

# Quick Reference Guide: Commission to Fee-Based

## Is it the Right Move For You and Your Clients?

As a financial advisor, you're in the relationship business. Your clients trust you with their financial well-being—today and in the years to come. You are also an entrepreneur looking to position your firm for long-term success. Transitioning to a fee-based business model may be a win-win solution for both you and your clients.

# The Fee-Based Advantage

Fee-based offers many benefits. As with all meaningful endeavors, there's some effort involved. The good news is that at AssetMark, we've got the tools and resources you need to successfully update your business model, plan your transition.

## For You...

- + Higher stream of stable revenue: fee-based businesses earn an average of 1.18% per fee-based account versus 0.54% for commission-based accounts<sup>1</sup>
- + Aligns with industry trends: between 2015 and 2018, households with fee-based accounts grew from 31% to 52%<sup>1</sup>
- + Allows for better engagement—and deeper relationships—with clients
- + Meets evolving regulatory requirements
- + Addresses rising client expectations: 62% of investor households prefer fee-based payment arrangements over commissions<sup>2</sup>

## For Your Clients...

- + Expanded service offerings and solutions
- + Better aligns their interests with yours
- + Greater fee transparency
- + Flexibility to address client-specific goals (tax management, ESG, etc.)
- + Fosters a more consultative relationship

<sup>1</sup> PriceMetrix <sup>2</sup> Cerulli Associates 2018

## THE FEE-BASED MODEL VS. COMMISSION-BASED MODEL: A COMPARISON

	Fee-Based	Commission-Based
<b>Required Standard of Care</b>	Fiduciary	Suitability
<b>Revenue model</b>	Recurring	Transactional
<b>Licenses needed</b>	Series 65/66	Series 6/7
<b>Ability to offer clients</b>	Solutions	Products

# Your Step-by-Step Transition Framework

## 1 Client Segmentation

Building the roadmap to your fee-based destination begins with assessing where you are right now. Client segmentation helps you do just that, equipping you to analyze where your revenue is coming from and where your time is being spent.

**Think of client segmentation as a snapshot of your business that:**

- Reveals where revenue is generated and where it's not
- Provides clarity regarding ideal clients and client minimums
- Aligns services and strategies
- Offers insight into pricing decisions
- Uncovers potential cross-selling opportunities
- Identifies areas for improved time management and efficiency
- Exposes potential practice risk

Most importantly, your client segmentation assessment is a living document that you can refer to and refine as your business grows.



### Transition Tip

Take this opportunity to refine—and communicate—your value proposition. Don't know how to build one? Use our template to get started.

## 2 Put a Plan in Place

Your client segmentation assessment gathers the information you'll need to create a project plan that captures the logistics—the who, what, and when—of your transition to fee-based:

- Which clients are impacted
- What actions need to be taken
- Your timeline for each step

## 3 Determine Your Fee Schedule

A clearly defined and communicated fee schedule helps clients understand what services they will receive and the costs they will incur. It sets expectations, provides transparency and clearly delineates your service level tiers.



### Transition Tip

Leverage this business intelligence going forward to develop or refine your client service model, improve client engagement, and grow your business.



### Transition Tip

Having centralized access to materials is key. Be sure your team always has access to client-support resources via a file-sharing platform.

## 4 Communication, Communication, Communication

One of the most important elements of your transition is keeping your clients apprised of what's happening, why it's happening, when it's happening, and how it will impact them.

You'll need a multi-faceted approach that reflects the relationship you have with your clients and preferred method of communication—for them and you. Start with a communication strategy, then build out the plan to support it. When you're ready to communicate, use this [sample language](#) in your client outreach efforts.

## 5 Execute Your Communication Plan

Finalize and send your client communications, per your communication plan. Have an FAQ and talking points on hand, so you and your team are prepared to answer questions, such as:

- Will my statements be different?
- How will the fee structure change?
- Will there be a tax impact?
- Will I be able to access my accounts online?
- What are the advantages to this new service model?



## 6 Manage Your Progress

Remember that [project plan](#) you created at the beginning of the transition journey? Use that document to track your progress and stay focused on your efforts. Build your internal transition team to manage all your tasks. When you work with AssetMark, our transition team is available throughout the transition—and beyond—to assist with any issues or concerns that arise.