

Guide to client facing fee calculator

Introduction

This is a guide to explain the client facing fee calculator. This is a calculator which you can quickly personalise to include your current fee menus. It's designed to:

- Help client understanding and transparency
- Increase and improve your consistency regarding your fees, and
- Help eliminate the impact of a client looking to negotiate an unfair reduction in your fees.

In our experience, whenever firms have implemented their personalised fee calculator, together with simple methods that articulate the real value they provide (e.g. using loss motivation), their overall initial fees have increased.

We have 3 versions of this calculator for you to select, in line with evidence that shows there are only 3 main ways that the initial / advice fee is agreed with a client:

- A. It is exactly as described in your disclosure documentation (e.g. as in your 'Terms of Business.')
- B. It is consistently applied with discounts for existing clients or family members
- C. It is negotiated on an individual client by client basis.

None of the above methods are more right or wrong than the other. That said, if any of the above methods have a lack of consistency when applied to more than one client, then is that right? Is it a good long term business practice? Is it in the spirit of 'Treating Clients Fairly?'

Consistency can be achieved, but how?

We know that each client is different, and consistency is not easy. For example, our research shows that a typical adviser often discounts far more than was expected by the client.

Many advisers have a tiered fee menu, yet we see the majority of fees being agreed in round numbers, and not the expected aggregated specific amount e.g. 2% instead of 2.65%.

In the heat of the moment we may drop our fee from 3% to 2%. However, by doing this we drop by 33%. What other professional advice service drops by this much (e.g. for context, 'Black Friday' retail sales get massive publicity - and many of their items are not reduced by this much!)?

In reality, in this example, by dropping from 3% to 2%, the adviser actually loses out on an extra 50% (i.e. 50% of 2% is 1%. 2% plus 1% = 3%). We trust this will help you in your discussions with clients when agreeing your remuneration.



Who is this for?

It is designed for any adviser involved with client facing advice regarding investments. It assumes that percentages are a part of your offering, in line with our research suggesting it is the most popular model.

You need to choose the most appropriate tool that matches your business model:

- A.** It is exactly as described in your disclosure documentation (e.g. as in your 'Terms of Business')
- B.** It is consistently applied with discounts for existing clients or family members
- C.** It is negotiated on an individual client by client basis

What is it?

This is a simple, printable tool to share with your client to help them understand your implementation fees.

How long will it take?

To personalise before using with your clients, this should take around 3 minutes to input your logo & brand colours, as well your current fees into the most appropriate calculator. Then it is merely a matter of seconds to use with each client, simply inputting the amount to be invested in the clearly marked box.

What do I need to have handy to complete this?

Nothing other than yourself, an electronic copy of your brand logo and ideally your current documentation that shows your fees e.g. Terms of Business.

When is it best to use with a client?

This varies depending on the client type, and the depth and style of your relationship with them. That said, experience suggests that by using it at the start or beginning of the second meeting / prior to implementation works well.

How do I complete this?

1. Have your current client facing fee menu to hand (e.g. disclosure documents)
2. Open up the fee calculator that most closely fits your current model (or the model you want to now move to). For example:
 - A.** It is exactly as described in your disclosure documentation e.g. as in your 'Terms of Business.'
 - B.** It is consistently applied with discounts for existing clients or family members
 - C.** It is negotiated on an individual client by client basis



3. Follow the guide to personalisation on the first tab, to alter a few key cells on the second tab (you may wish to print this out to help)
4. Save your personalised client facing fee calculator somewhere that is easily accessible
5. When you need to use it, simply type in the investment amount into the red box and press enter to make it work.

What assumptions does it use?

You control the tiering and so you control the main assumptions yourself.

