge, in dollar terms, for planning and asset management activities.

The advisor who is looking at this chart as a guide to a reasonable fee for his/her various services will likely come away either confused or disappointed. So too will an advisor who is searching for a safe harbor "reasonable" fee for portfolio management activities, whether to satisfy some future version of the DOL rule, avoid potential litigation or benchmark him/herself against profession-wide competition.

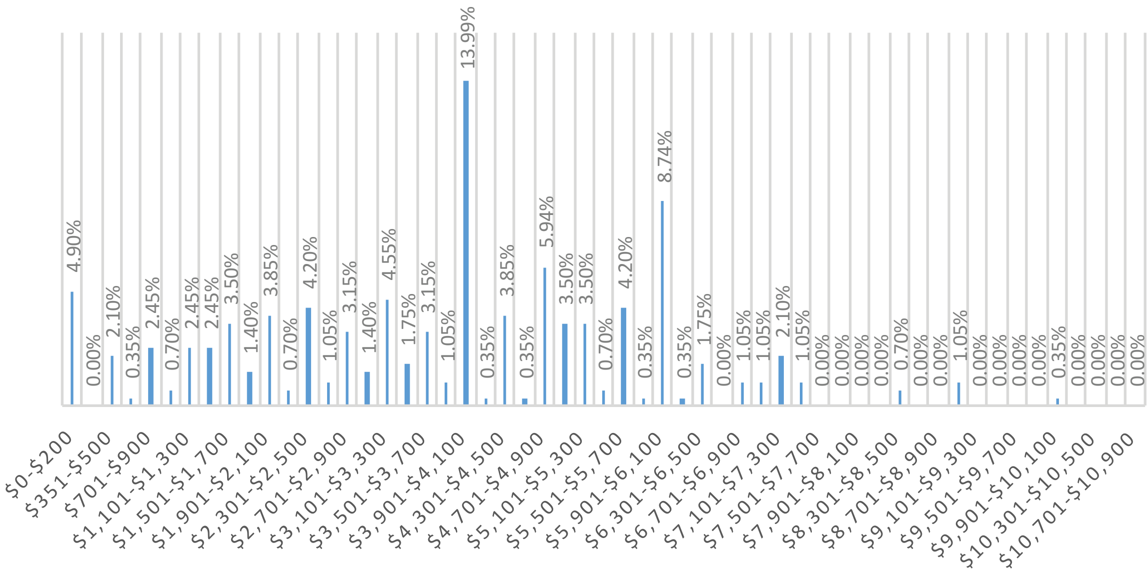
Note, meanwhile, that the average portfolio management cost, in dollar terms, for an $800,000 portfolio is nearly three times as high as for a client with $250,000, and the planning fee is more than double. Once again, we can ask whether the wealthier cli-

Average AUM Fee:	$4,132
Average Planning Fee:	$3,811
Lowest AUM Fee:	$720
Lowest Planning Fee:	$0
Highest AUM Fee:	$10,800
Highest Planning Fee:	$10,100

Annual Asset Management Costs
$800,000 Client Portfolio



Annual Planning (NonAUM) Costs
$800,000 Client Portfolio



ent is likely to be that much more complicated or resource-intensive to service.

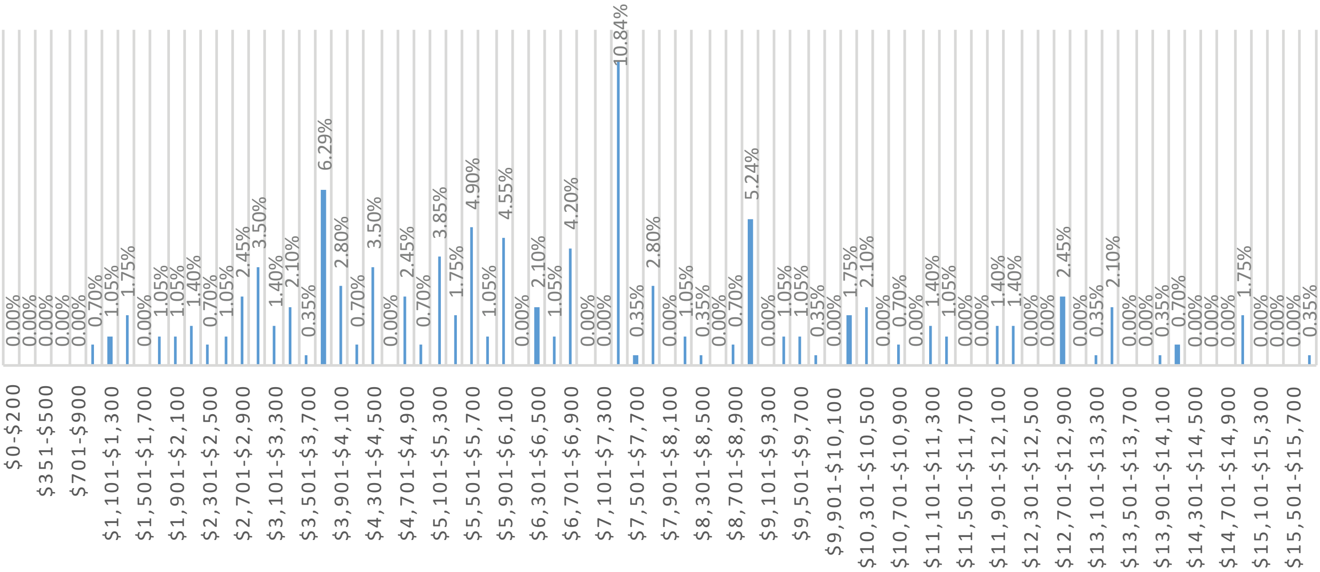
One can conclude from the chart of imputed costs for a $1.5 million portfolio that this consensus is more elusive than ever - except that fees, generally, are higher for wealthier individuals.

In these charts, we had to create a broader spectrum, since the long tail on the right (particularly for portfolio management) extends to much higher fee levels.

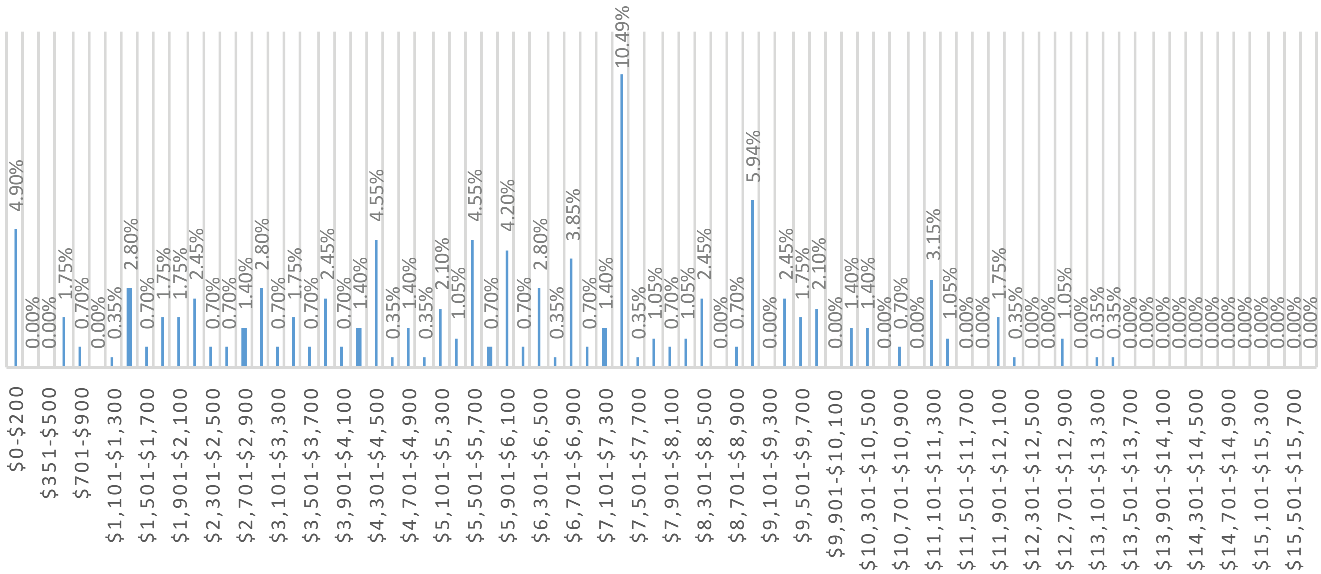
This is also a good place to note, in this and previous charts, that a substantial number (typically 4%) of respondents, all of them compensated exclusively via AUM, are charging, by their estimate, $0 for financial planning and other non-AUM services. On the other hand, as you can see from the extreme left end of the asset management charts, few are charging zero or nearly zero for asset management work. Otherwise, the graphs tend to look similar; that is, similar fees are being charged (albeit by different advisory firms) for planning and asset management. The conclusion: there is a

Average AUM Fee:	$6,689
Average Planning Fee:	$6,175
Lowest AUM Fee:	$938
Lowest Planning Fee:	$0
Highest AUM Fee:	$15,750
Highest Planning Fee:	$13,500

Annual Asset Management Costs
$1.5 Million Client Portfolio



Annual Planning (NonAUM) Costs
$1.5 Million Client Portfolio



cohort of advisory firms who believe that all their value lies in their asset management work.

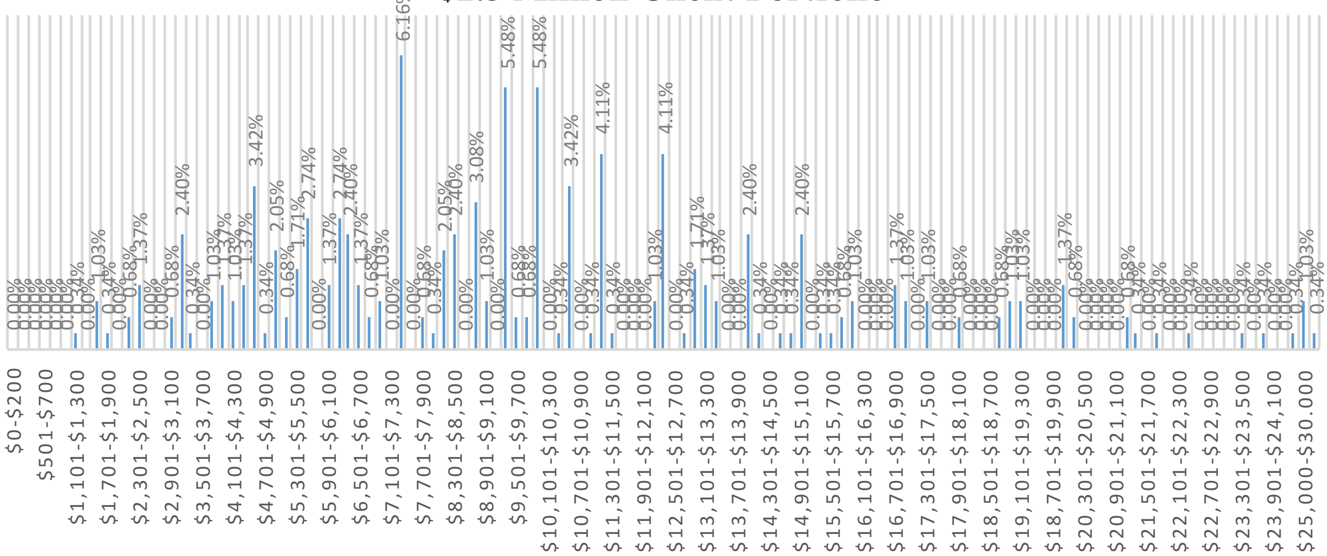
Turning to a chart representing the respondents' figures for a $2.5 million portfolio, we generally see more of the same, with a wider dispersion and virtually no consensus. Here again, the average fee for managing assets and for providing financial planning services went up proportional to the size of the portfolio.

The essential lesson remains the same: the financial planning profession has a number of very basic questions to answer before we arrive at a profession-wide standard fee for services rendered.

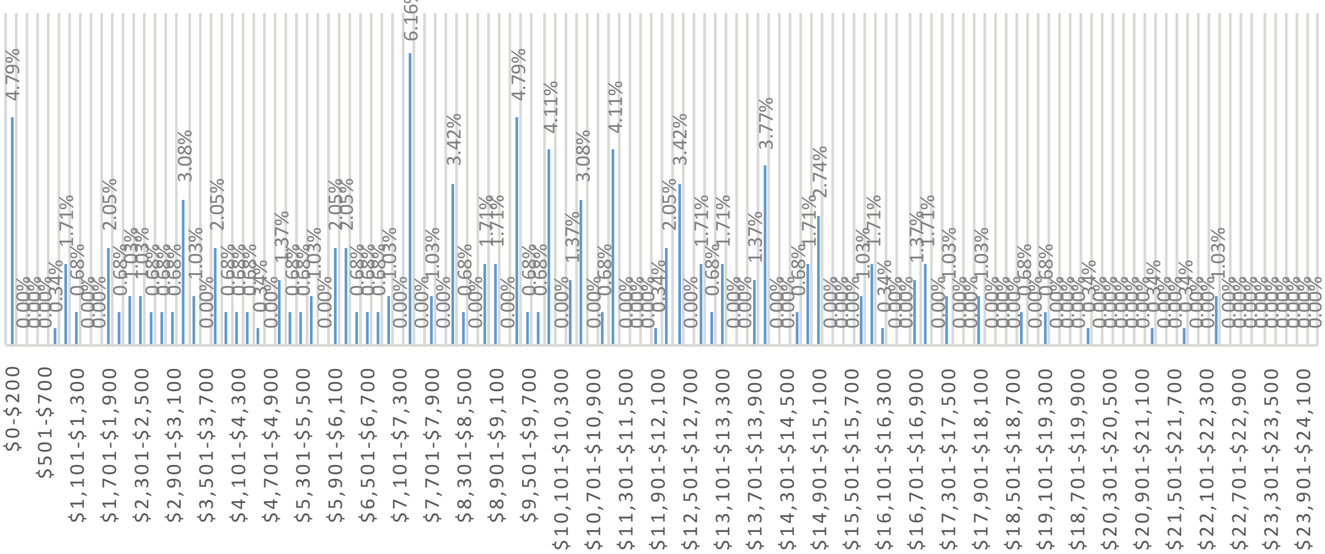
That said, it should be remembered that there was no effort, in this survey, to collect any information about the actual services rendered. Thus, the very broad spectra illustrated here reflect each firm's AUM adjusted by the percentage that each respondent would allocate to planning vs. portfolio management, but the actual services that their clients receive could be very different. The advisory firm that typically charges $31,250 to manage $2.5 million client portfolios might be generating significant alpha, and the firm that charges planning fees of $22,500 a year might be doing an extraordinary tax management and trust creating job. Until the next survey asks more penetrating questions, we just don't know.

Average AUM Fee:	$10,039
Average Planning Fee:	$9,139
Lowest AUM Fee:	$1,250
Lowest Planning Fee:	$0
Highest AUM Fee:	$31,250
Highest Planning Fee:	$22,500

Annual Asset Management Costs
$2.5 Million Client Portfolio



Annual Planning (NonAUM) Costs
$2.5 Million Client Portfolio



Conclusions

What did we learn from this exercise? At the outset, I promised not to overburden this white paper with the author's opinions or superfluous analysis, on the theory that the reader is more than capable of interpreting the data and applying it to your own business life.

I do, however, believe that this snapshot of a profession in transition offers some insights which can be summarized briefly. Among them:

The profession IS in transition, from an almost universal AUM revenue model to some combination of AUM plus either hourly fees or flat fee charges - what some call retainers. This is almost certainly an early stage of a longer journey, and we can speculate (with no definitive proof) that the journey will entail a smaller percentage of total fees charged by AUM, and a correspondingly larger percentage of flat fee or hourly. It may lead to an eventual abandonment of AUM altogether.

Second, for all the talk about the commoditization of asset management (and, sometimes, financial planning) services, the profession seems to be charging comfortable fees for its efforts. In future surveys, we will have the opportunity to assess whether fees are coming down, but the snapshot does not give evidence that advisory firms are being forced to discount their compensation.

Third, I suspect that many readers of this report will find the all-in costs to be surprisingly low, and much of that seems to be due to reductions in the aggregate expense ratios of the underlying assets in client portfolios. Cost does seem to matter when advisors are selecting investments. I think we knew this anecdotally, but the evidence here proves the case.

Yet, it is also clear that a large percentage of advisory firms, perhaps more than half, are still using actively-managed funds in their client portfolios, based on the expense structures reported here. The numbers show a significant number of advisors have cut portfolio-related costs (and trading costs) deep down to the bone, but others appear to be comfortable buying reasonably-priced judgment in the funds they recommend to clients.

Fourth, there are a number of areas where advisory firms have not only not reached a consensus, but seem to be quite far from agreement. For instance, what percentage of AUM fees should be properly allocated to services not connected with managing client portfolios? The answers were scattered across the graph, from 0% to near 100%, and the most common answer - 50% - looks, in retrospect, like a random guess. If advisory firms are going to move from an AUM revenue model to something else, they are going to need to be more precise about the appropriate fees for different aspects of their service.

We saw this lack of consensus in the AUM fees that advisors (and different categories of advisors) were charging at each portfolio level. There is clearly no industry-standard pricing at this stage of the profession's evolution. Will there ever be?

And we failed to find a consensus most particularly when we took a deeper dive into the numbers, and produced some graphs which the survey respondents probably didn't expect to see: an actual dollar figure for the asset management and financial planning services for clients who have portfolios of different sizes. The broad spectrum of fees almost taxed the ability for the page to hold the width of the graph. Surely, the profession will eventually achieve a better approximation of profession-standard pricing at some point in the future. This is an evolutionary development to watch.

Finally, I doubt that many readers were surprised at the graphs that showed just how much more wealthier clients were paying for planning and portfolio management services than their less-wealthy cohorts. But that information would likely be a great surprise to the clients themselves. Is a client with a $2.5 million portfolio really receiving four or five times as much value from the planing engagement as the person with $500,000? At this moment, this is a rhetorical question. But eventually, the profession is going to have to confront this issue head-on, and it will be interesting to see the outcome.

There's more, of course, and every reader will have noticed different interesting issues, trends, anomalies and quirks in the data. The author has commented multiple times on the most surprising things he found: the long thin tails at the right of the graphs where a small but significant number of advisors are deviating dramatically from their peers on the high side.

What did you learn? I hope the survey helped you better understand your own fee structure - and perhaps also some of the most interesting trends in this ever-interesting, still evolving, profession.