

WHERE AND WHAT SHOULD YOU CHARGE?



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Last time we looked at the various points in the client relationship where the adviser adds value. In theory, every point at which value is added is an opportunity to charge. So let's revisit some of the key points in the advice process at which it should be pretty straightforward to demonstrate value add to clients. We'll start with delivery of advice.

The discovery meeting is typically free of charge but represents huge value added in terms of really lifting the carpet on the client's values, goals, attitude to risk and current situation to the extent that you are able to build them an appropriate strategy or plan to achieve their aspirations. Some advisers we work with recognise the value delivered at this stage – and help their clients see it too – and charge a flat fee for a discovery meeting.

The plan presentation meeting is really the combination of your experience, expertise and intellectual capital overlaid onto the facts established at the discovery meeting. As such, it represents the point at which you have converted your technical expertise and knowledge of the client, into a financial plan – a plan that represents huge value to the client.

It is important to make it clear to the client early in the relationship – using a compelling first meeting presentation – that there is a charge for the value added. The amount charged has to reflect everything that has gone into creating the plan, which could include:

- The first meeting.
- The discovery meeting where you used your skills and experience to uncover the clients values, aspirations and attitude to risk.
- The expertise and formal qualifications you and your people have used to create a personalised plan.
- Ensuring risks and tax are minimised.

- Use of cash-flow forecasting and asset allocation models.
- Preparation of the plan itself into a presentable easy-to-read format.
- The plan presentation meeting where you take the time to walk the client through their plan, answer any questions or clarify things they are unsure about.

Unbelievably, some advisers still give all this away for free, in the hope the client might buy a product. Smart advisers on the other hand have already trained the client to recognise the value they add and to expect to pay for the work done to this point, even if that's through commission offset. That way there is no danger of doing lots of work for clients who then don't go ahead – a sure road to ruin.

So, what do you charge for the initial advice? Start with a figure you are comfortable with – as long as it's profitable! You have to be able to look into the eyes of the client and have the fee discussion with total confidence. As your confidence grows – which it will as clients say "yes" – you can begin to increase the charge for the initial financial plan.

Next time, we'll take a look at the implementation and review stages of the client service standard and explore what you could charge at each stage.

Steve Billingham is managing director of FP Advance, which provides specialist consulting and business coaching to financial advisers across the UK. If you would like further information regarding these services or to receive free access to one of the company's Online Transition Toolkit Modules, please visit www.fpadvance.com or email enquiries@fpadvance.com