

Asset-based fees not an easy fix

29 April 2010 | by Ashleigh McIntyre

Switching from commissions-based remuneration to flat fees can be a “huge mental shift” for some advisers, but Elixir Consulting managing director Sue Viskovic warns that asset-based fees may not be the best option.

Her comments follow research from [Investment Trends](#) that identified asset-based fee-for-service as the fastest growing area over the last few years.



Sue Viskovic

“Many [advisers] are now commenting that if they’re going to do all the work required to move to fee-for-service they may as well do it completely – especially if there is some risk that asset-based fees may be out of favour in future,” Viskovic said.

Elixir consulting reported seeing a trend that advisers who are new to the industry and those who have already been charging asset-based fees for some time are more likely to think in terms of flat fees when discussing fee-for-service.

“The recent changes announced by the Government will not only force many advisers to change their remuneration methods, but they will have to be very clear on their business models and their value offering to clients,” she said.

Viskovic added that asset-based fees are more appropriate where a business provides a genuine value-add in the area of asset management in addition to strategic advice.

2 Comments

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1. Stephen | 29 April, 2010 at 12:52 PM

It's important to keep in mind that most of these "commentaries" are gross generalisations and nothing more than a marketing opportunity for the information source. Only someone who has spent time developing a business fully understands the complexities and is in a position to add real value to the discussion. So rather than pay too much attention to these "armchair quarterbacks" we would all do well to focus on the main objective ... providing clients with benefits that outweigh the costs (regardless of form). If we focus on that goal, success will follow.

2. Michael | 29 April, 2010 at 11:17 AM

Where does it end? What is wrong with an ongoing asset based fee (retainer) negotiated with the investor where investment advice is being given and value is added? This is a global practice and an efficient one. Aligning interests with the investors' is perfectly valid, will fund managers be allowed to charge an asset based fee, what about interest rate spreads? The industry and practicing professionals need to distinguish between Financial & Lifestyle planning and the giving of investment advice. Some financial planners do not give investment advice, may I suggest that two different fee structures may apply. An appropriate planning and

strategic fee (possibly hourly based or a flat rate) AND a asset based fee if investment advice and ongoing services are being offered. Will real estate agents and other commission or asset based fee industries be next?

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