

What is Fee-Only Financial Planning?



The way in which your financial planner is compensated can make all the difference in the recommendations they make for you. That's because some advisors work under a standard that requires only that their recommendations be *suitable* to your particular situation. Other planners work under a fiduciary standard that requires advisors to consider what is in their *client's best interest*. You may be wondering why your advisor would make a recommendation that is not in your best interest. That's where the issue of compensation comes into play.

There are three basic ways in which financial advisors are compensated:

- Through a commission-based model
- Through a commission & fee model
- Through a Fee-Only model

Both commissioned and commission & fee advisors receive a compensation based on the specific financial products they sell to you. Because of the conflict of interest inherent in these transactions, these advisors may have difficulty putting the client's interest above their own.

NAPFA's position is that the Fee-Only method of [compensation](#) is the most transparent and objective method available. This model minimizes conflicts and ensures that your financial planner acts as a fiduciary. Fee-Only planners are compensated directly by their clients for advice, plan implementation and for the ongoing management of assets. All NAPFA members

are required to work only within the Fee-Only structure, accepting no commissions for their work.

Fee-Only financial advisors may be paid hourly, as a retainer, as a percentage of assets (AUM), or as a flat fee, depending upon the planner you choose.