



Fiduciary Flat Fee as a Smarter Option than Standard Advisor with AUM fees and restrictions.

When seeking financial guidance, the way your advisor is compensated can significantly impact the quality and objectivity of the advice you receive. Traditionally, many financial advisors operate under an **assets under management (AUM) fee model**, charging clients a percentage of their total portfolio—often around 1%-2% annually. However, a growing number of investors are recognizing the advantages of working with a **flat-fee fiduciary financial advisor**, who charges a fixed rate for their services regardless of portfolio size or investments best suited for the client not the advisor. We will explore why the flat-fee model is in many experts opinions a superior choice and highlight the drawbacks of a standard AUM-based advisors.

The Problems with Standard AUM-Based Advisors

While AUM-based advisors have been the industry standard for decades, their compensation structure inherently creates several **conflicts of interest** that may not always align with a client's best financial interests. Here's why:

1. Higher Costs Over Time

With AUM-based advisors charging around 1%-2% of your assets annually, fees can add up significantly as your portfolio grows. For example, if you have a \$1 million portfolio, you'll pay **\$10,000 per year** in advisory fees (at 1%). As your portfolio grows to \$2 million, your fee doubles to **\$20,000 per year**—without necessarily receiving double the service.

2. Discouragement of Debt Reduction or Large Purchases

Since AUM advisors earn fees based on the amount of assets they manage, they may be incentivized to **discourage** clients from paying off debt, investing in real estate, making large purchases, taking their own money out, or making large charitable donations—since doing so would reduce the assets under their management and, in turn, their income would be reduced.

3. Biased Investment Recommendations

Advisors who earn money and bonuses based on asset size may be more inclined to **steer clients toward investment products that keep assets under their control**, even if alternative/other investments (such as paying down a mortgage, real estate, annuities, life insurance, investing in a business, and much more) would be in the client's best interest.

4. Lack of Transparency

Many investors don't realize how much they are actually paying under the AUM model, as

fees are deducted from their portfolio internally rather than billed directly. This can lead to a lack of awareness and control over advisory costs.

Why a Flat-Fee Fiduciary Advisor is the Better Option

True Flat-fee fiduciary advisors offer a **clear, conflict-free** alternative to AUM-based advisors. Here's how:

1. **Transparency and Cost Predictability**

A flat-fee advisor charges a set amount for financial planning and investment management services, which means you always know exactly what you're paying. Whether your portfolio is \$500,000 or \$5 million, your flat fee for the amount remains the same (regardless of AUM size)—ensuring transparency and predictability.

2. **Objective Advice Without Conflicts of Interest**

Our compensation is not tied to asset size/accounts, flat-fee advisors can provide truly **unbiased recommendations (what's best for the client)**. They can objectively advise on your best interest without worrying about their own bottom line.

3. **Comprehensive Financial Planning**

Unlike AUM advisors who primarily focus on investment management (AUM and accounts), many flat-fee fiduciaries offer **holistic financial planning**, which includes tax strategies, retirement planning, estate planning, risk management, much more—providing greater long-term value in the best interest of the client.

4. **Greater Cost Savings Over Time**

Instead of paying an ever-growing percentage of your portfolio, a flat fee remains consistent, ensuring that you **keep more of your investment gains**. For many high-net-worth individuals, this can result in **hundreds of thousands of dollars in savings over time**.

5. **More Access** to various investments and assets, as there is no worry to keep high account values for greater AUM compensation as a standard advisor.

6. **No Pressure to Keep Assets in One Place**

Since their earnings don't depend on managing your assets (keeping more AUM and accounts), flat-fee advisors are more likely to encourage strategies that involve **diversifying wealth outside of just traditional investments**, such as buying property, starting a business, or funding personal projects/vacations.

Who Benefits Most from a Flat-Fee Fiduciary Advisor?

- **High-net-worth individuals** seeking cost-effective, transparent advice.
- **Retirees** who need long-term planning without rising fees.
- **DIY investors** who want strategic guidance but prefer to manage their own assets.
- **People who don't** have say \$500,000 to invest in accounts under a AUM model
- **People who are working** and a lot of the money is in a employer type plan like a 401k or TSP
- **Business owners and entrepreneurs** who have wealth tied up in multiple ventures beyond traditional investment portfolios.

The following are common services included:

Comprehensive Financial Planning

- ✓ **Personalized Financial Plan** – A detailed roadmap outlining short-term and long-term financial goals.
- ✓ **Retirement Planning** – Strategies to maximize savings, Social Security benefits, and withdrawal strategies.
- ✓ **Investment Strategy & Management** – Portfolio allocation, risk management, and tax-efficient investing.
- ✓ **Tax Planning Strategies** – Minimizing tax liabilities through tax-efficient investments, Roth conversions, and charitable giving strategies.
- ✓ **Estate Planning Guidance** – Coordination with estate attorneys, creating wills, trusts, and legacy planning.
- ✓ **Cash Flow & Budgeting Analysis** – Review of income, expenses, and strategies for optimizing spending.
- ✓ **Debt Management & Reduction** – Strategies for paying off high-interest debt, mortgages, and student loans.
- ✓ **Insurance & Risk Management** – Assessment of life, disability, and long-term care insurance needs.
- ✓ **College & Education Planning** – 529 plans, financial aid strategies, and education savings plans.
- ✓ **Small Business & Self-Employment Planning** – Tax-efficient retirement savings and business succession planning.
- ✓ **Real Estate** - Your main home, real estate investment property/properties, taxes, protections and more.
- ✓ **Charitable Giving & Philanthropy Planning** – Structuring charitable donations for maximum tax benefits.

Ongoing Support & Advice

- ✓ **Regular Check-Ins & Reviews** – Periodic meetings (quarterly or annually) to track progress and adjust plans. As important life changes and unknowns occur as well.
- ✓ **Market & Economic Updates** – Providing insights on market conditions and how they affect your own financial plans.
- ✓ **Unlimited Access for Financial Questions** – Many flat-fee advisors offer email or phone consultations as needed; you're not just a number but a person and part of their family.

Since flat-fee fiduciary advisors **do not earn AUM fees, or percentage-based fees**, their advice is **unbiased and solely in the client's best interest**.

Does this mean a standard AUM fee advisor is not a good choice? We personally do not believe that a standard AUM fee advisor is a bad choice necessary. However, we ourselves and several others do believe it is not the best choice for most people. We believe that most people would receive better holistic financial planning from a flat fee fiduciary advisor.

Conclusion

The **flat-fee fiduciary model** is a game-changer in the industry for those who want **objective, transparent, and conflict-free financial advice**. Unlike AUM-based advisors, who have incentives to keep assets under management and charge ever-increasing fees, a flat-fee advisor provides **cost-effective** and **comprehensive financial planning** that aligns entirely with your own financial well-being.

If you value open **honest advice, potential lower costs, and long-term financial efficiency**, it may be time to explore working with a **flat-fee fiduciary financial advisor**. Always be aware of your choices (pros and cons), the type of person and firm of the advisor, their compensation and bonuses, any limitations or restrictions, and much more. Your wealth should work for you—not your advisor.

General References

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