

Five Steps to Launching Your Fee-for-Service Business



Whether you are just starting a financial advising business or you've been at it for decades, you've probably thought about launching a fee-for-service business model. Demand for financial planning services is growing and **three out of four advisors now charge a planning fee.**

The fee-for-service model is enticing in its simplicity, flexibility, and personalized approach, but it is different from the traditional AUM-fee model in important ways. With the right tools and technology in place, you can launch a successful fee-for-service business.

Use these steps, tips, and tools to start now.



1. Decide who you want to work with

Who and what do you know?

Before you begin thinking too deeply about a new business model, it's important to identify who you want to work with. It is helpful to focus on a specific niche that you have special knowledge of or access to through your social or professional network or geographic location. For instance, you may live near a law school that churns out young lawyers who are employed locally. Maybe you work near a bevy of top software companies that constantly recruit developers and pay them well. The more specific you can be about your niche, the better.

Don't resist the niche.

It is common for business owners to resist investing in a single niche. They are under the false impression that having a niche will negatively limit their business by causing them to ignore other prospects. It's true that a niche does limit your business, but in a good way. When your company is aligned toward a specific target your marketing dollars become super concentrated and more impactful. You stand apart from your competition as unique and valuable. It is a proven, effective way to differentiate yourself and grow your business.

Choose a niche that interests you.

Don't force yourself into a niche that doesn't interest you. Be creative. Your niche doesn't have to be traditional and it doesn't have to be white collar, either. It just needs to be specific. Financial advisors have made names for themselves as the must-have money masters for tattoo artists and professional bass fishermen. A niche can be based on a trait that certain people or businesses have in common or a skill you possess, such as environmentally conscious businesses, cross-border retirees, or an interest in cryptocurrency. This article from Kitces.com, illustrates six different categories of niches—affinity, values, education, experience, psychosocial, and technical skills. Whatever you choose, make sure it interests you and differentiates your skillset from other advisors.



According to [Kitces.com](https://www.kitces.com), advisors who serve a niche enjoy:

“The ability to spend more time on high-value, client-facing activities, charge more for the advice they give, scale their practices more efficiently, and earn (on average) more than 50% more than their non-niche counterparts.”

Identify your personas.

Once you’ve identified your niche, it’s time to create a specific persona of your ideal client. Marketers create personas to help put them in the mindset of the customer so they can tailor messaging to resonate. Think about specific traits of your niche market. Consider age range, location, career level, marital status, spending habits etc. Use the Client Persona Worksheet to write these traits down to develop a persona of your client.

As you build your business, make it a priority to learn about your clients. Ask questions about their interests, skills, and reasons for working with you. Use that information to evolve the persona of your target client. You may end up with a couple of personas that have specific traits in common, then you can tailor your communications to appeal to each segment.

Client Persona Worksheet

Location: *Where do they live? Where do they work?* _____

Profession: *Job title, common duties?* _____

Education: *Level and type of education?* _____

Age: *Age range?* _____

Lifestyle:

• *Married or single?* _____

• *Likely to have children?* _____

• *Potential hobbies?* _____

Motivations/Triggers:

• *What do they seek from a financial planner?* _____

• *What motivates them?* _____

Financial life:

• *Average net worth?* _____

• *Types of assets or debts?* _____

• *Spending habits - eating out, vacations, need for expensive clothes etc.?* _____

• *Long term saver, or short term spender lifestyle?* _____

2. Define your ongoing business model

What will you do for your clients?

Now that you understand your target market and client persona, it's time to identify your ongoing business model and what you will do for your clients. Many of these decisions will be based on your personal preferences like the ideal size of your staff, how many clients you will service, how fast you will scale, what percentage of your work will be fee-for-service vs. AUM, and how your fee-for-service offerings will differ from your services for AUM clients. Record these thoughts and plans in a document to remind yourself of your intentions. As your business evolves, your model may change, but it should only do so after careful consideration. If you have your model outlined, you can refer back to it to make sure your day-to-day decisions support your ideal business model.

With a fee-for-service model, you will need to ensure that you convey value to your customer and remain a top-of-mind asset in their financial lives. One of the best ways to do this is to create a client services calendar that outlines the work you will do for your clients in exchange for your fees. Below are some things you can include in your fee-for-service list. An example client services calendar template can be [found here](#).

Client services you can offer:

- 1. Monthly cash flow check-in:** Offer this service to clients who are learning to budget and/or control overspending habits.
- 2. Quarterly newsletter:** Position yourself as a thought leader of all things financial that may affect your clients—money tips, updates on financial legislation, tech tips, current events, and updates on the stock market.
- 3. Retirement account advice:** Quarterly or yearly reviews to ensure portfolios are balanced and fees are low.
- 4. Employee benefits review:** Offer financial advice regarding how premiums and plans affect cash flow and give advice on insurance needs.
- 5. Annual goal setting/review:** Review progress and make adjustments to goals for the coming year.

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
Annual Performance Report/ Review	Update Financial Planning Projections	Quarterly Newsletter	Check-In On Ongoing Financial Planning Tasks	Internal Portfolio Review & Rebalancing Analysis	Annual Insurance/Estate Review
"Capital Gains Tax Reporting Summary"	Internal Portfolio Review & Rebalancing Analysis	Internal Portfolio Review & Rebalancing Analysis	Prior Quarter Performance Report	Internal Investment Committee Meeting	Quarterly Newsletter
Internal Portfolio Review & Rebalancing Analysis	Internal Investment Committee Meeting	Internal Investment Committee Meeting	Internal Portfolio Review & Rebalancing Analysis	Educational Event On Investments	Internal Portfolio Review & Rebalancing Analysis
Internal Investment Committee Meeting			Internal Investment Committee Meeting		Internal Investment Committee Meeting
JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
Prior Quarter Performance Report	Check-In On Ongoing Financial Planning Tasks	Quarterly Newsletter	Prior Quarter Performance Report	End-Of-Year Tax Planning Meeting	Quarterly Newsletter
Internal Portfolio Review & Rebalancing Analysis	Internal Portfolio Review & Rebalancing Analysis	Internal Portfolio Review & Rebalancing Analysis	Internal Portfolio Review & Rebalancing Analysis	Internal Portfolio Review & Rebalancing Analysis	Internal Portfolio Review & Rebalancing Analysis
Internal Investment Committee Meeting	Internal Investment Committee Meeting	Internal Investment Committee Meeting	Internal Investment Committee Meeting	Internal Investment Committee Meeting	Internal Investment Committee Meeting
Annual Client Appreciation Event			Financial Planning Educational Event		

Investments
 Financial Planning
 Reporting / Newsletter
 Client Event

3. Structure and establish your pricing

What will your clients pay?

The first step to establishing the right pricing strategy is to figure out what your clients will pay for your services. Refer back to your persona worksheet for pertinent details about your ideal client. Then, research the average compensation of your niche customer in the geographic area you plan to serve. Research shows that a reasonable fee is between 2-2.5% of your client's annual income. This is a good place to start. It is fair to include stipulations in your contract for an automatic yearly fee increase of 3-5% to stay ahead of rising business costs and avoid larger fee hikes every few years. Once you know what you can charge your clients, it's time to figure out how to charge them.

How will you charge your clients?

Fee-for-service financial planning requires transparency and attention to compliance. There are plenty of different ways to charge for your services. Some of these include, flat fees, tiered fees, time-based fees, or project-based fees. Fees may vary based on the client's income, complexity of a project, or the staff member assigned to assist with the task. You may find that one fee structure works best for you, or you may use a combination of fee structures. The most important thing is that you charge a rate that allows you to make the money you want, while remaining competitive in your target market.

Steering clear of custody when accepting payment

A 2013 SEC Risk Alert noted that having online access to client accounts can trigger custody, if the online access includes the ability to withdraw funds or transfer funds to another account.

Financial advisors who assume custody are subject to additional compliance oversight requirements, including the obligation to arrange for an annual "surprise" audit. This can cost \$10,000 or more of your time and money.

In many popular online payment platforms, fee-for-service payments can trigger custody issues because advisors are given too much access to clients' banking information. Payment platforms that are popular for other professionals are not suitable for financial advisors who want to avoid triggering custody. Platforms that could encounter custody issues include: BluePay, PayPal, Square, Quickbooks Merchant, PaySimple, and others.

It is best to avoid any payment platform that is not designed to avoid compliance and custody problems in the financial services industry. AdvicePay is designed to allow financial advisors to set up fee-for-service payments without triggering custody.

How often will you charge your clients?

Fee frequency is another important consideration. Remember, your fee-for-service model shouldn't aim to collect only hourly or one-time planning fees. Retainers and subscriptions for ongoing work are far superior to one-off projects and they fit nicely into the fee-for-service model. This is where you should refer back to your client persona for guidance. Would your niche be more amenable to a smaller monthly fee, or prefer to pay a larger chunk quarterly or annually? In general, younger people are more likely to happily pay a small monthly fee that is manageable within their budget, while older, more established customers may feel nickel and dimed by that model. When in doubt, consider your own cash flow needs, ask your clients about their preferences, and consider flexibility for various client situations.

Once you decide on a method for calculating your fees, use [this guide](#) to create a fee calculator using the fee calculator tool within the AdvicePay platform. You can start with pre-made templates that allow you to simplify fee calculations for a number of different fee structures.

One way to simplify fee planning is with the two-step method outlined below.

STEP 1: Determine your minimum fee per client

Desired annual income

Hours per week you are willing to work

Billable hours

*(50% of hours willing to work * 50 weeks)*

Hours spent on each client per year

Maximum number of clients

(billable hours / hours spent on each client)

Minimum fee per client

(desired annual income / maximum number of clients)

STEP 2: Evaluate the appropriateness of your fee for your target clientele

Does the fee work for your ideal client?

Does the minimum fee work for your client market?

How AdvicePay users handle their billing.

90% of AdvicePay users bill their clients monthly, 9% bill quarterly, and .6% bill on a semi-annual basis.

Average monthly fees are \$216 and upfront fees average \$800. Average quarterly and semi-annual fees are \$885 and \$1245, respectively.

Additionally, the **average one-time invoice is \$1,305.**



4. Crafting a scalable billing process AKA—repeatable client onboarding experience

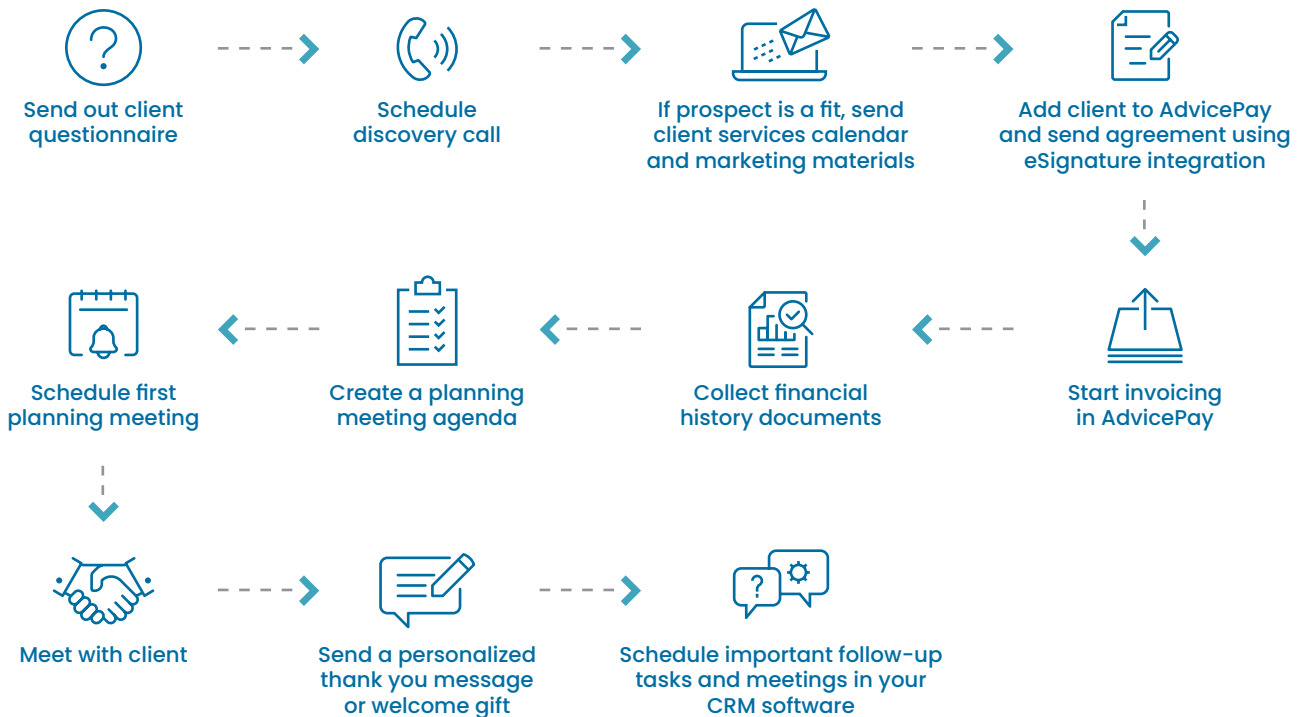
With the right technology in place, crafting a repeatable client onboarding experience is a simple and streamlined process.

Remember, your clients will expect a personalized experience, but you need a repeatable process that makes it easy to check all the boxes that go along with adding a new client.

Personalize your clients' experience without increasing your workload by allowing them access to a portal to update their payment information, handle failed payment issues, view invoices, and update their profiles. Even better, customize your portal with your name, logo, and contact information so your client feels like they are working directly with you, and not a third-party interloper.

To create a repeatable onboarding experience, start with a flow chart that allows you to visualize each step of your onboarding process and identify its ownership on your team.

Example client onboarding process flowchart



5. Select your technology

You've nailed down customer personas, detailed your business model, set your pricing, and crafted a repeatable onboarding process.

Now it's time to choose technology that allows you to create repeatable workflows that will make an impression on your clients and keep your practice running smoothly. Many of your prime prospects who are looking for fee-for-service financial advice won't have investment accounts, they may not even have checkbooks! You'll need a way to bill them for your services. The right technology can play a big role in your success as a fee-for-service provider, especially when it comes to compliance.

You'll need a powerful CRM that integrates with compliant payment software.

Both platforms should be designed specifically for the financial services industry. AdvicePay is the only payment platform that is designed to maintain compliance and avoid triggering custody for the fee-for-service financial industry. Start with AdvicePay and choose a CRM that integrates with it, so you can create seamless processes that maximize the strengths of each technology.

There are a number of CRM platforms on the market that integrate with AdvicePay and will do the job of keeping your client database organized. Some of the most popular include, Redtail, Salesforce Financial Services Cloud (XLR8), and Wealthbox. Each of these CRMs is built with features that are unique to the financial services industry and will help you maintain compliance.

Technology's role in security and compliance

Your involvement in your clients' financial lives is subject to federal, state, and local laws that demand compliance. In a world where everything is digitally connected, the nuances around compliance have become exceedingly complex.

The technology you choose to run your business must be built with the utmost security and attention to SEC and state regulations. It also needs to be designed to avoid triggering custody.

To ensure compliance, it is essential that you choose a technology platform built to serve the unique needs of the financial services industry.

Most people are not at all interested in visiting your office to sign a document in person.

And it's doubtful that you are interested in spending your time filling out specific payment information on financial agreements and tracking down signatures. It is vital that you employ an eSignature tool and use a payment system that integrates with it. AdvicePay offers free integration directly with HelloSign and DocuSign to bundle payment requests with any other documents that need signatures.

If you are considering any payment platform other than AdvicePay, use the Choosing Your Technology Checklist to ensure the payment platform checks all the necessary boxes for a fee-for-service financial advisor (it won't).

Choosing Your Payment Technology Checklist

Does the system avoid storing payment information in ways that the advisor can see it?

Does the system disallow the advisor from inputting payment information on their end?

Does the system send out invoice and payment receipts as required by regulators?

Does the system avoid custody?

Is the system compliant at the SEC and state level?

Does the system offer partnerships and integrations with powerful CRM platforms?

Is the development team focused on releasing updates that keep pace with state and SEC rulings?

Does the system's Acceptable Use Policy allow use by financial services businesses?

Congratulations! You are ready to start your fee-for-service financial planning business!

AdvicePay is here to help.

Designed by industry veterans, AdvicePay is the only payment processing platform that meets the specific needs of the fee-for-service financial services industry. AdvicePay maximizes compliance and data security at every level and is designed to avoid triggering custody. Most importantly, AdvicePay software is monitored continuously to remain in compliance with SEC and state regulations.

Four subscription levels give you the flexibility to get started today and stay with AdvicePay while you grow. [Start a free trial](#) and reach out to us for a demo and additional resources to see how AdvicePay supports your fee-for-service business every step of the way.

