

# Growth Evaluator Guide



**WEALTHCARE**  
*financial guidance for life*

You're ready to grow as an advisor, but you may be feeling stagnant where you are. Choosing the right path can help you build the practice you want while creating lasting customer relationships. For many advisors that means going independent or changing their affiliation.

While commission-based financial advisors were once the norm, today a fee-based model is more common. The shift, which began in the late 1990s, has recently accelerated. In fact, the number of firms with fee-only models has increased by 20% since 2019, according to Investopedia.

Although the trend may primarily be attributable to industry regulations, many advisors will tell you that switching has been a win-win. By creating a sustainable and reliable revenue stream, a fee-based model allows them to grow their business and frees them to focus on serving clients well — leading to better outcomes for both sides.

For financial professionals looking to transition to join the growing ranks of fee-based or fee-only advisors, several issues and key questions are important to address. These include:

- 1 How can you move from commission to fee-based (and keep income coming in)?
- 2 How can you redefine your value proposition to justify the ongoing fees?
- 3 How can you convince existing clients to make the change with you?
- 4 How can you maximize enterprise value and provide continuity for clients when you exit the practice?

**This ebook can help guide you as you weigh the decision to become a fee-based advisor. It is intended as a complement to the *Wealthcare Business Goals Evaluator*.**



# Tightening Industry Regulations



Another highly influential factor behind the shift to a fee-based model is fee compression throughout the investment industry.

Over the years, scrutiny on commissions has become more intense, resulting in a series of rule changes. Regulations such as The Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 and Reg BI in 2019 served to increase the standard-of-care requirements for broker-dealers and prompted many advisors to shift away from commissions in favor of a fee-based composition model.

## Fee Compression

Another highly influential factor behind the shift to a fee-based model is fee compression throughout the investment industry. Costs in the registered investment advisor (RIA) space have come down considerably. Custodians have lowered their fees in an effort to attract and retain more advisors — and more assets. RIAs have lowered their model management fees. And cost-effective RIA platforms are now available that enable advisors to pass along those lower costs to clients.

## New Low-Cost Models

At the same time, new technology has put downward pressure on the fees financial advisors can charge for basic services. Many robo-advisors now provide low-cost and 100%-online basic investment guidance with no human interaction. These new models of advisory services are highly attractive to a new generation of investors, many of whom are digital natives and have limited investable assets and relatively simple financial lives. For those who don't need help with a wide range of financial decisions, these high-tech low-cost tools are generally sufficient and cost-effective. But for clients with more complex family and financial situations, they fall short of the comprehensive planning guidance needed.

# Full-Service Advisors Need to Differentiate

Full-service advisors who offer comprehensive planning often cater to clients with more complex family and financial situations. They often do much more than just investment guidance; they touch multiple facets of a client's life, and provide highly personalized planning and advice on the whole of a client's financial picture. Services might include navigating family dynamics, trust or estate issues or helping a client through the death of a loved one. These advisors need to differentiate their offerings from the lower-cost alternatives. They need to justify charging more by effectively communicating the value of the services they provide.

## Multiple Benefits of Fee-Only

A fee-based compensation model can be beneficial for both you and your clients. Because commission-based business is transactional, under that model, business growth is constrained by the number of clients you can actually see and sell. And you need to sell continuously to earn income. But once you have a book of fee-based clients, those revenues are self-sustaining, even if you bring on no additional new clients. Thus, a fee-based model allows you to build a bigger and more successful advisory business, with less revenue fluctuation and more predictable income.

Without the need to “always be selling,” you may be able to spend more of your time and energy providing personalized guidance and advice. By switching from selling to serving clients well, you can build trust and create the kind of client relationships that encourage them to stay with you over years and generations.

And the value of long-term, trusting relationships goes both ways. Clients appreciate transparency, especially when it comes to fees. They can rest easier if they know you aren't required or incentivized to recommend certain products — products that may or may not be the best vehicles for their situations. They can also worry less about the possibility of nickel-and-diming


and hidden additional fees if they know their advisor is free from the potential conflicts of interest that can arise when a significant portion of compensation comes from selling product. What's more, clients benefit from working with a true fiduciary who is legally required to act in the client's best interests at all times.

## The Truth about Broker-Dealer Partnerships

For many years, some advisors stayed with a broker-dealer platform because they didn't have another source for the products and services they needed for their clients. And today Broker-Dealers are still a large part of the industry, but advisors have more options than ever before.

If an advisor chooses to move away from the broker-dealer relationship, they can access insurance through insurance marketing organizations or field marketing organizations; they can join an RIA platform for practice management, marketing and other support; and they can partner with third-party vendors for everything from compliance and outsourced investment management, to financial technology tools.

There's no one size fits all solution for advisors, instead it's a unique approach for each firm - Whether they keep their broker-dealer affiliation, choose a hybrid approach or go completely independent.



Clients appreciate transparency, especially when it comes to fees.

# How to transition to fee-only

Any advisor looking to adopt a fee-based model needs to be prepared for a period of transition during which your advisory income falls short of what you earned from commissions. During that time, you'll also need to invest additional capital into your business to make the required changes to your operations. In other words, after your commission-based revenue ends, you'll likely see your income drop before fees start to add up. That's why a focus on the future growth trajectory of your business and the long-term advantages of a fee-based model can be helpful. In addition, there are resources that assist advisors in converting to an investment advisory representative (IAR) fee-based or fee-only model.

## How to Choose an RIA Platform

A number of RIA platforms offer services and resources that can support you in your transition to fee-based planning and beyond. While all platforms will have some similarities, each will have its own distinctive combination of technology tools, service level and culture. That's why you should carefully evaluate your options to select the right partner for your business. Examine the level of support, specific technology tools, as well as marketing and compliance services to find the one that best matches your needs.

There are multiple ways to operate as a fee-only advisor.



### Form your own RIA.

Either go — or stay — independent by opening your own RIA and partnering with an RIA platform. Many platforms are available today to support advisors by doing the “heavy lifting” associated with planning, investing and time-consuming operations activities, so you can focus on doing what you do best, such as building strong relationships with your clients.



### Join a hybrid RIA.

If you have a fee or commission-based business that you want to keep, you can join a hybrid RIA. This option allows you to maintain your independence and your dual-registered status, while you run your business your way. At the same time, you can take advantage of the RIA's resources, such as marketing programs to strengthen your brand, and practice management support to help advisors run their business efficiently to scale and grow.



### Join an existing RIA.

If you're running a fee-only practice already, you can join an existing RIA. This option combines the independent, entrepreneurial feel of running your own business with the stability, reliability and corporate support of a full-time employee. You'll receive W2 status, while you get paid on new revenue. You also gain access to corporate benefits, such as group pricing for health insurance, support for managing your accounts payable and monthly payouts to help with budgeting and expenses.

# Wealthcare Advantages

---

## Householding



Most dual-income families have multiple financial accounts. They may have two 401(k)s, one or two rollover individual retirement accounts, a Roth IRA, a brokerage account with some stocks or mutual funds, and one or several 529 college savings plans for their children. What's more, since these assets are likely held at different companies, they will also have multiple custodians and advisors. That's a lot to keep track of. But Wealthcare offers advisors the ability to look across the whole of a family's financial picture and jointly manage portfolios at the household level. Through householding, advisors can offer holistic guidance — about not only the combined target asset allocation across all accounts, but also about how to minimize taxes through tax-loss harvesting and other tax-efficient strategies.

---

## Client Retention Support



Your most important assets are your clients, and it's critical to minimize the potential disruption of any transition. Wealthcare can help ensure consistent client experiences and continuity during your transition to a fee-based model and beyond. We offer support and guidance to clearly communicate about the change, keeping your clients informed and educated about exactly what to expect. By setting and meeting clear expectations, we help you maintain client satisfaction and reduce attrition.

---

## Middle Office Support



If you find there are many tasks taking you away from client service or time to grow your business, you may not have all the support you need to be efficient. Wealthcare's GDX360 provides planning support, marketing, compliance/regulatory, billing, investment management, practice management and recruiting support. Move away from time consuming, non-growth/revenue focused responsibilities and focus that energy on growing their practice.

---

## Succession Planning



While you might not be thinking of retiring any time soon, at some point, you'll want or need to leave the day-to-day management of your practice. By planning your exit strategy in advance, you help ensure that you're the one who controls how and when that transition takes place. One of the benefits of a solid succession plan is to minimize emotional or reactive decision-making at what might be a stressful time, and to ensure continuity for your clients once you're no longer managing their assets. But it can also help you begin building more value in your business now, so when the times comes, you can convert your years of hard work into the lifestyle you want for retirement or whatever the next chapter of your life looks like.



As clients, advisors and regulators alike continue to demonstrate a preference for fee-based and fee-only models, many financial professionals are starting to think that commission-based practices may soon become obsolete. That's why forward-thinking advisors are looking to partner with an RIA platform like Wealthcare to accelerate their businesses growth and deliver a better client experience.

Wealthcare is both a fee-only SEC registered investment advisor and a hybrid SEC registered investment advisor, both of which deliver a fully integrated, goals-driven planning and investing platform that also features investment management and oversight.

**Contact us to get started!**

Telephone  
**(484) 232-5283**

Email  
**[salesteam@wealthcarecapital.com](mailto:salesteam@wealthcarecapital.com)**

Or visit our website to learn more  
**[wealthcaregdx.com](http://wealthcaregdx.com)**