



How Financial Planners Actually Do Financial Planning

Executive Summary

- Notwithstanding the ongoing rise of financial planning, there is remarkably little research into the reality of being a financial planner. For instance, how much time does it take to construct and deliver financial plans, how do financial planners price their services, and what are the tools and best practices that leading financial planners use?
- The average financial planner works approximately 43 hours per week. In that time, though, only 19% is spent actually meeting with clients, along with 17% of time spent doing business development (e.g., meeting prospects or centers of influence). In fact, the most time-consuming aspect of a financial planner's week is not client-facing work, but the 26% of time that advisors spend preparing financial plans and preparing for financial planning meetings with clients... suggesting substantial gaps for financial advisors in effective delegation (or support to delegate).
- While most financial advisors may struggle to delegate, those who do gain substantial operational leverage in their businesses. In fact, solo financial advisors with support staff consistently generate the same income (at lower and upper percentiles) as advisors working at large ensemble firms, while solo advisors without support earn the least.
- The average financial plan takes 15 hours to produce and deliver, from data gathering to plan presentation, and occurs over the span of 3 meetings. Over the first full year, the financial planning process takes a total of 34 hours of advisor and team time, for both client-facing and behind-the-scenes work.
- Financial planners with CFP certification report spending substantially less time on all parts of the

About the Author

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financial planning process (except for the plan presentation meeting itself), suggesting that CFP certification actually is effective at providing advisors additional expertise and skills that reduces their time to complete the planning process.

- While the overwhelming majority of financial advisors use some kind of standalone financial planning software – either third-party or firm-created – the majority of advisors also use Word and Excel to supplement their plan creation process. This suggests that financial planning software is not fully effective at facilitating the actual process of creating a financial plan. Notwithstanding this concern, the highest-rated independent planning software tools were eMoney Advisor and RightCapital, followed by MoneyGuidePro.

- The median cost of a standalone financial plan is \$2,225, although both CFP certificants and independent RIAs report substantially higher median planning fees than non-CFPs or those in a (hybrid) broker-dealer relationship. In addition, advisors with support staff – either as solos or in an ensemble firm – tend to both provide more comprehensive financial plans (per their own self-reported breadth of coverage), and are able to command a higher financial planning fee for doing so.

- Recent business model innovation has attempted to expand the reach of financial planning services to a wider range of clientele. Yet while the clients who engaged with “alternative” non-AUM models do have lower average investable assets, these clients are generally still amongst the most affluent consumers as measured by income. Our findings show that only the hourly model has been able to achieve any substantial reach into populations with less than the median household income in the US.

- Overall, while financial planning and its tools and support systems do vary by channel – from RIA to broker-dealer to insurance company – all channels exhibit some material differences in process and delivery. Insurance companies are more likely to focus on insurance and develop their own systematized planning tools, while RIAs are more likely to focus on investments, and broker-dealers are the least likely to customize financial plans.

Introduction

Financial planning has long been recognized as following a 6-step process: Establishing the relationship, Gathering data, Analyzing the situation, Developing and presenting recommendations, Implementing the recommendations, and ongoing Monitoring. For which, over the years, a number of financial planning software solutions have arisen to help facilitate the process, especially in the analyze, develop, and presenting stages.

However, many firms over the years have struggled to adopt financial planning due to its time-consuming nature, while other advisors who do provide financial planning struggle with client capacity limitations that emerge due to the time it takes to complete the financial planning process with clients.

Yet few studies have ever actually analyzed how much time it really takes to do a financial plan, which steps of the process are the most time-consuming, where financial planning software or staff delegation can actually expedite the process, and how the time to complete a financial plan impacts its price.

To fill the void... earlier this year, we conducted our first Kitces Research study on the real financial planning process. Participation was strong, and over 1,000 financial advisors provided insight into how they actually create and deliver financial plans – including the time it takes to prepare the plan itself, the technology they use in the process, and how much advisors typically charge for (standalone) financial planning services.

And in this issue of *The Kitces Report*, we present the results of broad study of the financial planning process itself, how the delivery of financial planning varies by business model and industry channel, the time it really takes to “do” a financial plan, which planning software tools are preferred by advisors, and whether recent innovations in financial advisor business models are expanding access to financial planning.

Participants In The FP Process Research Study

Given how Kitces.com is specifically focused on comprehensive financial planning strategies (and those who provide them to clients), our 1,000+ sample of advisors who read Kitces.com are not necessarily

representative of everyone who holds out as a “financial advisor”.

Instead, our more-financial-planning-centric sample average advisor was slightly younger than the overall industry average (at 45 years old). In addition, the participants in this study not surprisingly included a greater proportion of CFPs than the advisory industry as a whole (72% held the CFP designation, compared to only about 26% of all “financial advisors”), and was more RIA-centric than the overall advisory industry (66% indicated that “Independent RIA” best described their business model).

On the other hand, most other demographic characteristics of our advisor sample were consistent with the advisory industry as a whole. Respondents were predominantly male (76%, which is consistent with CFP Board’s demographics that only 23% of CFP certificants are female), and predominantly white (94%). Other racial/ethnic categories represented included Asian (3%), Hispanic (1%), black (1%), and other (1%).

Nonetheless, it’s important to recognize that our sample likely varied from the industry in other ways that are hard to capture in summary demographics. Most notably, our survey was drawn primarily from the Kitces.com and Nerd’s Eye View readership. We hope our readership won’t take offense to us noting that, like those of us who enjoy writing thousands of words on recent tax changes, those of you who continually come back and read such posts are, well, “different” than your average financial advisor.

Still, though, we believe this survey can provide very useful insight into the practices of successful financial planners, particularly because those who self-select into reading content such as ours, are likely to be the most diligent and focused of financial planners (and the most representative of what “real” financial planning looks like).

Therefore, though our survey may not be perfectly representative of the broader financial services industry, we do believe that it is representative of the types of advisors at the forefront financial planning profession. And by virtue of the fact that you (a reader of our content) may share commonalities with our readership as a whole (e.g., a deep commitment of doing what’s right for clients by investing in your own professional competence), the insights from this survey should certainly be useful for you.

Where Do Advisors Spend Their Time?

One lesson successful advisors learn quickly is that their time is valuable. How much time advisors spend working, and what they do (or don't do!) during that time are important factors which influence advisor success (both financial and otherwise).

Yet, anecdotes aside, there is surprisingly little research on what advisors actually *do* with their time throughout the financial planning process, and from day to day all week long.

Fortunately, to help answer this question, our survey respondents provided some detailed information regarding what they actually do from day to day and week to week—including the time spent on activities such as meeting with current clients, business development activities, internal planning and meeting prep, administrative work, and other categories.

Overall, financial advisors reported that they work an average of 43 hours per week, and the average hours worked per role did not vary much between executives, lead advisors, and associate advisors (which were 44.4, 43.4, and 42.8 hours per week, respectively).

On the other hand, hours worked did vary some based on overall revenue generation—exhibiting a positive pattern in which hours mostly increase as revenue increases. In other words, there *does* appear to be a relationship between working more hours as a financial advisor, and being responsible for or associated with a larger amount of client revenue (and

the differences between the lowest and higher income groups were statistically significant).

Of course, the correlation here does not mean that working longer necessarily leads to generating more revenue. Instead, it could simply be that those generating more revenue have more clients and/or more work to do in the first place (or conversely that those who still have less revenue and not as many clients

simply have less work to do for those fewer clients)!

Similarly, hours worked varied by advisor experience, with advisors with the most experience working as lead advisors typically working more hours per week. However, again, the only statistically significant differences were between advisors

with the least experience (0-5 years) and those with the most experience (30+ years), as well as between those with moderate experience (10-20 years) and those with the most experience (30+ years).

In essence, the data suggests that when it comes to doing financial planning with clients, over time as clients accumulate the most time-consuming part becomes actually *servicing* those clients on an ongoing basis... such that those who have worked longer and accumulated more clients, and/or are associated with a greater volume of revenue from

clients that have to be serviced, tend to work materially more hours in order to provide financial planning services to them. Which is also notable because it suggests that experienced financial advisors may be underutilizing staff support (i.e., client service managers and associate financial advisors) to help manage their client service workload.

Figure 1. Weekly Hours Worked by Financial Advisors (By Revenue Generation)

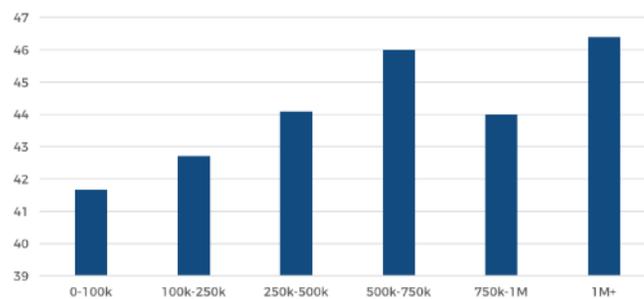
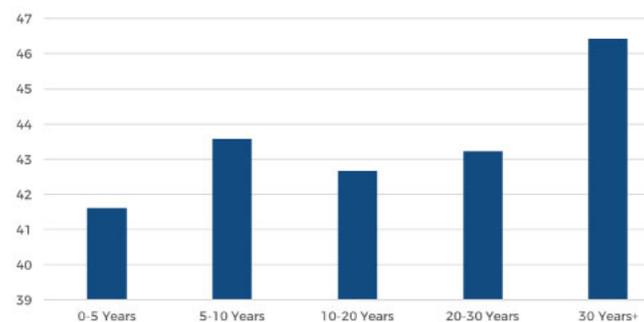


Figure 2. Weekly Hours Worked by Financial Advisors (By Years of Experience)



In fact, of the categories surveyed, lead advisors reported spending the largest proportion of their time (26%) working on financial plan/meeting prep and analysis. Lead advisors only reported spending 19% of their time directly engaging in client-facing tasks and 17% of their time working on business development, which is notable since it implies that advisors are spending more time on a delegable portion of their jobs (financial plan/meeting prep and analysis) than they are in their truly non-delegable tasks (client-facing work and business development)! Advisors do spend relatively

associate advisors, what those hours were spent working on did vary – mostly in predictable ways. For instance,

relative to lead advisors, associate advisors spent less of their time working with clients directly, less time on business development, more time doing plan prep/analysis, and more time doing client service work. While advisors who also held executive positions spent more (but only slightly more) time on administrative and other

(i.e., management) tasks, far less time on plan preparation, and the most time on business development for the firm (which suggests that most partners/executives in advisory firms are still in a business development role and not a management role).

Figure 3. Time Spent By Lead Advisors On Various Weekly Tasks

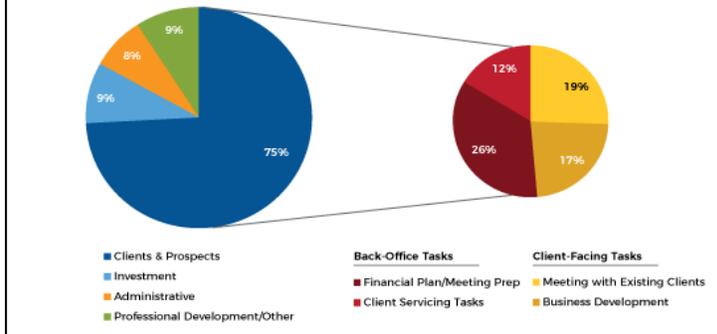


Figure 4. How Time Spent By Financial Advisors Varies By Role

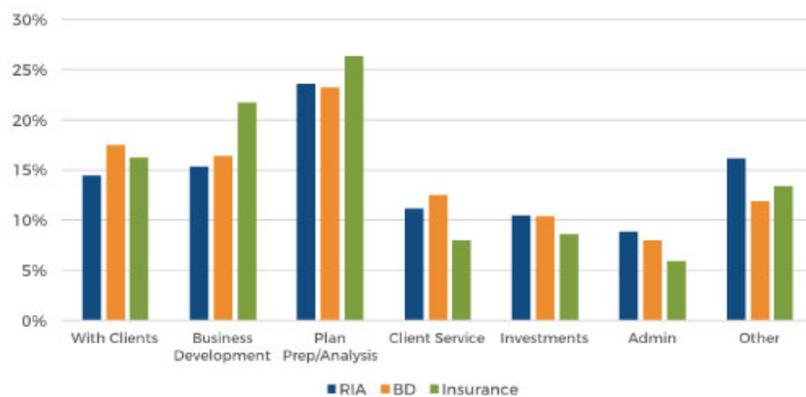


less time on client service (12%) and administrative work (8%), which suggests that some combination of technology and delegation may be working better in these areas than it is in plan preparation and analysis. Nonetheless, the results show that in the aggregate, financial advisors on average spend a whopping 46% of their time on (largely delegable) middle-office tasks involved with plan and meeting prep, client servicing, and other office administrative work.

administrative work. Notably, advisors within the B/D environment reported spending the greatest percentage of their time with clients, and also reported spending a

While total hours worked did not vary much between executives, lead advisors, and

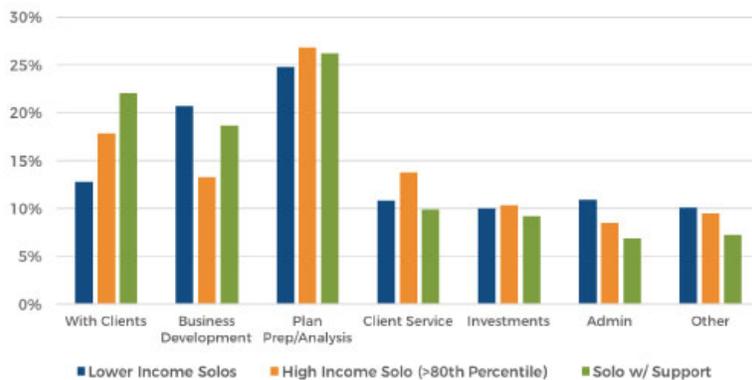
Figure 5. How Time Spent By Financial Advisors Varies By Business Model



slightly greater share of their time engaging in business development activities relative to advisors within an RIA environment.

As Figure 6, to the left indicates, high income solos (those with income above the 80th percentile of solo advisors in our survey,

Figure 6. Time Spent By Solo Financial Advisors, By Income & Support Level



roughly equal to income of greater than \$150k) spend considerably more time with clients and less time engaged in business development relative to lower income solos. Yet, relative to solos with support staff, high income solos are spending more of their time doing client service, administrative, and “other” work. Based on the results of this survey, it appears that advisors transitioning from a high

Time spent by advisors also varied by the team structure (or lack thereof) they used, which was defined based on self-reported identification of advisors with one of four groups: solo advisors, solo advisors with support staff, silo teams, and ensemble teams.

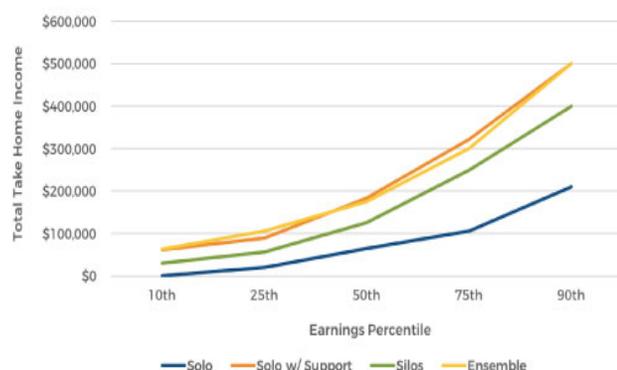
Notably, it was solo advisors who perhaps exhibited the most “unique” profile relative to other categories. One area solos reported spending significantly less time on, relative to other team structures, is meeting with clients. This is likely due to several factors. First, by definition, solo advisors lack the (internal) support needed to offload some responsibilities. Thus, as our survey indicated, solo advisors spend more time on tasks such as administrative work. However, part of the reason why solo advisors lack support staff is because they may have fewer clients to work with in the first place. A solo advisor with a handful of clients can only spend so much time working with existing clients, and must instead devote relatively more time engaging in activities such as business development, which is also indicated in our results. (This is also consistent with the finding that solo advisors spend less time working on plan prep/analysis, since they would face less demand for plan prep/analysis with fewer clients.)

Consistent with the notion that a primary driver of the differences in a solo advisor’s time allocation is the need to acquire more clients, we see some expected patterns when dividing solo advisors into high income solos and lower income solos.

income solo practice to a solo practice with support staff really can, and do, use the time freed up by support staff to reallocate their time towards more client service and business development.

Notably, compensation levels shift rather dramatically between solo advisors and solo advisors with support. In fact, a solo advisor at roughly the 90th percentile (\$210,000) reported earning only slightly more than a solo advisor with support staff at the 50th percentile (\$184,000). By contrast, a solo advisor with support staff at the 90th percentile reported earning \$500,000, which was exactly the amount reported at the 90th percentile of lead advisors on ensemble teams. In fact, the earnings reported by lead solo advisors with support staff and advisors within ensemble teams were nearly identical from the 10th to the 90th percentiles, and the highest earners overall were solo advisors with support staff (maximum of \$1.5M versus maximums of \$1.2M among ensemble firms, \$1.1M among silos, and \$400k among solos without support staff).

Figure 7. Earnings Percentile Among Lead Advisors, by Team Structure



Of course, not all advisors have the same goals for their practice. Some want to spend as much time as possible with clients; others may enjoy business development and are happiest when this is what they can focus on; and still others may enjoy the planning work that goes into prepping for a client meeting. Choosing one path over another may influence factors such as earning potential (e.g., there's a lower ceiling on income potential for a solo advisor who is not willing to hire support versus one who is), but ultimately advisors in almost any model can earn a good living, so for advisors who care about more than just money, there is a considerable amount of freedom to take your business in certain directions which better align with spending your time how you wish to spend it (rather than just pursuing a particular model for the sake of trying to generate higher income).

approach. For instance, advisors in B/Ds were most likely to report approaching planning from a “calculator” perspective, the least likely to utilize a “customized” approach, and the most likely to utilize a “collaborative” approach.

Time And Process To Construct A Financial Plan

One surprisingly simple question it is hard to find an answer to is how long it takes financial advisors to actually complete a financial plan (and what that plan entails). More fundamentally, it's not even clear what constructing a “financial plan” even means to advisors (i.e., how much does it cover, and what is its purpose?).

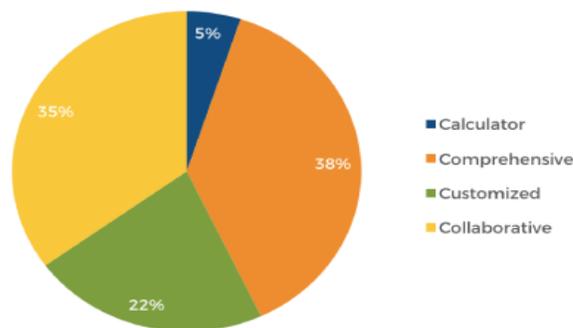
Types And Breadth of Financial Plans

First and foremost, financial advisors may take many different approaches to constructing a plan. When asked to describe their *primary* approach to creating a delivering a plan, advisors described their process as follows:

- Calculator (5%): Use a plan to calculate needs and recommend solutions.
- Comprehensive (38%): Use plan software output to bring together a holistic picture of a client situation.
- Customized (22%): Create a custom-written plan for an individual client's circumstances.
- Collaborative (35%): Use planning software collaboratively/interactively live in client meetings.

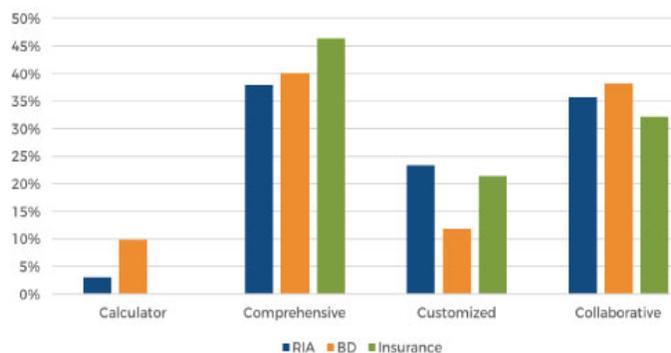
Advisors operating within different business models did exhibit some differences in how they view their

Figure 8. Primary Approach Of Financial Advisors When Delivering a Financial Plan



Not surprisingly given the nature of their fee-for-service models (getting paid for crafting and delivering customized financial advice to clients), advisors working within RIAs were the most likely to report utilizing a customized approach.

Figure 9. Financial Planning Approach, by Business Model



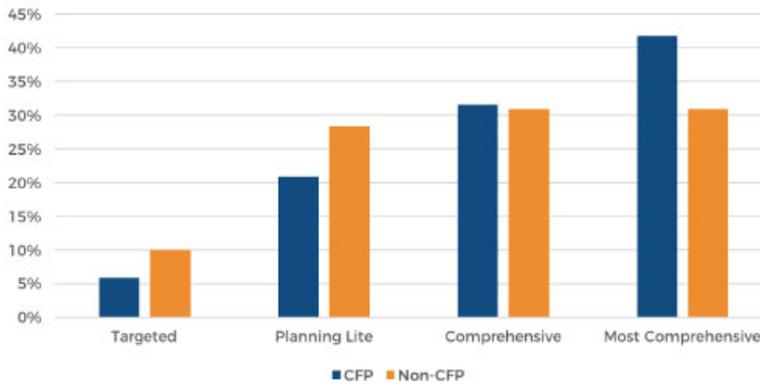
Advisors also varied in the areas typically covered within a comprehensive financial plan. Overall, of the options given in our survey, student loan analysis and P&C insurance analysis were areas least likely to be considered part of a comprehensive financial plan by advisors (though RIAs were substantially more likely to give advice in both areas than advisors in any other channel).

Not surprisingly, advisors who were CFP professionals were more likely to report including a larger number of areas covered in a comprehensive plan. If we categorize advisors who reported 0-5 areas as “Targeted”, advisors who reported 6-9 areas as “Planning Lite”, advisors who reported 10-12 areas as “Comprehensive”, and advisors who reported 13+ categories as “Most Comprehensive”, the following percentage of CFPs and non-CFPs were represented in each category.

planning (even amongst those who reported they were doing “comprehensive” financial plans).

There were only three areas where advisors within RIAs were less likely to typically cover a topic in a comprehensive plan – college funding, life insurance, and disability insurance – and in all three cases insurance professionals (rather than advisors in B/Ds) were the ones to be more likely to include a topic. Not surprisingly, the life and disability insurance topics are

Figure 10. Comprehensiveness Of Financial Advisors’ Financial Plans, by CFP Certification Status



both areas where insurance professionals would implement the strategy by selling their company’s products, which gives them a substantial incentive to cover those areas in the planning process.

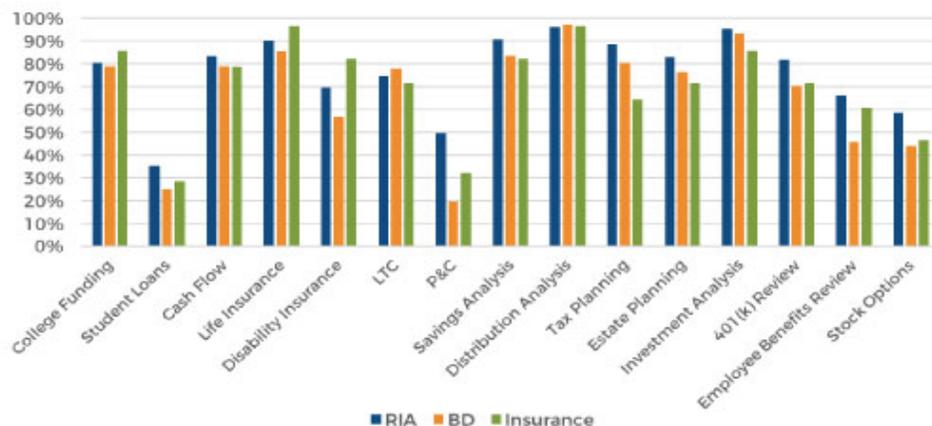
Of course, that’s not to say that such topics shouldn’t otherwise be covered in a comprehensive plan (it’s possible that advisors in RIAs and B/Ds may have *too little* incentive to cover certain topics), but it’s easy to see why motivation is high for insurance professionals to cover these planning areas. Similarly, it’s not surprising that investment analysis – which can lead to AUM fees or commissions for those

As Figure 10 above indicates, only 6% of CFP professionals reported feeling as though covering less than five topics would constitute a comprehensive plan, whereas 10% of non-CFP professionals reported believing this could. Similarly, CFP professionals were less commonly represented among advisors reporting 6-9 categories. The category in which CFP professionals were significantly more represented was “Most

in the RIA and B/D channels – is more commonly covered in a comprehensive plan within those channels. In fact, the increased likelihood of RIAs compared to insurance advisors covering investments was remarkably similar in magnitude to the increase in likelihood of insurance advisors to cover life and disability insurance compared to RIAs.

Comprehensive” (i.e., 13+ planning categories), with over 40% of CFP professionals falling in this category, versus 31% of non-CFPs. Simply put, CFP certification really is associated with doing more comprehensive financial

Figure 11. Areas Covered in a “Comprehensive” Plan, by Business Model



Time Spent to Produce A Financial Plan

The total time spent producing a comprehensive plan varied widely among financial advisors. Responses ranged from 12 minutes to 190 hours. Excluding the outlier at 190 hours, the maximum was then 100 hours, which was reported by 13 different respondents.

That being said, the median plan creation time among all team members was 10 hours, and the mean plan creation time was 15 hours. Plan creation time did vary significantly among business models, with RIAs spending the most time producing plans, and B/Ds spending the least. Overall, nearly three times as many advisors at B/Ds vs RIAs reported spending 5 hours or less producing a plan, while advisors within RIAs were more than twice as likely to report spending 20 hours or more producing a comprehensive plan for a client. (However, advisors within RIAs and B/Ds were equally likely to report spending extreme levels, such as 100 hours, producing a plan).

However, it appears that the differences

in plan construction time were less a function of the firm's business model, per se, and instead were more

predicted by the advisor's actual compensation model. Accordingly, the longest times reported by advisors to construct a financial plan came from those who were compensated through retainers or standalone planning fees for that plan, and the shortest amount of time reported by advisors compensated through

commissions after the plan was implemented. (Notably, hourly advisors' results were not statistically significant,

as hourly advisors had a wider range of time engagements. This is likely due to the fact that hourly advisors in particular may be engaged for both extremely comprehensive plans for which they have an incentive to extend the time, but also very limited-scope more modular financial plans where clients may be managing down their

time "on the clock").

This progression of time invested by the advisor and his/her team to construct a plan is not entirely surprising. Given that advisors who charge for planning services on a standalone basis or as a retainer must directly justify to their clients the value of their financial plan, it is not

Figure 12. Total Time Spent By All Team Members To Produce A Financial Plan

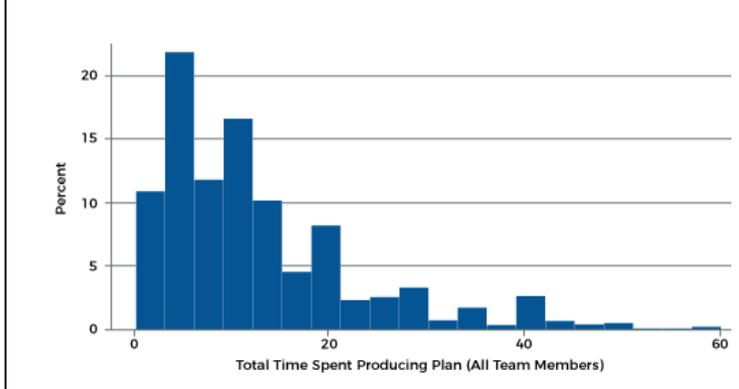


Figure 13. Average Hours Spent Producing a Plan (Entire Team)

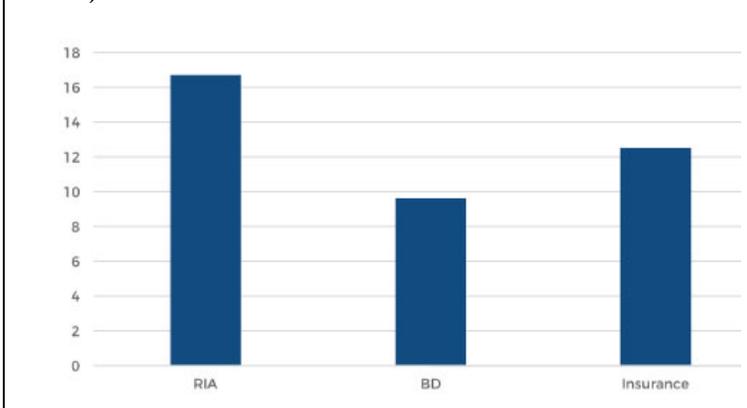
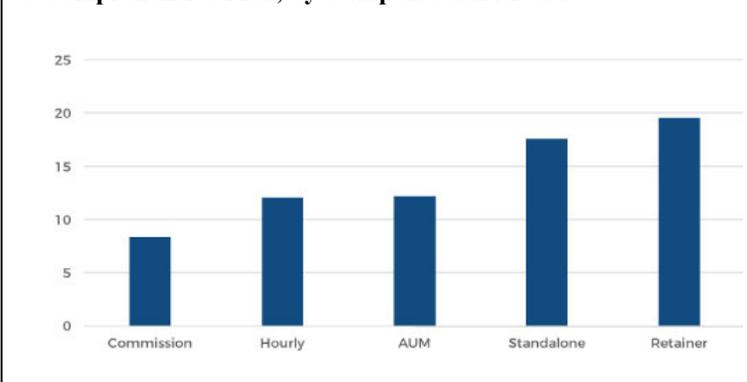


Figure 14. Average Hours For All Team Members to Complete a Comprehensive Plan, by Compensation Model



surprising to see that these advisors invested the greatest number of total hours among all team members developing a comprehensive plan.

At the other end of the spectrum, advisors primarily compensated through commissions at the *end* of the planning process reported the lowest levels of time spent by all team members creating a comprehensive plan, as they literally have the greatest incentive to get through the planning process quickly in order to be compensated at all (in addition to the inherent uncertainty regarding whether they will be compensated in the first place, further providing downward pressure on how much time may want to be invested in the planning process).

Of course, the clientele of consumers who seek out advisors within these various compensation models likely varies as well. For instance, consumers who seek out advisors typically compensated through commissions may have less need or desire to receive a more comprehensive plan in the first place. Similarly, clients with relatively less planning need may seek out hourly advisors to manage costs. Or, alternatively, clients with particularly complex situations may seek out advisors who charge on a flat fee or retainer, also as a means to manage costs.

Nonetheless, it is striking that the time financial advisors invest into the financial plan creation process appears to be related to how connected their compensation is to that financial plan in the first place, with advisors who are compensated directly for the plan investing the most into it, and especially advisors who are compensated by (ongoing) retainer and therefore have an incentive to demonstrate ongoing financial planning value as well. And given that these were *all* advisors who professed to be offering a “comprehensive” financial plan, the differences in actual time spent to produce that comprehensive plan are notable.

Interestingly, non-CFPs actually reported *more* team time spent producing a comprehensive plan than CFP professionals (15.5 hours vs. 14.8 hours), perhaps due to the time-savings that CFP professionals gain from their additional expertise (and thus need less time to research planning issues for clients), although this difference was not statistically significant. CPAs (16.9 hours) and CFAs (17.5 hours) (many of whom were also

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CFPs) reported longer average planning times, although these differences were also not statistically significant.

On the other hand, it was not surprising that advisors who described their approach as “customized” reported more team time spent producing a

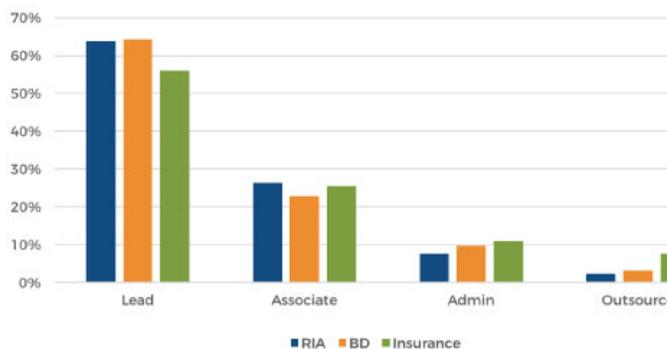
comprehensive plan (19.3 hours) relative to all other approach categories, including calculator (14.1 hours), collaborative (14.2), and comprehensive (13.3). While the differences between other groups were not statistically significant, it is interesting that those who classified themselves as “comprehensive” actually reported *less* time producing a plan, suggesting that today’s “comprehensive” plans are more likely comprehensive (but pre-packaged) *output* from planning software.

Additionally, it is interesting that there was no apparent time-efficiency gained among those who take a “collaborative” approach, although this could be an instance in which the plan output is materially different between groups.

How Financial Plans Are Produced

On average, across all advisors, the lead advisor was responsible for 63% of plan production, an associate advisor was responsible for 26%, an admin was responsible for 8%, and 3% of production was outsourced. This is not entirely surprising, given the time-spent on analysis shows that even Lead Advisors on average spend more time on plan construction and analysis than actually meeting with clients to deliver those plans. (Which in turn suggests substantial opportunities for many/most advisors firms to better hire and leverage paraplanners or outsourcing support for the plan creation process).

Figure 15. Allocation Of Team Responsibility for Plan Production, by Business Model And Team Role



Across business models, insurance companies showed a slightly greater tendency to leverage team or outsourced support, with less time spent on plan creation by lead advisors, and relatively more from admin staff or outsourcing support. RIAs, on the other hand, reported the lowest levels of delegation to internal admin or outsourced support, despite being shown to be the *most* likely to create the most comprehensive plans!

The First-Year Financial Planning Process

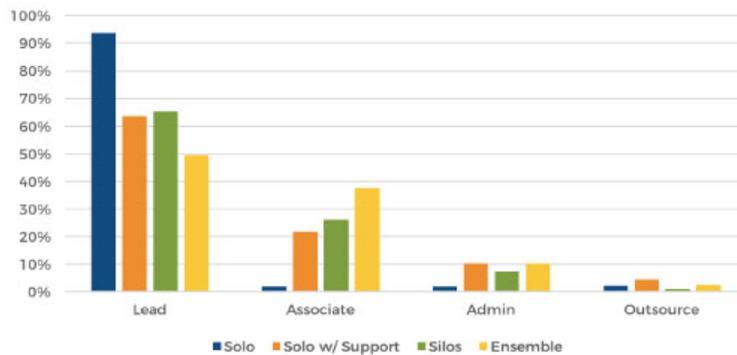
During the first year, advisors reported spending a total of 34 hours between all team members onboarding a client through the various steps in the first-year financial planning process (with a slightly higher average time amongst RIAs, and a slightly lower average time for advisors in a B/D environment).

Not surprisingly, though, considerable variation exists in responsibility by how advisory teams are structured – with advisors in solo firms needing to take on almost all of the plan production (as they lack the staff for internal support, and have either been unable or unwilling to find outsourced plan construction support). Ensemble firms reported by the greatest utilization of associate advisors in the plan production process, and appear to exhibit the most operational leverage of support staff members in the plan creation process.

Additionally, outsourcing appears to be uncommon among all team structures, although the highest reported levels were among solo

advisors with support staff – which could be an indication of firms going through a transitional growth stage, whereby they may be large enough to support an administrative staff member, but not yet large enough to bring on an associate planner (therefore leading to outsourcing instead).

Figure 16. Allocation of Team Responsibility for Plan Production, by Team Structure



On average, Step 4 in the 6-step financial planning process (develop and present recommendations) was reported to take the longest for financial advisors at a total of 8.6 hours within the first year.

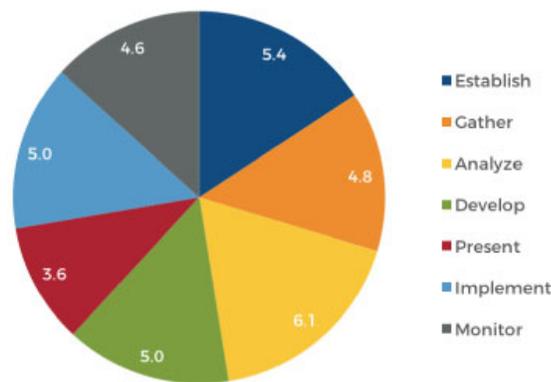
(Note: The two sub-steps of Step 4, develop and

present, were measured separately in our survey, given the CFP Board's pending update to change the 6-step financial planning process into 7 steps.)

Which isn't entirely surprising, as these generally entail

the most in-depth analysis time, and the most client-facing time, that is least conducive to operational efficiencies or economies of scale.

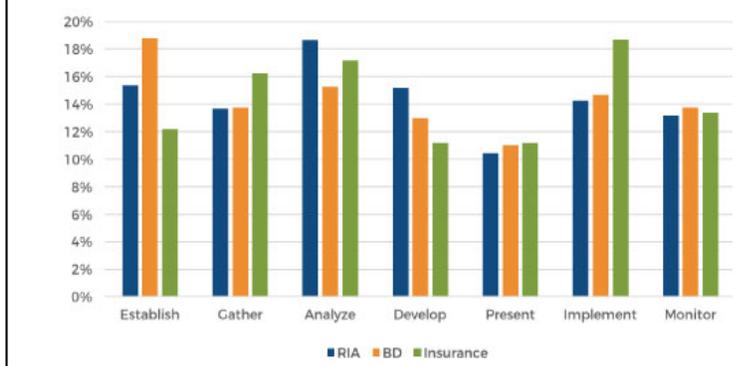
Figure 17. Average Hours Spent on Steps of the Financial Planning Process Over the First 12-Months



On the other hand, it's notable that while client-facing parts of the financial planning process, including establishing the relationship, data gathering,

presentation, and implementation, are not necessarily conducive to time savings – as clients need a certain amount of time to participate in the process – that nearly 1/3rd of the total time for creating the financial plan includes analyzing and developing recommendations

Figure 18. Percentage of Time Spent on Different Steps in the FP Process Over the First 12-Months, by Business Model



establishing and defining the relationship, although this difference here was not statistically significant.

How CFP Certification Is Related To The Financial Plan Creation Process

Interestingly, CFP professionals reported a below average level of time spent during the first year by all team members onboarding a client (32 hours), while non-CFPs reported an above average amount of time (41 hours), and this difference was statistically significant.

Non-CFPs reported more raw hours spent on each of the steps, though looking at the gaps in time spent helps to illustrate where the relative differences are most pronounced.

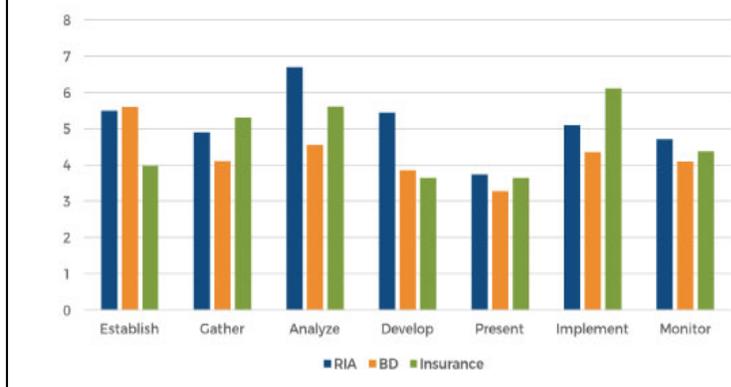
(11.1 hours), plus another 4.8 hours of data-gathering (which is clearly longer than just a single data-gathering meeting), suggesting that there is still room for *substantial* time savings with process and workflow improvements within today's financial planning software.

Yet the time spent in these steps also varied by business model. Most notably, advisors in B/D environments reported spending

relatively more of their first-year time as a team establishing and defining the financial planning relationship, advisors in an RIA environment reported spending relatively more of their time analyzing and developing a financial plan, and advisors in an insurance environment reported spending relatively more of their time gathering data and then implementing financial planning recommendations at the end.

However, Figure 18 (above) is reporting on a percentage basis, and the reality is that advisors in RIAs reported spending the most time in total onboarding of a client during the first year. When we look at raw hours reported (Figure 19, middle), we see that the only category in which B/Ds actually reported spending more time onboarding a client was

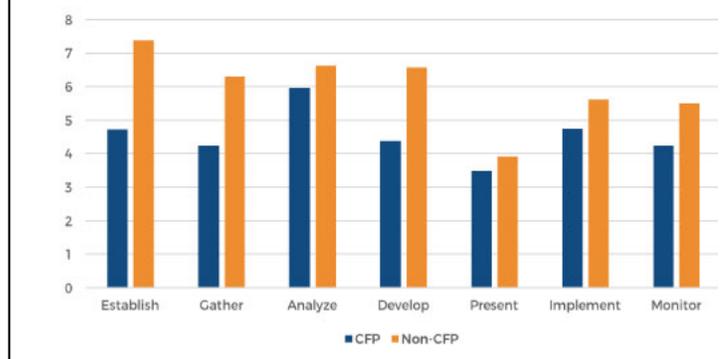
Figure 19. Hours Spent on Different Steps in the FP Process Over the First 12-Months, by Business Model



The biggest time gaps between CFP professionals and non-CFPs are within the areas of establishing and defining the planning relationship, gathering client data, and developing planning recommendations. This could suggest that CFP professionals gain direct efficiencies in their ability to execute the planning process in a timely manner with their education, training, and

experience. On the other hand, we should be careful interpreting any causation here. The reality could be that some additional factor that differs between CFP

Figure 20. Hours Spent on Different Steps in the FP Process Over the First 12-Months, by CFP Status



professionals and non-CFPs is really driving differences in time spent in the various steps of the financial planning process. This survey alone cannot answer this question, although the findings present an interesting divergence that is worthy of further exploration.

One simple explanation could simply be that CFP professionals, on average, are more experienced than non-CFPs. Indeed, CFP professionals in our survey had an average of 17 years of financial services experience, and 13 years in a lead advisor role. By contrast, non-CFPs only had an average of 15.5 years of financial services experience, 11 of which were in a lead advisor role. Interestingly, however, if we restrict the analysis to only advisors with over 20 years of experience as a client-facing financial advisor, the gaps get bigger, rather than smaller!

Again, while it's always possible there are other factors involved, the results suggest that the educational (and experience) components of CFP certification may actually generate efficiency and time savings in the plan creation process.

Another way we can look at time usage is to examine responsibilities among specific team members. As figure 22 (right) indicates, non-CFPs particularly spend more *Lead Advisor* time engaging in the FP process. Which may be particularly problematic, as it could suggest that not only are non-CFPs less efficient, but that this inefficiency is soaking up Lead Advisor time (and furthermore that non-CFP lead advisors aren't effectively hiring or leveraging associate advisors or outsourcing solutions to support the process).

Some interesting trends also emerge in the distribution of team member time completing various tasks in the FP process from one business model to the next.

Relative to B/D and insurance models, RIAs reported that lead advisors spend more time analyzing client situations and developing recommendations. Advisors in B/Ds reported less involvement of associate advisors at many stages of the planning process relative to associate advisors in RIAs. Interestingly, advisors in insurance environments reported much greater

involvement of administrative employees and outsourced roles, even though lead advisor time commitments were similar in many categories (with the exception of developing recommendations). This could be an indication that some tasks within an insurance model (e.g., running illustrations based off of a few key

inputs) are easier to delegate in the first place, and/or that insurance companies (more likely in a captive model) have been more effective at providing centralized resources to support their advisors, even if

the lead advisor still needs to largely do the same amount of work in preparing other areas of a comprehensive plan.

Perhaps the most pronounced differences were seen when comparing responsibility for financial planning process tasks between team structures.

Lead solo financial advisors report spending an average of 28.5 hours to complete the financial planning process, whereas the lead advisor's time drops substantially to an average of only 20.6 hours for solo advisors with support staff – providing further evidence of the value that associate advisors provide by freeing

Figure 21. Hours Spent on Different Steps in the FP Process Over the First 12-Months (20+ Years of Lead Advisor Experience)

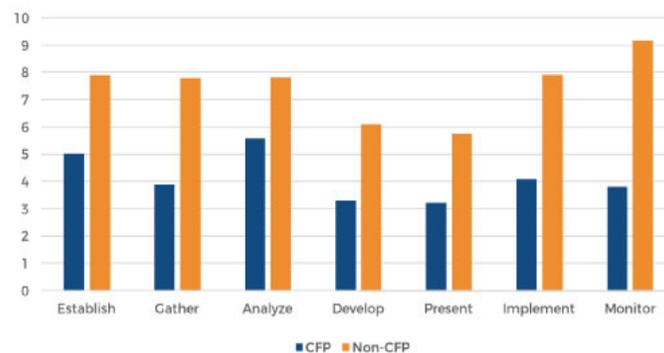
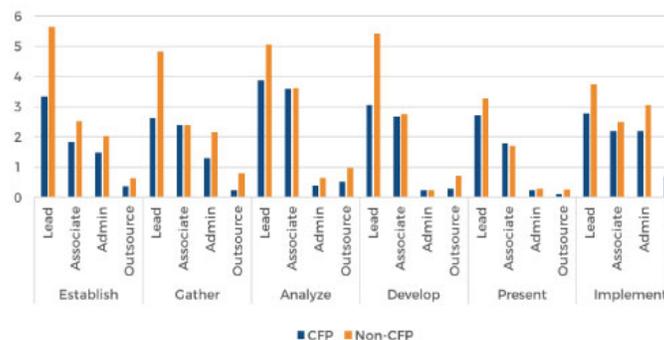


Figure 22. Allocation Of Time Across Team For Steps Of The FP Process, By Team Member and CFP Certification Status



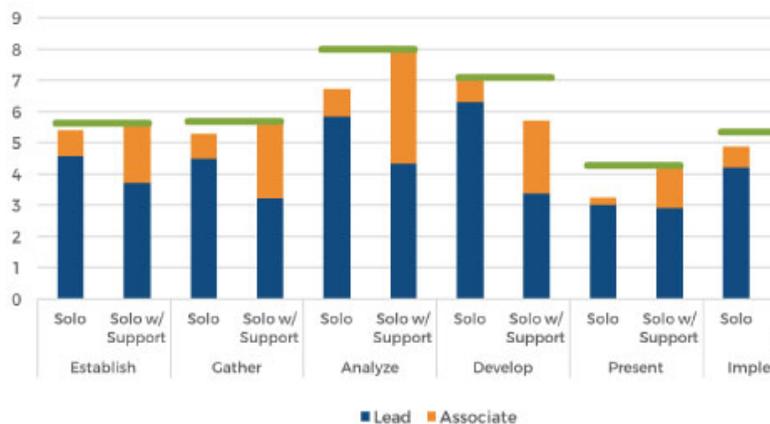
up a lead advisor's time by genuinely shifting tasks to the associate.

One notable exception, however, is at the presentation stage. While associate advisors generally save lead advisors time at every *other* stage of the process, when it comes time to present the financial plan, lead

complete a plan) and advisors in RIAs vs B/Ds (RIA advisors averaged slightly more meetings to complete a plan).

Of course, just looking at averages doesn't tell the whole story here. Important differences exist at the tails of these distributions. For instance, whereas only 6% of

Figure 23. Hours Spent on FP Process Tasks Between Solo Advisor with & without Support Staff



advisors within an ensemble team structure required 5 or more meetings to complete a plan, nearly 14% of solo advisors needed 5 or more meetings to do so. And while CFP professionals were previously shown to be more time-efficient in their plan creation process, they were also nearly 33% more likely to have an in-depth 5-meeting planning process.

In addition, there appear to be far more advisors conducting a very in-depth, high-touch planning process in RIAs than broker-dealers, with advisors in the former reporting 5 or more meetings to complete a plan at a rate 5 times higher than advisors in the latter. In fact, no advisors at B/Ds

advisors are still consistently in the meeting to take the lead role... which means the addition of an associate advisor to the meeting as well just adds an additional total time allocation to the client between the two, without producing any material time savings for the lead advisor themselves. Nonetheless, even for advisors who may feel that an associate advisor's time in the plan presentation meeting is 'duplicative' and unnecessary, the results suggest that in total, associate advisors *save* lead advisors far more time in the other steps of the process anyway.

reported needing 6 or more meetings to complete a plan, versus nearly 1-in-10 advisors in an RIA setting needing 6 or more meetings to complete a plan.

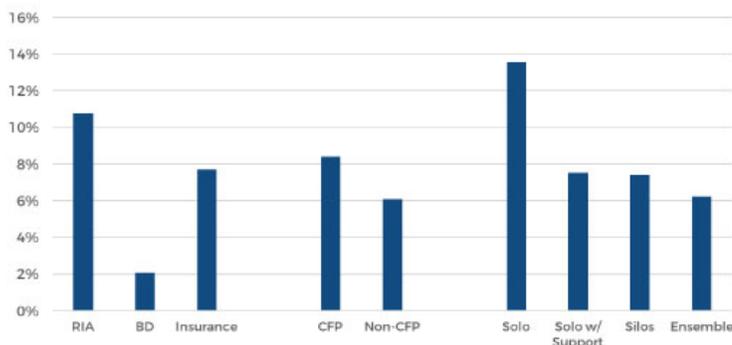
Of course, it's important to note that RIAs aren't necessarily engaging in a more thorough planning process. It could be that advisors in RIAs are merely being less efficient. Or, alternatively, the differences could be explained by something else entirely – such as

How Many Meetings Does It Take To Complete The Financial Planning Process?

Overall, advisors across different segments consistently reported an average of three meetings needed to complete an initial comprehensive plan (not including monitoring or implementation), consistent with a fairly standard process of an initial client meeting, an in-depth data gathering meeting, and a plan presentation meeting.

The only statistically significant difference between groups were advisors in solo versus ensemble firms (solo advisors averaged slightly more meetings to

Figure 24. Percent of Advisors Requiring 5 or More Meetings to Complete a Plan, By Type



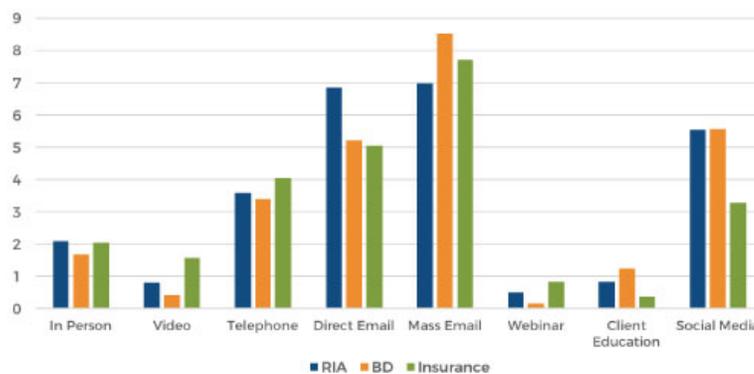
differences in the composition (and therefore planning needs) of clients between environments. However, the fact that RIAs are the most likely to be charging separately for financial plans compared to broker-

dealers or insurance companies (that can't legally charge separately for financial plans unless they have a hybrid RIA relationship anyway) suggests that RIAs may simply be going deeper with their planning processes because they're more readily able to charge for and be compensated for it.

In addition, in the case of differences between solo and ensemble firms, it is reasonable to believe that at least *some* of the differences are likely driven by differences in efficiency. Whereas an ensemble firm may be able to utilize different team members to simultaneously complete different areas of a comprehensive plan (e.g., an investment specialist and a planning specialist), the solo advisor has to wear all hats and shift between modules, which can reasonably take additional meetings to analyze and develop recommendations with one advisor wearing multiple hats (notably, these are the areas where solo planners spent the most additional hours preparing a plan relative to advisors with support staff).

business model reported 40% higher rates of utilizing email to contact clients directly relative to those in B/D and insurance models, while the latter were more likely to use mass emails instead. In fact, the trend of more "centralized" communication mediums and platforms was especially noticeable amongst insurance companies, which were more likely to use video (which can be

Figure 25. Average Frequency Of Annual Client Communication, by Communication Medium



overseen by central compliance) and mass emails, but far less likely to use direct email or social media to interact with clients.

A few interesting relationships emerged when looking at client contact and communication by team structure. For instance, solo advisors reported significantly higher levels of client contact via email than solo advisors with support staff, and were also more likely to interact directly with clients via video or in-person meetings. This may be the result of greater email and other client contact delegation among those with support staff (such that it doesn't always have to be the lead advisor making all communication contacts). Solo advisors also reported the lowest levels of communication via

What Tools Do Advisors Use To Create And Communicate Financial Plans?

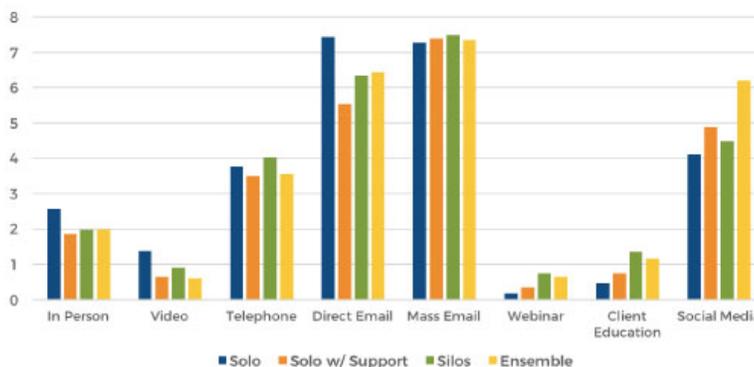
Our survey also captured some interesting insights regarding the various tools advisors are using within their practices, both in constructing and analyzing financial plans themselves, but also in communicating overall regarding financial planning issues with clients.

Communication Tools And Channels For The Financial Planning Process

Looking at ongoing contact with clients throughout the year (for clients already fully onboarded through the initial financial planning process) by communication medium reveals a few interesting relationships.

For instance, while advisors were fairly consistent in their communication habits regardless of whether they had CFP certification or not, advisors in an RIA

Figure 26. Average Frequency Of Annual Client Communication, By Medium and Team Structure



webinars, client education, and social media – perhaps suggesting that these mediums are easier to adopt with a larger amount of team resources.

Tools Used In The Financial Planning Process

While in the early years of financial planning, conducting the analysis of a client’s financial planning situation and then producing a financial plan to convey those results to the client might have been scribbled onto a yellow pad, modern financial planning both requires and leverages the availability of technology tools to create a more robust financial plan.

However, the particular tools financial advisors used to create a comprehensive financial plan vary significantly, with the availability of firm-created proprietary software, Excel-based calculations, third-party financial

planning software, more specialized software tools, and simply constructing a written plan using a standalone word processor.

And in practice, the use of these tools did vary considerably amongst different types of advisors. Across business models, advisors in RIAs were considerably more likely (91%) to report using typical third-part financial planning software tools than advisors in B/Ds (74%) and insurance environments (71%), while advisors in B/Ds were far less likely to leverage Excel or Word for more customized financial plan analyses (consistent with the earlier finding that B/Ds are most likely to provide “packaged” comprehensive financial plans or to deliver the plan collaboratively, but not to customize the plan to the extent that insurance companies and especially RIAs do).

It is likely these differences are driven at least in part by differences in compliance requirements, rather than advisor preferences, given that advisors in B/Ds are often more limited by centralized compliance oversight from creating custom plan analyses and recommendations using software such as Excel or Word. Not surprisingly, advisors in B/Ds and especially insurance firms – which, relative to RIAs, tend to be much larger and more likely to have resources for developing proprietary software – were more likely to use firm-created financial planning software than those in an RIA environment.

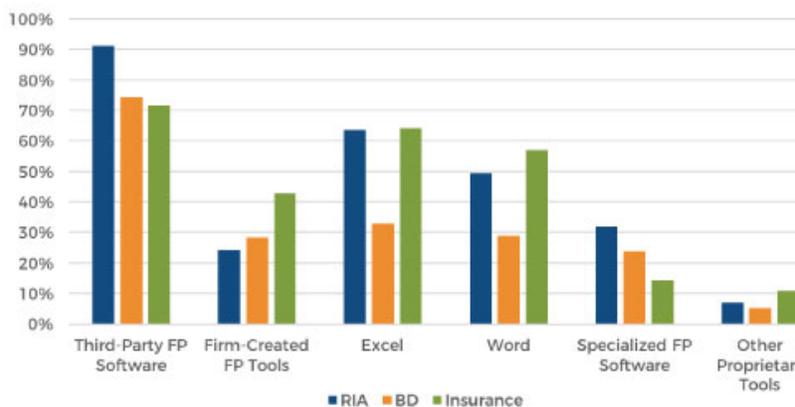
Advisors in RIAs also reported the highest levels of utilizing specialized financial planning software solutions (e.g., Social Security analysis or other

specialized tools) as part of the process of creating a comprehensive plan – which is again consistent with the fact that RIAs often have greater flexibility to adopt such planning software in the first place. To the extent that such planning tools provide material

benefits for clients within an advisor’s specific niche, these findings could illustrate one of the longer-term benefits available to those who are breaking away from B/Ds and moving into RIAs: The ability to adopt unique software that truly adds value for clients. For instance, if an advisor works with many clients who have stock options and an advisor technology start-up develops a new great tool specifically for clients with stock options, the advisor in the RIA environment can more readily and easily adopt such tools than an advisor in a B/D environment.

The differences in tools used for plan creation between CFP professionals and non-CFPs were less pronounced, although CFPs still reported higher levels of using most tools. The one exception was the use of specialized financial planning software, although the differences in this category were not statistically significant. The two areas with the most divergence were the use of third-party financial planning software and Word, where CFP

Figure 27. Software Tools Used to Create a Comprehensive Financial Plan, by Business Model



professionals were (statistically significantly) more likely to use each. Both of these relationships make sense from the perspective that CFP professionals are more likely to be producing plans and doing so at the level of depth that generic boilerplate reports don't capture everything the planner would like to convey through the financial plan. The reporting of higher use of specialized financial planning software among non-CFPs is also interesting, as it suggests that both CFP professionals and non-CFPs are equally likely to do deeper analyses for clients in *specific* areas where specialized tools would be appropriate (while CFP professionals remain more likely to do more comprehensive plans that entail the use of third-party comprehensive planning software).

Tool use in the creation of a comprehensive financial plan also varied by team structure. Ensemble teams reported the highest utilization of third-party software, but also their own firm-created planning tools, as well as Excel and specialized planning software (ensemble teams also reported the second highest rates of utilizing Word). This may suggest that the largest Ensemble firms doing more in-depth financial planning (thereby making them most likely to use third-party software solutions) are also finding the most *gaps* in the available software today, making them most likely to supplement their planning process with firm-created tools, firm-created Excel spreadsheets, and other specialized tools.

One important note regarding the use of financial planning software is that not all advisors are using the tools in the same manner. For instance, while solo advisors and advisors within an ensemble team reported the highest levels of utilizing Excel (57% and 60%, respectively), less than 2% of advisors within an

ensemble team utilized Excel as their *exclusive* planning tool, whereas 6% of solo advisors reported doing so, suggesting perhaps that solo advisors are struggling to find an affordable entry-level financial planning solution (and thus must rely on their own Excel-created tools instead).

The biggest difference between the use of Excel as a primary planning tool was between CFP professionals (<2%) and non-CFPs (>7%). It is reasonable to suspect that this is at least in part due to differences in planning standards. Through their additional education, it is possible advisors with CFP certification have developed more demanding standards regarding what planning software should be

able to do, including features which enhance planning insight such as account aggregation, Monte Carlo simulation, and detailed tax modeling, that are far less commonly found in internally developed advisor spreadsheets. But regardless of the reason, the primary point to note is that although CFP professionals and

ensemble firms were more likely to utilize Excel relative to relevant peer groups, they were the *least* likely to solely use Excel exclusively. Which likely means these types of advisors are using Excel for supplemental planning above and beyond what is

Figure 28. Software Tools Used to Create a Comprehensive Financial Plan, by CFP Status

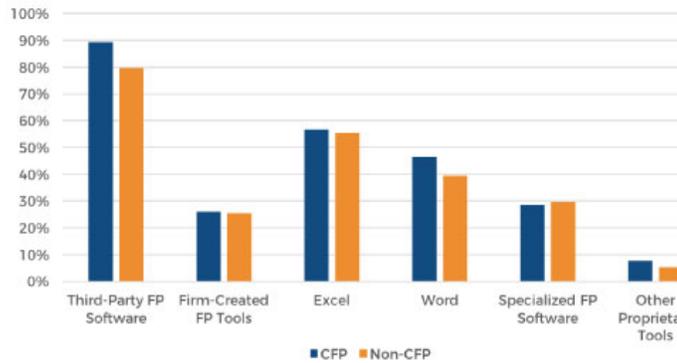
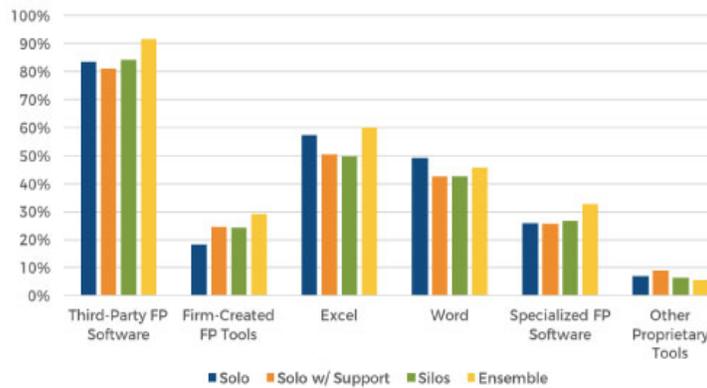


Figure 29. Software Tools Used to Create a Comprehensive Financial Plan, by Team Structure



capable through their dedicated planning software, which contrasts with those non-CFP and solo advisors who are more likely using Excel as a primary tool for planning purposes.

Interestingly, there was not a statistically significant difference in the amount of time spent analyzing a client’s situation and developing recommendations between advisors who use a third-party planning tool and those who only use Excel – suggesting that *if* third-party planning tools provide efficiencies (which is certainly plausible but not something we have evidence of in our data), then advisors are using this freed up time to analyze more/other areas, rather than merely shifting time elsewhere. In other words, these results suggest that financial planning software isn’t about doing financial plans *faster*, but doing financial plans *deeper* and more comprehensively.

The biggest differences in time spent analyzing and developing recommendations based on primary planning tools were between those using firm-developed planning tools, and all others – with firm-developed tools associated with less time analyzing and developing recommendations (nearly 2 hours per plan across all advisors). One potential explanation of this result could be that firm-developed planning tools (which presumably are highly tailored to a firm’s other processes and systems) provide some efficiencies for advisors. On the other hand, it could be the case that advisors struggle with firm-developed planning tools, which may not have all of the tools and features advisors

want, and therefore result in a shorter planning process not out of preference, but because the same depth of planning can’t be done in the first place. Yet another explanation could be that advisors within firms that have firm-developed planning tools

(disproportionately insurance companies and B/Ds) approach planning differently than advisors who utilize third-party planning tools (disproportionately RIAs), especially given earlier results showing that RIAs are more likely to develop

customized financial plans.

Trends In Third-Party Financial Planning Software Usage

Figure 30. Time Spent Analyzing & Developing Recommendations by Primary Planning Tool

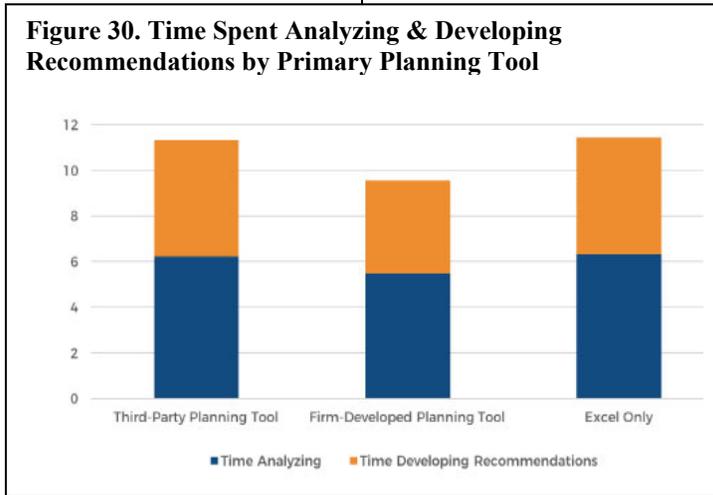
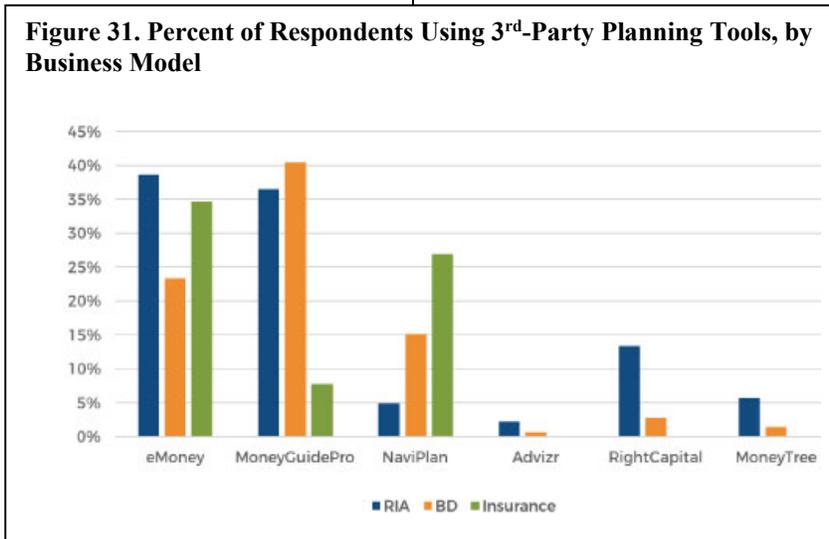


Figure 31. Percent of Respondents Using 3rd-Party Planning Tools, by Business Model



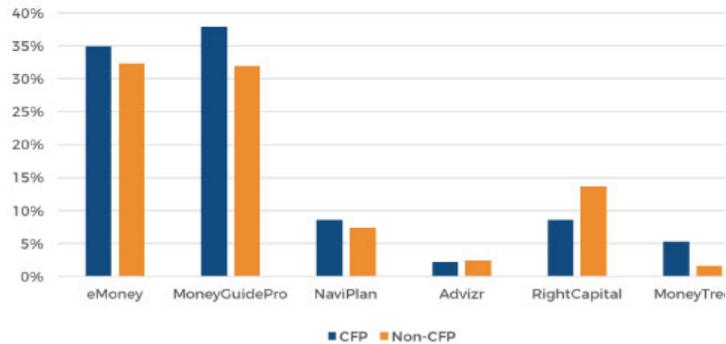
Overall, the two third-party planning software programs with the greatest adoption amongst financial advisors within our study were eMoney (35%) and MoneyGuidePro (35%). (Note: Advisors could report using more than one software.) Other

software tools utilized by more than 1% of respondents included RightCapital (10%), NaviPlan (9%), MoneyTree (4%), and Advizr (2%).

Amongst RIAs, eMoney and MoneyGuidePro were the two most popular tools, utilized by 39% and 36% of advisors, respectively. MoneyGuidePro was most popular amongst advisors within a B/D environment, with 40% of advisors reporting using this tool relative to

only 23% using eMoney, while conversely eMoney was far more likely to be used amongst insurance channels than MGP (at 35% vs only 8%, respectively). NaviPlan remains somewhat popular amongst advisors in insurance and B/D environments, although only about 5% of RIAs in our study reported using the tool. Newcomer RightCapital had a strong showing amongst RIAs in our study – utilized by roughly 13% of RIA respondents (but barely 2% in any other channel). In addition, MoneyTree was also used almost exclusively amongst RIAs.

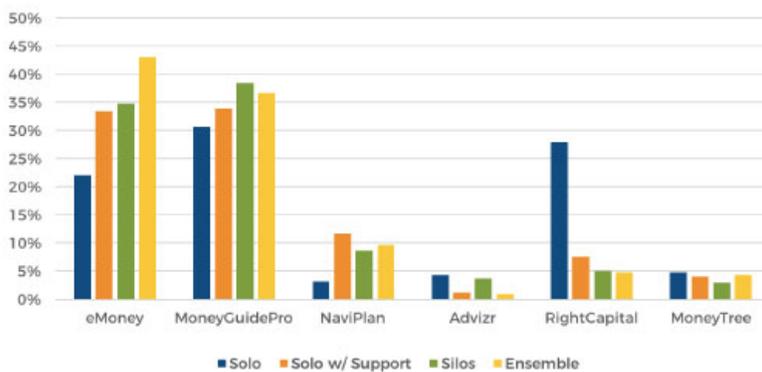
Figure 32. Percent of Respondents Using 3rd-Party Planning Tools, by CFP Status



There were also differences in software usage based on CFP certification status. With the exception of Advizr and RightCapital, the other major companies represented within our survey were all more popular amongst CFP professionals.

with its in-depth cash flow planning, was particularly unpopular amongst solo advisors, but still had roughly 10% representation amongst other team structures that provide additional team support for the plan construction process. Notably, cost is also very likely a

Figure 33. Percent of Respondents Using 3rd-Party Planning Tools, by Team Structure



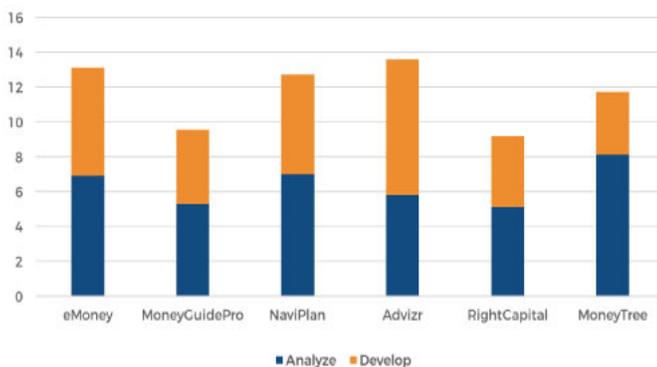
factor driving both the low adoption of eMoney among solo advisors in particular, and the relatively high adoption of RightCapital by comparison (with RightCapital pricing at barely 1/3rd the cost of eMoney Advisor).

There were some differences in average time reported analyzing and developing a plan based on the third-party planning tool used, although the size of some groups is so small that some comparisons may not be that insightful.

Notably, Advizr and RightCapital are both tools more commonly utilized by younger and less experienced planners, who may simply still be working towards becoming a CFP professional but have not yet fulfilled the requirements. For instance, while RightCapital was only used by 13% of respondents overall, it was used by 28% of solo advisors without support staff.

Relative to other team structures, solo advisors were significantly less likely to use eMoney, while eMoney was particularly popular amongst ensemble teams. NaviPlan, which historically was known for being more time-consuming

Figure 34. Hours Spent by Entire Team Analyzing & Developing a Plan, by Planning Software



Notably, however, among the four most widely used tools in our survey (eMoney, MoneyGuidePro, NaviPlan, and RightCapital) there were still some significant differences. In particular, advisors using eMoney and NaviPlan spent significantly more time in the stages of analyzing a plan and developing recommendations than advisors using MoneyGuidePro and RightCapital.

Similar patterns were seen when respondents were asked specifically how much time is spent between all members of a team using their third-party planning software, with eMoney and NaviPlan among the highest totals reported.

Unfortunately, it's not entirely clear from our data whether those differences are driven by the efficiency of various tools, higher levels of delegation (e.g., an associate advisor may be less efficient than a lead advisor), different planning

styles (e.g., more comprehensive planners vs more targeted or modular), or some other factors.

In fact, there is good reason to suspect that the different user bases could be using the tools differently. For

instance, recall that MoneyGuidePro was relatively more common among those in a B/D environment and less common among those in an insurance environment, while RightCapital was relatively more common among solo advisors (especially solo RIAs). It's likely that these differences reflect more than just differences in the tools being used, and therefore readers should be careful drawing conclusions about efficiency from these results alone.

For instance, compared to a lead advisor using RightCapital for 5 hours when creating a plan, it may be more "efficient" for a lead advisor to spend 1 hour using eMoney while an associate uses the tool for 8 hours

(even if the total plan construction time is 80% higher

Figure 35. Average Hours Spent Using 3rd-Party Planning Tools When Creating a Comprehensive Plan

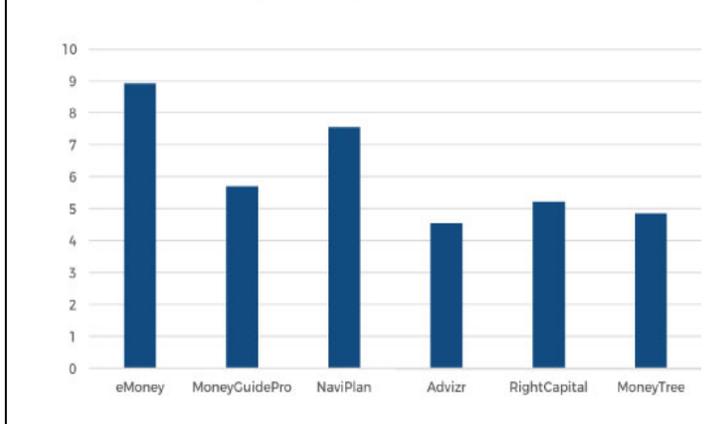


Figure 36. Average User Satisfaction Ratings of 3rd Party Planning Software

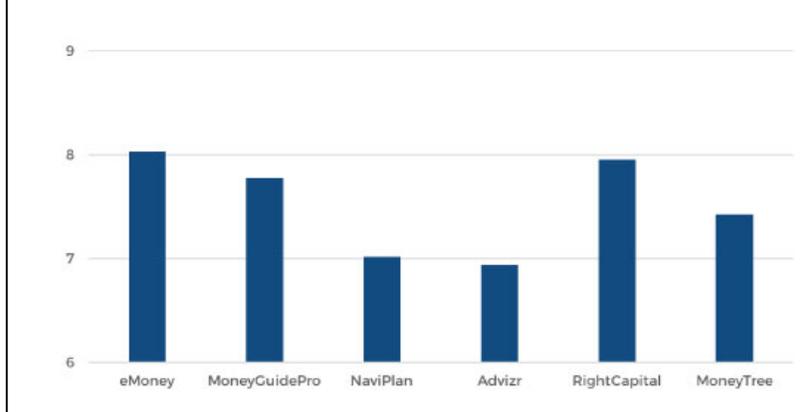
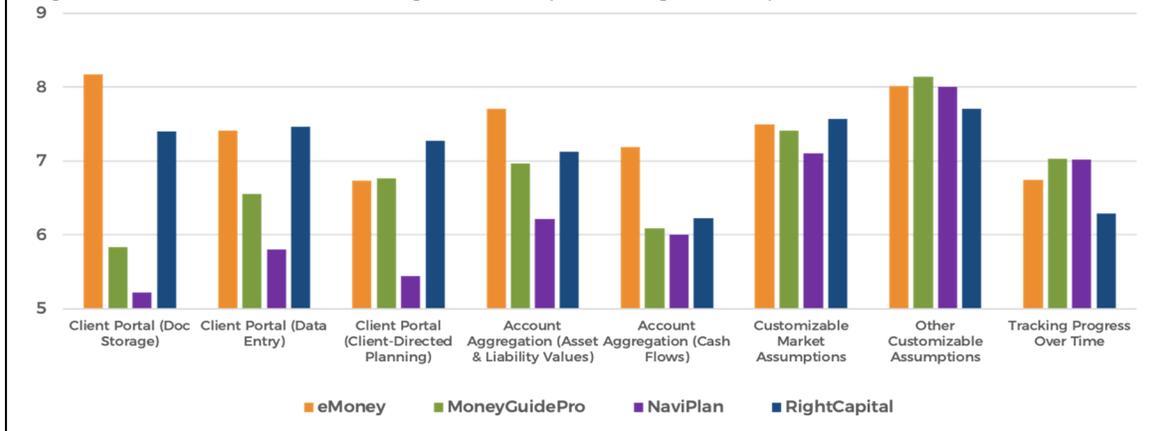


Figure 37. User Satisfaction Rating of 3rd-Party Planning Tools, by Software Feature



with eMoney in this example). While these numbers are purely hypothetical, our results do indicate that users of eMoney are far more likely to have associate advisors involved in the plan development process.

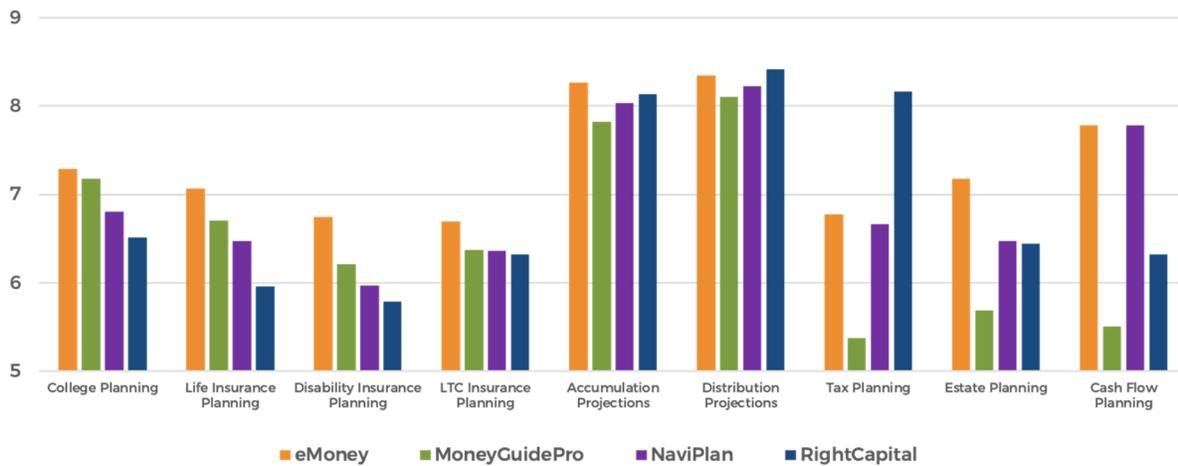
Software User Satisfaction Ratings

eMoney, MoneyGuidePro, and RightCapital received the highest user satisfaction ratings in our survey, all averaging close to a score of 8 on a 10-point scale, while NaviPlan and Advizr were noticeably lower with average scores below 7. Which is notable since, as observed earlier, there is likely already some self-selection amongst advisors to pick the software that best fits their business model, team structure, and compensation model.

As Figure 38 indicates, users of eMoney and RightCapital reported significantly higher levels of satisfaction with the portals available to their clients, with eMoney in particular standing out alone as a leader in account aggregation. In fact, notwithstanding its overall high rating, MoneyGuidePro lagged the leaders in each category considerably (as did NaviPlan), except for the customizability of their assumptions and ability to track progress over time. RightCapital stood out as a leader in client-directed planning via their portal, but lagged the competition considerably in tracking a client’s progress over time in an ongoing planning relationship.

When it comes to financial planning software’s ability to cover specific planning modules, there was also significant variability amongst the leading software

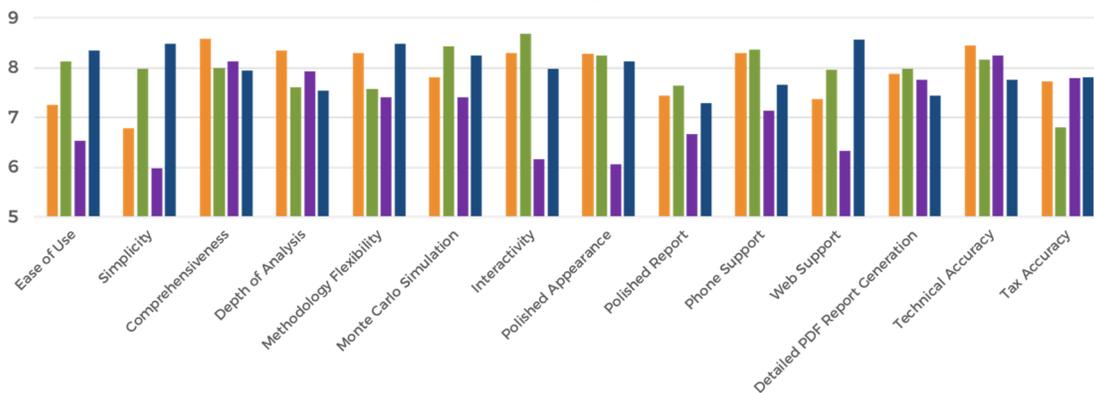
Figure 38. User Satisfaction Rating of 3rd-Party Planning Software, by Topic Area



In addition to overall satisfaction levels, our respondents provided detailed information regarding satisfaction based on various features and characteristics of software.

solutions. While not surprisingly, most solutions were consistently strong in modeling accumulation and decumulation projections – given the traditional retirement-centric focus of financial planning –

Figure 39. User Satisfaction Ratings of 3rd Party Planning Software, by Software Characteristics



RightCapital stood out as a leader in the area of tax planning, while MoneyGuidePro lagged the competition considerably. eMoney Advisor ranked higher in *all* other categories, though, with MoneyGuidePro coming in second for college planning and insurance planning (while RightCapital finished last), whereas NaviPlan came in second for estate planning and cash flow planning (while MoneyGuidePro substantially lagged in these areas).

Looking at other characteristics covered in our survey, RightCapital and MoneyGuidePro stood out as leaders in the areas of ease of use and simplicity, and MoneyGuidePro was a clear leader in interactivity. eMoney was a leader in comprehensiveness, depth of analysis, and technical accuracy. Overall, the only areas in the chart below where eMoney really lagged were ease of use, Monte Carlo simulation, and web support – ranking at or near the top of categories including methodology flexibility, polished appearance and reports, phone support, and tax accuracy. By contrast, Naviplan lagged in many categories, particularly for its (lack of) simplicity, interactivity, and (not) polished appearance, and was only at or near the top of the technical accuracy and tax accuracy categories.

What Planners Charge: The Cost of A Financial Plan

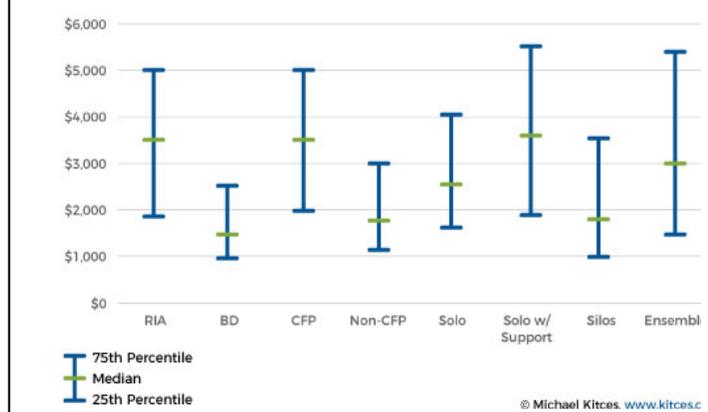
One other question that has remained surprisingly elusive is how much a financial plan actually costs for a ‘typical’ consumer with a ‘typical’ advisor. In addition to how financial advisors go about the planning process and the tools that they use, our survey respondents also provided detailed information on the fees that they charge and the clients that they provide services for.

Standalone Planning Fees

Excluding some extreme outliers, financial advisors reported charging anywhere from \$200 to \$8,000 for a standalone comprehensive plan. The average reported cost for a standalone plan was \$2,366 (standard deviation of \$1,482), while the median reported cost for a standalone plan was \$2,225.

Notably, these fees did vary by business model, CFP status, and team structure. For instance, at the 50th percentile, advisors in RIAs charged nearly \$2,000 more than advisors in B/Ds to produce a standalone

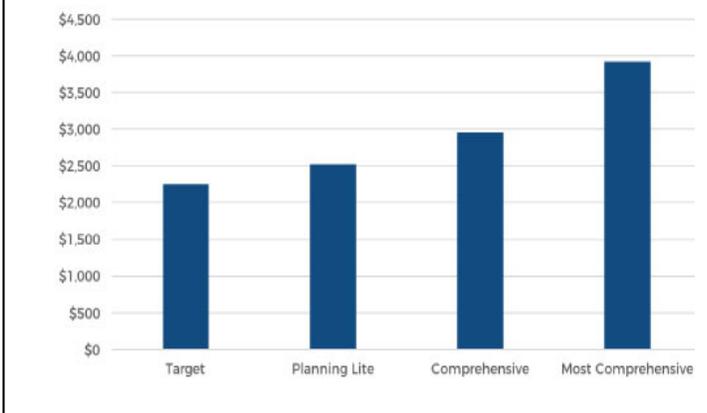
Figure 40. Standalone Planning Fee Percentiles by Business Model, CFP Status, & Team Structure



plan. Similarly, CFP professionals reported charging a median fee of nearly \$1,700 more than non-CFPs for the completion of a standalone financial plan. Among various team structures, silos reported the lowest median cost for consumers to purchase a standalone plan (\$1,800), versus a high among solo-advisors with support of \$3,600. Advisors in ensemble firms reported the second highest levels of median standalone planning fees at \$3,000, though notably, separate industry research has shown that ensemble firms also tend to have more affluent clients who may have more complexity and more financial wherewithal to pay more for a financial plan).

Notably, the higher fees that solo-advisors with support receive may be highly operationally leveraged compensation in the sense that the median fee increase from a solo advisor to a solo advisor with support (\$2,500 to \$3,600) comes with only a slight increase in total time spent producing a plan, but a considerable decrease in the number of hours invested by the lead advisor themselves (shifting work instead to a lower-paid associate advisor). Of course, this does not mean that merely hiring an associate advisor will lead to higher fees. Many things change as an advisor grows from a solo practice to a solo practice with support staff – an advisor’s confidence, the number and quality of referral sources, the relative impact of losing out on a project for pricing too high, etc. – but this finding is particularly noteworthy for solo advisors who have already grown to the point of being able to support an associate advisor, as it suggests that the general profitability of standalone planning work can increase when hiring an associate advisor. At the same time, the opportunity cost of pursuing standalone planning work in lieu of other types of work should not be overlooked either.

Figure 41. Average Standalone Planning Fee, by Plan Comprehensiveness



Additionally, our results *do* show a clear relationship between the cost of a plan, and an advisor’s plan comprehensiveness, suggesting that on average clients paying more really *are* getting more comprehensive plans. Using the framework identified earlier in this white paper (categories of targeted planning, planning-lite, comprehensive, and most comprehensive), we find that average plan fees range from \$2,250 for a “targeted” plan to \$3,918 for advisors in the “most comprehensive” category.

Hourly Planning Fees

Excluding outliers, hourly fees among advisors in our survey ranged from \$99 to \$500. The average fee reported was \$218 (standard deviation of \$74) while the median fee reported was \$200.

With the exception of a lack of higher levels among ensemble firms, we see similar patterns as those that emerged among standalone planning fees, with RIAs charging more than B/Ds, CFP professionals charging more than non-CFPs, and advisors within a solo firms with support charging more than the rest.

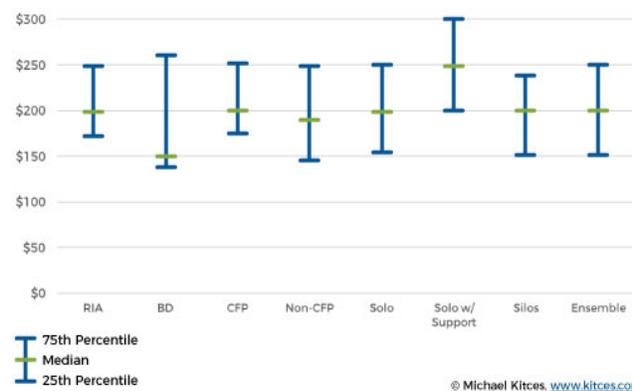
Of course, an hourly fee is only part of what we need to know in order to determine what clients pay, on average, to receive a comprehensive plan produced this way. We also need to know how many hours it takes to complete a plan, to determine the total all-in cost for working with an hourly advisor.

Overall, excluding outliers, advisors reported billing anywhere from 1 to 30 hours in order to

complete a full financial plan. The average length reported was 9.7 hours (standard deviation of 5.5 hours) and the median length reported was 8 hours. The average hours billed towards the completion of a plan did vary across business model, CFP status, and team structure.

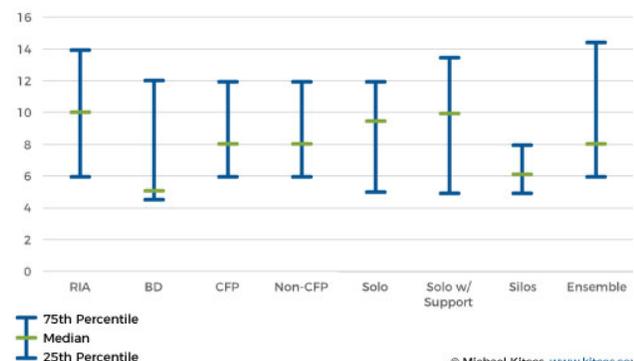
Some similar patterns emerge, albeit with less variation in the average between team structures. These results are notable however, because they indicate that not only do RIAs (and certain team structures, CFPs, etc.) often charge more per hour to complete a plan, but they actually bill for more hours as well! As a result, we would expect differences in the total cost of a plan from such advisors to differ more than just a single dimension (e.g., hours needed or hourly fee) might suggest.

Figure 42. Hourly Financial Planning Fee Percentiles, by Business Model, CFP Status, & Team Structure



When calculating the average cost of an hourly fee based on our respondents’ unique hourly fees and hours needed to complete a plan, we find that fees range from

Figure 43. Hours Billed Towards the Completion of An Hourly Plan by Business Model, CFP Status, & Team Structure



\$290 to \$10,500, with an average of \$2,044 (standard deviation of \$1,511), and a median cost of \$1,800. However, these amounts do again vary by business model, CFP status, and team structure.

Overall, advisors within an RIA environment reported charging an average of \$2,281, which is significantly different than the average of \$1,315 charged by advisors within a B/D environment. Which means, despite the fact that advisors in RIAs only reported charging an additional \$24 per hour, the average cost of a plan was nearly \$1,000 higher once accounting for both differences in fees and differences in the hours billed towards the completion of a (ostensibly more comprehensive) financial plan.

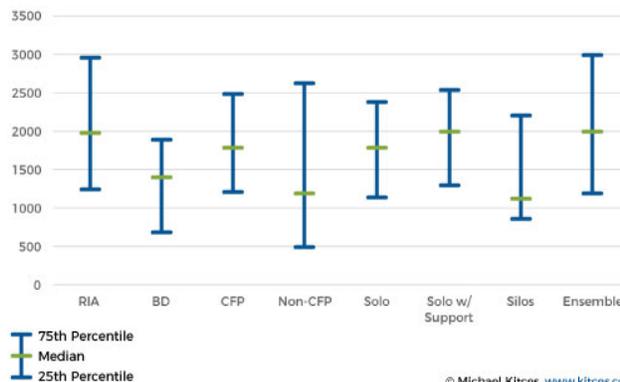
Retainer Fees

Excluding outliers, annual retainer fees ranged \$400 to \$17,500. The average reported within this range was \$4,334 (standard deviation of \$3,450) and the median retainer fee reported was \$3,200.

Similar patterns emerge again when looking at retainer fees by business model, CFP status, and team structure, with advisors in RIAs charging more than advisors within B/D and insurance environments, CFP professionals charging more than non-CFPs, and advisors on ensemble teams charging the most, followed by solo advisors with support, solos, and then silos.

The consistency of these patterns is noteworthy. However, we must again caution against making causal conclusions from these findings. The fact that CFP status is *correlated* with higher fees does not

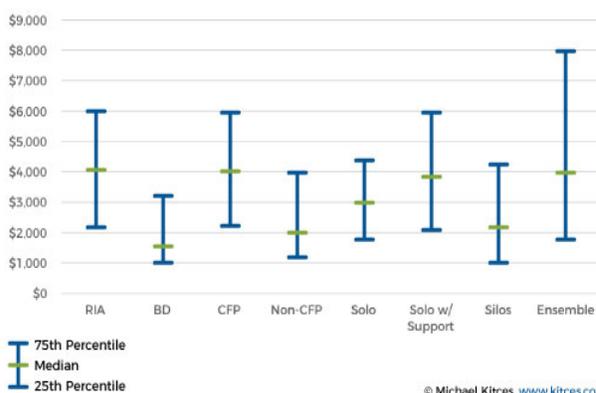
Figure 44. Total Cost For An Hourly Plan, by Business Model, CFP Status, & Team Structure



mean that earning one's CFP designation is what *causes* advisors to earn higher fees. It is very likely that the expertise gained in pursuing one's CFP designation and the signal that the designation sends to consumers does help advisors earn higher fees from consumers in the marketplace, but CFPs also differ from non-CFPs in important ways (experience, background, professional success, etc.) that could also explain why CFP professionals earn higher fees.

Additionally, with the exception of advisors who *only* produce standalone plans as their entire advisory business (which is a very small percentage of advisors), the overlapping nature of so many types of advisor compensation does make it hard to sort out the true cost of a comprehensive plan. For instance, commissions from product implementation are one source of additional revenue for advisors who can receive such compensation, and even fee-only advisors may receive additional income from follow-up consultations or implementation in other areas (e.g., AUM fees for portfolio management). Anecdotally, advisors are also willing to do some work as a means to producing a *possibility* of future work, and this probabilistic, expected value approach to completing a plan part as compensation now and part as a means to future compensation complicates matters considerably.

Figure 45. Annual Retainer Fee Percentiles by Business Model, CFP Status, & Team Structure



AUM Fees

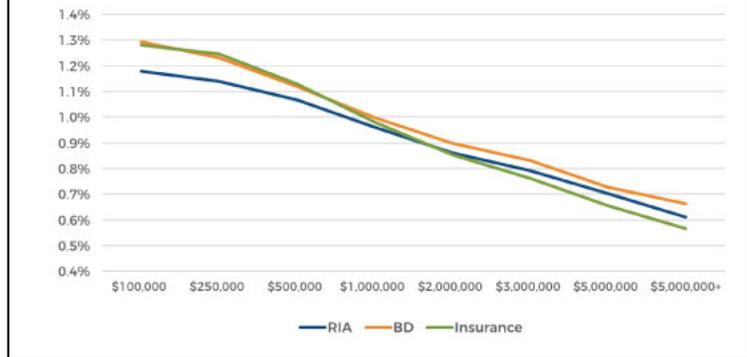
Because AUM fees are one of the more common ways in which advisors might be additionally be compensated, our survey also examined AUM fees at various levels of account size.

Advisors reported their blended fees at various portfolios sizes. Excluding some outliers, overall AUM fees ranged from maximums of 3% on portfolios of up to \$250k and 2% at all other portfolio sizes, to a minimum of 0.15% among smaller portfolios and 0.10% among larger portfolios.

Advisors in a B/D business model typically reported the highest AUM fees across all portfolio levels, although advisors in insurance models reported roughly identical average AUM levels up to portfolios of about \$1M in size, at which point insurance advisor AUM fees diverged and actually fell to levels lower than those reported in RIAs among larger portfolios.

On the other hand, there was surprisingly little difference in average AUM fees between CFPs and non-CFPs. The largest divergence came between portfolios of \$250k or smaller.

Figure 46. Average AUM Fee, By Business Model And Investable Assets



utilize AUM as a supplemental revenue source to planning fees (or conversely using planning fees to supplement their lower AUM fees).

Another divergence within the area of team structure was the lower initial pricing among teams in an ensemble environment. This cuts against the tendency for ensemble-structured teams to have the highest levels of pricing, although this could be the result of higher minimums for purely AUM-based services within ensemble teams in the first place. For instance, if ensembles already have a \$500k or \$1M minimum, they don't need the lowest tier of their fee schedule to be as high in the first place. And in fact, our survey results showed that ensembles with blended fees (e.g., AUM + retainer) were more likely to report lower fee breakpoint thresholds, whereas ensembles with higher minimums didn't even report fee breakpoints until much higher thresholds (i.e., instead of charging 1.3% on the first \$500k and 0.7% on the second \$500k, they simply reported a flat 1% fee on the first \$1M, but wouldn't actually accept a client at a 1% fee with less than \$1M).

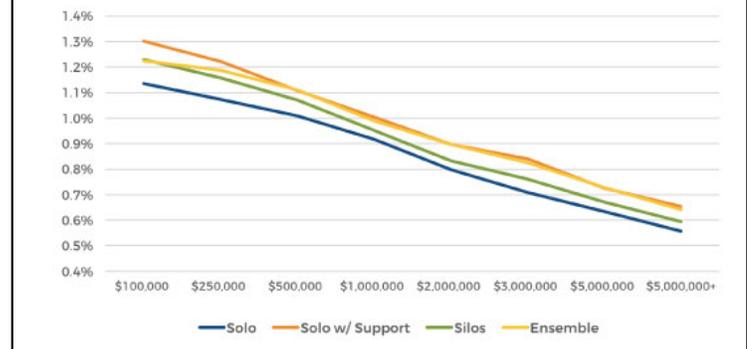
Figure 47. Average AUM Fees, by CFP Status And Investable Assets



Notably, though, non-CFP advisors had a significantly wider range of fees for smaller clients, and were simultaneously more likely to charge less than 80 basis points, while also being more likely to charge above 200 basis points. CFP professionals were more consistent in their AUM fee pricing... while also being slightly lower on average.

Interestingly, while solo advisors tended to price higher than silos when doing standalone financial plans, the reverse was reported with respect to AUM pricing. One explanation of this could be that advisors within different team structures are bundling services differently, perhaps with advisors in silos relying more on AUM as a primary revenue source, and solo advisors being more likely to

Figure 48. Average AUM Fee, by Team Structure



Are Different Consumers Paying For Financial Planning Differently?

Another interesting question we examined through our survey is whether different types of consumers are purchasing financial planning services differently. This has long been thought to be the case – as one of the explicit goals of many advisors providing retainer and hourly services is to reach markets that were previously underserved. But is this actually true?

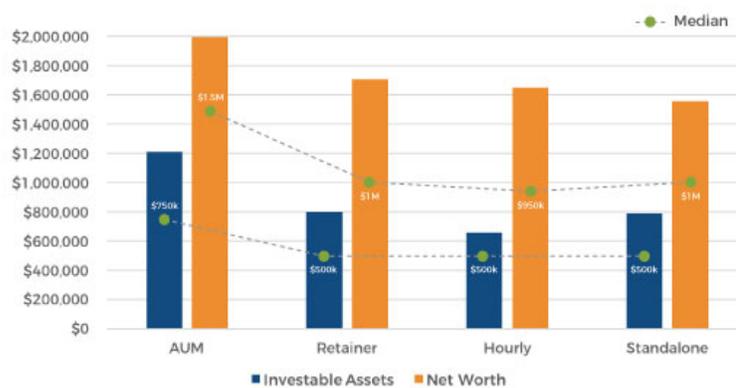
While the results of our survey do suggest that differences in average levels of income, investable assets, and net worth exist between advisor compensation models, the results of our survey suggest that by and large advisors of all business and compensation models of primarily working with the most affluent households.

For instance, when asked to report the financial characteristics of a typical AUM client, advisors reported an average net worth of roughly \$2M. This was the highest average reported among compensation models. However, the lowest average net worth reported, which was amongst standalone planning clients, was still over \$1.5M! And while this difference was statistically significant, the reality is that the lowest reported “average” client was still within the top 10% of American households. Although more generally, non-AUM models *did* show a median investable assets nearly 40% lower than those focused on the AUM model, suggesting that alternative fee models are reaching different – albeit still rather affluent – clientele.

The highest average client income level was also reported by AUM advisors (\$199,000/year), while the lowest average client income level was reported by hourly advisors (\$169,000/year). And although this difference was also significant, the average “average” client was still reported to be at right around the 90th income percentile, whereas median household income in the US was “just” \$61,372 last year. In addition, again, the typical higher-income advisor *also* had,

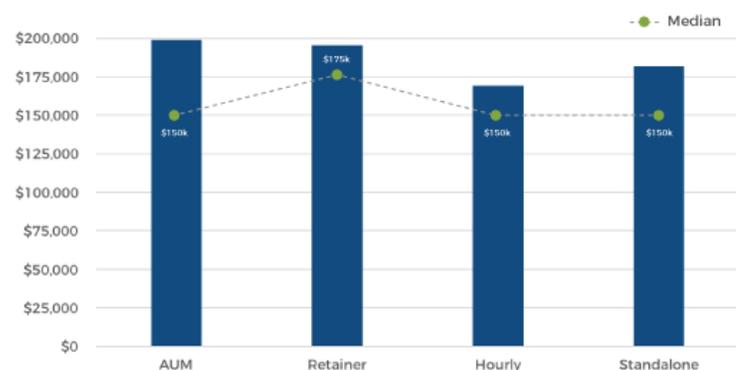
on average, a net worth of about \$1.6M as well, which again emphasizes that by and large, advisors are still working with (primarily or almost exclusively) some of the most affluent people in the US. Of course, that’s not to say that *no* advisors are serving lower levels of income, investible assets, or net worth. Overall, roughly 5% of advisors did report serving clients with average income equal to or less than the *median* income in the US. However, it could be the case that some of these “average” income clients (relative to the general population) are also younger than the general population (e.g., an engineer recently out of school earning \$65k), which could suggest that even these lower income households are still fairly affluent once we account for age.

Figure 49. Average Client Assets & Net Worth by Advisor Compensation Model



Variation did exist by business model, CFP status, and team structure. In particular, advisors working within RIAs were significantly less likely to report working with typical clients who have income of \$61,000 or less relative to advisors in B/D and insurance environments.

Figure 50. Average Client Income, by Advisor Compensation Model



(Note: Unfortunately, one limitation of our study is that we did not ask for a typical client profile [e.g., income, investible assets, and net worth] for clients charged a commission by advisors within a B/D or insurance environment. As a result, the numbers reported below are the percentage of advisors who reported serving a typical client with \$61,000 or less in income through either an AUM, retainer, standalone planning fee, or hourly fee model.)

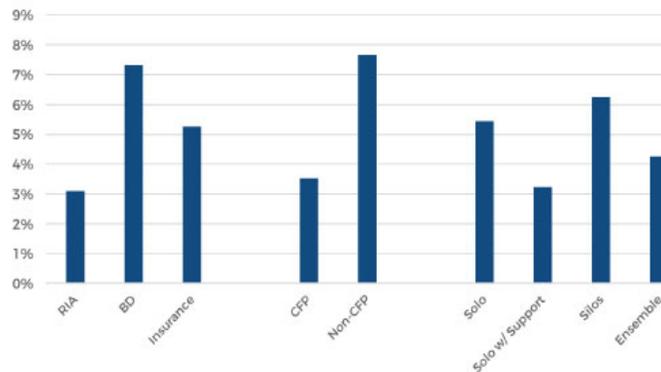
As Figure 51 (right) indicates, CFP professionals were less than half as likely to serve a typical client with income less than or equal to \$61k (ostensibly because, as noted earlier, CFP certification makes them able to command higher fees, which in turn leads them to move “upmarket” to more affluent clientele). Among various team structures, advisors within silo structures reported the highest levels of serving clients with income of less than \$65k, followed by solo advisors, ensemble advisors, and then solo advisors with support.

Of course, advisors can still utilize various compensation methods to different degrees across teams and types of organizations. If we classify advisors who earn 60% of revenue or more from a single category as “primarily” compensated via that model, some predictable patterns do emerge among the types of advisors working with lower income clients.

Not surprisingly, advisors compensated solely through AUM were significantly less likely to report working with clients who have an income equal to or less than \$65k. Advisors compensated primarily (rather than

exclusively) through AUM fees reported significantly higher levels of working with lower income clients, perhaps an indication that although their AUM clientele still skews towards individuals with higher levels of income and assets, the flexibility to provide services via another model allows advisors to serve a wider population.

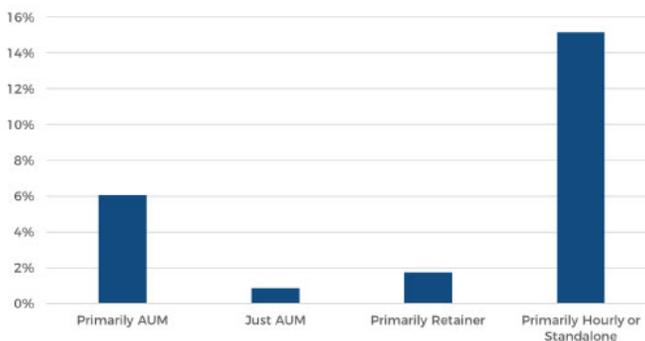
Figure 51. Percent of Advisors Serving Typical Clients with Income Less Than or Equal to \$61k



However, relative to advisors compensated solely via AUM, advisors compensated primarily through hourly or standalone planning fees reported the highest levels of working with lower income clientele – reporting that they were more a whopping 17 times more likely to work with typical clients who have income equal to or less

than \$65k. Somewhat surprisingly, less than 2% of advisors compensated primarily through retainers indicated typically working with lower income clients. These results may suggest that, at least

Figure 52. Percent of Advisors Serving Typical Clients with Income Less Than or Equal to \$61k, by Compensation Method



demographically, the retainer model may be more akin to an AUM model for higher income clientele (but simply tied to income instead of investible assets), whereas the hourly/standalone planning models are the models which truly allow advisors to reach lower income clientele.

This makes some intuitive sense, since retainer fees are often calculated, at least in part, based on a percentage of a client’s income. Similar to how percentage-based pricing makes many households without assets unprofitable for AUM advisors, lower income clients would be unprofitable for many retainer clients. However, under the hourly or standalone models, dollar amounts that may be perceived as “excessive” when stated as percentages of income or assets allow advisors to truly serve clientele regardless of their underlying economic standing.

Notably, the point here is not to suggest that advisors are failing in creating business models that can serve a much larger segment of the population. The real focus in expanding access to financial advisory services should be in creating models that are accessible to as many people as possible, should they choose to utilize such services. Based on the hourly fees reported, this appears to be happening (e.g., a few hours of a professional's time can be purchased at the same cost as some fairly ubiquitous consumer goods), and we can't ultimately blame advisors if an accessible model still receives disproportionate uptake among more affluent households, both because there arguably aren't even enough advisors to serve a much wider swath of the population at an average of only about 100 clients per advisor, and also because the underlying characteristics that make households affluent in the first place may increase one's propensity to use of an advisor as well.

Instead, the point is simply to acknowledge that most advisors, regardless of compensation method, do tend to work with highly affluent households that have greater financial wherewithal to pay more sizable fees. Which is especially understandable given that individual advisors are often not capable of serving more than 100 active client relationships, which means the advisor's only pathway to higher income once reaching their client capacity threshold is to move "up market" to more affluent clientele that can pay a higher average revenue per client.

Nonetheless, our data does still suggest that different models are serving different clientele. Further, *within* models we even have some evidence of a correlation between fee-for-service costs and client financial characteristics. For instance, there is a weak correlation between client income and both an advisor's hourly fee ($r = 0.27$) and the advisor's total cost of a comprehensive hourly plan ($r = 0.38$). On the other hand, standalone planning fees were most strongly correlated with (log-transformed) investible assets, although this correlation was weak as well ($r = 0.26$). Retainer fees were moderately correlated with an advisor's typical client's level of investible assets ($r = 0.54$) as well. And although AUM fees are obviously most strongly correlated with a *specific* client's investible assets, the strongest correlation between AUM fees at the various levels evaluated and an advisor's typical client's financial characteristics were very weak, positive correlations ($0.10 < r < 0.14$) between AUM fees from \$1M to \$5M in assets and a client's investible assets – indicating that advisors who tend to have larger clients also tend to have higher blended fees for larger portfolios (although the

relationship is very weak) while clients who typically have smaller clients tend to more aggressively discount their fees at upper tiers.

For instance, we found that a two-factor model based on the typical income and investible assets of an advisor's typical client for a given compensation model (retainer, hourly, etc.) tended to be the best predictor of an advisor's typical retainer fee.

Specifically, the typical advisor's retainer fee effectively broke down to:

$$\text{Advisor Fee} = \$1,700 + \text{Investable Assets} * 0.2\% + \text{Income} * 0.5\%$$

Notably, this doesn't necessarily mean that all (or even many) advisors actually charge a retainer fee calculated as a blended rate of investible assets and income; it simply recognizes that the typical client is choosing to work with advisors whose total fee fits these parameters. Though it does suggest that in practice, clients may be considering some combination of both their income and their investible assets (albeit with greater weighting on their income) in evaluating the affordability of a retainer fee.

On the other hand, the retainer model actually demonstrated the *most* predictability based on the underlying income and asset characteristics of the typical client. For most other models, these characteristics were less predictive, and were actually *least* effective to predict standalone planning fees (which suggests that clients may evaluate the "appropriateness" of a standalone planning fee based not on their income or affluence, but more directly on the size of the fee relative to the value and pain of having the client's problems "solved" by the advisor).

Nonetheless, this fee model equation would suggest that retainer fees tend to start at a base fee of around \$1,700, and then increase by roughly \$2 and \$5 per every \$1,000 of investible assets and income, respectively. Of course, because most advisors with retainers tend to charge some type of percentage-based fee tied to income, investible assets, or net worth (or some combination of these) without an explicit floor, this approach doesn't necessarily map onto advisor fees in a manner that is consistent with how advisors typically quote fees. Still though, it does speak to why even retainer-based advisors often have a minimum fee, and helps to make it clearer which types of clients (based on their income and affluence) are likely to say "yes" to a particular advisor's retainer fee. As well as providing a useful starting point for estimating a "typical" retainer

fee for a client given some level income and investible assets (though as with any regression model, its predictive value will also likely be less at clients with substantially more, or substantially less, assets and income than the typical advisor's client).

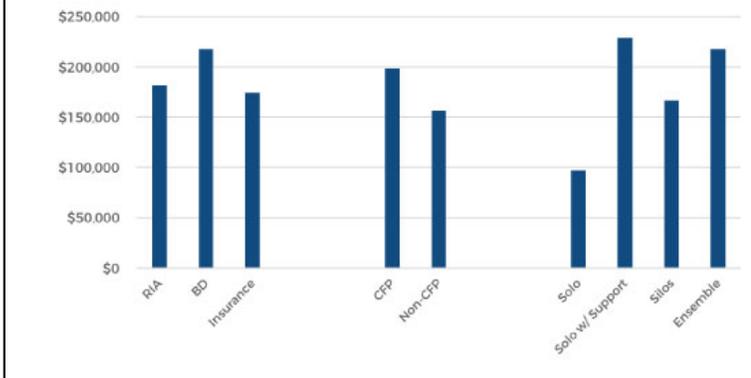
What Are The Most Financially Successful Advisors Doing?

One way or another, all advisors want to be successful. Of course, how we define success will vary, but one metric by which most business owners measure at least some success is financially. So, is there anything that this study can tell us about the financial planning best practices of the most financially successful advisors?

First and foremost, one factor consistently associated with higher income was CFP status. And while certainly it is correct to question whether it is obtaining one's CFP certification per se which results in higher income (as it may be other factors, such as the experience and education gained along the way that is actually more important), from a purely practical perspective, it suggests that doing the sorts of things that advisors who earn their CFP typically do (including, of course, earning their CFP marks themselves) can be financially rewarding.

Of course, that doesn't mean that obtaining one's CFP certification is going to lead to an immediate increase in income, but so long as an advisor can stay reasonably aligned with the path that has led to CFP professionals in the past becoming higher earners as well (gaining the relevant education, experience, credibility when working with more affluent clientele,

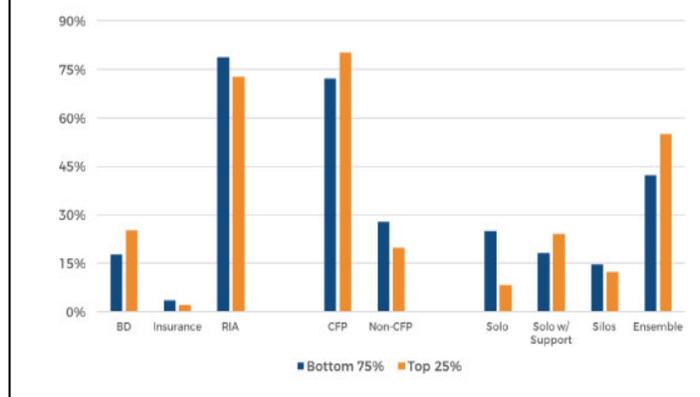
Figure 53. Advisor Income by Business Model, CFP Status, & Team Structure



etc.), then there's reason to believe that professional benefit will follow. In fact, relative to non-CFP lead advisors who earned an average of \$180,000 in total take home income within our survey, CFP professionals earned an average of over \$214,000.

Another big takeaway from this study is the many ways in which delegation can be beneficial for advisors financially. Within our study, on average, solo lead advisors with support staff and ensemble advisors (both of which have more staff infrastructure to whom they can delegate) earned more, on average, than all other advisors (\$240,000 and \$253,000 vs \$125,000, respectively). Of course, one's interests and personality may suit them better to pursue one type of team over another, but advisors who can engage in a higher degree of delegation do clearly have the ability to generate a higher income. Based on the results from this study, it appears that delegation can free up a considerable amount of an advisor's time, which naturally can be spent deepening client relationships, or pursuing new relationships.

Figure 54. Relative Proportions of Top Earners by Business Model, CFP Status, & Team Structure



In fact, if we segment advisors into two groups of (a) the top 25% of earners, and (b) everyone else, we again see that there are proportionately more advisors within the solo with support and ensemble team structures.

Though advisors in both the top 25% and the bottom 75% of income earners reported the same median levels of hours worked per week (45), there was a general skew to the distribution of responses which indicated higher numbers of hours worked per week among higher earning advisors.

Further, advisors in different income categories reported using their time differently. Specifically,

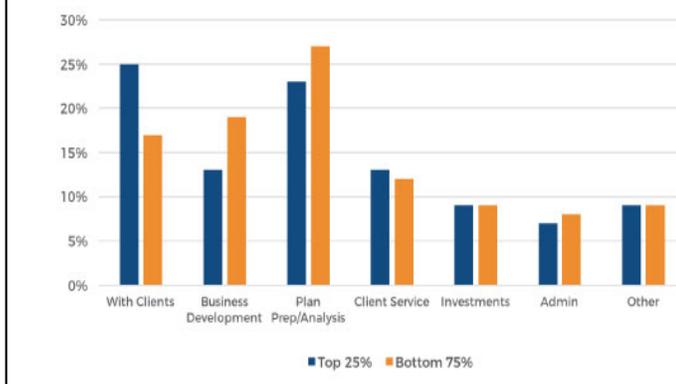
those within the top 25% of income earners spent nearly 40% more time working directly with clients relative to those within the bottom 75%, 14% more time on client service, 28% less time on business development, 12% less time on plan preparation and analysis, and 6% less time on administrative work. Of course, some portion of these differences are attributable to the fact that the highest earning advisors are most likely to be closer to full client capacity serving clients that pay ongoing revenue (and therefore must spend more time with clients and less time doing business development), but the reduced time spent doing administrative work and plan prep/analysis (despite, on average, being close to client capacity), is also likely indicative of greater use of delegation to better focus time on higher value tasks.

The highest earning advisors also reported a greater proportion of their income coming from fees rather than commissions, when compared to lower earning advisors, although the difference was modest (89% versus 87%) given the overall shift to fees amongst planning-centric advisors. Additionally, in comparison to lower earning advisors, the highest-earning advisors reported a greater proportion of their income coming from investment management fees (79.2% vs. 66.8%), although the challenges that remain in charging outright for financial planning also remained evident, as the highest-earning advisors actually generated *less* revenue from ongoing financial planning fees (23.8% vs. 29.6%), and less from one-time planning fees (2.8% vs. 10.9%).

Beyond spending more time working directly with clients, advisors in the top 25% of total income overall tended to simply work with more affluent clientele, generating higher income by being able to charge more for their services for each client (given the more affluent client's ability to pay more for deeper and more expert services in the first place). For instance, when conducting a standalone plan, higher-earning advisors compared to the rest had typical clients with a higher average income of \$206k (vs. \$186k), an average of more investible assets of \$1.1M (vs. \$0.7M), and a greater total net worth of \$2.3M (vs. \$1.5M). These trends were mostly consistent across compensation models (ongoing retainers, hourly, etc.), with the smallest differences observed among clientele of advisors doing hourly work.

Interestingly, there were no observable differences amongst higher- vs lower-earning advisors in blended

Figure 55. Time Use Differences Among Advisors by Income



AUM fee schedules at any asset levels – both reported blended fees of roughly 1.1% for \$100k portfolios, roughly 1.0% for portfolios with \$500k in assets, 0.9% for portfolios with \$1M in assets, 0.75% for portfolios with \$3M in assets, 0.65% for portfolios with \$5M in assets, and 0.55% for portfolios with more than \$5M in assets. Of course, even if fee *rates* do not differ among advisors, the higher overall affluence amongst higher earning advisors' clientele suggests that they are bringing in more revenue per client despite comparable fee schedules (i.e., larger client portfolios at similar fee schedules still add up to more total AUM fees per client). Still, though, it's notable that at least when it comes to AUM fees, higher-earning advisors don't charge higher fees, per se, they simply work with clients who have larger accounts and generate more revenue/client by the sheer larger size of managed assets per client.

Relative to lower-earning advisors, higher-earning advisors were also 35% more likely to report using eMoney, 12% less likely to use MoneyGuidePro, 77% less likely to use RightCapital, and 59% more likely to report using MoneyTree. Again, these results are likely in part due to differences in advisor demographics about who uses these software tools, rather than whether the software *causes* advisors to have higher or lower income. For instance, an advisor just starting out (and therefore likely not within the top 25% of earners), may, by necessity, need to opt for a lower cost software solution such as RightCapital, whereas more-established higher-income advisors can more easily pay a premium for programs such as eMoney. Nonetheless, the relatively high adoption of eMoney Advisor in particular amongst higher-income advisors suggests that there is room in the marketplace for premium financial planning software (as eMoney Advisor prices at nearly 3X most of its competitors) for advisors working with more affluent clientele.

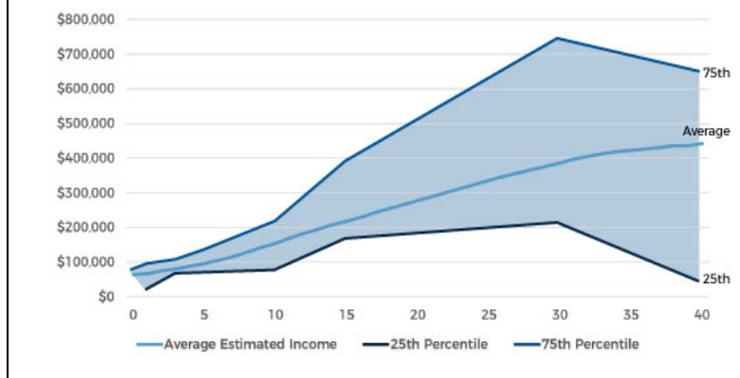
Notwithstanding all the other factors noted, though, it turns out that the single greatest predictor of an advisor's income is simply his/her years of experience. To some extent, this is likely due to the fact that learning to effectively do business development, manage client relationships, and provide real expertise, are skillsets that take years to develop. In addition, advisors typically need to accumulate a certain number of clients in the first place in order to then accelerate their growth with client referrals, and it often takes a number of years for an advisor to establish their own credibility to get clients (and especially, more affluent clients) in the first place.

To provide a rough estimate of how lead advisor income changes with experience as a client-facing advisor, we can use locally-weighted scatterplot smoothing (LOWESS) to plot a line for estimating a "typical" advisor's income given a certain level of client-facing experience.

According to this estimate, as visualized in Figure 56 above, client-facing advisors with 0 years of experience would start out around \$62k in income, surpass \$100k after roughly 5-years of experience, \$200k after 13-years of experience, \$300k after 22-years of experience, \$400k after 31-years of experience, and end up around \$440k after 40-years of experience (though both the top and bottom ends of the distribution shift downwards as a segment of advisors appear to start winding down their own income/careers at the 40+ year mark). Notably, these estimates are based on

years of experience as a *client facing* advisor, and therefore would not include years spent working in an administrative, paraplanner, or other support role.

Figure 56. Estimated Advisor Income and 25th/75th Actual Income Percentiles at Various Income Levels



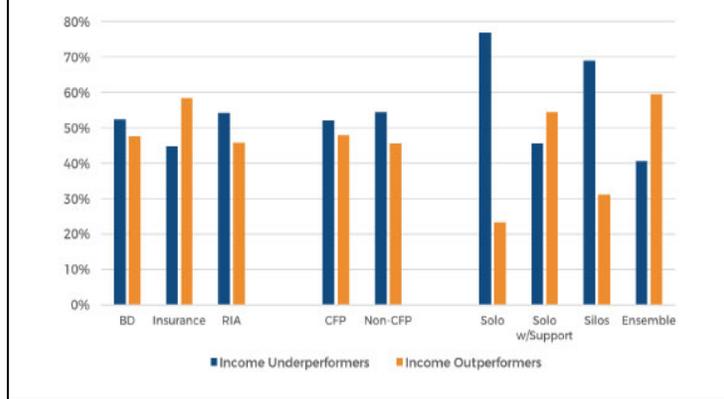
With these estimates, we can then identify higher-than-average-income advisors *after* controlling for experience, by classifying those whose income exceeds the estimate as "income outperformers" (and those who do not as

"income underperformers"). Notably, many of the relationships regarding general client affluence persist after adjusting for experience (i.e., those among the higher-income advisor category tend to work with wealthier clients). However, differences do exist among typical AUM fees, with advisors in the "higher-income" category tending to charge a slight (roughly a 3-4%) premium above the fees charged by other lead advisors (e.g., average AUM fee of 0.74% vs. 0.72%).

As the chart 57 below indicates, in comparison to Figure 54 (see page 28), certain factors remain more predictive than others in estimating whether an advisor's experience-adjusted income is higher or lower than typical. Notably, once controlling for experience, CFP status was not found to be a useful indicator in determining whether an advisor is likely to be an income outperformer (or underperformer). However, solo advisors and advisors who are part of a silo team

remained much less likely to be high-income advisors, whereas the solo with support and ensemble models again indicate the potential value of delegation. Interestingly, after adjusting for experience (and due to a sample which skewed younger amongst insurance professionals), insurance advisors were actually the

Figure 57. Experience-Adjusted Income Levels by Business Model, CFP Status, and Team Structure



business model most likely to be classified as higher-income advisors. It is reasonable to suspect that the more commission-centric nature of the model makes it easier for younger advisors to reach higher income levels quickly (compared to other fee-based models where it takes more years to accumulate clients and income with levelized commissions or AUM fees). Of course, advisors are not required to stay in a particular model throughout their career, and the lack of more experienced insurance advisors could also be an indication that these advisors go through a progression, perhaps tending to build a successful insurance business before shifting towards a more AUM-centric practice to reach even higher long-term income tiers (consistent with traditional “career paths” for advisors entering the industry through sink-or-swim positions selling insurance).

Overall, there is still a lot of analysis to be done and nuanced insight to add to these findings from our first ever Kitces Research Study, but, at a high level, the most pronounced best practice to emerge from our study was the overwhelming value of accumulating experience over time, and the importance of delegation in advisor success to free up additional time for client-facing activities. Of course, for many advisors, growth is needed before delegation is even feasible, but advisors who are motivated by financial metrics should not overlook ways in which delegation can leverage an advisor’s time, skills, and knowledge.

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