

Making the Switch to A Fee-Based Relationship

If you're ready to make the change, your financial professional can help you easily transition your accounts if it's appropriate for you.

Your financial professional provides advice to help you plan for your financial future and invest for the long term. But more than that, they are your financial coach, who can help keep you on track when times are tough – either in the markets or even your own finances – and design a strategy to address your lifelong goals. People with a financial advisor tend to end up with more in the long term – because they don't pull out of the markets when volatility hits.*

Just as you pay your doctor for medical advice, your CPA to review your tax return, or an estate attorney to help you build a will, you pay your financial professional for their expertise and guidance. If you have a financial professional or someone you're purchasing investments from, you're paying them somehow. It's vital to understand what you're paying – and what you're getting in return – so let's review what you need to know.

Ways to compensate your financial professional for advice

There are two primary methods:

Commissions: Every time you purchase a new investment (or in some cases, sell the investment), or your financial professional makes a change to your account, you pay a commission. The commission is often based on the product's set prices.

Ongoing fees: In lieu of paying commissions, you pay an ongoing fee, paid quarterly, as a percentage of your account's value. For example, if your account value is \$100,000 and your account fee is 1%, you would pay \$1,000 per year, and most services and account changes are included.**

While paying a financial professional a commission may be appropriate for some investors, especially if you just want to make a one-time purchase or you're early in your investing life, there are potential benefits to working with an advisor in a fee-based relationship.

* 2021 Value of an Advisor Study, Russell Investments.

** While you won't pay a commission to the advisor, there are sometimes confirmation or trade fees, or other incidental fees, when changes are made to your advisory account. For a complete list of fees, please visit www.lpl.com/disclosures.html.



Evolving our
relationship
so we can
do more
together

MAKING THE SWITCH TO A FEE-BASED RELATIONSHIP

Why consider fee-based?

When working with your advisor in a fee-based relationship, you'll:

Be able to make decisions based on need, rather than cost

Your financial advisor may not have to consider if a change in your account is worth the cost it could incur to you, as most of the costs would be covered in your ongoing fee. As a result, you get a decision based on what is appropriate for your situation, rather than the least expensive one.

Get added flexibility

With an ongoing fee in place, your advisor will have the flexibility to move quickly in response to market movements or your life changes. It's a lot easier to make adjustments to your account when your advisor has the discretion to make decisions on your behalf.

Have an investment fiduciary

When you work with an advisor in a fee-based relationship, that advisor becomes your fiduciary. A fiduciary is legally bound to only recommend investments that are in your best interests today – and in the future.

Know your interests are the same as your advisor's

In a commission-based relationship, financial professionals only need to make changes in your account that are in your best interests at the time of a recommendation. In a fee-based relationship, advisors must ensure your account is in your best interest today and into the future. Plus, in a commission-based relationship, your advisor is

compensated with every sale, whereas in a fee-based relationship, your advisor's fee generally only increases if your account value increases (since your fee is a percentage of your account's value). As a result, you can be confident your advisor's interests are the same as yours.

Experience a relationship – and a strategy – built for the future

By working with you in a fee-based relationship, your advisor will spend time getting to know you even better, enabling them to design a long-term plan for your future – because your fee includes ongoing advice.

Get additional services

Some advisors will wrap additional services under the one ongoing fee – services you may have had to pay separately for in a commission-based relationship.

Considering the switch

By considering a change in how you work with and pay your financial professional, you get an advocate who is ready to help you design a strategy for your lifelong goals. While most financial professionals seek to do this anyway, ongoing fees give advisors the freedom to do more for you.

If you're ready to make the change to a fee-based relationship, your financial professional can help you easily transition your accounts if it's appropriate for you. You'll just need to sign a couple of things – and you'll be on your way to building a deeper relationship with your advisor.

To get started, reach out to your financial professional.

Advisory accounts may not be appropriate for every investor. A brokerage account may be more appropriate if you prefer a buy-and-hold strategy for a long period of time, AND/OR prefer to make the investment decisions yourself, seeking a financial advisor only to provide occasional recommendations and execute orders.

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