



*Wednesday*

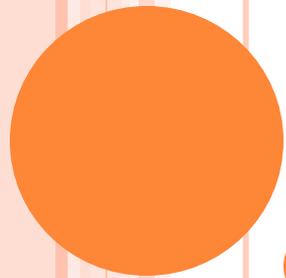
**2:15 – 3:15**

**Major League Hitters:**

Advisory Pricing IPI Advisors Share Their Business Models

**Lora Hoff • Greg Mankey**





# **THE CASE FOR PLANNING FEES**

# TOPICS

- My Evolution on Advisory Fees
- Why Charge a Planning Fee?
- Determining Fair Advisory Pricing
- Implementation Tips
- Types of Planning Clients
- Communicating the Pricing Model
- Planning Fee Justification
- Overcoming Objections



# MY EVOLUTION ON ADVISORY FEES

1999-2004 - Lincoln Financial - Plan fees, broker fees

2004-2006 - Mass Mutual - Plan fees, broker fees, AUM

2006-Present - IPI - Plan Fees, AUM

- When I started every client had an upfront planning fee.
- For renewals I charged 50% of the then current fee.
- Renewals can be onerous to maintain long term, so I have shifted to a mixed pricing structure where AUM can replace renewals.



# WHY CHARGE A PLANNING FEE?

- Clients who pay a fee respect the planning process and are more likely to implement and continue long term client relationships.
- Forces the planner to review every piece of their financial life, not just investments. This creates deeper client relationships, and exposes client issues and opportunities.
- Compensated fairly for work done, even without any client AUM.



# DETERMINING FAIR ADVISORY PRICING

- Plan pricing is determined by:
  - How much time will it take to create?
    - Simple plan – 5 hours
    - Complex plan – 40 hours
    - Plus time to coordinate with CPA's and attorneys
  - How complex are the issues and solutions?
    - Multiple business structures with disjointed income flows
    - Buy/Sell agreements with multiple partners
    - Complicated estate and gifting plans
  - Will this plan save the client more than the fee will cost?

\*\*\* Not every client needs a comprehensive plan.



# IMPLEMENTATION TIPS

- I will typically waive the renewal fee based on AUM. I feel that this, together with breakpoints, encourages clients to move more assets to our management.
- Starting new plan fees on existing clients is difficult, but starting new clients with this structure is simple.



# TYPES OF PLANNING CLIENTS

- Small Business Owners
  - Planning Issues: Complex
  - Investable Assets: Few (\$50k-500k)
  - Typical Fee: \$3-6k, upfront
- Wealthy Families
  - Planning Issues: Complex
  - Investable Assets: Substantial (\$1M-10M)
  - Typical Fee: \$5-10k, upfront
- Executives
  - Planning Issues: Few to None
  - Investable Assets: Varies (\$50k-5M)
  - Typical Fee: \$2-4k, upfront (occasionally waive fee with AUM)



# COMMUNICATING THE PRICING MODEL

- Discuss “How I get paid” during initial meeting and re-iterate in planning/fee proposal.
  - Planning fee
  - Assets under management fees
  - Commission on various products that may be needed to implement plan
- Discuss ongoing fees or renewals



# PLANNING FEE JUSTIFICATION

The deductible fee includes all of the planning work necessary to meet client objectives and priorities:

- Review **all investments** to better optimize portfolio allocation
- Review businesses and asset titling for asset protection/estate planning
- Review taxes to find efficiencies/errors
  - Passive carry forward losses? Sell a REIT
  - High taxable income? Oil/gas investment
- Review insurance to reduce risk/save money
- Review wills and trusts
- Coordinate implementation necessary for plan
- Work with CPA's and attorneys to draft and execute documents as needed



# OVERCOMING OBJECTIONS

- I find that my more successful clients understand that paying me to help them is win-win. I assist them in organizing their finances in such a way that they are more asset protected, tax efficient and more able to be successful in their financial goals.
- If a prospective client objects to a planning fee because they don't see the value or think they can do it themselves, just let them go. They would not be a good client anyway.



The End



# COMPENSATION

## Planning Fees

The initial fee to assist you with the issues that affect you, as outlined here, would be \$5,000. This fee covers the financial plan in writing and a full year of service. In future years, you will likely choose to renew. Fees will be discussed at that time and renewal fees may be waived based on assets under management.

## Asset Management Fees

Investment Advisory Fees are charged based on the attached schedule on managed assets. Billing is based on the market value of the investments at the close of business on the last trading day of the quarter. Billing will occur quarterly, and in arrears.

## Commissions and Sales Charges

We represent you in the marketplace to many investment vehicles which satisfy our thorough due diligence process. Some products may generate sales charges or commissions already built into them. You pay no additional fees for using our implementation or due diligence services. No investment which results in a commission will be held on a managed platform for fee-based accounts. (No “double-dipping”.)

## Referrals

Our success depends on the growth of our practice. As a result, based solely on your total satisfaction with our work, we appreciate your help in introducing us to families and business owners, like yourself, who might also benefit from the wealth planning services we provide

