

Why Fee-Only?

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When I founded Bluegrass Financial Planning, I had to choose the best way to structure the firm to provide objective, unbiased advice to my clients. I wanted the firm to be independent and definitely not receive commissions from my recommendations to eliminate one of the main conflicts of interests that the majority of financial advisors have today.

I chose the "Fee-Only" structure, which means I do not sell financial products or receive commissions. Instead, my clients pay me based on a fair price for the time I spend helping them. The advice I provide is totally independent from the financial products recommended which gives my clients the peace of mind that they are receiving impartial advice and not being "sold" a high commission fund or annuity. You would think this type of structure would be the norm, but actually only a small percentage of firms are structured in this manner. Consumers are frequently confused how advisors are compensated in today's marketplace due to the lack of clarity between Fee-Only and Fee-Based compensation. Although the title of Financial Advisor or Financial Planner may be commonly used, there is considerable difference in how each individual advisor is compensated with the Fee-Only vs. Fee-Based models.

"Fee-Based" is a term that the brokerage community developed in response to the success of the Fee-Only structure. The term can be misleading due to the fact that not only can a Fee-Based advisor receive fees for providing financial advice, but they can also receive commissions from the financial products or annuities they recommend to clients. This is where the conflict of interest can be found – if a Fee-Based advisor has the opportunity to recommend a particular financial product that pays a commission or a product that does not pay commission, which one do you think they will recommend?

It simply comes down to this – would you want unbiased recommendations from a commission-free advisor or from an advisor who can recommend a product that will pay them the highest commission?