FINANCIAL PLANNING ASSOCIATION

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How Financial Planners Charge Fees

Background on Financial Planning Fees

As "financial planning" emerged as a distinct discipline during the 1980s, its foundation was based on the traditional investment sales/investment advice model at the time. As a result, financial planning services historically were compensated primarily through (i) commissions paid on the sales of products when implementing a client's plan, or (ii) fees for managing a client's portfolio on an ongoing basis after that client's plan was adopted. Pricing for financial planning services typically was related to compensation models – commissions or assets under management (AUM) – that existed at the time.

What Does the Financial Planning Association® (FPA®) Support?

- FPA supports regulations which allow financial planners to use various fee structures including the traditional commission or AUM models and emerging non-traditional fee models that include retainers, subscriptions, and annual fixed/flat fee models. These fee models have the potential to expand access to competent and ethical financial advice to traditionally underserved populations.
- The growing client demand for financial planning services are driving financial planners to develop more relationship appropriate forms of compensation beyond the traditional commissions and AUM based fees. Now, financial planners are using subscription fees to serve their clients without any product or asset management compensation.
- Financial planners are adopting fee models that closely align with the services they provide and with what clients' value which is advice. This allows financial planners who serve individuals who do not have assets to manage but whom financial planning services are desired.
- FPA shares concerns that fee structures should be fair to the investor.