

FINDING YOUR FEE MODEL



ADAM CMEJLA



A young boy with light-colored hair is looking upwards with a curious expression. The background is a dark teal color with a pattern of small white dots, resembling a starry night sky. The overall image has a monochromatic teal tint.

WHY

are we having a
conversation about...

FEEES?

PLEASE SIR!
"M-m-my f-f-f-fee is..."

MAY I HAVE SOME MORE?



Adam's PERFECT STORM

- No service increase, just fees
- Eyeball-to-eyeball
- Real increase, real money (300%!)
- Step up or step out

“We suffer more in our own imagination than in our own reality.”
-Seneca

Mindset

PUT YOUR OWN
MASK ON FIRST



WORTH

Fear of
Rejection



VALUE

Imposter
Syndrome



RELATIONSHIPS

All Clients Are
Good Clients

THE "F" WORD



Not "fiduciary"
(and not that other one)
but "FEES"



L I M I T L E S S

FEEES

are only an
issue in the
absence of

VALUE



S
S
E
T
M
L

PRICE VS. VALUE



"\$275 a month...
That's a sh*tty
car payment."

Finding the RIGHT FEE Model



AUM-Based Fees



AUM + Planning Fee



AUM + Subscription (Fee for Service)



Planning Fee Only



Percent of Net Worth/Income



Other: _____

WINNING ON... Price...? Brand...? Value...?

BOTTOM END
OF FEE SPECTRUM



= 0.3%



= 0.25%
-0.40%



= 0.25%

TOP END
OF FEE SPECTRUM



\$260B AUM
1.75% on first
\$400k (tiered)



\$159B AUM
1.25% first \$1MM



\$90B AUM
1.2% first \$500k
(tiered)

LIMITLESS RESEARCH

- Financial-advisor pricing data
- Stand-alone planning-fee percentiles
- Financial-planning pricing based on comprehensive structures
- Advisor AUM fees by asset level

Financial Plan Pricing Based On Comprehensiveness and Structure

Fee-Only Retainer	Median	25th	75th
Most Comprehensive	\$5,000	\$2,900	\$7,650
Comprehensive	\$4,500	\$4,500	\$6,500
Planning Lite*	\$5,000	\$2,500	\$10,000
Fee-Only Standalone	Median	25th	75th
Most Comprehensive	\$2,500	\$1,950	\$3,425
Comprehensive	\$2,500	\$2,000	\$3,500
Planning Lite*	\$2,300	\$1,750	\$2,750
Targeted*	\$1,875	\$1,188	\$3,125
Fee-Only Hourly Plan Total Cost	Median	25th	75th
Most Comprehensive	\$1,900	\$1,013	\$2,788
Comprehensive	\$2,500	\$1,575	\$3,000
Planning Lite*	\$2,000	\$1,475	\$2,625
Targeted*	\$2,000	\$1,800	\$15,000

* Sample size < 20

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Overall, roughly 25% of advisors who completed the 2020 Kitces survey reported that they do produce and charge for stand-alone financial plans for clients.

Stand-alone planning fees varied:

- 10th Percentile: \$1,000
- 25th Percentile: \$1,500
- 50th Percentile: \$2,500
- 75th Percentile: \$3,000
- 90th Percentile: \$4,800

Fee levels were reported as:

- 10th Percentile: \$1,210
- 25th Percentile: \$2,000
- 50th Percentile: \$4,000
- 75th Percentile: \$6,200
- 90th Percentile: \$8,000

Source: "Financial-Advisor Fee Trends & the Fee-Compression Mirage," Michael Kitces



To charge or not to charge?

FEE NO FEE

- Higher barrier to entry
- Seen as nonstandard
- Ability to work with anyone
- Does not require AUM
 - WORKS

- Lower barrier to entry
- Industry standard
- Requires screening
- Only works with AUM
 - WORKS

QUALITY
PROFESSIONALS

Charge for
Expertise

SALESPEOPLE

Give It Away

“While many firms will claim to offer a ‘free’ financial plan, it’s often like the ‘free’ dinner at a timeshare presentation that ends with a hard sell. We’re not that kind of firm. Just like your doctor, we charge for our expertise to focus on your needs and nothing else. ”

“Our goal during this hour together is to learn more about your situation so that we can answer your pressing questions, understand your options, and give you the information you need to make informed choices about your financial future. There is no charge for this initial meeting, which will last an hour. At the end of our time together, we’ll know a lot more about you and how we can help, and you’ll know if you want us to. If we agree I’m the right advisor for you, I’ll quote you our fee to help you retire with confidence, and 2–3 weeks later we’ll sit down again and review your preliminary financial plan. ”

Financial Planning FOR A FEE

Individuals: *\$1,500* up front
\$395 a month billed on the
15th of the month thereafter

Practice
Owners: *\$2500* up front
\$695 a month billed on the
15th of the month thereafter

“ We charge for investment management and financial planning as two separate services. For financial planning, it is an annual fee, paid monthly. That breaks down to, for individuals, *\$1,500* up front and then *\$395* per month thereafter. For practice owners, *\$2,500* up front, then *\$695* every month thereafter. We do ask for a one-year commitment for the full planning experience, but after that we are essentially month to month. Our goal is to always provide a planning experience and advice that far exceed any price we may charge. Does that make sense, or do you have any additional questions? ”

SHARING YOUR FEES

- Clearly
- Directly
- Confidently
- Without Apology



STEPPING UP FEES



Resetting EXPECTATIONS

The fee was X and is now Y.

Service was A and is now B.

These are your options.

PRACTICE!

Rehearse your scripts until you can say them like your middle name.





LAUNCH

- Start with lowest-risk clients
- Practice, Do, Learn, Adjust
- Repeat until complete
- Enjoy the results

Service Model Transitions

The resources below are designed to help you create the trust and confidence needed to transition clients to a new service level. Use these resources along with the Communicating Changes Workbook to develop the process and materials needed in your specific situation. Items in blue are designed to be customized, though you can customize any portion of these resources.

BASIC TRANSITION PROCESS

1. Prepare for the process (see the Communicating Changes Workbook). Below are important strategic decisions to consider:
 - Determine which clients will be impacted by your new service model / offering
 - Determine if you will provide exceptions or grandfather any clients (not all important)
 - Determine what the clients' options are if they do not want to continue at the service level
2. Prepare for the discussion thoroughly
3. Share the change with the client
 - If communicating via mail, send the letter and appropriate paperwork
 - If communicating via call or meeting, have the appropriate paperwork prepared
 - Plan in advance for questions clients may raise
4. If clients do not complete the paperwork on time, schedule a follow-up to get the finalized documents

FRAMING PARAMETERS

- Clients need to understand that we are not adjusting our revenue or the number of meetings they attend in the firm, as well as help them achieve their best interests. We believe we will best help them achieve their best interests by being confident and reassured that we believe in their reasons behind the change.
- Clients also need to feel confident and reassured that we believe in their reasons behind the change. We should convey the reasons behind the change with the value delivered: "Our clients keep us with the energy in better serving clients that simply place energy in better services that simply improve their investments and services that simply support them regardless of their reasons for continuing with our firm is not the right fit."
- Make sure clients know we are not adjusting our revenue or the number of meetings they attend in the firm, as well as help them achieve their best interests. We believe we will best help them achieve their best interests by being confident and reassured that we believe in their reasons behind the change.
- Clients also need to feel confident and reassured that we believe in their reasons behind the change. We should convey the reasons behind the change with the value delivered: "Our clients keep us with the energy in better serving clients that simply place energy in better services that simply improve their investments and services that simply support them regardless of their reasons for continuing with our firm is not the right fit."
- Additionally, communicate that we are not adjusting our revenue or the number of meetings they attend in the firm, as well as help them achieve their best interests. We believe we will best help them achieve their best interests by being confident and reassured that we believe in their reasons behind the change.

Fee Change Guidebook

The below resources are designed to help you create the trust and confidence needed to transition clients to a new fee schedule. Use these resources along with the Communicating Changes Workbook to develop the process and materials needed in your specific situation. Items in blue are designed to be customized, though you can customize any portion of these resources.

BASIC TRANSITION PROCESS

1. Prepare for the process (see the "Communicating Changes Transition Guidebook"). Below are important strategic decisions to consider:
 - Determine which clients will be impacted by the fee change
 - Determine if you will share the change via a letter, call or meeting
 - Determine what the clients' options are if they do not want to continue at the new level
2. Prepare for the discussion thoroughly
3. Share the change with the client
 - If communicating via mail, send the letter and appropriate paperwork
 - If communicating via call or meeting, have the appropriate paperwork prepared
 - Plan in advance for questions clients may raise
4. If clients do not complete the paperwork on time, schedule a follow-up to get the finalized documents

FRAMING PARAMETERS

- Clients need to understand that we are not changing fees simply to increase income. Instead, we are protecting the value of the business and ensuring that we are providing the best value to our clients.
- Clients also need to feel confident and reassured that we believe in their reasons behind the change. We should convey the reasons behind the change with the value delivered: "Our clients keep us with the energy in better serving clients that simply place energy in better services that simply improve their investments and services that simply support them regardless of their reasons for continuing with our firm is not the right fit."
- Additionally, communicate that we are not changing fees simply to increase income. Instead, we are protecting the value of the business and ensuring that we are providing the best value to our clients.

Client Communication & Transition Plan

Instructions: Use the following pages to help build your client communication and transition plan. Watch the April Limitless Lesson for more details on each step.

STEP 1: FRAME THE TRANSITION

Defining what you need to communicate to clients and setting a strategy is the first step in creating a solid plan.

What is the change or transition you will communicate?

What is the goal or outcome you want to achieve?

What is the timeline for completion?

Who is responsible for overseeing the change?

Who are the strategic decisions that you need to make?
These are some examples to get you started but depending on the other big picture decisions that are important as you launch your business, these may not apply to you.

- ✓ Who does the change apply to?
- ✓ Do you need to define exceptions for the change and if so by what date?
- ✓ What soft and hard lines will you make (I will not negotiate) and when will you sit in the client meeting after 3 months?

PLANNING Client Transitions

LIMITLESS

SETTING YOUR FEES

Let's do the work.

SETTING YOUR FEES

Fill out this worksheet to get clear about your fee model. First, determine the gross firm revenue (C) needed to achieve your goals (lines A & B). Next, determine your minimum fee per client necessary to achieve this. Third, evaluate the appropriateness of your fee for your target clientele. Once you have defined your fee model, move forward with communicating your changes by using the Planning Fee Changes Workbook.

STEP 1:

A. Target Pre-tax Personal Income (Incl. Savings) Goal (EBOC): \$

B. Target EBOC Goal (%): %

C. Gross Firm Revenue Needed to achieve goals (A/B): \$

STEP 2:

Determine your minimum fee per client

Gross firm revenue	<input type="text"/>
Hours per week you are willing to work	<input type="text"/>
Billable hours (50% of hours willing to work * 50 weeks)	<input type="text"/>
Hours spent on each client per year	<input type="text"/>
Maximum number of clients (billable hours / hours spent on each client)	<input type="text"/>
Minimum fee per client (gross firm revenue / maximum number of clients)	<input type="text"/>


STEP 3:

Evaluate the appropriateness of your fee for your target clientele

Does the fee work for your ideal client?	<input type="text"/>
Does the minimum fee work for your client market?	<input type="text"/>

Advisor Coach Fee SCHEDULES

(701) 250-7220



Capital City Wealth Management
RetirementStartsToday.com

Home About Retirement Planning Blog/Podcast Fees Contact

Fees

We Believe In Transparency, Check Out Our Fees

Asset Minimum

Capital City Wealth Management has an informal asset minimum of \$1,000,000.

Ongoing Planning Fees

- 1.50% – under \$500,000
- 1.30% – \$500,000-\$1,000,000
- 0.85% – \$1,000,000-\$2,000,000
- 0.75% – \$2,000,000-\$3,000,000
- 0.65% – +\$3,000,000

Billing

Asset management fees are billed quarterly in advance, and as fee-only financial planners, we receive no other forms of compensation.

Please see Item 5 of our Form ADV Part 2A for additional information.

Please see Item 5 of our Form ADV Part 2A for additional information. Wrap Fee Program Brochure for additional information.

Appendix C – Classic Client Fee Schedule

This is the Classic Client fee schedule on assets under management.

Amount of Assets Under Management	Fee
\$0 to \$1,000,000	1.50%
\$1,000,000 to \$5,000,000	0.95%
Above \$5,000,000	0.50%

The first \$1,000,000 of assets under management will be charged at an annualized rate of 0.95%. By way of example, \$7,000,000 of assets under management will be charged at an annualized rate of 0.50%.

- 1 - \$1,000,000 at 1.50%
 - 2 - \$4,000,000 at 0.95%
 - 3 - \$2,000,000 at 0.50%
- Effective Total Rate of 0.90%

Comprehensive Wealth Management Fees

These fees are inclusive of financial planning, financial advice, investment management and comprehensive wealth management. By selecting this option, you are appointing us as your investment adviser to perform the services described in this Agreement.

We will be responsible for the investment and reinvestment of those assets that are held by the Custodian in an account governed by a Master Agreement between us and the Custodian (the "Assets" or "Account") in accordance with your investment objectives as set forth on your investment policy statement ("IPS").

Additional assets not held by the custodian can be added to our responsibility by mutual written agreement. All assets under our responsibility will be charged a management fee based on the following schedule:

ASSETS	ANNUAL FEE
Under \$500,000	1.65%
\$500,000 – \$1,000,000	1.50%
\$1,000,001 – \$2,000,000	1.00%
\$2,000,001 – \$3,000,000	0.90%
\$3,000,001 – \$5,000,000	0.85%
\$5,000,001 or more	0.75%

As discussed in the Agreement, the Investment Management Fee is billed on a quarterly basis in advance, based upon the market value of the Assets on the last business day of the previous quarter as valued by the Custodian. See Terms and Conditions for further details.

CLIENT SIGNATURE

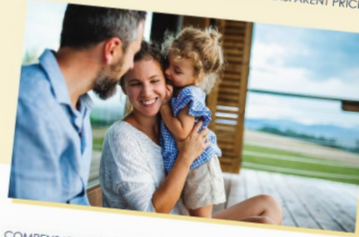
DATE

CLIENT SIGNATURE

DATE

PRICING

SIMPLE AND TRANSPARENT PRICING



At Entrepreneur Aligned, we understand that profit is a core measurement of success, and that we must deliver value that far exceeds cost in order to continually earn your business. Earning your trust and long-term collaboration is the ultimate reward.

We accomplish it by keeping your interests first in the advice we provide and the fees we receive. Our compensation doesn't change based on how your portfolio is allocated and we aren't compensated by anyone other than you because we are here to serve you!

For more information on our fees, please see our ADV (link through website).

COMPENSATION PHILOSOPHY

- Deliver massive value for entrepreneurs with complex financial lives.
- Strive to eliminate economic conflict of interest.
- Charge transparent fees based on the value we provide.
- Net worth is a quality indicator of financial complexity.
- A flat fee based on complexity best aligns our interest with yours.
- Simple and easy to understand fees are the best.

COMPENSATION STRUCTURE*

A flat quarterly fee based on a range of a client's net worth.

Net Worth	Quarterly Fee
\$0 - \$10M	\$5,000
\$10 - \$15M	\$6,250
\$15 - \$20M	\$7,500
\$20 - \$25M	\$8,750
\$25 - \$30M	\$10,000
Above \$30M	Negotiable

May 31st, 2019
John & Jane Doe
555 5th St
Bismarck, North Dakota

Dear John & Jane,

This fall, Capital City Wealth Management will celebrate its 5th year in business. What started as North Dakota's first ever fee-only (no commissions) Registered Investment Advisor has quickly grown to be a firm whose success and service to clients has been recognized both locally by The Bismarck Tribune, and Nationally by Investment News. While it is our name being recognized without YOU and YOUR confidence in our firm, none of this would be possible. For this success, we owe a debt of gratitude to every client that has entrusted us with more than \$50,000,000 of their combined life savings.

Because of this success in serving clients, we now receive more opportunities to work with new clients than we could ever accept, which is requiring us to make changes to ensure we can always deliver the highest levels of service to you and our other clients.

In order to continue to maintain the personal service you've come to expect from our team, the minimum household portfolio for new clients going forward will be \$1,000,000. This change will BQ effect our relationship or our relationship with any current clients.

For your friends and members of your family referred to us that don't meet our household portfolio requirements, we will either answer their most pertinent questions with a one-time meeting or refer them to a handful of personally-vetted specialty advisors.

Minimum asset requirements for BQ clients will allow us to keep our firm intentionally small, delivering personalized service to a select number of clients. We enjoy the relationships we've built on a personal level. When you call our office you aren't a number, we know who you are, something we couldn't replicate with an ever-increasing number of clients.

The second change will be an adjustment to the quarterly fee that you pay for our retirement planning services. During the last several years, the cost of doing business has increased dramatically. In addition to increased industry costs, our team has invested heavily in technology, improved portfolio performance reporting, and advanced training to improve client experience. Until now, we have simply absorbed all cost increases.

After consulting at some length with our business advisors, we have decided to raise our fees on fidelity accounts with total household asset balances under \$1,000,000. These fee changes go into effect July 1st 2019.

Please review, sign, and return the attached updated fee schedules and disclosures

Sincerely,
Benjamin Brandt CFP®, RICPE
President, Capital City Wealth Management

Please review, sign, and return the attached updated fee schedules and disclosures



WATCH & READ

- "Getting Unstuck & Re-Aligning Fees to Build the Solo Advisory Firm You Want," Tanya Nichols, Michael Kitces
- *The Power of Practice Management: Best Practices for Building a Better Advisory Business*, Matt Matrisian



APPLY

- Download "Planning Fee Changes Workbook"
- Run Client Profitability Analysis
- Evaluate/update fee model and fees
- Plan the process of sharing with clients
- Set your schedule and timeline



ACT

- Draft your letters and scripts
- Rehearse until you can say it "like your middle name"
- Put into practice beginning with your lowest-risk/smallest clients



LIMITLESS Q&A