PRACTICE POINTS

Increasing Client Fees

Just as you regularly assess compensation, negotiate rent, and review technology costs, you should regularly manage your fee structure to ensure your firm's profitability and sustainability. Your fees reflect your services and value to clients and can influence a prospective client's decision to hire you. According to Dimensional's 2023 Global Advisor Study, 36% of advisors changed their fees in 2022, with 25% of those firms increasing them.[1]

THREE REASONS YOU MIGHT ADJUST FEES

- Respond to the rising cost of doing business
- Better reflect the value of your firm's services or capture revenue on services now provided at no charge
- Reinforce your value proposition by aligning services with the market rate in your area

HOW ADVISORS CHARGE1

- 79% of clients are charged under one asset management fee.
- 10% of clients are charged under a retainer or flat fee.
- 8% of clients are charged under a hybrid structure.

THE APPROACH

- Talk with clients face to face about a fee increase, and emphasize the value of your services and why fees have been adjusted over time.
- Consider developing team talking points to address common client questions or objections.
- Script and practice the responses to give consistency and confidence to the firm message.

TOP PRACTICES

- Think about timing. Before raising fees, consider the current market and investment climate.
- Start with clients you are willing to lose if the conversation doesn't go well. Adjust your approach based on responses.
- Hold team meetings to share effective and ineffective messaging, and track responses.
- If you are raising fees due to rising costs, relate the costs to the business or industry rather than to serving clients.
- Give clients sufficient notice. Consider implementing the fee increase at the end of the following quarter or year.
- Consider a hybrid fee to increase revenue or create greater transparency for the services provided.
- If a client threatens to leave, evaluate the relationship and be ready to amicably part ways.

SCRIPTING EXAMPLES

"Later this year, we will celebrate our 20th year in business. What started as a small firm has expanded to become one of the largest independent offices in the area, with client assets now totaling more than $xx million/billion. We thank you for entrusting your wealth to us. Over this time, the cost of doing business has risen significantly and until now, we have absorbed these cost increases. . . ."

"After consulting at length with business advisors and industry resources, we have decided to raise our fees from 0.25% quarterly (or 1% annually) to 0.375% quarterly (or 1.5% annually). The increase, which is based on industry averages, will enable us to continue providing the level of service and standard of wealth management you expect and deserve."

CONSIDERATIONS

You may have clients with different fee agreements. Changing your fee structure presents an opportunity to review, update, and standardize these agreements.

Also review your investment management agreement, and consult experts on the legal or compliance implications of changing the fee structure. Follow a procedure for communicating and documenting the new fee schedule, which may include obtaining written client consent.

1. Dimensional 2023 Global Advisor Study.

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