



# How Financial Planners Actually Do Financial Planning (2023)

# About The Authors

## Lead Researcher

### Dan Inveen

CFA

#### Biography

For more than two decades Dan has directed a broad spectrum of industry executives toward a better understanding of how to succeed in the financial advisory marketplace. He has worked with broker-dealers, asset managers, leading RIAs, and every major industry custodian, helping to identify emerging trends in the distribution and demand for financial advice as well as best practices in firm management.

Once part of the Moss Adams consulting team that pioneered the field of advisor “practice management” in the mid-2000’s, Dan later co-founded his own boutique industry research and consulting firm, FA Insight. After just seven years he successfully sold the firm to TD Ameritrade, one of the country’s leading providers of brokerage and custody services.

His research and consulting experience covers a broad range of issues affecting financial advisors, including strategic planning, organizational design, compensation, operations, and M&A. For over a decade Dan led the production of the FA Insight Annual Study of Advisory Firms, a leading resource of critical intelligence for financial advisory firms as well as the institutions that serve them.

Dan began his career as a government economist, including several years leading the Bureau of Economic Research in the U.S. Virgin Islands, before overseeing the marketing research function for Russell Investments. Dan holds bachelor’s and master’s degrees in economics from the University of Washington and is a CFA Institute charter holder.



## Chief Financial Planning Nerd

### Michael Kitces

MSFS, MTAX, CFP®, CLU, ChFC, RHU, REBC, CASL

#### Biography

Michael Kitces is the Chief Financial Planning Nerd at Kitces.com, dedicated to advancing knowledge in financial planning and helping to make financial advisors better and more successful, and the Head of Planning Strategy at Buckingham Wealth Partners, an independent RIA with more than \$50 billion of assets under management, that provides private wealth management to consumers and turnkey asset management platform services to advisors.

In addition, he is a co-founder of the XY Planning Network, AdvicePay, New Planner Recruiting, fpPathfinder, and FA BeanCounters, the former Practitioner Editor of the Journal of Financial Planning, the host of the Financial Advisor Successpodcast, and the publisher of the popular financial planning continuing education blog Nerd’s Eye View.

Beyond his website and many businesses, Michael is an active writer and speaker across the industry, and has been featured in publications including Financial Planning, the Journal of Financial Planning, Journal of Retirement Planning, Practical Tax Strategies, and Leimberg Information Services, as well as The Wall Street Journal, BusinessWeek, CNBC PowerLunch, NBC Nightly News, and more. In addition, Michael has co-authored numerous books, including “The Annuity Advisor” with John Olsen (now in 5th edition), and “Tools & Techniques of Retirement Income Planning” with Steve Leimberg and others.



# About The Authors

## Senior Research Nerd

### Meghaan Lurtz

Ph.D., FBS™

#### Biography

Meghaan Lurtz, Ph.D., FBS™ is a Professor of Practice at Kansas State University where she teaches courses for the Advanced Financial Planning Certificate Program, a lecturer at Columbia University where she teaches Financial Psychology, and an on-staff writer and researcher of financial psychology at Kitces.com.



Her research interests vary as she studies both practitioners of financial planning as well as financial planning and financial therapy practices and interventions. Her research and expertise have been featured in *Journal of Financial Planning*, *Journal of Consumer Affairs*, *Financial Planning Review*, *Wall Street Journal*, *BBC*, *Million Dollar Roundtable*, and *New York Magazine*. She has also contributed chapters to the CFP Board's textbook, *Client Psychology*.

Meghaan is a past President and current board member for the Financial Therapy Association and Financial Psychology Institute Europe.

#### FEATURED IN:



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# Executive Summary

## Key Findings

- Despite a decade of naysayers claiming that financial advisors would be replaced by 'robots' who can provide financial planning advice and implement portfolios, in reality, the ongoing pressure of technology is leading financial advisors to do more financial planning and go even broader and deeper in their financial planning process.
- In turn, though, the work and service demands of doing *more* financial planning for clients are leading to several additional shifts that repeatedly arose throughout our research, including the 'levelization' of financial planning engagements over time (to reduce the upfront burden with new clients and show ongoing value to clients paying ongoing fees), the use of technology – not to make financial planning more efficient but more effective, and the use of (the right-sized) teams to scale up the efficiency of senior advisors.
- Notwithstanding the drive towards technology to improve advisor efficiency, we found that adding staff support by growing a (3–4 person) team is a far greater driver of productivity. However, one of the greatest predictors of advisor productivity is simply the advisor's ability to attract and retain more affluent clients who pay higher fees and compensate the advisor more for their time and expertise, which happens as advisors specialize, pursue advanced degrees and designations, and gain years of experience in managing client relationships and delivering advice.

## 'The Plan' Is Taking A Second Seat To Ongoing Planning

- In the past year, the typical financial advisory team developed a new plan or updated an existing one for over half of its clients (53%). However, most of their work on plans, 71%, involved updates for ongoing clients. Financial planning work isn't just about 'the plan' anymore, as planning is increasingly both ongoing and dynamic as more advisors build a base of recurring-revenue clients to whom they must show their ongoing value.

- Even for new relationships, constructing The Plan only accounts for a minority of the time that teams spend per client. Hours spent analyzing and evaluating the new client's financial status, developing recommendations, and then preparing deliverables accounted for just  $\frac{1}{3}$  of the total time a team typically commits in the first year of the relationship. More broadly, advisors are increasingly shifting from delivering 'The Plan' to delivering financial plans more collaboratively, or making planning more about the multi-meeting process than delivering The Plan at all (with 1-in-7 survey respondents spending above-average time on planning analysis but below-average time on preparing and delivering the plan because their time was spent more on the Process than the Plan itself).

## Financial Planning Increases In Complexity

- Financial planning is becoming more complex. Most advisors, 54%, now cover 13 or more financial topics in a typical client plan. Planning breadth is up from previous related Kitces Research studies conducted in 2018 and 2020 when fewer than 40% of advisors offered plans at that level of detail. The extent to which advisors prepare custom-written financial plans for clients is also on the increase.
- As a result, the total time a team allocates to a financial planning client is on the rise. The typical service team devoted 29 hours per client in the first year of a relationship and 21 hours in subsequent years. After falling some as a result of the pandemic, average first-year client time increased 13% from 2020 to 2022. The jump was largely driven by a rise in time devoted to plan development, implementation, and monitoring, which collectively was up more than 3 hours per client versus 2020.
- Despite fees holding mostly constant, signs are that advisors will continue to face pressure to do more to substantiate and earn those fees. Of those advisors whose clientele is predominantly 55 years or older, about half prepare Extensive plans for their clients (13 or more topics). In contrast,  $\frac{2}{3}$  of those advisors serving a younger client base prepare plans at this level of detail, suggesting a new generation of clients that expects even more from the financial planning they get from their advisors.

## Financial Planning Technology Struggles To Keep Pace

- As advisors trend toward an increasingly greater level of comprehensiveness in their planning, providers of financial planning software appear to be struggling to keep up. While 90% of advisors rely on third-party comprehensive financial planning applications, these programs rarely meet all the advisor's technology needs for planning. Of those advisors who used third-party comprehensive applications, nearly  $\frac{2}{3}$  further supported their planning work with either Word or Excel, and nearly half needed specialized planning software to address specific needs such as planning for taxes, retirement distribution planning, or Social Security, that aren't covered sufficiently by their general financial planning software.
- Given the trend towards greater depth and breadth in financial planning, the most comprehensive planning tools (including RightCapital and eMoney) are winning market share, though those applications with a strong portal and client-facing experience in general (e.g., Orion Financial Planning and Asset-Map) appear to have a steady (albeit niche) hold in the market.

## Odds Favor Advisors Who Gain Control Over Their Time

- The challenge of client demand for increased depth and breadth in financial planning, however, can be – and is being – overcome. In the face of advisors offering ever more comprehensive plans, the median direct time for plan preparation, including evaluating the client's status and preparing the deliverable, has not increased in at least 4 years. Since 2018 financial plan preparation time has held steady at 10 hours.
- Growing adoption of the collaborative approach toward planning is helping to facilitate advisors' ability to better control planning time. Nearly half of advisors now use planning software as a collaborative tool, developing plans with the client live in 'real time'. This compares to only about  $\frac{1}{3}$  of advisors just 4 years ago. At 8 hours in typical prep time, collaborative plans are 2 hours below what is the norm across all planning approaches. Overall, we find that fewer than 50% of financial advisors even deliver 'The Plan' (whether via financial planning software output or their own custom-written plan) to clients now, as collaborative planning processes rise.

- In addition, the most productive advisors are 'levelizing' planning work across the life of a client relationship, in place of investing increasingly inordinate amounts of time upfront in the initial year. For the typical advisor managing \$1 million or more in revenue, first-year time spent on a client, at 24 hours, is just 4% greater than the 23 hours in annual time spent in ongoing years. The comparable difference for less productive advisors is significantly greater, with a 45% drop from 29 hours in the first year to 20 hours in subsequent years.

## Mid-Size Service Teams With 3–4 People Are The Sweet Spot

- The structure of an advisor's service team is more impactful than the choice of technology when it comes to advisor productivity and presents further opportunities for the advisor to better manage time and raise productivity. The optimal team, including senior advisors themselves, has 3 or 4 members. In addition to being a sufficient size to offer career paths, this is also the range where productivity peaks, in terms of both revenue per advisor and revenue per all team members. Typically, these mid-size teams will consist of a senior advisor assisted by an associate advisor and a client service or administrative support role to handle back-office responsibilities. As the client count grows, a service advisor is added and delegated relationship management of the team's least complex relationships.
- While they may help to leverage productivity and capacity, a larger team doesn't necessarily reduce an advisor's working hours, however. Typical senior advisors in 5-person teams work 22% longer annual hours than senior advisors in 2-person teams. The time that advisors in bigger teams save by delegating to support staff is offset by the greater oversight burden of managing a larger service team, though productivity does rise as the team can support a higher number of (often more affluent) clients.
- The ability to delegate has positive benefits on productivity, and the impact of shifting just a few hours of advisor time away from back- and middle-office tasks toward more time in client meetings can be material. High-productivity advisors (those managing \$1 million or more in revenue) devote 39% of a typical work week to front-office activities, including meeting with clients as well as prospecting and marketing. In contrast, lower-productivity advisors spend just 29% of their time



conducting front-office work. Client meeting time accounts for virtually all the difference, where the most productive advisors are spending an average of 4.4 hours more per week relative to less productive advisors. However, it's also notable that even the most productive advisors still spend 'just' 39% of their time on front-office activities, as advisors can still only manage and maintain a meaningful connection with so many client relationships, even with technology and team support.

## Capability To Serve Affluent Clients Eases The Path To Higher Productivity

- A clear correlation exists between advisor productivity (as measured by revenue per advisor) and client wealth. Wealthier clients have more complex and demanding needs, and a greater willingness and ability to pay for the higher level of advice it takes to solve for those needs. For advisors managing \$1 million or more in revenue, the investable assets of a typical client are nearly double that of less productive advisors.
- Advisors, however, need the right capabilities to serve wealthier – and typically more complex – clients. These capabilities come in the form of their own education, skills, and experience, in addition to other expertise they may have access to.
- Regarding external resources, those advisors serving more upmarket clientele are far likelier to rely on outsourced support, typically centralized financial planning specialists that are within the firm but external to the service team. For example, outsourced support is used by 55% of advisors serving clients with \$3 million or more in assets versus just 41% of advisors serving clients with \$1 million or less.
- Relative to the expertise of others they may have access to, advisors' capabilities to serve a wealthier client are even more correlated with productivity. In terms of revenue per advisor, the typical senior advisor with 10-plus years of client-facing experience is more than twice as productive as a less-experienced senior advisor. Education, in the form of specialized degrees and advanced certifications, also sets an advisor apart in terms of greater productivity. Having only CFP certification, for example, correlates with an additional \$100,000 in revenue per advisor.

## Capturing Opportunity By Taming Time With Moderation

- Advisors have only so many hours in a day to adequately implement the financial planning process across increasingly demanding clientele. How these hours are allocated, and with whom, has a significant bearing on an advisor's productivity and income-generating potential.
- Real productivity boosts start with earning more on the advisor's time, which typically means establishing the skills and capabilities for attracting and retaining more affluent clients.
- Further, rather than going 'all-in' on expanding or enhancing a business function, a more reserved approach is frequently more effective. Building out a service team beyond 3 or 4 individuals, for example, appears to typically result in diminishing returns. Similarly, compared to offering a custom-written plan, a collaborative approach is less costly to deliver and likely a more satisfying experience for the client. And while it may be unrealistic for an advisor to maintain focus when spending 70% of a workday in client meetings, increasing meeting time to just 20% to 30% of the workday would realize material productivity gains.
- The financial planning environment may be growing more demanding, but business complexity also means greater opportunity – opportunity that is within reach of any advisor that can better leverage time.



# Introduction

## Study Objectives And Coverage

In 1995, CFP Board (Certified Financial Planner Board of Standards Inc.) first established its set of Practice Standards. These standards helped to define the financial planning process and set a minimum level of expected professional practice for any individual engaging in financial planning. Recently revised in 2020, there are now 7 steps that make up CFP Board's financial planning process, around which it has Practice Standards to define what a competent professional would do within each step of the process.

The advisory profession is to be commended for the progress it has made in developing and advancing this financial planning framework. In many respects, however, defining a process framework for financial planning may be the easy part. Exactly how a planner or advisor should implement this 7-step process is a more difficult question to answer. To date, individual practitioners are largely left to resolve the implementation challenges on their own, given the limited available guidance on the topic.

Since 2018, Kitces Research has sought to rectify this situation by researching and reporting on exactly how advisors *do* financial planning. More specifically, our primary study objectives are as follows:

- Shed deeper insight into how advisors are 'doing' financial planning, with a special focus on the 4 domains of time, process, tools, and pricing;
- Highlight the 'best practices' of the most successful advisors; and
- Identify trends in financial planning productivity over time.

This is the third report focusing on the financial planning process. Following the inaugural 2018 report, an update was released in 2020. With each successive study, Kitces Research has provided advisors with more and deeper detail on how financial planning is getting done. This report is no exception – few, if any, research efforts have ever produced this level of detail on how the financial planning process is being executed in practice.

### Coverage is primarily organized according to 4 domains:

**Time.** How financial planners spend their time and how time is allocated by role across the entire financial planning service team.

**Planning Process.** Service team characteristics, plan development, and first-year and ongoing client servicing.

**Planning Tools.** Technology tools usage and satisfaction ratings.

**Advice Pricing.** How advisors get paid in terms of charging methods and levels of fees.



Throughout, the overarching theme is “productivity” – particularly the effectiveness of how the time advisors invest in the client translates into revenue generated for the advisors’ services, knowledge work, and expertise. Given this focus, study participants were restricted to only those individuals who have a direct role in financial planning within an advisory practice or firm.

## Survey Participants And Methodology

This report utilized data collected online from September 15th through October 15th of 2022 via the Kitces.com platform. Participation in the Kitces Research survey was promoted through articles on the Nerd's Eye View blog as well as via email and social media.

Over 1,600 responded to the roughly ½-hour, 86-question survey. Of these, 767 were usable responses that met our stringent qualification and completeness criteria. To be eligible for the study, respondents were required to represent a business that provided financial advice or implemented investment products. In addition, the practice had to have been located in the United States and established in 2020 or earlier (such that it served clients and earned revenue in 2021).

Different from past Kitces Research studies, the focus of this current study is at the level of the client service team, as opposed to individual advisors (though obviously, for solo advisors, the individual advisor still *is* the team). We focused on teams in recognition that these are the core units within the firm that are most accountable for the financial planning process. For the purposes of this research, a “service team” is defined as a group of individuals or a single individual with a practice that serves a defined base of individual clients. (See *Appendix - Study Terms* for a more detailed definition of this and other study terms.)

While the survey focused on all facets of the financial planning process, the questions also covered the general demographics of respondents and the characteristics of their service team. Participants represented their own individual work with clients either as unsupported solo advisors or as part of a bigger client service team.

Given that the survey drew from Kitces.com readers, it is important to also recognize that this group is somewhat unique as a sample of the broader financial advisor community. The readership is generally more advice-centric and planning-centric relative to the broader industry that still has more of a product-sales tilt. This matters because results by the very nature of those sampled may not be fully generalizable and representative of all those who call themselves ‘financial advisors’. Conversely, the results should be especially meaningful to ‘financial advisers’ – those that are in the business of delivering financial advice (not products) to clients and getting paid for financial (planning) advice itself.

Across respondents, the median age of the practice each was affiliated with was 12, with years in business ranging from 1 to well over 20. In terms of service team size, the typical respondent represented 3 full-time advisors and support team members (including the lead advisor themselves). Teams handled a median of about \$600,000 in revenue. Their business channel was overwhelmingly RIA (58%) or Hybrid (26%), with most revenue coming from AUM fees (73%). For most practices (68%), the typical client served was age 55 or older. Their client size was most often in the range of \$750,000 to \$1.5 million in investable assets. Over half of the typical respondent’s clients (53%) were provided with a new or updated financial plan during the past year. (See Figure 1 for further detail.)

Figure 1. Summarizing Survey Respondents

<b>Respondent Age</b>	38 - 58 Years
<b>Age of Respondent's Practice</b>	5 - 22 Years
<b>Primary Business Channel</b>	58% RIA
<b>Service Team Size (including all advisors)</b>	1 - 5 FTEs
<b>Service Team Revenue</b>	\$200,000 - \$1.3 Million
<b>Share of Revenue Dependent Upon AUM Fee</b>	60% - 99%
<b>Clients Served by Team</b>	50 - 230
<b>Typical Client Investable Assets</b>	\$500,000 - \$1.8 Million
<b>Share of Clients 55 Years or Older</b>	45% - 75%

Ranges represent 25th to 75th percentiles unless noted otherwise

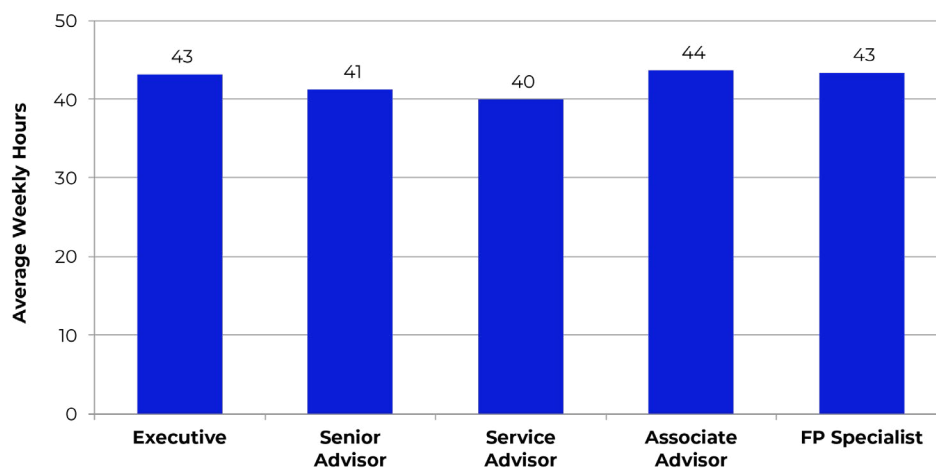
# It's About Time

What is the most overwhelming dominant challenge for advisors aiming to succeed at financial planning? It's that the process is time-consuming. More so than how to *do* financial planning, the greater concern for the typical advisor is simply how to *make time* for what it takes to deliver financial planning to each and every client. The prioritization is entirely rational.

Time is a finite resource. In a business that is heavily people-dependent, time is nearly always the primary constraint on financial planning capacity. And efficiency gains can only take an advisor so far; many critical planning functions simply can't be automated. You can't automate away the time needed to meet with clients in order to build relationships. You can't automate the intellectual capital of good advice. Similarly, you can't completely automate the ability to get clients to modify their behavior and win their buy-in and support to implement a beneficial strategy.

Getting tighter control of time starts with a better understanding of how it is expended. On average, a senior advisor works a manageable 41 hours in a work week, about 2 hours less than the nearly 43-hour average for full-time U.S. workers of any type<sup>1</sup>.

Figure 2. Hours Worked By Role



<sup>1</sup> <https://www.bls.gov/charts/american-time-use/emp-by-ftpt-job-edu-h.htm>

Relative to other common advisory firm roles, service advisors work slightly less, averaging 40 hours (Figure 2). Executives and financial planning specialists work a bit more, averaging 43 hours. At 44 hours per week, workloads are highest for associate advisors (the remaining role for which we have sufficient reporting data). All 5 of these roles typically take 4 weeks off per year (combined vacation and sick leave).

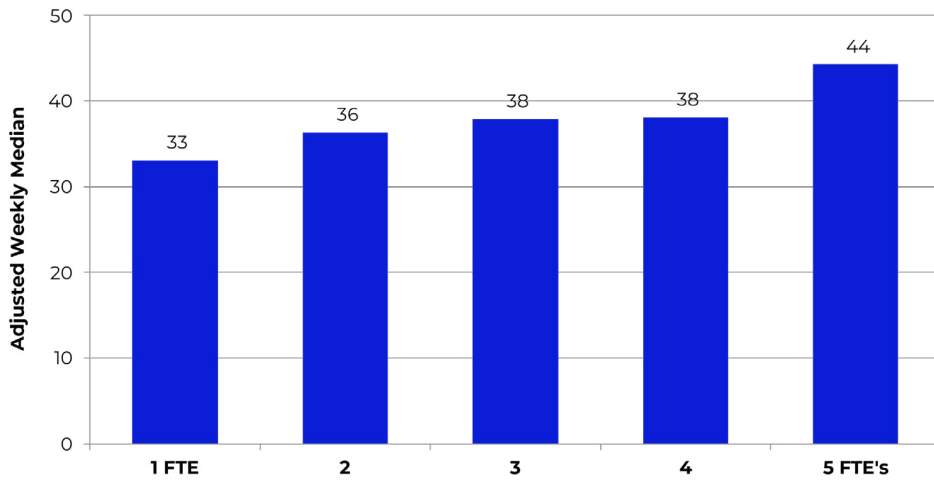
The 41.4 hours averaged per week across all respondents is down notably relative to our past financial planning studies. In 2018 and 2020, weekly hours averaged 43.0 and 43.7, respectively.

Covid is likely driving the recent decline, given that our 2020 study, representing the peak for weekly hours, was fielded in the Spring of that year. At that time, the pandemic was just taking hold, and advisors were anxiously working overtime to field calls from worried clients while also re-crafting operating procedures to limit face-to-face interactions and reduce the risks of infection. Now, 2 years later, this pandemic-induced transformation appears to have resulted in lasting efficiency gains. Video meetings and online collaboration between advisors and clients, for example, are now commonplace and clearly reducing demands on an advisor's time. We'll explore this phenomenon in more detail further ahead in this report. In addition, Covid may have prompted a 'reset' in terms of attitudes toward the importance of work/life balance, with workers not placing as high a priority on longer workweeks.

## Bigger Teams Lead To Busier Advisors

While the average advisor may be working a shorter week, longer hours are characteristic of certain advisor groups. One surprising example is a clear positive correlation between the senior advisor's number of hours worked and the size of the service team they work with. Figure 3 displays the median weekly hours worked throughout the most recent year, adjusting for weeks worked during the year. Counter to popular belief that hiring and delegating will allow advisors to save time, a bigger team doesn't always synch with an advisor working any less. (Further, there is not a clear linear relationship between team size and advisor productivity, as we will discuss more fully in our section on service teams.)

Figure 3. Senior Advisor Hours Worked By Size Of Service Team



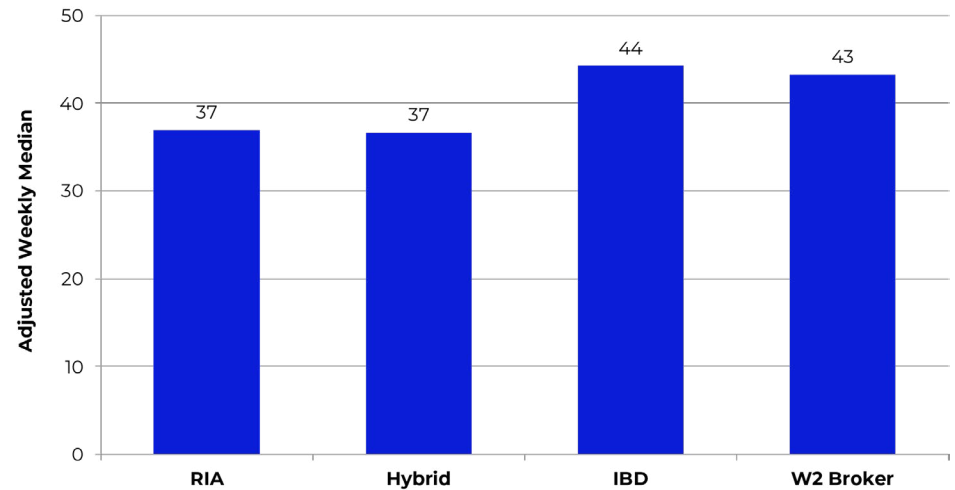
In other words, while there are real advantages related to larger service teams, lower hours for senior advisors are not one of them. As shown, senior advisors working with 5-person teams are logging 22% more hours annually than those within a 2-person team. (We've avoided comparing to 1-person teams given that many of these are unsupported solos who work less than full-time, either by preference or simply because they haven't reached a 'full' client base yet.) A similar trend is evident when team structures become complex. Senior advisors within ensemble firms work 13% more hours annually than those working as supported solos (likely at least partially attributable to the extra hours that have to be invested into management and leadership, and employee communications within a larger team).

The tendency for bigger and more structured teams to work with larger (and thereby usually more demanding) clients also likely contributes to a greater senior advisor workload. But even more so, it appears to be the management burden on senior advisors as they move to manage more people and more complex teams. This suggests that hiring more support doesn't necessarily represent the path for advisors to lighten their workloads, as the time saved from delegation is more-than-offset by the additional time to manage those delegates.

## Commission Business Requires Greater Time Investment

Advisor hours also vary widely according to their channel and, relatedly, the advisor's majority source of revenue. As Figure 4 shows (again, adjusted for time off), senior advisors in broker-dominated channels work significantly more hours than advisors affiliated with an RIA. A typical IBD advisor without an RIA, for example, works 20% more hours than a senior advisor in a 'pure' RIA—a difference of nearly 8 hours per week!

Figure 4. Senior Advisor Hours Worked By Channel

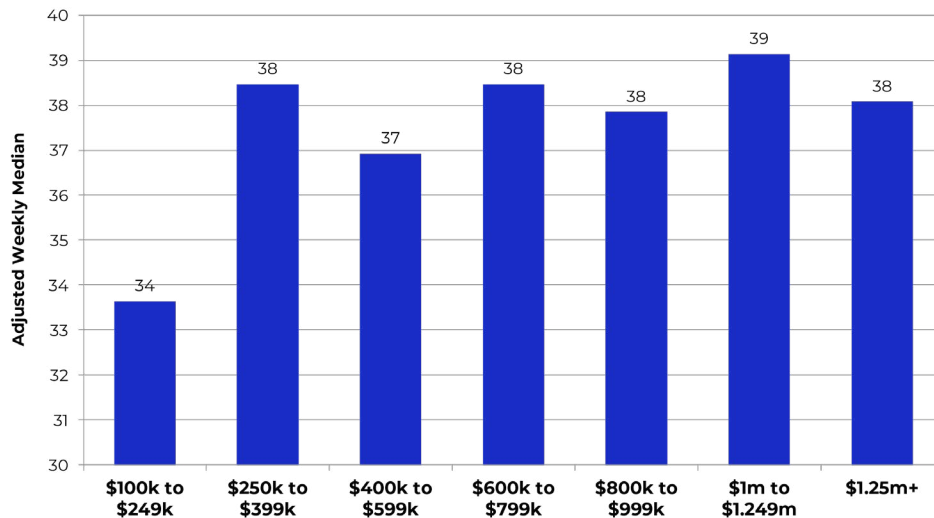


This occurs despite the broker-dealer affiliated advisor's access to home office support resources. Which means even if a resource advantage exists for the broker-dealer-affiliated advisor, it is more than offset by the greater time commitment associated with a commission-based business. This may include a greater need to continuously find new clients, as well as increased compliance obligations of working within such a firm. In turn, our results also show that senior advisors who are mainly dependent on commissions work 20% more hours than those that primarily rely on AUM fees. The difference, identical to that between RIA and IBD advisors, implies that the more transactional nature of commission-based business requires a greater time commitment relative to RIA advisors, who oversee practices that are largely relationship and fee-based.

## Advisor Hours And Revenue

Do longer hours pay off in terms of productivity? A loose correlation does exist – on an annual basis, an additional 100 hours worked separates advisors generating \$1 million or more in client revenue from advisors under \$1 million. Further parsing our data, however, shows that the link between hours worked and revenue generation is hardly a smooth upward trajectory (Figure 5).

Figure 5. Senior Advisor Hours Worked By Revenue Per Advisor



Typical hours worked seesaws as senior advisors increase their productivity, but overall, advisors generating \$1M+ of revenue are working nearly identical hours to those who generate ‘just’ \$250–\$400k of revenue. As the saying goes, the key to success is to “work smarter, not harder”, and this is reflected in our results. As discussed further ahead, the key for advisors to lift their productivity is not working more hours to take on more clients; it’s to increase their expertise and the complexity of the problems they solve, which allows them to work with more affluent clients who pay higher fees to solve those more complex problems, enabling the advisor to generate more revenue from the hours they spend advising clients.

Notably, the relative stability of hours worked by revenue also suggests that the classic desire of advisors to “just grow a little larger, to be able to hire another staff member to free up time” remains unfounded. As noted earlier, on average, advisors who expand their teams tend to spend *more* time in their businesses, not less. And given that the overall average hours worked is relatively stable as revenue rises, this implies that for every advisor who adds headcount as their revenue grows (increasing their time), there is another advisor who *doesn’t* add headcount and manages to reduce their time spent at higher revenue (again, by working with fewer, more affluent clients, who are willing to pay the advisor substantively more for the value of their time to generate greater revenue in fewer hours worked).

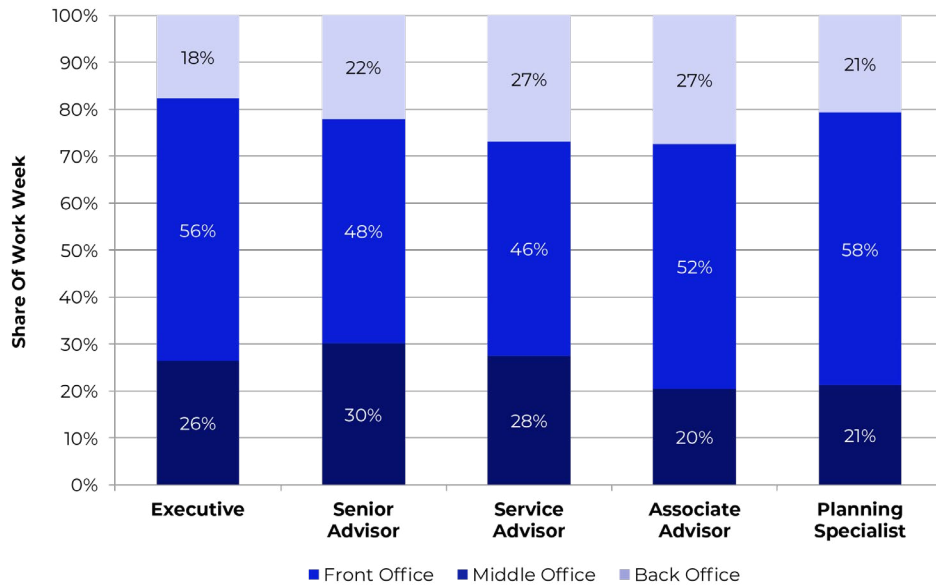
## Where Does Time Go?

What exactly individual advisors do with the time they commit to their roles offers a deeper perspective on time management. Our survey respondents, in addition to reporting on the practices of their teams at large, also provided very specific detail on their roles as individuals within the team. This included inventorying their weekly time on the job, bucketed according to 13 different activity groups (summarized on the right).

For the 5 different advisory firm roles where sufficient data were available, Figure 6 summarizes the allocation of respondents’ time grouped at a high level according to whether time was spent on a back, middle, or front-office function. Figure 7, which follows, offers a more detailed accounting by specific activity.

<b>Back Office</b>
Investment Management (Including Trading)
Client Servicing
Administration
<b>Middle Office</b>
Client Meeting Preparation
Financial Plan Preparation
Investment Research
General Management
Compliance
Professional Development
Other Miscellaneous
<b>Front Office</b>
Meeting With Clients
Meeting With Prospects
Other Marketing/Prospecting

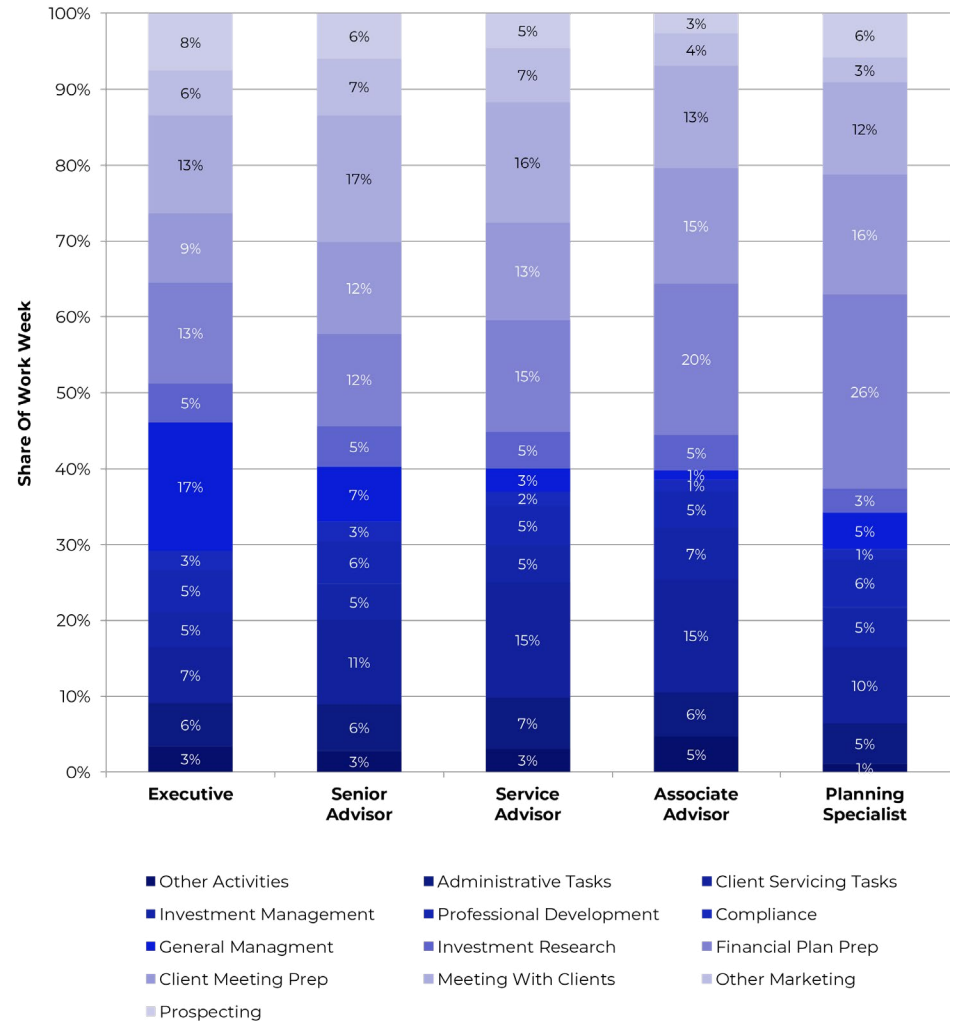
Figure 6. Time Allocation By Front, Middle, And Back Office



At a high level, there is only modest differentiation across roles. The minimum share any role devotes to front office work is 20%. Of all roles, the senior advisor spends the most time on client-facing front-office activities, as should be expected. The bulk of this front-office time, about 60%, is devoted to client meetings, with prospecting and other marketing activities making up the remainder.

More surprising, however, is that as critical as the senior advisor is to the success of client relationships, only 30% of their time is focused in that direction (and just 17% of the advisor's time is in meetings with clients, with the rest spent on marketing)! Which means that during a typical workweek, actual client meetings take 7 hours. This is likely 1-2 hourly client meetings per day (or, more commonly, 3 days per week with 2-3 meetings per day, with time for meeting preparation and follow-up set for Mondays and Fridays). Which, on the one hand, implies a tremendous opportunity for firms to better leverage their senior advisors so that they can become more truly client-focused. However, as discussed later, this may also be a signal that advisors can only manage 'so many' client relationships requiring high-focus client meetings in the first place, as advisors with larger teams and more support *still* don't exhibit significantly higher amounts of time allocated to client meetings!

Figure 7. Time Allocation By Specific Activity



As their more support-oriented roles would imply, service advisors and associate advisors allocate the most time to back-office functions, each at 27%. The bulk of their time in this area goes to client servicing tasks. Advisory firms may be under-utilizing administrative support for their service advisors, however, given that service advisors are in 'lead' positions of managing client relationships.

Middle-office activities are clearly the domain of executives, financial planning specialists, and, to a lesser extent, associate advisors. All 3 roles spend more than half of their time on middle-office functions. Unsurprisingly for executives, general management accounts for the most time they spend in this area. While for the others, middle-office time is most impacted by the time spent on financial planning analysis and related knowledge work for clients (as would be expected), with nearly half of middle-office time (and about ¼ of all time) for financial planning specialists going directly to financial planning preparation. To a lesser extent, planning prep is also the most prominent middle office activity for associate advisors. Except for less time on planning and more time servicing clients, the average associate advisor's distribution of time closely resembles that of the financial planning specialist.

## Optimizing The Senior Advisor Role

What potential exists for senior advisors to better allocate their time, take the best advantage of the roles that support them, and raise their productivity? While the allocation of time varies little by the experience level of the advisor, there are notable shifts as advisors grow more productive. Reviewing these differences offers some key lessons.

Figure 8 compares the distribution of time spent on front, middle, and back-office functions as senior advisors increase their productivity in terms of the revenue they are responsible for. For the most productive advisors, those generating \$1 million or more in revenue, front-office time is 39% of their typical work week versus just 29% for advisors generating less than \$1 million in revenue. The \$1 million-plus advisor, relative to others, devotes less time to both middle and back-office activities to focus more time directly on clients. Their reduction in back-office work is especially significant.

Figure 8. Senior Advisor Time Allocation By Revenue Per Advisor (Front, Middle, And Back Office)

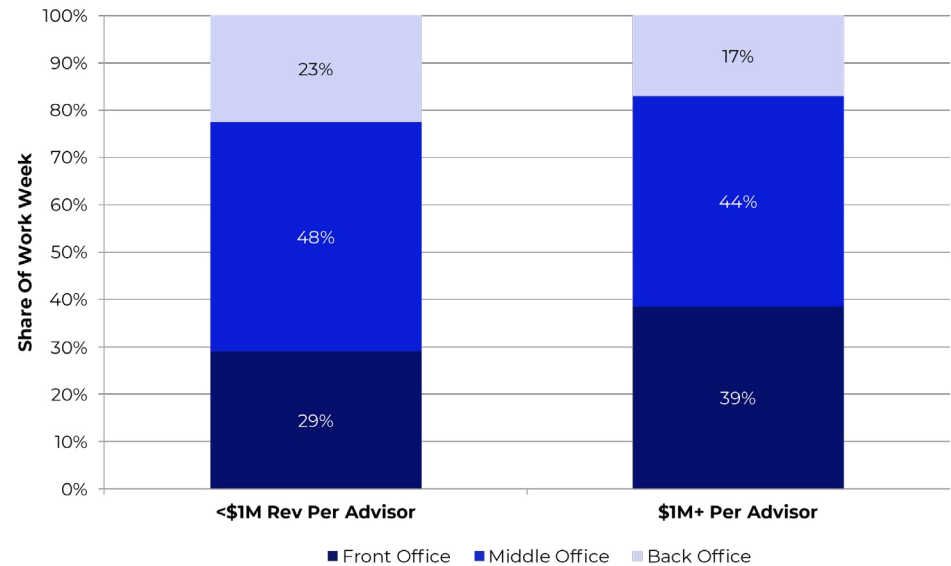




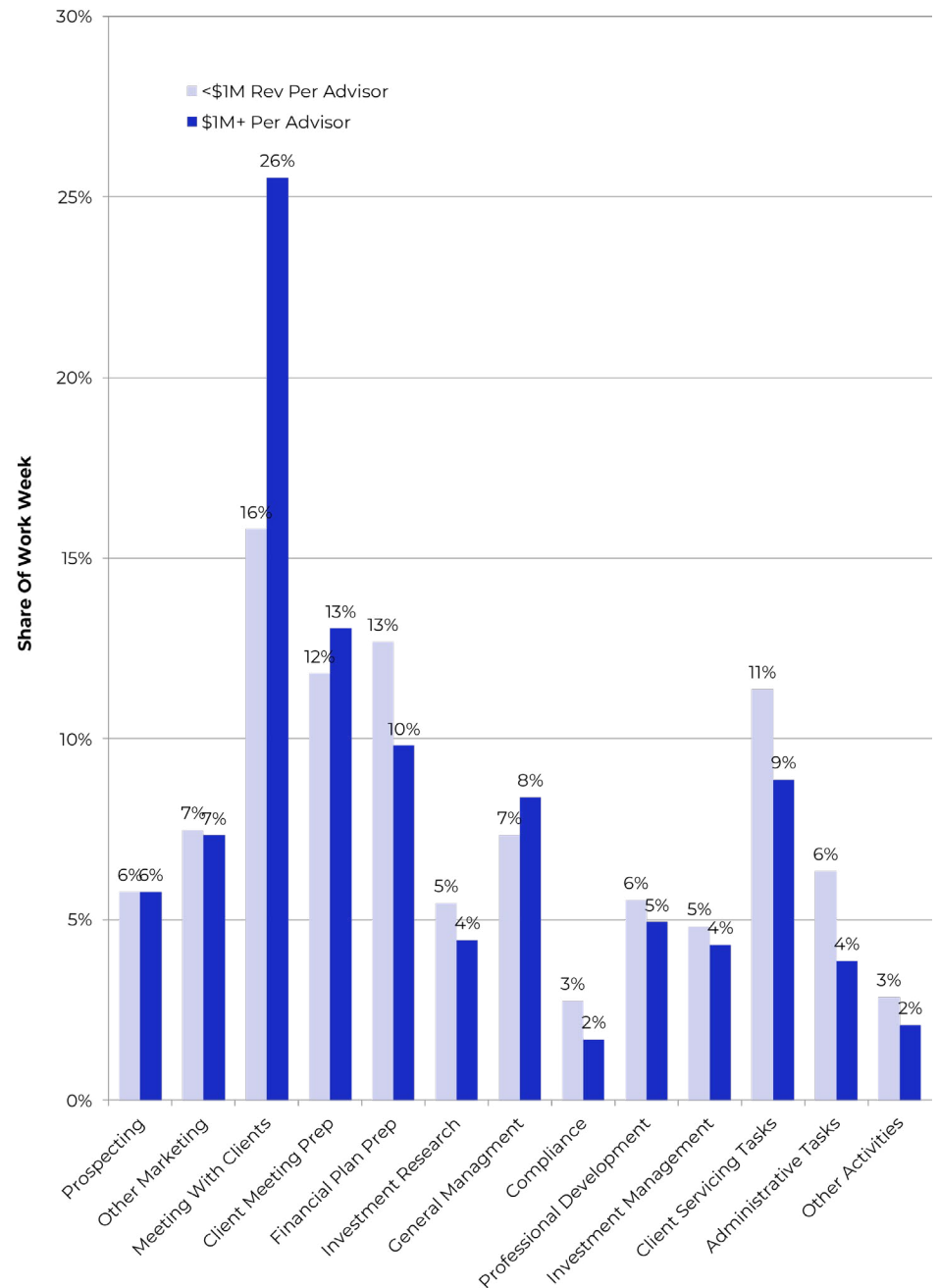
Figure 9 details the specific shifts in emphasis that take place when an advisor crosses the \$1 million divide. Most notable is the increase in client meeting time (also accompanied by a slight increase in meeting prep time). While on the one hand, shifting another 10% of a workweek toward more client-facing time may not seem significant – it amounts to a little more than 4 hours per week, with less-productive advisors averaging 6.4 hours of weekly client meetings versus 10.8 hours for the most productive advisors (there is no meaningful difference related to business development between the 2 groups) – over the span of a year, an extra 10% time allocation permits the most productive advisors to add nearly 200 1-hour client meetings per year, allowing for a substantively deeper level of client relationships by sheer virtue of increased meeting and contact frequency.

Regarding what the \$1M-plus advisor does less of in order to free up time for clients, reductions are evident across all middle and back-office activities, except for a slight increase for general management (likely a result of having more of a support team to delegate to in order to free up their time, but this requires at least some management load to oversee them). The largest reduction occurs in financial planning preparations, driven by support from associate advisors or centralized (or outsourced) financial planning specialists. The most notable reductions in back-office activity are for client servicing and administrative tasks, as administrative staff support is also expanded for such advisors. Though notably, most time allocations in these areas shift by no more than 1 or 2 percentage points of the senior advisor’s time, amounting to only 30–60 minutes of time savings in each area in any particular week.

In sum, focusing on face time with clients is clearly a path to greater productivity, but it is far more a ‘game of inches’ than one of radical change. The most productive advisors are doing this largely through saving ½–1 hour per week on financial planning preparations as well as time on client servicing and administrative tasks (whether automated or, more likely, via delegation to other roles, in particular, an associate advisor, paraplanner, or financial planning specialist). In turn, these few hours of savings can then be reallocated to pick up ‘just’ another 2–4 client meetings each week.

Lastly, it’s also notable that even the most productive advisors look to have further potential to limit time spent on less essential middle and especially back-office functions (where even the most productive advisors still spend 17% of their time or about 6–7 hours per week on back-office tasks), yielding even more time for clients and ultimately being able to achieve even higher rates of revenue productivity.

Figure 9. Senior Advisor Time Allocation By Revenue Per Advisor (Specific Activities)



# The Planning Service Team

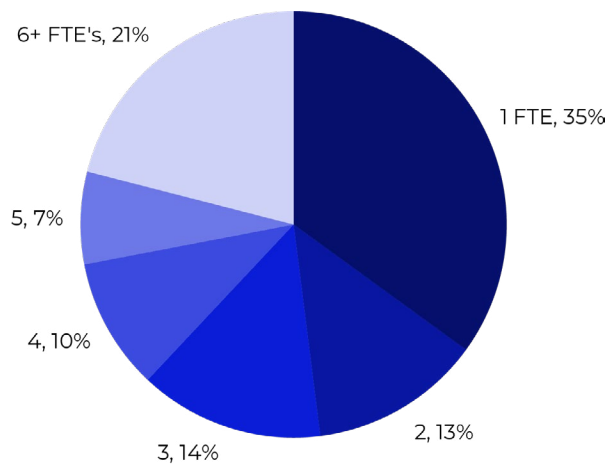
## Team Size And Composition

Kitces Research defines “service team” as 1 or more individuals, working within a financial advisory firm, that are collectively serving and delivering financial planning advice to a defined client base. Shared resources, such as centralized financial planning specialists, an investment/trading team, operations staff, or outsourced support external to the practice, were not considered as part of the service team for the purposes of the research.

At a minimum, service teams will have at least 1 individual managing client relationships and leading the delivery of financial planning advice. Most often, this is a senior advisor who is accountable for client relationships, business development, and mentoring others. Occasionally, in the absence of a senior advisor, a service advisor (accountable for managing and retaining existing clients but typically with little or no new business development responsibilities) will lead the team. Support roles within the team may include an associate advisor, paraplanner, or client service administrator (CSA).

By this definition, the median size of financial planning teams participating in this survey was 3 – most often consisting of a senior advisor (who may be an owner/founder), a second service or associate advisor, and a client service administrative employee. Only about 1/3 of respondents reported a team size greater than 3 (Figure 10).

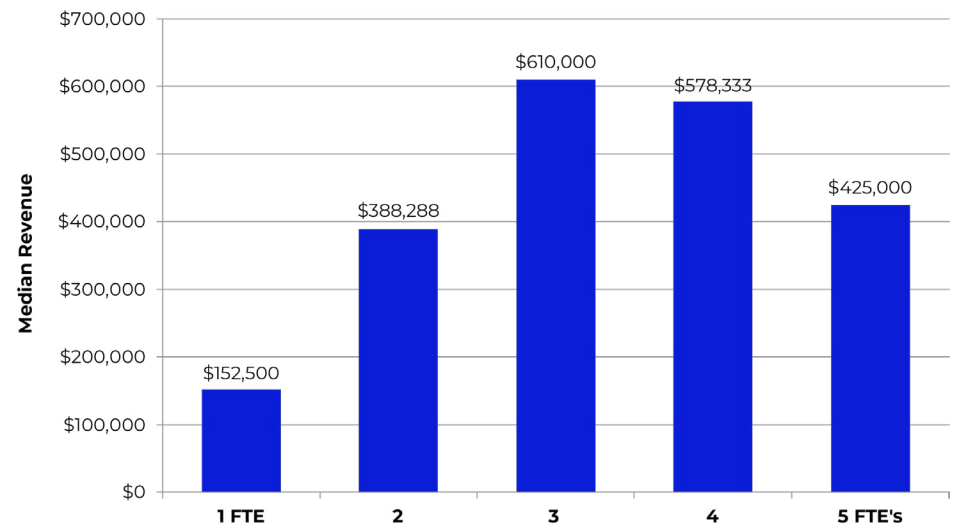
Figure 10. Service Team FTE Range



The typical 3-member team is not coincidental; our results show a 3, or possibly 4-person team is most often optimal. At this size range, the team is small enough to limit the challenges and burdens of people management but also big enough to provide some redundancy for limiting service gaps and leveraging the lead advisor’s time. In addition, there is sufficient size for a simple career path to better facilitate employee development.

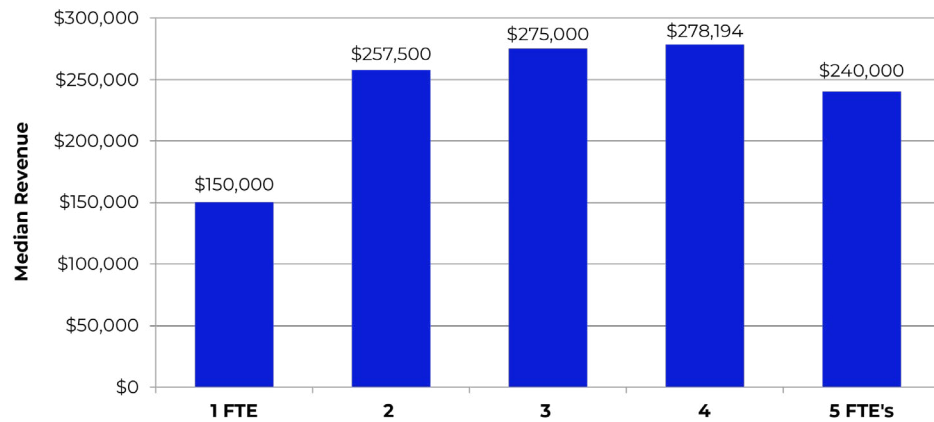
Larger teams tend to serve more affluent clients and generate more revenue per client, likely due to broader capabilities. The mid-size team, however, is a sweet spot in terms of productivity. This is true in terms of both the most revenue generated and the most clients served per advisor across the entire range of team sizes. As shown in Figure 11, the typical revenue per advisor in a 3-member team, at \$610,000, is 57% greater than advisors in 2-person teams and 44% greater relative to 5-person teams.

Figure 11. Revenue Per Advisor By Team Size



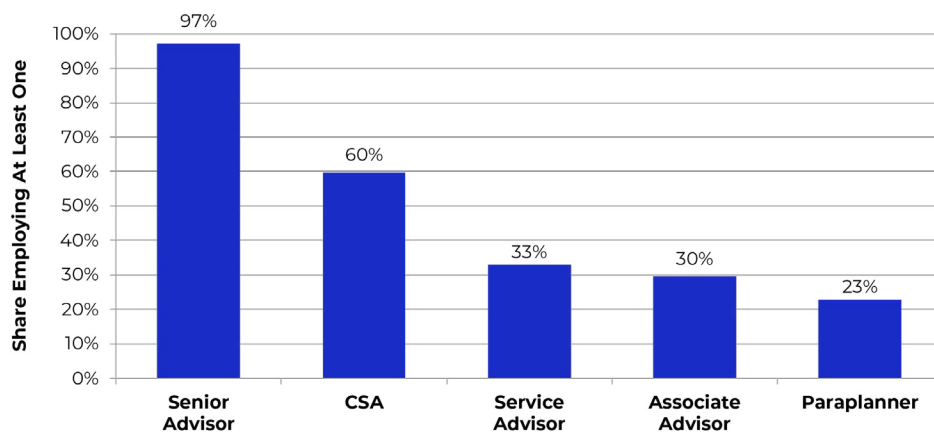
The typical 4-person team does nearly as well in terms of revenue per advisor while achieving the highest productivity in terms of revenue per team member (revenue across the service team divided by the total number of team members, including advisors). At \$278,00 in median revenue per team member, 4-person teams are \$3,000 higher in productivity by this measure than their 3-person counterparts (Figure 12).

Figure 12. Revenue Per Team Member By Team Size



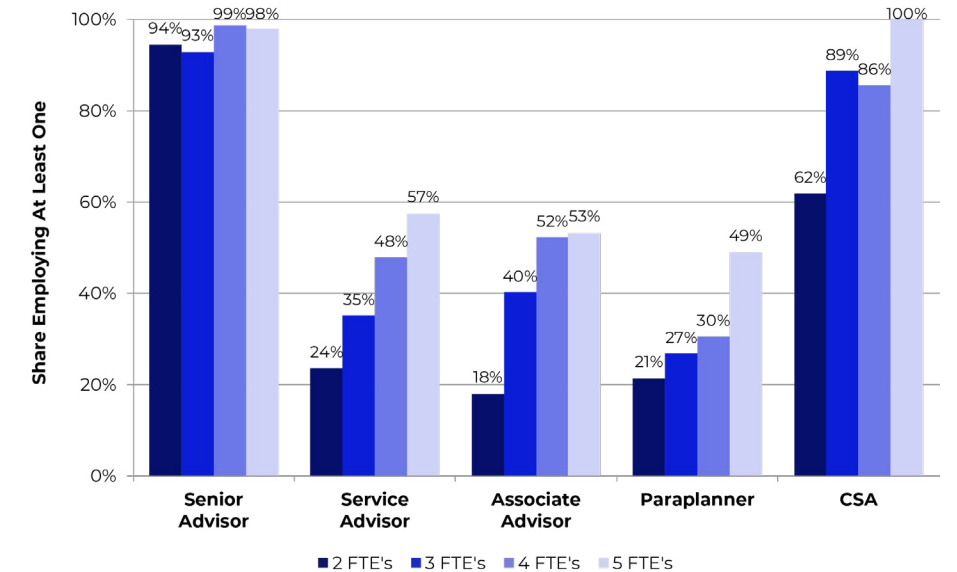
Even more impactful than the number of individuals on the team, however, may be the roles that constitute a team and how roles evolve as the team grows. The most common role, after the senior advisor, is the CSA – 60% of teams employed at least 1 (Figure 13). Less than 1/3 of teams employed a service advisor, associate advisor, or paraplanner.

Figure 13. Frequency Of Roles Used



Using this data, it is safe to assume that most 1-person teams are simply a sole senior advisor, with the hiring of a CSA typically marking the progression to a 2-FTE team. Figure 14, displaying the prevalence of each role by the size of the service team, confirms that the CSA is the second-most common position in a 2-person team, following the senior advisor.

Figure 14. Roles Teams Use By Team Size



From Figure 14, in combination with analysis of the actual team rosters of respondents, a more complete continuum emerges. Below, Figure 15 summarizes a typical progression in terms of team composition by roles as a team increases its members. As shown, with 3 members, a team most often consists of a senior advisor, an associate advisor, and CSA. 4-member teams are often distinguished by the addition of a second advisor accountable for client relationships – this comes in the form of a service advisor, who may either be hired anew or promoted from the associate advisor (who becomes a service advisor and is then back-filled with a new associate advisor). The addition of a second senior advisor (i.e., a second person responsible for business development) typically rounds out the 5-person team, either by addition or the promotion of a more growth-oriented service advisor. A typical 6-person team might have a similar make-up but with 1 additional CSA to support what is now typically a 4-advisor team.

Figure 15. Typical Service Team Structure By Team Size

Team Size (FTEs)	FTEs By Role				
	Senior Advisor	Service Advisor	Associate Advisor	Paraplanner	CSA
1	1				
2	1				1
3	1		1		1
4	1	1	1		1
5	2	1	1		1
6	2	1	1		2

Median Team Size: 3

Note that while our illustration represents what is typical, there are many variations to this theme.

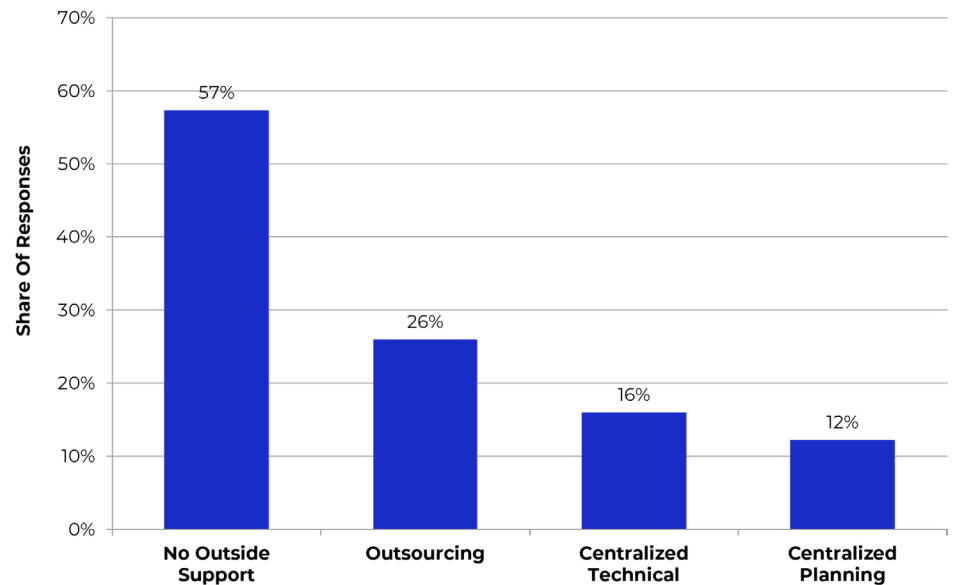
Paraplanners, for instance, were utilized overall by 23% of teams, but the role was left out of our progression summary. As it turns out, paraplanners are not actually a common hire for any team size! Amongst 2–3 person teams, as noted above, advisors are far more likely to hire an associate advisor to work alongside them in client meetings than a paraplanner to provide behind-the-scenes financial planning support. Consequently, to the extent that they are present, paraplanners are typically only employed by the largest teams. This is because paraplanners appear in practice to be primarily used to leverage multiple advisors at once, which typically means after a team has at least 2 advisors in place and, more commonly, after 3 or more (usually a combination of senior, lead, associate, and service). However, even among the largest teams (5 or 6 members), fewer than half have a paraplanner, and their frequency appears to drop as teams reach 6+ team members... in all likelihood, because as firms reach this size, they don't include paraplanners directly on teams at all, and instead utilize them as part of a centralized financial planning support unit that assists multiple service teams of advisors.

Of course, teams don't need to grow by whole numbers, either. Of all surveyed teams ranging from more than 1 FTE up to 2 FTEs, 1/3 were less than 2 FTEs. In other words, many solos preferred to build up gradually by making a part-time hire first rather than a full-time hire. In virtually every instance, this was a part-time CSA that the firm was using (either on a sustaining basis or until it was ready for a full-time CSA hire).

## External Resources

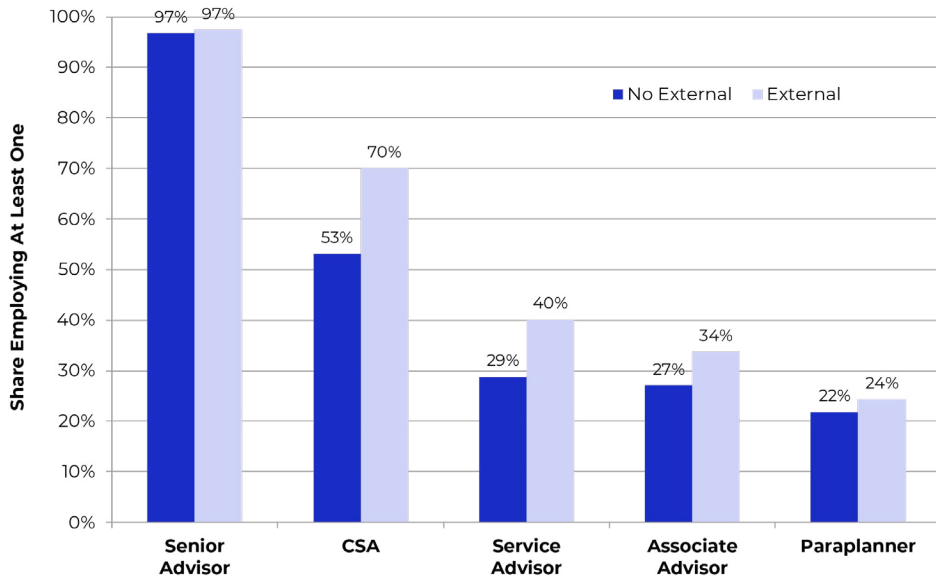
External staff resources, either from elsewhere within the advisory firm or outside of it, often supplement a direct service team. Across survey respondents, while 57% reported their teams had no access to external planning support, 1/4 of teams tapped into outsourced support, and about 1 in 6 teams made use of centralized planning or technical specialists within their own firms (Figure 16). (Note: teams may have reported using more than 1 form of external resource support.)

Figure 16. Reliance On External Support To The Team



Surprisingly, teams that rely on outside support tend to be larger than teams without it. 2 FTEs make up the typical team that does not access outside support, compared to 3 team members for those that do. Despite bigger teams, no particular role seems more prevalent with teams that tap into outsourced support. As Figure 17 shows, every team role tends to be more prevalent.

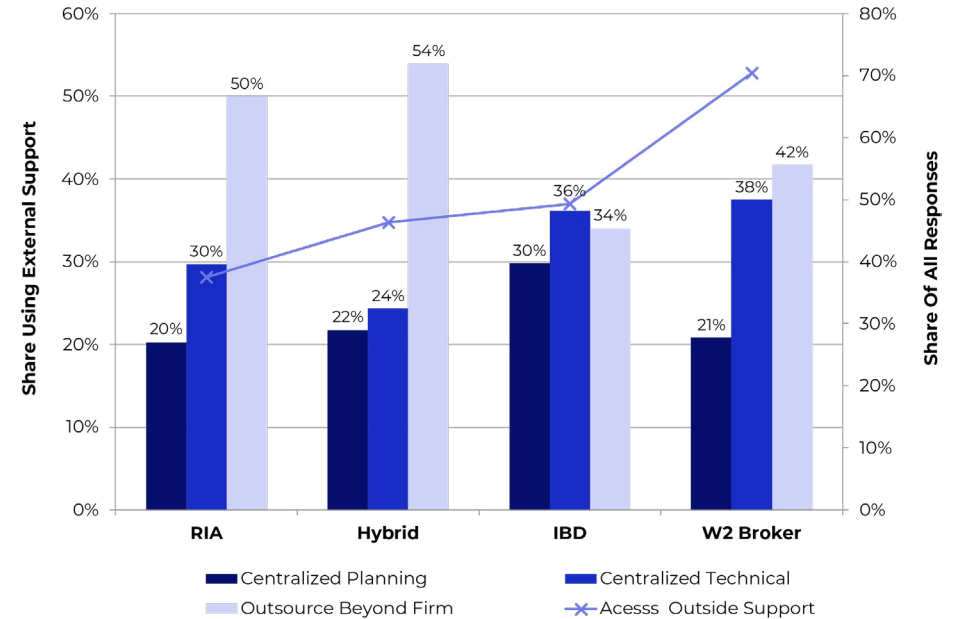
Figure 17. Reliance On External Support By Frequency Of Roles Used



Why do bigger teams access outside help more than smaller teams? Why do teams outsource at all? The advisor’s distribution channel provides a partial answer to these questions. Further explanation is that bigger teams *and* extra resources are often required to fulfill the growth strategy of the practice.

Figure 18 summarizes key outsourcing differences by channel. The less independent their channel, the more likely advisors are to get support from outside their own teams. For example, just 37% of RIA teams access outside support, compared to 70% of W2 Broker teams. RIA’s, in particular, tend to lack the in-house financial planning and technical resources that are often more readily available within the brokerage channels. In both the IBD and W2 Broker channels, less than half who use outside support access support that is outside their own firm (instead of from somewhere else within the advisory firm). By contrast, at least 50% of RIA and Hybrid teams rely on outside support from beyond their own firms.

Figure 18. Reliance On External Support By Channel And Support Type



Growth and business strategy, in terms of the kind of client a team targets, also influence outsourcing and service team resources. Teams that serve bigger (i.e., more affluent and typically more complex) clients not only tend to be bigger in terms of FTEs, but they are also more likely to access expertise outside of the internal team. While 55% of the teams whose typical client is \$3M or more access outsourced support, this share declines to only 41% for teams whose typical client is \$1M or less.

Teams focused on a niche market, although similar in size to those without a niche, are also more apt to use outside support. In teams where 2/3 or more of their clients fit a niche profile, about half (51%) of teams outsourced, compared to just 40% for other teams. Outsourcing also correlates positively with the breadth of financial plans provided.

In essence, then, the leveraging of external support resources for financial planning appears to be less a matter of delegating tasks and services (e.g., a department to do the labor-intensive work of building financial plans) and more a matter of being able to

tap specialized knowledge resources outside of the typical generalist expertise that is available within a team. For instance, niche advisors may leverage external support for financial planning expertise that is unique to their niche, and advisors who work with the most affluent clients may leverage external support specific to addressing the specialized problems of HNW clientele.

While outsourcing may be a requirement for more specialized or comprehensive approaches to advice, it also looks to be warranted in terms of greater reward. The more productive the advisor, the greater the likelihood that they are associated with a service team that accesses outsourced support. By tapping more robust expertise through outsourcing, a team is better equipped to handle more affluent clients, who tend to pay higher fees to access solutions to more complex problems. As a result, revenue generated per advisor is \$420,000 when a team outsources, 20% greater than the \$350,000 median for those advisors who do not seek outside help.

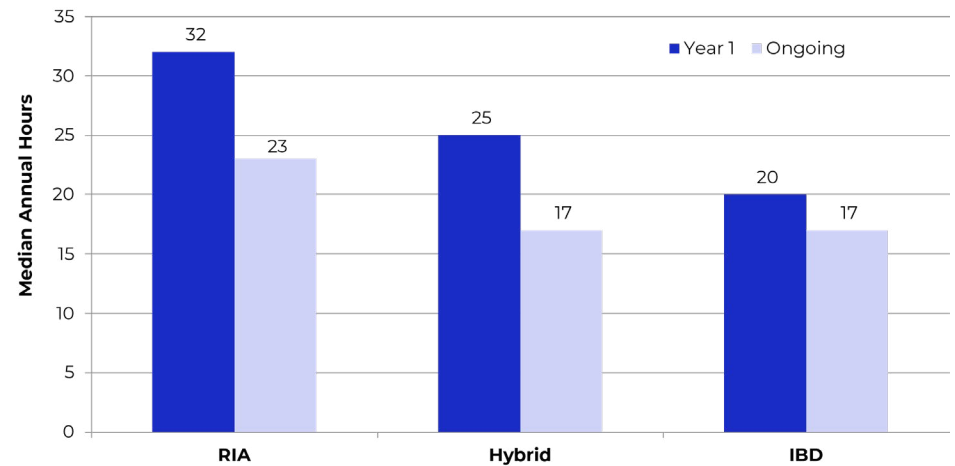
### Team Time Per Client

Whatever the composition of a service team, optimally it will be positioned to best meet the needs of targeted clients. This includes devoting sufficient time to adequately serve these clients. Including establishing the relationship, setting up accounts, and initial planning work, the first year of the new client relationship is the most time-consuming. Across all service team members, the median time devoted per client is 29 hours in the first year of the relationship. Time per client drops significantly, 38%, to 21 hours per year, in the subsequent ongoing years of the relationship.

Time committed to clients will vary, however, according to the unique characteristics of the advisor's business model. One clear example relates to the distribution channel of the advisor, which is often correlated with how clients are charged, the nature of the client relationship, and the wealth of the client. As shown in Figure 19, RIA advisors spend the greatest amount of time with clients, both during the initial year and ongoing. Compared to a commission-based IBD broker, the RIA advisor spends 60% more first-year time and 35% more on an ongoing basis.

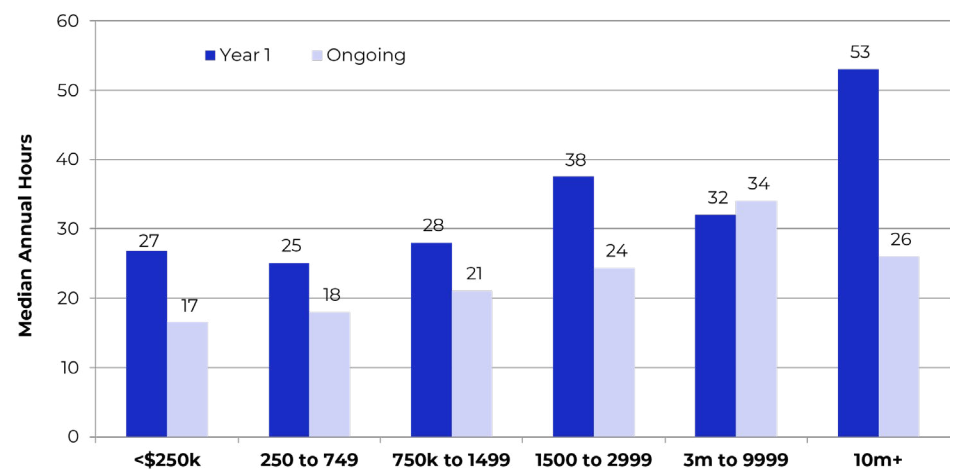
The differences in time are a likely result of serving different types of clients in different ways. The RIA advisor typically charges for providing expert advice exclusively via an ongoing AUM fee and, as a result, tends to form long-term relationships in order to retain that recurring revenue. The IBD broker, relying only on commissions, often has more transactional relationships, as once the purchase is made, the broker is not compensated for the ongoing relationship (until/unless there's an additional transaction).

Figure 19. Total Team Time Per Client By Business Channel



Time devoted to clients also tends to increase when serving larger portfolio clients, similar to the relationship between team size and client wealth. As Figure 20 illustrates, larger clients tend to get more of a team's time, most notably in the first year. (The data also shows that RIAs tend to serve more affluent clients than brokers, which likely further contributes to the higher time-per-client that RIAs provide relative to brokers.)

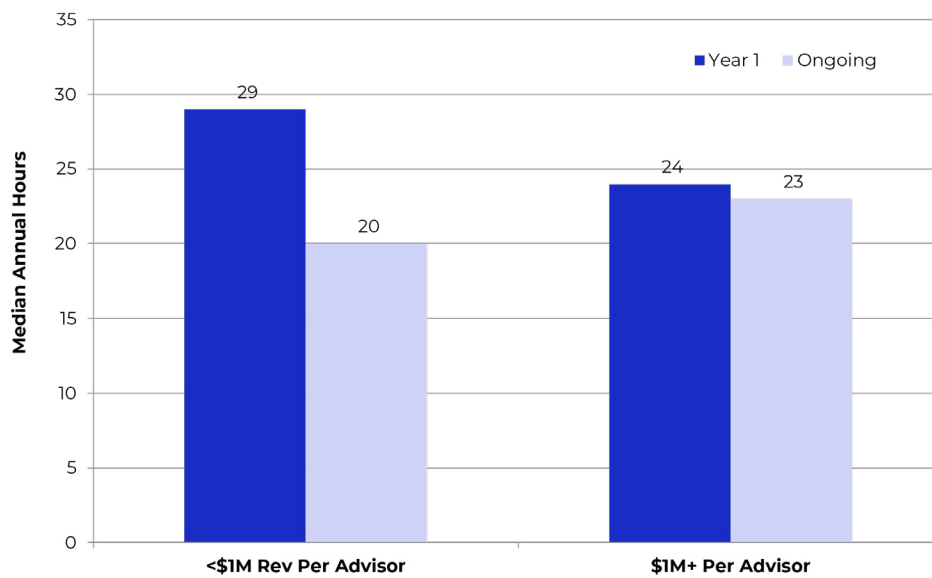
Figure 20. Total Team Time Per Client By Client Size



More than double the time is spent in Year One on a \$10M+ client versus a client between \$250,000 to \$750,000 in investable assets. This compares to an increase of just 44% in ongoing years. The greater first-year disparity likely reflects more time to compete for and cement these more sought-after relationships. Further, the larger client is typical more complex, with planning needs that require more analysis and deeper recommendations and implementation.

Surprisingly, though, the most productive advisors have managed to 'flip the script' regarding how time is apportioned across Year One and ongoing clients. For teams with lead advisors generating \$1M or more in client revenue, little difference exists between time spent in Year One versus the following years of a client relationship (Figure 21). Relative to teams with less productive advisors, they are typically spending 5 hours less per client in the initial year but 3 hours more on an ongoing basis. These results suggest that economizing time in the first year of a client relationship is a critical contributor toward greater overall productivity and, more generally, that advisors may be 'over-servicing' clients in the first year of the relationship relative to what the most productive advisors have been able to implement in a more leveled-service manner.

Figure 21. Total Team Time Per Client By Revenue Per Advisor



## A Process Of Compromises

In summary, team structure has very real implications for the kind of clients the team can attract and productively retain. Developing the right planning service team can be a challenging process of compromises. This includes compromises of time, allocating work to be done, addressing client needs, and managing advisor capacity (including, ironically, the capacity of the advisor to manage more people in addition to their own client capacity!) – all of which are pushing and pulling at different times and at different strengths. What type of client the team intends to serve, and how, can provide invaluable guidance for managing these compromises.

All that said, our data provides actionable advice for any advisor looking to structure an optimal team. The following considerations are important to bear in mind, regardless of an advisor's specific business objectives:

- Maximal productivity peaks at 3-person teams (though productivity for 4-person teams is very close).
- The typical hiring path starts with a CSA (client service associate for administrative work), followed by an associate advisor to support the senior advisor and their clients as the third team member, with the next hire usually a service advisor to take on full responsibility for a portion of the team's client relationship.
- Centralized/external resources are less about delegating labor for time savings and more about expanding access to expertise, which can enhance service to attract and retain niche or high-net-worth clientele.
- 'Levelizing' first-year client service closer to the time typically devoted to service an ongoing relationship will likely improve advisor productivity.

# Financial Plan Development

## Putting Plans In Context

Preparing a financial plan may not exactly equate with 'doing financial planning' (more on this later), but the development of a financial plan typically provides the central premise for how financial planners work with their clients. In any given year, over half of the typical team's clients (53%) either have a new financial plan developed for them from scratch or have had an existing plan updated. The majority of financial planning work, 71% for most firms, involves updating plans for ongoing clients.

The extent to which plan development occurs often varies according to the practice, however. Teams that are just starting out and those working with younger clients are more apt, for example, to be preparing or revising plans, compared to those advisors that have a more established and older clientele (and in stages of life where life events may be less frequent). More significantly, the frequency of work on plans (the 'intensiveness' of the advisor's offering of financial plans, either new or updated) is also a function of the advisor's business model.

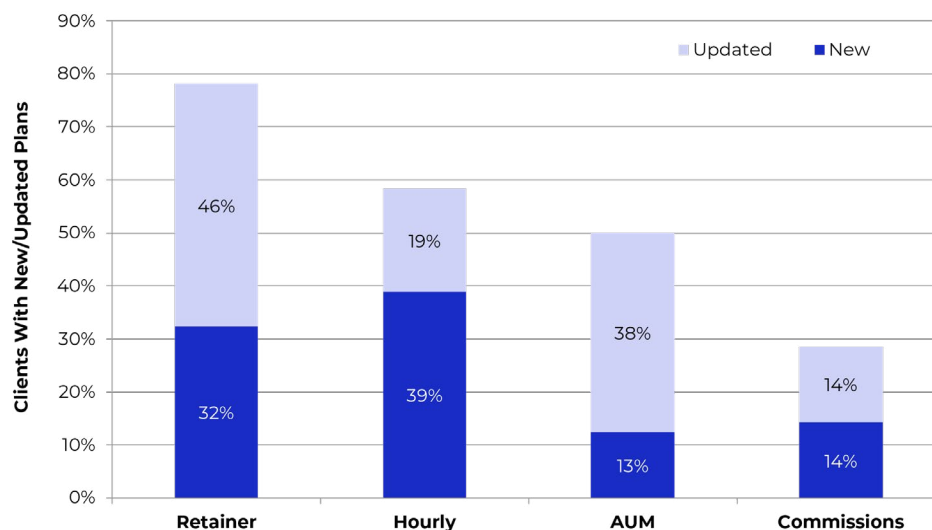
Across channels, about  $\frac{2}{3}$  of the clients of 'pure' RIAs are provided new or updated plans each year, and notably, over  $\frac{3}{4}$  of the planning work done at RIAs (77%) is updates for existing clients (not the delivery of new first-year financial plans). This compares to just  $\frac{1}{4}$  of clients with non-RIA IBD teams receiving financial plans of any kind, with just 62% of this plan work involving plan updates. In other words, brokers are significantly less likely to provide financial planning of any kind and slightly less likely to update those financial plans if they were delivered initially.

Related, teams that are primarily reliant on commissions tend to be least apt to provide financial plans for their clients (Figure 22). By revenue source, retainer-based firms are far and away most actively doing financial planning work for clients, with typically 78% of the clients getting a new or updated plan each year.

In addition to the level of plan activity varying significantly across revenue models, the extent to which activity relates to new or updated plans varies as well. For AUM clients,  $\frac{3}{4}$  of the financial planning work they do involves updates for existing clients (which doesn't necessarily mean that AUM firms aren't doing financial planning for the bulk of

their new clients; it may simply be a recognition that the overwhelming majority of their clients aren't new, and it's those ongoing clients who consume the majority of the planning work and time). This ratio is reversed for hourly clients, where  $\frac{2}{3}$  of activity is new plans for new clients.

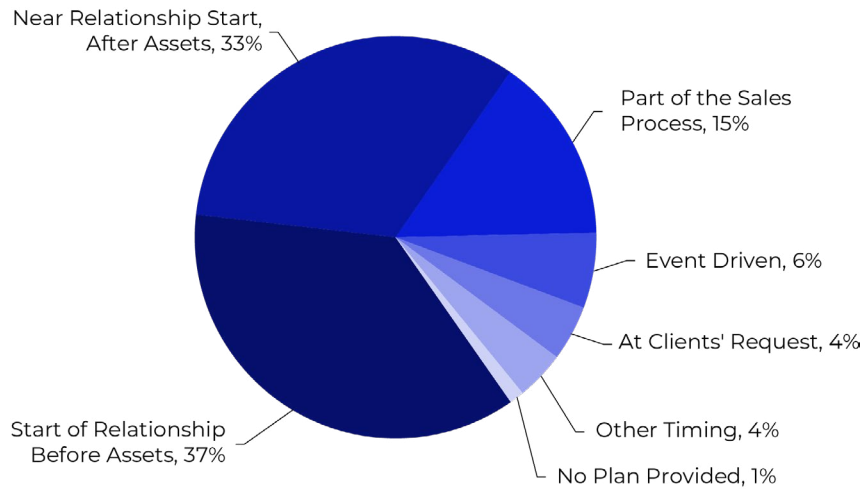
Figure 22. Planning "Intensiveness" By Revenue Source



For 70% of respondents, a new plan is most often provided at the start of the client's relationship with the firm (Figure 23). Of these, it is a roughly even split as to whether the plan is prepared before or after the client's assets have been transitioned to the team. For about 1 in 6 respondents, plans are offered as part of the team's sales process before a client is even onboarded. The remaining approximately 1 in 6 respondents only provide financial plans more reactively (e.g., at the client's request or only when driven by an external event need in the client's life).

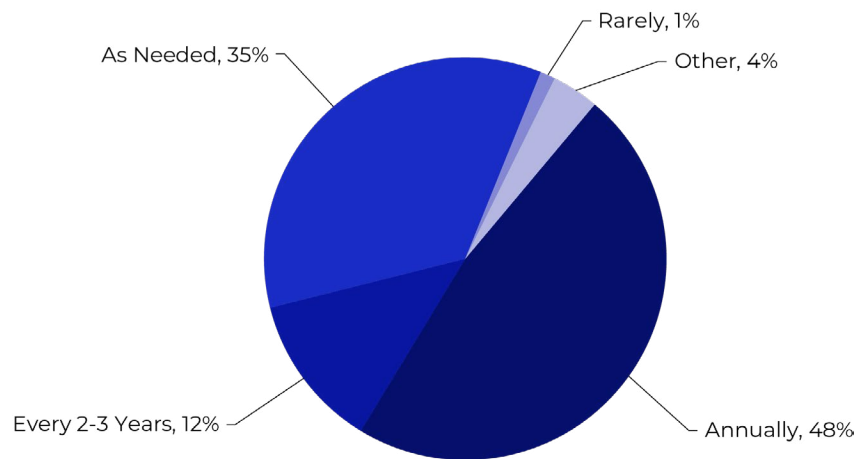


Figure 23. When Clients Are Provided Financial Plans



More common are financial plan updates. Of all clients receiving financial planning services, 71% are getting an updated plan at some ongoing point. Nearly half of advisors (48%) regularly update clients' plans annually (Figure 24), and another 12% provide plan updates every 2–3 years. Another 1/3, however, update plans only on an 'as needed' basis.

Figure 24. Plan Update Frequency



## Planning Vs Plans

Do all financial planners routinely engage in the development of a financial plan (i.e., a physical financial plan deliverable that is provided to clients)? Not necessarily. A significant minority of advisors update a plan only when needed. Furthermore, 1 in 7 survey respondents simultaneously ranked below the median in terms of clients with a new or revised plan and above the median regarding per-client hours devoted to recurring planning analyses.

In other words, a sizable minority share of advisors are engaged in ongoing advice processes, delivering advice incrementally, but are less active in delivering 'The Plan' as an upfront or ongoing deliverable. As a result, the static plan itself is less important; the value these advisors deliver is done primarily through the dynamic process of ongoing planning.

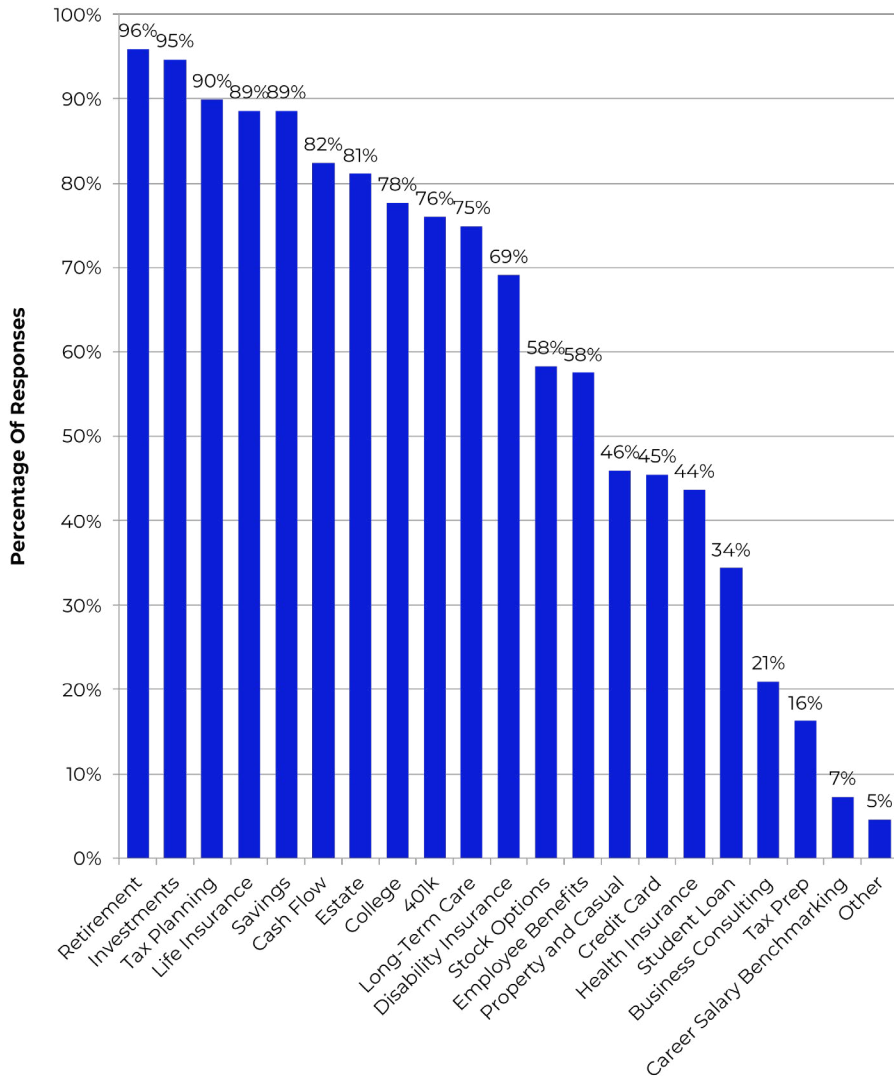
Service teams that fall into this group tend to be affiliated with more established practices and more experienced advisors. Over half of advisors within the low plan/high recurring analyses group have over 20 years of client-facing experience versus about a third who work with other teams. Their clients are older as well – 3/4 are 55 years or older, compared to 60% for all other respondents. When financial planning work does take place, it tends to be on an as-needed basis.

## Depth And Breadth Of Financial Plans

Advisors clearly vary in the extent to which they prepare and maintain financial plans for clients. Differences also exist in terms of the makeup of a plan and how it is utilized in an advisor's relationship with the client.

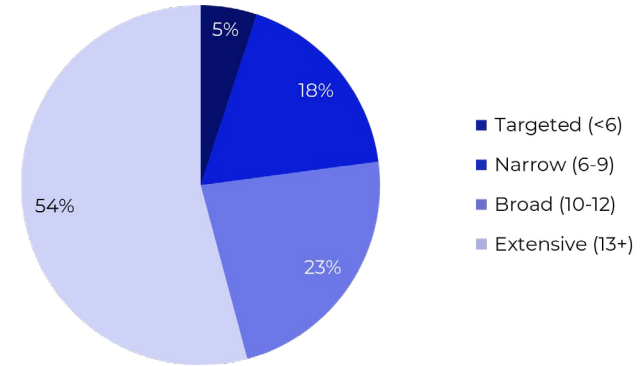
Our survey respondents had the opportunity to report up to 20 different topical areas that are covered in the typical financial plans they prepare. Figure 25 shows how frequently these areas are included in a typical plan. 5 topics, garnering 89% or more of mentions, tended to be covered in most every advisor's standard plan. In order of frequency, these are retirement spending and distribution, investments, tax planning, savings, and life insurance. Other common areas that are covered – consistent with the traditional financial planning educational curriculum – include cash flow/budgeting, estate planning, college planning, and disability and long-term care insurance. Notably, while tax planning is very common (at 90%), tax preparation is still relatively rare at only 16% of advisory firms.

Figure 25. Components Included In Financial Plans



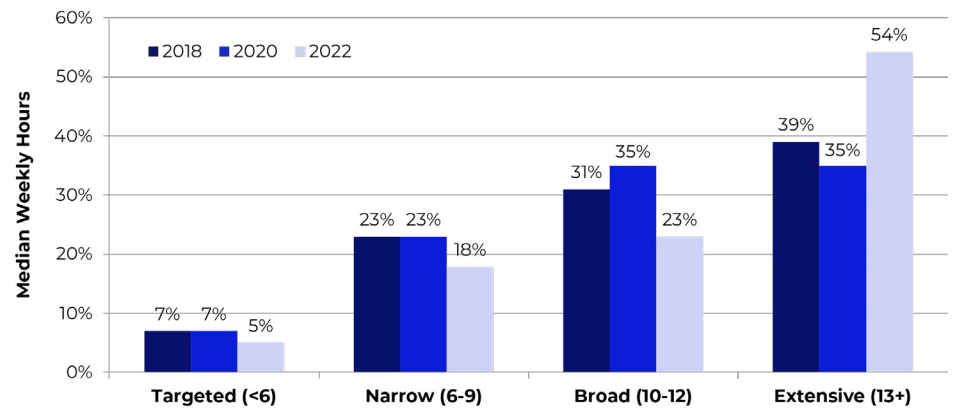
From this data, respondents were grouped according to the number or areas typically addressed in the plans they prepare. These groupings, summarized in Figure 26, offer a simple but effective way to grade the 'breadth' of the various plan types prepared. 'Targeted' providers, accounting for just 5% of advisors, addressed just 5 topics or fewer. At the top of the range were those offering 'Extensive' plans, covering 13 or more topics. Over half of the responses (54%) fell into this category.

Figure 26. Plan Breadth



Relative to our past surveys, advisors have made a significant shift in delivering Extensive plans (Figure 27). In years past, fewer than 40% were in this group, compared to well over half today. This implies growing pressure on advisors to do more for their clients on the financial planning side in the wake of investment management becoming an increasingly commoditized offering. Industry research is yet to demonstrate competitive pressure on advisory firm pricing, but clients look to be demanding more for the money they provide advisors. Given this trend, only continued advances in efficiency will protect against any potential future erosion of profit margins (as otherwise, an ever-increasing scope of financial plans, and the time they take to produce, will eventually lead to rising staff costs that impair firm profitability).

Figure 27. Trends In Plan Breadth (2018-2022)



Note: Parentheses indicate the number of topics covered

Depending upon the characteristics of an advisory practice, typical levels of plan breadth vary in key ways. Broader planning correlates with advisors whose work with clients is more relationship-focused than transactional. The highest prevalence of Extensive plans is found among advisors operating under a retainer-based revenue model. While 70% of retainer-related advisors offer Extensive plans, just 36% of commission-based advisors do. Additionally, broker-affiliated advisors are also less likely to be more comprehensive planners.

By client type, it is age rather than client assets that is the strongest determinant of plan breadth. About 2/3 of advisors whose clients are primarily younger than 55 years old offer Extensive plans. This compares to only about half of advisors who serve older clients. In contrast, there is no clear tendency for plans to differ in their breadth based on the size of a client served in terms of assets.

Several factors could explain advisors providing broader plans to younger clients. The most benign explanation is that younger clients, just starting on their journeys toward financial security, simply have more issues to think about and prepare for. Another view, however, is that younger clients, relative to older generations, may be driving marketplace change by demanding more complete plans than the generations before them. The latter argument has very real implications for the ability of advisors to continue winning new clients – offering broader plans may be an increasing prerequisite to remain competitive with the next generation of clientele.

## Plan Approach

In addition to the breadth of topics that they cover, financial plans can also vary in the methods advisors use to prepare and present them. Kitces Research outlined 4 different approaches for survey respondents to choose which one best described their primary approach for creating and delivering financial plans:

- **Calculator:** Financial plan analyses are used to calculate the client's needs or gaps (e.g., in retirement savings or insurance coverage), which helps the advisor identify products to implement.
- **Comprehensive:** Printed reports from financial planning software are used to show a more holistic picture of the client's current and projected financial situation.
- **Custom:** A custom-written financial plan is developed for each individual client's circumstances.

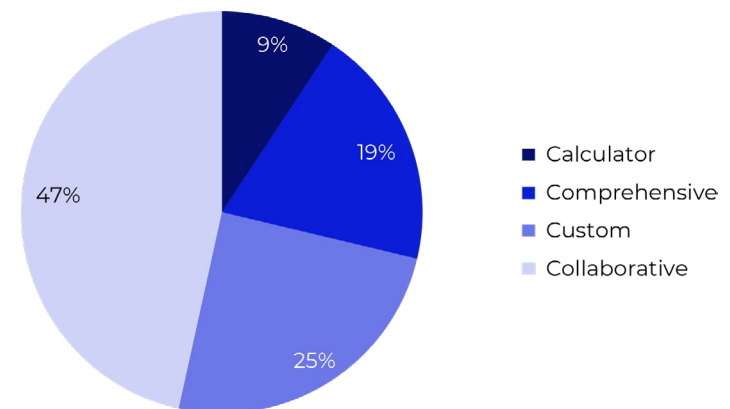
- **Collaborative:** Planning software is used as a collaborative tool (e.g., via screen sharing or a conference room screen) live in client meetings.

As shown in Figure 28, nearly half of all advisory teams (47%) take a collaborative approach toward planning. This is an increase from just 35% of advisors who cited a collaborative approach 4 years ago and slightly fewer still in 2020 (although there were some slight revisions to the wording of the question this year that could account for some of the increase). Again, Covid is likely at least a partial facilitator for advisors' rapidly growing embrace of collaborative planning. During the pandemic, both advisors and their clients were compelled to work and meet remotely, at which point it made sense to use the collaborative tools that were already increasingly being built into financial planning software... and the trend towards collaboration appears to have stuck even as many advisors have come back to their offices.

More collaboration may also be due to a recognition by advisors that certain clients expect a higher degree of influence or 'say' in the planning process and its outcomes. Rather than relying on static printouts, advisors and their clients are seeing the value in the ability to tweak plans and model alternative scenarios in real-time, with collaborative software facilitating this higher level of engagement.

Also on the increase from previous surveys are advisors preparing customized plans – another likely sign of more demanding clients who want advice tailored exactly to them.

Figure 28. Primary Approach To Plan Development



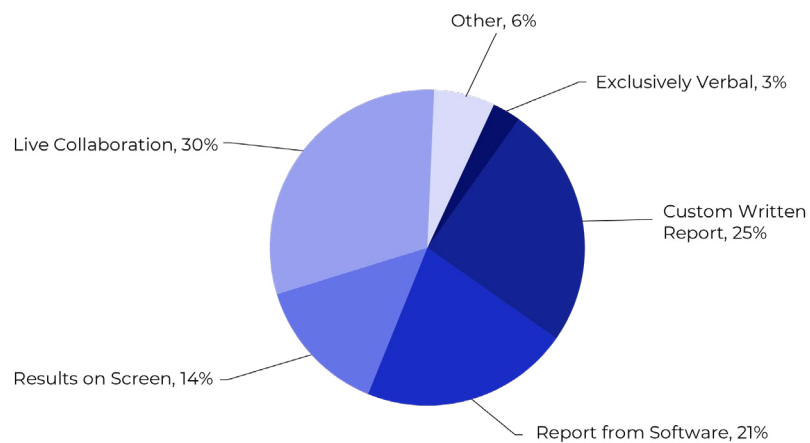
In contrast to the growth of collaborative and customized planning, the 2022 survey showed a decline in the use of “comprehensive” plans. The process of developing a comprehensive plan largely involves inputting data into financial planning software, which runs the calculations and puts out a detailed – but largely standardized – report. In 2022, fewer than 1/5 of advisors primarily used a comprehensive approach, compared to nearly half just 2 years ago.

Simply put, advisors appear to see rapidly declining value in preparing financial plans using the traditional printed outputs of comprehensive financial planning software versus plans that provide more customization and/or are developed more collaboratively with the client in the room.

Along with preferring a collaborative approach toward developing financial plans, advisors also most often use a collaborative approach when *presenting* plans as well (Figure 29). For the largest proportion of teams (30%), a live collaboration using planning software is the primary method for client presentations. Another 14% of advisors deliver plan results live on screen but don't do so collaboratively.

With or without collaboration, on-screen planning can easily be accommodated in both in-office (using a large monitor in a conference room) and virtual meetings (using a screen share feature in applications like Zoom or Teams), which makes those styles well-suited to the remote work era. In fact, overall, the 44% of advisors delivering financial plans on-screen almost equals the 46% delivering custom or software-generated written plans.

Figure 29. Primary Method For Presenting Plan Results



## Financial Plan Preparation Time

As the range of approaches toward developing and presenting plans shows clearly, one advisor's financial plan can be very different from another's. But how do differences between plans translate to differences in the resources required to prepare them?

Survey respondents reported detailed data on the number of hours per client that their service team members spent on various financial planning tasks. Tasks were categorized based on each step of [the CGADPIM planning process as defined by CFP Board's Practice Standards](#). To evaluate the time it takes to produce the plan itself – i.e., the actual building and construction of a financial plan – Kitces Research focused on the hours that teams reported for the following 2 steps:

- Analyzing and evaluating the client's current financial status; and
- Developing recommendations and preparing plan deliverables.

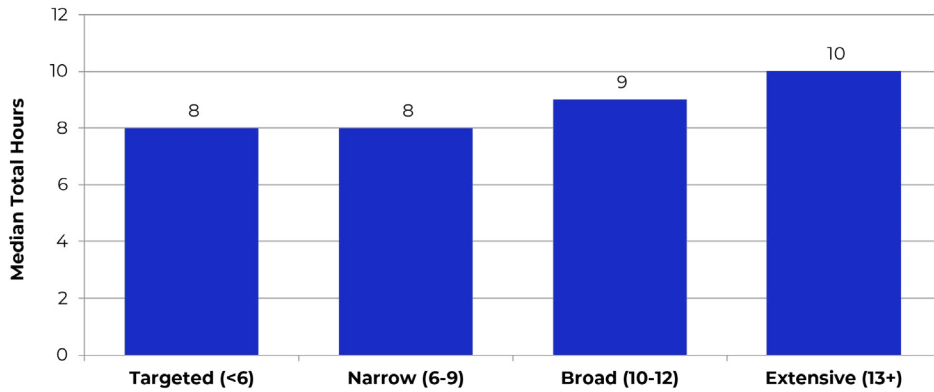
To accommodate for the difference in time required to build a new plan from scratch versus simply updating an existing plan with fresh data, the steps were further divided between plans produced for new clients and those created for existing clients. The results provide a good proxy for the commitment involved in producing a new plan for a new client.

The survey results show that the typical service team collectively spent 10 hours to produce a financial plan for each client, split roughly equally between the analysis and developing recommendations stages. This 10-hour total has remained constant since the first Kitces Research report on the financial planning process in 2018. The consistency is noteworthy given both the trend toward broadening plan coverage and the increasing share of advisors preparing custom-written plans. Advisors are clearly gaining efficiencies from their use of technology, but the end result of those efficiencies is not 'faster' financial planning (which would show up as fewer hours required to produce each plan) but 'better' plans – greater in scope *and* in depth – in the same amount of time.

As expected, the time needed to prepare a plan increases with the number of topics the plan covers (Figure 30). However, because so much of the 'overhead' of a financial plan is made up of the time spent on inputting data into the software, building and double-checking projections, formulating recommendations, and finally creating and formatting the actual plan deliverable, the additional time needed to produce a broader plan versus one more narrow in scope is remarkably limited. At 10 hours, time spent on Extensive plans is only 2 hours greater than the 8 hours typically spent on a Targeted

plan – or viewed another way, even ‘just’ a targeted plan still averages 8 hours of plan production time, while additional elements can be added on relatively efficiently.

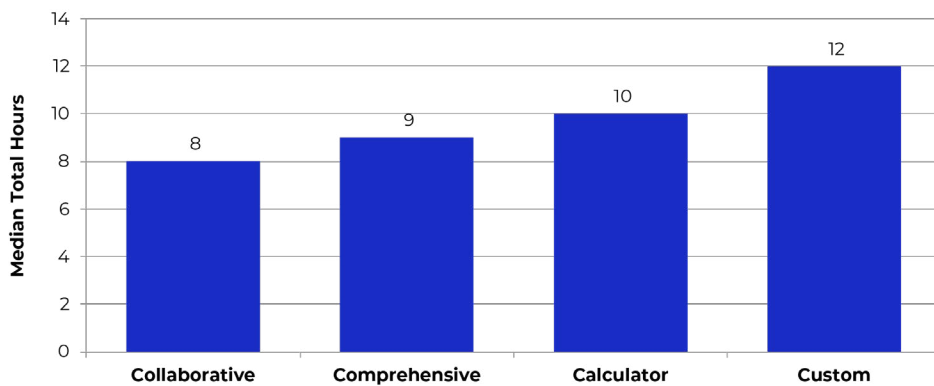
Figure 30. Service Team Time To Prepare A New Plan By Breadth



Note: Parentheses indicate the number of topics covered.

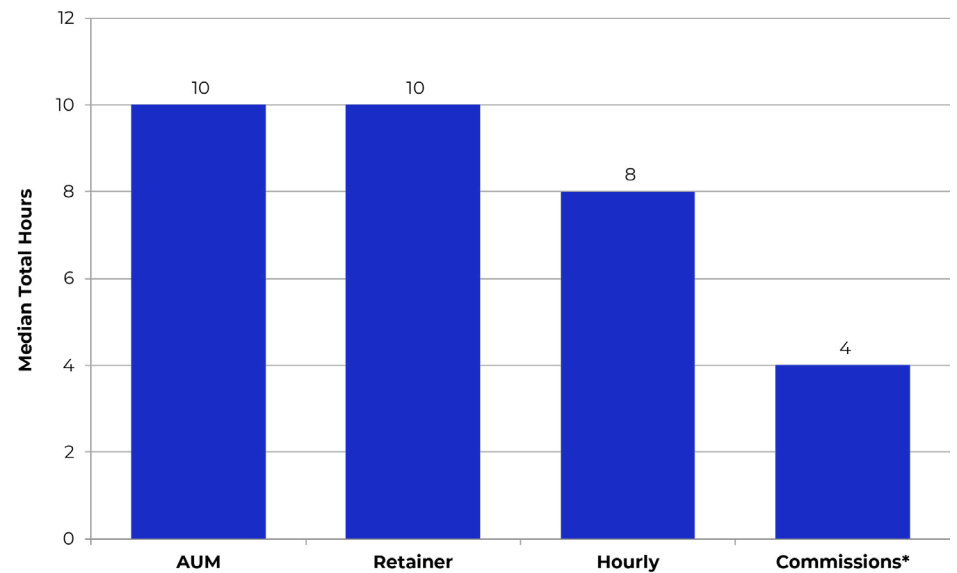
Preparation time is further influenced by the planning approach (Figure 31), whether using an AUM or retainer model to compensate for the ongoing planning relationship. Not surprisingly, at 12 hours per client, custom plans are the most time-consuming. In contrast, the typical collaborative plan at 8 hours is prepared in just 2/3 of that time. The difference between the two emphasizes the substantial time saving that comes from presenting a financial plan collaboratively since collaborative plans reduce (or eliminate altogether) the need to create a physical plan deliverable.

Figure 31. Service Team Time To Prepare A New Plan By Approach



Similar to findings from past Kitces Research studies, time spent preparing a financial plan also correlated with an advisor’s fee model. Plan preparation typically took 10 hours for advisors with ongoing fee models like AUM and retainer fees (Figure 32). In contrast, advisors charging clients on a more transactional basis – both hourly planners and commission-based advisors – invested much less time. With the caveat that the sample size was very small (7 responses), this was especially true for advisors relying primarily on commissions. Typically taking 4 hours to prepare a financial plan, the time commission-based advisors spent on a plan was just 40% of what was typical for ongoing fee advisors.

Figure 32. Service Team Time To Prepare A New Plan By Revenue Source



\*Based on a sample of just 7 respondents.

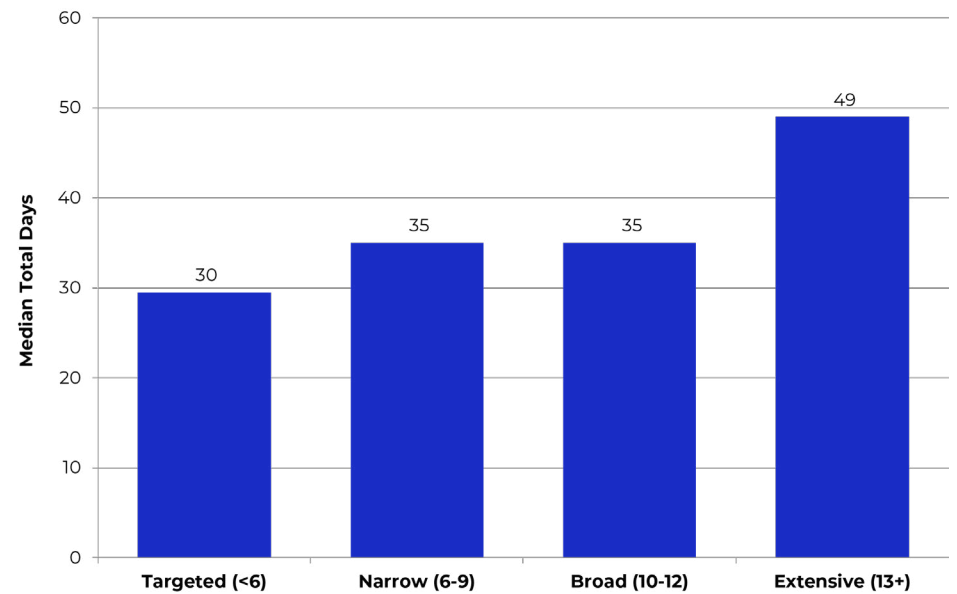
For the most part, plan scope and approach is far more influential on preparation hours than the affluence (e.g., portfolio size) of the client, but those serving the very wealthiest clients look to be an exception. Again with a small sample size caveat since just 7 respondents serving clients with \$10 million or more in investable assets reported team hours, the median preparation time for this group, at 30 hours, is 3 times the typical 10 hours spent by other service teams.

A different perspective on plan preparation time is the number of days that it takes to progress from the sign-on of a new client to actual plan implementation, a period significantly longer than just the total hours directly spent working on the plan. By this measure, the median plan development time is 42 days. Accounting for plan preparation time by this start-to-finish measure is helpful for managing client flow and smoothing service team capacity.

Again, plan approach and breadth play influential roles in the length of the process. For example, getting a custom plan to the point of implementation takes 51 days, relative to 35 days for a calculator plan. Likewise, the preparation period for Extensive plans is 49 days versus just 30 for Targeted plans (Figure 33).

Notably, the differences in plan development time are largely driven by the fact that more extensive plans take additional time to create, not that they require more meetings to deliver. Perhaps surprisingly, advisors delivering the most Extensive plans did not require any additional client meetings to get their plans to the implementation stage than those who delivered more Targeted plans. Regardless of plan breadth or approach, the median advisor required 3 client meetings during the initial planning process (client meetings are discussed in more detail ahead).

Figure 33. Days From Client Sign-On To Implementation By Plan Breadth



Note: Parentheses indicate the number of topics covered

# Working With Clients - Year One

## Year One Time

Service teams devoted an average of 35.6 hours to a first-year client relationship in 2022 – notably higher than the median number of 29.0 hours due to the fact that a few high-service teams are especially in-depth in their service hours (dragging up the average time over the median). This distinction – that the median ‘typical’ advisor’s experience is a bit lower than the average due to a small number of very-high-service teams – will be important to remember throughout the discussion of time spent working with clients.

Financial plan production makes up a significant portion of the hours a team commits to new client relationships, but it is not the only area of attention given to a first-year client. In fact, only about 1/3 of the hours a team devotes to a Year One client is directly devoted to producing the financial plan in the narrowest sense, i.e., analyzing client data and developing recommendations. Roughly another third of Year One client time goes toward implementing and monitoring plan recommendations (Figure 34).

Figure 34. Year 1 Time Allocation Per Client By Activity

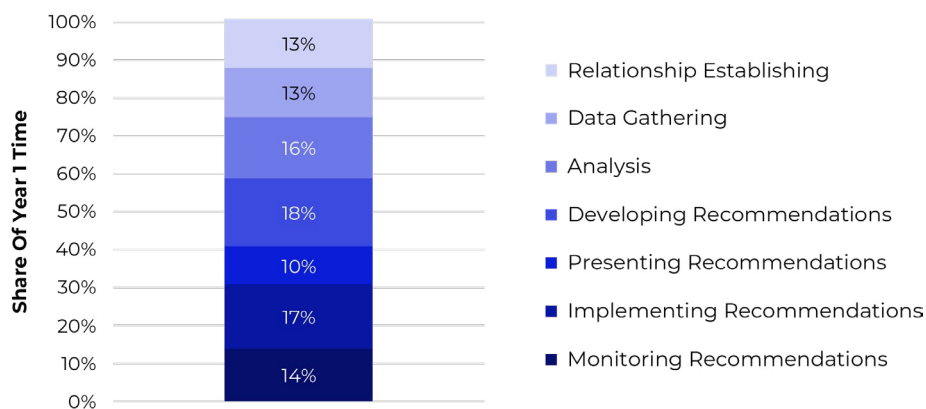


Figure 35 details the average time a service team spends per client by activity over the span of the entire first year of the financial planning relationship. Included are current 2022 results as well as similar data from comparable Kitces Research financial planning studies in 2018 and 2020. With one key exception, the distribution of time spent with first-year clients has remained roughly constant since 2018.

Time spent on developing and implementing recommendations, however, has increased, offset by fewer hours devoted to all other activities. In 2022, 34% (12 total hours) of first-year time went to plan development and implementation, compared to just 28% (10 hours) in 2018. The increase in the average development and implementation time is likely a result of there being more advisors preparing financial plans that cover a wider breadth of topics. Which, notably, also appears to be leading to a moderate uptick in the time it takes to *implement* those recommendations as well.

Figure 35. Average Year 1 Time Per Client By Activity (2018-2022)

Activity	Service Team Hours		
	2018	2020	2022
Relationship Establishing	5.4	5.0	4.8
Data Gathering	4.8	4.3	4.5
Analysis	6.1	5.5	5.7
Developing Recommendations	5.0	5.0	6.2
Presenting Recommendations	3.6	3.2	3.6
Implementing Recommendations	5.0	4.7	5.9
Monitoring Recommendations	4.6	3.9	4.8
<b>Total</b>	<b>34.5</b>	<b>31.6</b>	<b>35.6</b>

Figure 35 also highlights a notable drop, and then recovery, in time spent per new client over the last 4 years, with the total average hours to complete the first-year planning process dropping from 34.5 hours in 2018 to 31.6 in 2020 and then climbing to 35.6 in 2022. Reduced time in 2020 is likely largely due to the pandemic, as advisors moved to limit in-person time, resulting in fewer meetings and/or what may have been shorter meetings in the transition to virtual.

Accordingly, relative to 2018, the Year One per client time in 2020 contracted for every meeting-based activity, including establishing the relationship and data gathering upfront, as well as presentation, implementation, and monitoring of recommendations later on. Because the depth of planning work was still substantively the same, however, the analysis and recommendations stage of planning dropped the least during the pandemic.

It's also notable that with 2022's slow 'recovery' from the COVID era, meetings at the beginning of the planning relationship have still not fully rebounded to pre-pandemic highs – signaling perhaps some efficiencies gained from the forced shift to virtual client interactions and the pandemic-driven adoption of technology. However, consistent with the broader theme of deeper and more comprehensive plans, not only are the analysis and recommendations stages of plan construction above their pre-pandemic highs of 2018, but the time spent on implementation and monitoring of those more comprehensive financial plans is also at a new high.

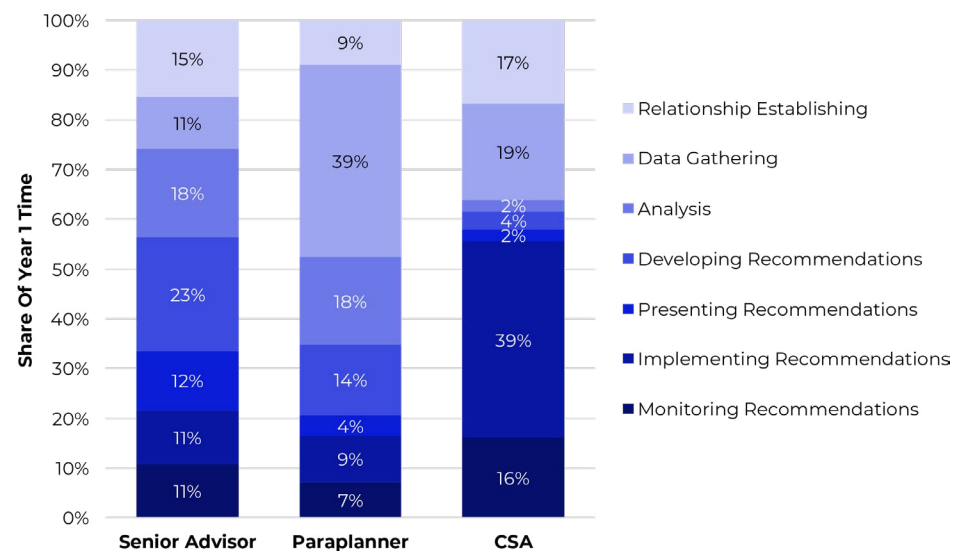
These recent trends highlight the benefits as well as the limitations of ongoing improvements in financial planning technology. The 'developing' phase, in particular, has not benefited from technology efficiency at all, showing remarkably little change over the past 4 years and through the pandemic. The exact decision of what recommendations to provide to the client is still a matter of advisors themselves making the determination – a very human element of individual advisor expertise combined with an understanding of the client.

By role, all types of advisors – encompassing senior, service, and associate advisors – report having fairly similar time allocations across activities. Senior advisors, however, tend to spend comparatively more time on activities that can make the greatest impression on the client – establishing the relationship, developing recommendations, and presenting them.

In contrast, paraplanners generally spend the most time on data gathering, followed by analysis and developing recommendations. The CSA is heavily invested in assisting with implementing recommendations (which can involve a lot of paperwork) and, to a lesser extent, data gathering and monitoring recommendations.

More Year One allocation detail by role is provided in Figure 36, which illustrates the potential for senior advisors to leverage paraplanner and CSA support into better focus on activities that best impact the client's relationship with the team. In particular, while CSAs appear to be substantively aiding in the data gathering and implementation process, paraplanners appear to be somewhat underutilized in the process of actually preparing the financial plan, as paraplanners, on average, still spend less of their time on analysis and developing recommendations than the senior advisors whom they're supposed to be supporting in those domains.

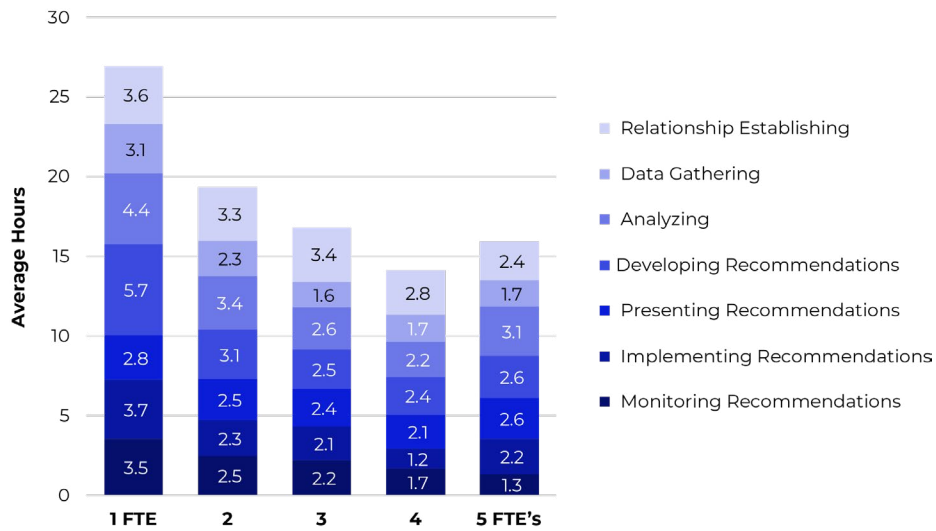
**Figure 36. Year 1 Time Allocation Per Client By Activity By Team Role**





Surprisingly, however, while additional team members allow senior advisors to spend less total time on each first-year client, the way advisors allocate that time changes very little as the team grows. Figure 37 shows senior advisor time per client dropping consistently from an average of 26.9 hours while working solo to a little more than half that as the service team grows to 4 FTEs.

Figure 37. Year 1 Senior Advisor Hours Per Client By Activity By Team Size



Despite the additional personnel and lower per-client workload, the senior advisor role remains virtually unchanged in terms of how time is allocated between different tasks. Bigger teams may provide more capacity to handle more (or bigger) client relationships, but the role of the senior advisor, and the relative amount of time they spend on financial plan analysis and client meetings, does not evolve with the size of the team. Instead, the senior advisor with a larger team increases their number of clients as they decrease their time *per* client while holding their total time across activities relatively constant.

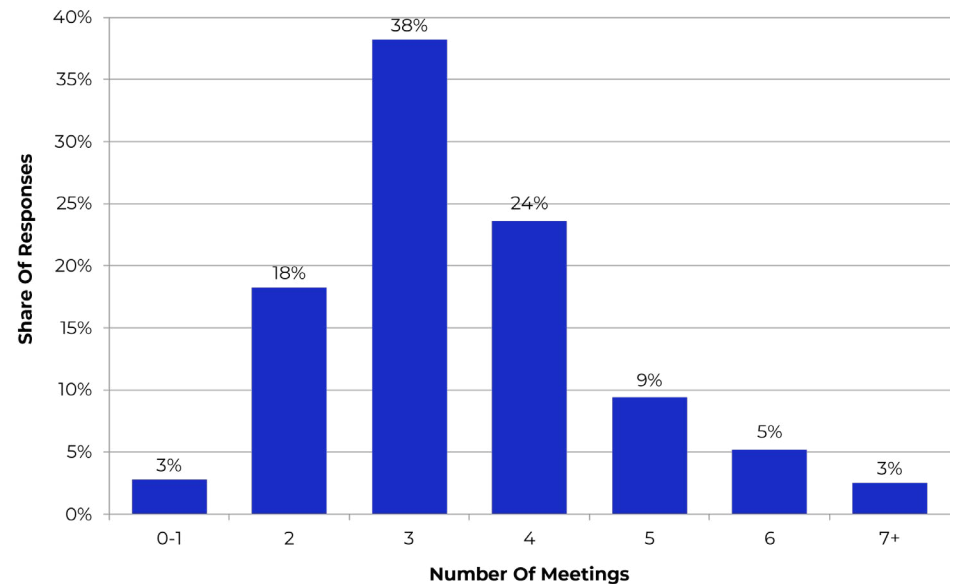
On the one hand, this implies that growing teams may be missing out on the opportunity to achieve greater efficiency by reallocating advisor time to its 'highest and best use' as new members are added to the service team – though it also may simply highlight that even with the best staff leverage, senior financial advisors can still only spend 'so much' time focused in client meetings before reaching their personal capacity (at which point they backfill their remaining time into other financial planning tasks and work that is less mentally taxing).

## Year One Meetings – Overview

Many first-year client service activities necessitate client meetings, with activities often organized around when these meetings take place. In addition to affecting the quality of the client experience, the schedule and structure for client meetings are other influential factors on team efficiency.

Most advisors (80%) hold between 2 and 4 client meetings to complete the first-year financial planning process, with 3 meetings being by far the most common (Figure 38). Meetings are typically spaced 14 days apart, although the time between the second-to-last and last meeting is often longer. The longer time leading up to the final meeting could be a result of advisors wanting some extended time to pass after initial implementation before bringing the client back to discuss follow-up monitoring. Alternatively, the longer break might signify a 2-part planning process for some advisory firms (e.g., a retirement and investments phase, followed by a separate insurance and estate planning phase), where both the client and advisor may need time to prepare for this second phase.

Figure 38. Client Meetings To Complete The Financial Planning Process



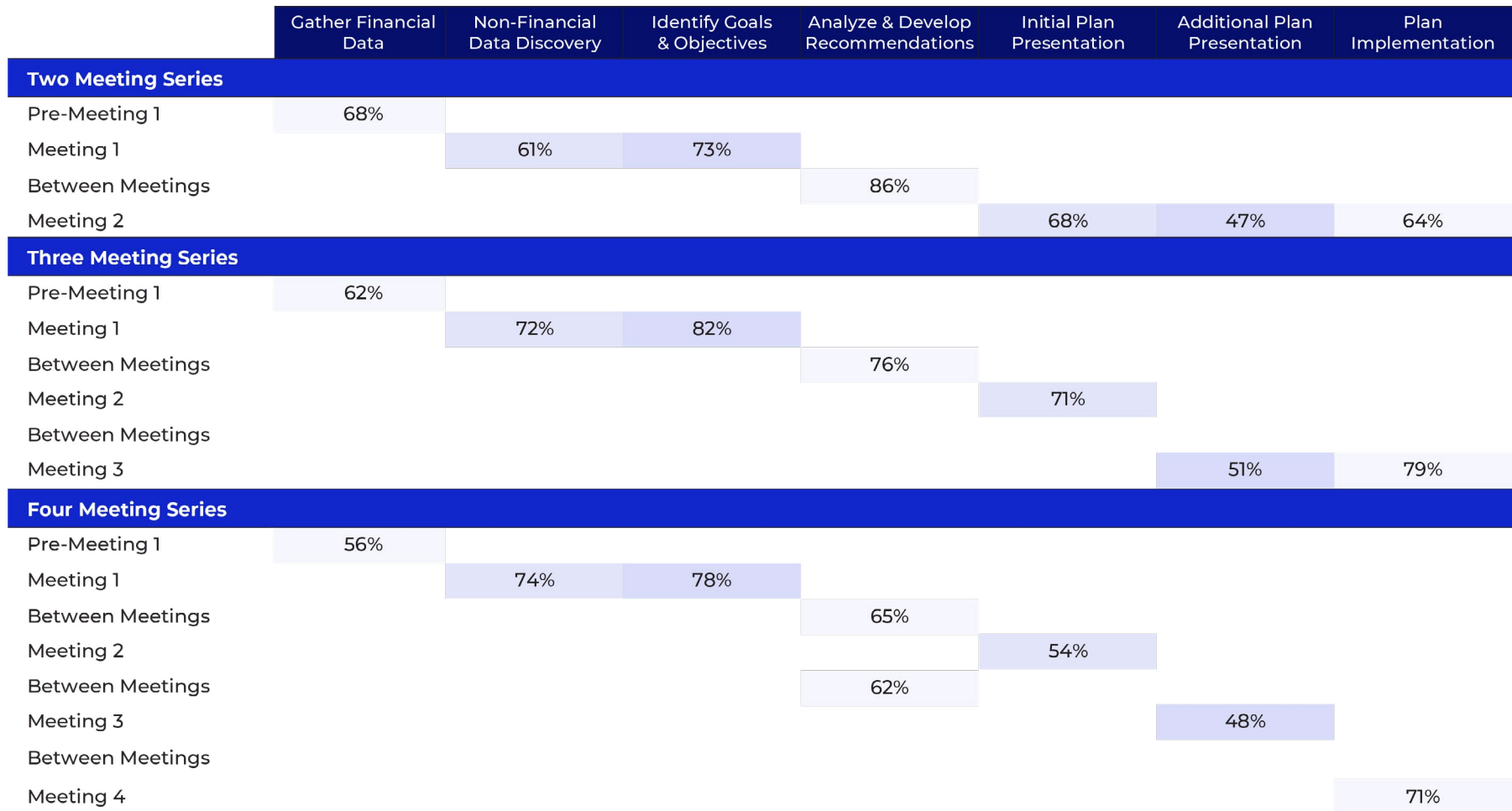
## Year One Meetings – Schedule of Coverage

As meeting frequency varies, the timeline for activities scheduled around those meetings obviously varies as well. To provide advisors with more insight into typical coverage schedules, Kitces Research asked survey respondents to summarize when their teams typically conduct key activities during the first-year planning process. Activities were again structured to mimic each step of the CGADPIM planning process, as defined by CFP Board’s Practice Standards.

Figure 39 summarizes the standard flow for these activities based on the number of client meetings an advisor holds, using the most common 2, 3, and 4-meeting series. Coverage flow (i.e., the location of each step in the timeline) is based on when the greatest share of respondents reported addressing the activity.

Figure 39. New Client Planning Process (Typical Meeting Flow)

Percentage of respondents in parentheses.



As shown, regardless of the number of meetings in the initial planning process, advisors most often gather financial data *before* Meeting 1, with Meeting 1 itself reserved for focusing on non-financial data discovery and identifying goals and objectives. Conducting analysis and developing recommendations between Meetings 1 and 2 is also a constant.

The 2-meeting series typically wraps up with Meeting 2 covering the financial plan along with plan implementation. A 3-meeting series most often dedicates Meeting 2 to presenting the initial plan before addressing the final plan and plan implementation in Meeting 3. A 4-meeting series typically splits the financial plan delivery into 2 meetings (e.g., a ‘preliminary’ plan and a ‘final’ plan, or the retirement and investments portion of the plan followed by the insurance and estate portion of the plan), with a layer of analysis and developing recommendations preceding each, and reserving Meeting 4 for subsequent plan implementation.

### Year One Meetings – Format

Regardless of how many meetings an advisor conducts, the preferred format of these meetings remains fairly standard. As shown in Figure 40, advisors most often meet with clients on a video call, in the advisor’s office, or they vary the format as needed or preferred. Undoubtedly COVID has had an impact on where financial planners conduct meetings – likely increasing video calls and format variation as both advisors and their clients have become more comfortable with video and online meeting tools.

Figure 40. Share Of Meetings By Format And Meeting Order

Format/Location	All Meetings	Meeting Number In The Series				
		First	Second	Third	Fourth	Fifth
Advisor Office	28%	28%	32%	27%	21%	19%
Client Home/Office	4%	3%	5%	4%	3%	2%
Neutral Location	1%	2%	1%	1%	-	-
Phone Call	3%	8%	1%	2%	2%	-
Video Call	30%	26%	29%	32%	37%	40%
Format Varies	34%	32%	33%	35%	37%	40%

As the data shows, the likelihood of using a video call increases with the number of meetings an advisor holds. While 26% of advisors overall hold the first meeting via video call, by the fifth meeting (of those advisors that hold 5 meetings), 40% do. Conversely, at nearly no other time other than the first meeting do advisors commonly hold a meeting by phone. This is likely a result of advisors preferring to conduct their first prospecting meeting by phone (which may be sufficient to screen prospects for appropriate fit without the formality of a face-to-face meeting) before the prospects come in for a longer, more formal second meeting which may take place either in an office or via a video call. Even in the case of an initial meeting, however, an advisor is 3 times as likely to conduct a video call over a phone call, reflecting the continued evolution of consumer communication preferences.

When it comes to ongoing meetings, advisors are remarkably evenly split between meetings with clients at their office, via video call, or simply deferring to client preferences between the two. Given the visual nature of most financial plan presentations, though, advisory firms clearly prefer a ‘visual’ medium above all else, as phone calls make up a trivially small proportion after the initial introductory meeting.

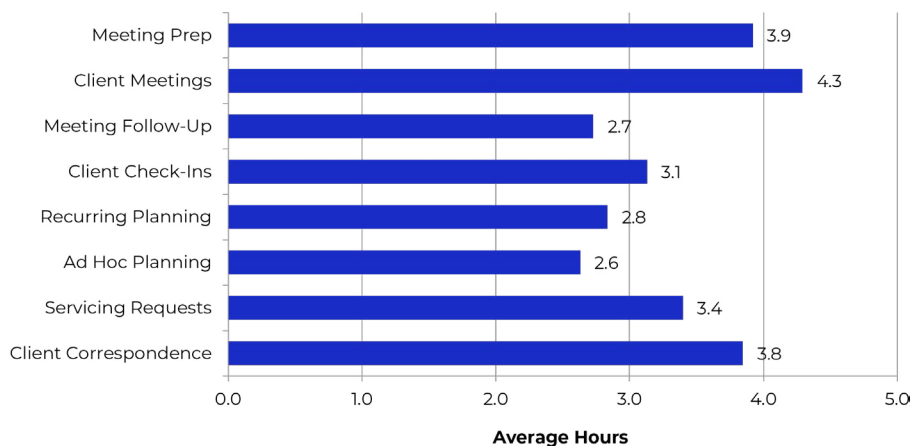
How and where plans are presented has thankfully adapted to changing times as well as changing preferences – even before the use of video calls mushroomed during COVID, some planners had online-only practices, showing that there was at least some demand for the format. But since the pandemic, advisory firms seem to have only become more comfortable with the face-to-face nature of video calls, with firms increasingly adopting *more* video-based meetings as the total meeting count rises.

# Working With Clients - Ongoing

As the data shows, establishing a financial planning relationship (and the related delivery of the initial financial plan) is a time-intensive process. But investing in relationships early on does pay dividends over time, and the same is true of financial planning. Accordingly, in the first year of a client relationship, the average time spent per client was 36.5 hours, but in subsequent years (as the focus shifts from developing and implementing the initial plan to ongoing maintenance of the relationship), this team time drops to 26.8 hours – shaving more than a day's worth of work off for each client in the following years.

The hours-per-client reduction for ongoing versus first-year clients comes from the fact that the ongoing tasks are different than first-year tasks as the client relationship evolves. For instance, in the first year, there is a heavy investment of time in establishing the client relationship and initiating the financial planning process, commonly including 3 separate client meetings. But an ongoing client with no major life events will require fewer meetings, accounting for only about 4 hours of the service team's time in a year (Figure 41). Preparing for those meetings also takes about 4 hours, followed by nearly 3 hours of post-meeting work, but this is still substantially less than the preparation and follow-up work required for the initial construction and delivery of the financial plan. In total, meeting-related activities for a typical ongoing client require an average of about 11 hours of work over the span of the year.

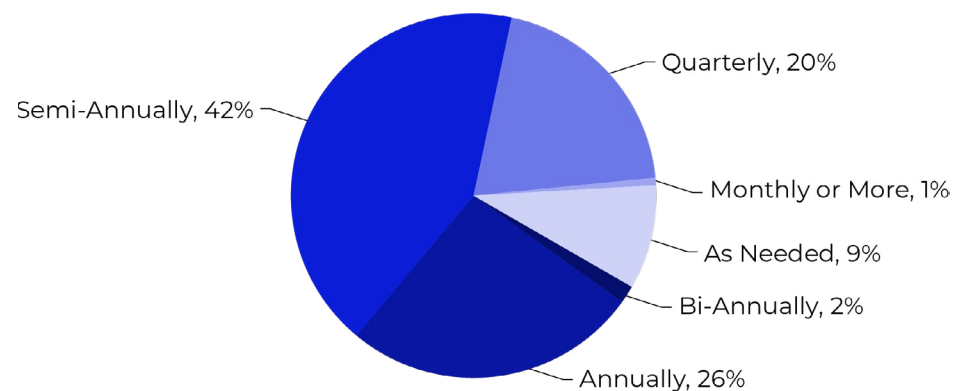
Figure 41. Average Annual Time Per Ongoing Client By Activity



Notably, advisors do at least partially fill in the time saved with additional recurring planning tasks or deliverables for clients (2.8 hours on average) and/or with ad-hoc planning tasks that pop up when clients do have issues arise (2.6 hours). Still, 2.8 hours per year (or maybe a total of 5.4 hours if both recurring and ad-hoc planning happen) is a significant reduction from the average of 21.4 hours that it takes to go through the steps of creating an initial financial plan (analyze, recommend, present, get feedback, and implement).

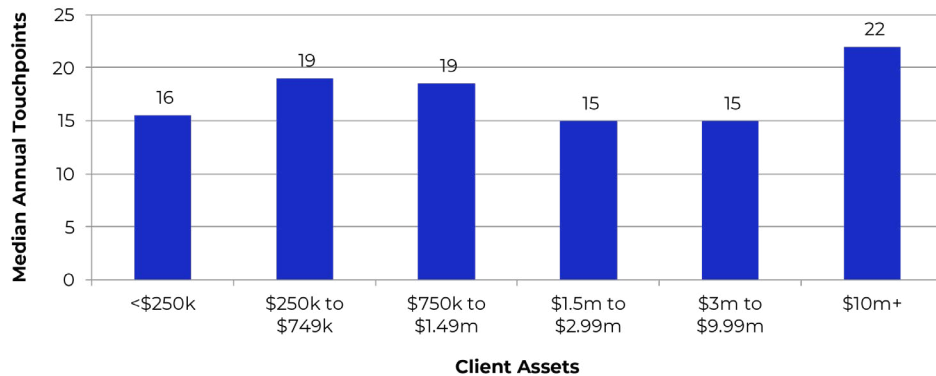
Advisory teams' time in ongoing years is predominately dedicated to holding meetings, preparing for meetings, and handling client correspondence and service requests. Most advisors (42%) meet with ongoing clients twice per year, averaging 1 to 1.5 hours for each meeting. 26% meet with clients annually, and another 20% hold quarterly meetings (Figure 42). The decision to hold more frequent meetings can demand a significant amount of team resources since, as noted earlier, the time spent on each client meeting includes not only the meeting itself but also nearly 2 hours of meeting prep and follow-up service tasks for each 1-hour meeting.

Figure 42. Typical Meeting Frequency With Ongoing Clients



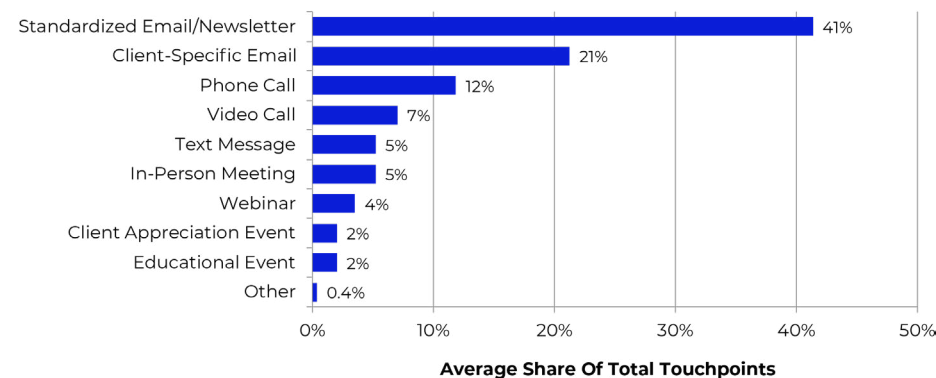
The typical advisor connects with ongoing clients a total of 18 different times throughout the year. In addition to in-person meetings, these touchpoints also include phone calls, emails, newsletters, and more. However, client touches do vary by the amount of client assets, with the largest clients tending to receive more touchpoints from the advisor each year (Figure 43).

Figure 43. Ongoing Client Touchpoints Per Year By Client Size



In terms of the actual touchpoints used, the most frequent way for advisors to connect with clients is via a standardized email or newsletter that is sent out to all clients, which accounts for 41% of annual touches (Figure 44). Another 21% of touchpoints, however, involve emails tailored to specific clients. Telephone or video calls follow in terms of frequency. In fact, it's notable that the email, telephone, and video touchpoints that fall between in-person meetings add up to far more client interactions each year on average than the meetings themselves.

Figure 44. Distribution Of Ongoing Client Touchpoints By Type



In general, the variations in client communications stem from 3 main factors, which will be discussed in depth below: The lifecycle stage of the advisor's practice (e.g., the degree of importance placed on attracting new clients versus maintaining existing relationships), client characteristics (e.g., wealthier clients tend to get more touches), and the degree to which the relationship is transactional (e.g., RIAs with recurring revenue models like retainer and AUM-based fees tend to be more relationship-based compared to advisors at broker-dealer firms working on commission or RIAs who engage on an hourly basis).

## Practice Lifecycle

The number of touchpoints an advisor has with clients tends to vary with the lifecycle stage of an advisor's practice, dictated by the need for new clients and the capacity to serve them.

For instance, advisors still in the start-up stage (primarily focused on simply adding new clients in order to reach a critical mass of clients and revenue) have a median of 17 touches per year, slightly below the median of 18 for all firms. A reason for the smaller number of touches on average may be that start-ups are very busy – often single-person firms – and perhaps it simply isn't possible to connect with clients more often, given the demands of constantly prospecting and onboarding new clients.

Median touches increase to 19 for advisors that are more established but not yet at their capacity and still looking to grow. An established firm often has more staff support than just a single advisor, so there is more capacity among the service team member to have more touches for each client. In addition, an advisor in this stage may have a greater focus on retaining (and not just adding) clients; additionally, they may also be trying to attract new clients via referrals from existing clients, giving them an additional interest in demonstrating a high-touch service. Conversely, advisors who are established but at capacity average only 15 touches, as the burden of serving clients when the firm is at full capacity leads it to be less proactive in generating additional client touchpoints.

In turn, mature firms (who are not actively looking to add clients) have the fewest client touches at only 13. At this stage, advisory firms are often more focused on maximizing profits than investing in growth. This results in typically more limited staff support for advisory teams (creating reduced capacity for frequent client touch points) and diminished resources to provide proactive service in general. Although notably, advisory firms in the mature stage often have very high average client tenure, meaning that limited touchpoints may simply be a recognition that more proactive service simply isn't needed for retention; long-standing clients know who to call if they need advice, and are able to engage on their own terms.

## Client Size Or Season?

Client size, as noted, positively correlates with the number of touchpoints during the year. However, the relationship is not always exact.

Very wealthy clients (above \$10 million in investable assets) get 22 touches annually, likely due to the complexity of their situation and the heightened importance advisors place on retaining large clients. However, clients between \$1.5 million and \$10 million receive over 30% fewer touches compared to those in the top tier. The 15 annual touches typical for clients in this range is also fewer than 19 median touches for clients between \$250,000 to \$1.5 million in assets. In other words, clients at the high and low ends of the wealth scale tend to receive comparatively higher touchpoints than those towards the center.

Client assets can also provide a proxy for the seasons of life: those with fewer assets are often in earlier life stages when there are more major life transitions (births, deaths, marriages, divorces, job changes, etc.) that might require more check-ins; meanwhile, those with more assets maybe closer to or in retirement and have fewer transitions to navigate (and therefore less need frequently to touch base with their advisor). This is consistent with our data that shows a modest difference in touchpoints by client age, where advisors serving clients predominantly under the age of 55 have more touches (18) than those advisors serving older clients (17).

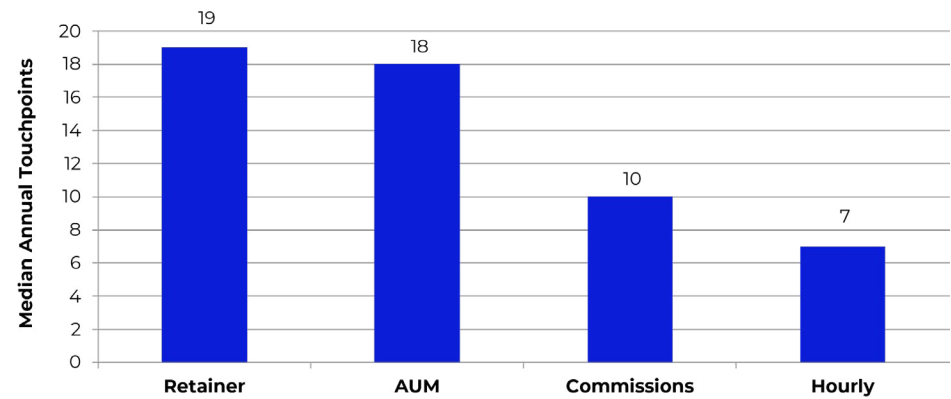
## Relationship Type – Transactional Or Relationship Focused

Commission-based advisors, as well as advisors who charge hourly, reach out to clients less frequently than advisors who use retainer or AUM fees (Figure 45). While there are many differences between advisors who use the hourly revenue model and those who use the commission model, one way in which they are similar is that their service model revolves around a one-time transaction. When the focus is on serving clients on an as-needed basis – whether the need is for a financial product or an hour of advice – the number of touches drops significantly compared with service models that entail an ongoing relationship.

Notably, recent years have seen the growth of the advice-only model, where advisors *only* receive compensation for their advice and do not (and typically *cannot*) manage portfolios on a discretionary basis. Such advisors may work with clients on an ongoing basis via a subscription or retainer model, or they may offer one-time plans that the cli-

ent implements on their own (hourly planning). Our results show that in practice, advice-only advisors touch base with clients less often (12) than their AUM-based counterparts (18), as while advice-only includes some ongoing service models like retainer fees, it also encompasses more transactional models like hourly and one-time fee-for-service planning – both of which engage with clients on more of an as-needed basis compared to a retainer or AUM-oriented relationship model.

Figure 45. Ongoing Client Touchpoints Per Year By Revenue Source



## Ongoing Client Work – Conclusion

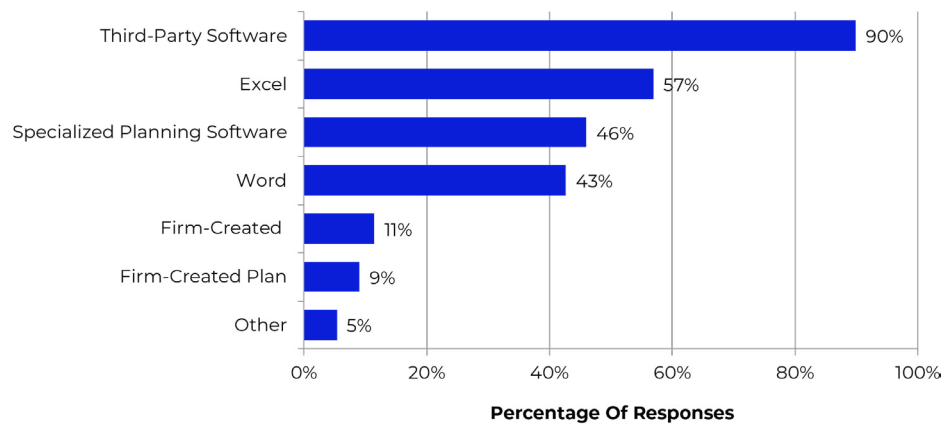
As client relationships evolve over time, so too does much of the ongoing work commitment in maintaining the relationship. But that commitment is also governed by the needs and goals of the business itself. Advisors who are more relationship-oriented, employ ongoing fee models, and aim to grow their business (and have the capacity to do so) tend to have the most touchpoints with their clients, while those whose business models are more transactional – and those who are at capacity in their workload – tend to engage less often. The client's characteristics also shape the relationship – wealthier clients, along with those clients in a busier life season, also appear to demand or require more touchpoints, either because of the greater complexity that comes along with higher wealth or because of the advisor's desire to provide a high-end service to attract such clients.

# Tools Supporting Plan Production

## Financial Planning Software Tools Overview

Financial planners use many tools to support the production and delivery of a financial plan. Every single firm taking the survey reported using some kind of software tools to support the plan production process. Also of note (and previously identified in past financial planning process studies), most firms use not just one piece of software but a variety of tools in concert with one another (Figure 46). To name just one prominent example, the majority of financial planners use Microsoft Excel to supplement the features of standalone financial planning software.

Figure 46. Software Used To Produce Financial Plans



While 90% of advisors use third-party comprehensive financial planning software (e.g., eMoney, MoneyGuide, and others), overall, we find that financial planners do not exclusively rely on a single piece of financial planning software for analysis or output but instead are (increasingly) relying on additional tools to supplement their 'core' financial planning software.

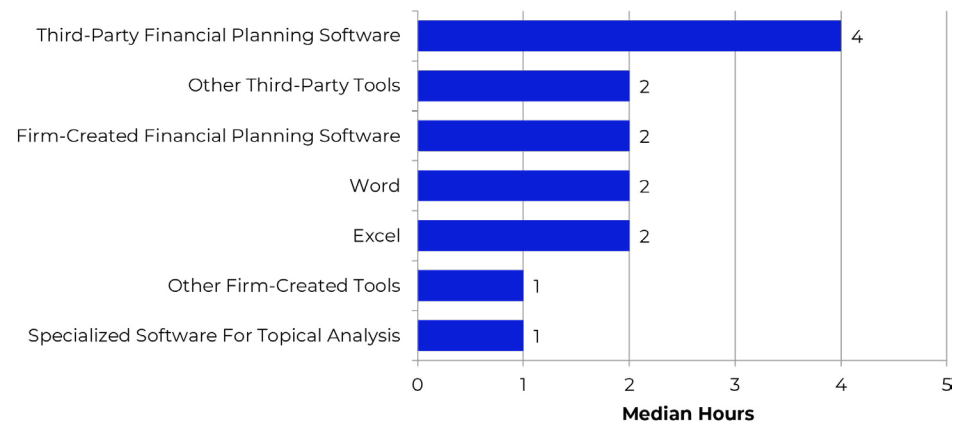
Beyond their comprehensive financial planning software, more than half of advisors use Excel (55%, up from 49% in 2020), and a little less than half use Microsoft Word (41%, up from 37% in 2020) to supplement their planning application; in total, 63% of advisors were using at least Word or Excel to supplement their financial planning software. Furthermore, nearly half (48%) also use more specialized software to go beyond what their

standard financial planning software might cover, going deeper into certain areas like tax. The use of specialized software has increased dramatically from both 2018 (29%) and 2020 (30%). Simply put, advisors appear to be going deeper with their financial planning and are increasingly looking beyond their comprehensive financial planning software to engage in the desired level of depth that their clients expect or demand.

However, nearly all advisors rely first and foremost on third-party planning software; very few have built their own in-house planning tools. For the minority of those firms that do use proprietary software, 51% still use another third-party application to supplement their own. In addition, 56% use specialized software, 69% use Excel, and 49% use Word, suggesting that even 'home-built' planning software customized to the firm using it still doesn't alleviate the need to rely on multiple software tools.

The hours that service teams spend working with third-party comprehensive financial planning software further demonstrate the central role played by these applications. Figure 47 shows the median team time spent using different tools to produce a financial plan. The greatest amount of time is spent using third-party financial planning software – typically 4 hours. For perspective, this is 40% of the median time devoted to preparing a plan. Time spent per plan working with third-party planning software is double or more than the time spent with other technology tools used to support plan production.

Figure 47. Per Plan Team Hours By Software Type Used

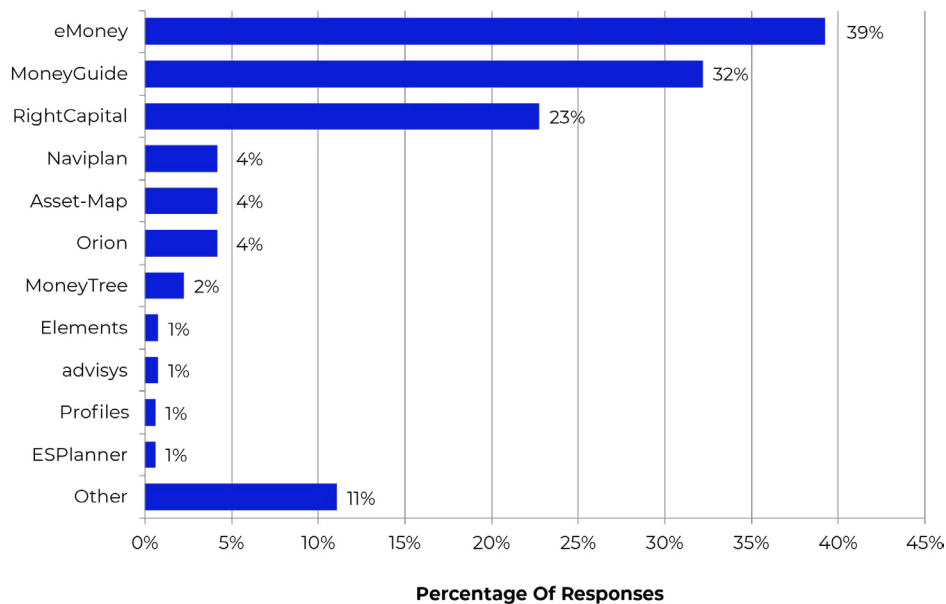


In summary, advisors really like tools that help them go deeper in their planning – but no tool, at this point, is truly an all-in-one solution, and supplementing planning software with other general or specialty applications remains commonplace.

### Third-Party Planning Applications

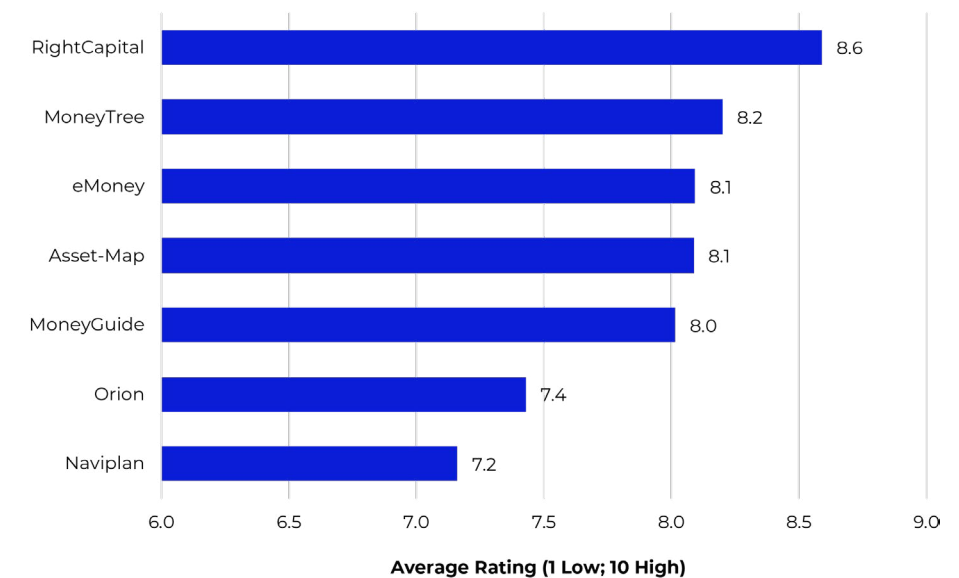
Figure 48 shows usage rates across leading third-party comprehensive planning applications. Like previous years, eMoney and MoneyGuide continue to be the market leaders. And the market continues to be top-heavy, as while eMoney (used by 39% of respondents) and MoneyGuide (32% of respondents) combine to cover more than half of the market share, only 5 other providers garnered usage rates of 2% or greater. Though notably, “Powerpoint” also garnered a significant portion of the “Other” responses, indicating that a small but growing number of advisors are eschewing traditional financial planning software altogether to create their own financial planning outputs.

Figure 48. Third-Party Financial Planning Software Usage



While advisors' satisfaction with software certainly influences which tools they decide to adopt, the most-used applications aren't necessarily the ones that are rated the highest. Figure 49 shows average overall satisfaction ratings for the 7 most-used third-party planning applications. (Detailed satisfaction ratings for these 7 applications are provided in the appendix.) On a scale of 1-10, with 10 being the highest possible satisfaction score, RightCapital rates the highest at 8.6. Likely not coincidentally, RightCapital also had the most significant gains in adoption rates when compared to the 2020 data. The lowest overall satisfaction score was for NaviPlan at 7.2, which also saw one of the largest relative drops in adoption.

Figure 49. Third-Party Financial Planning Software Satisfaction

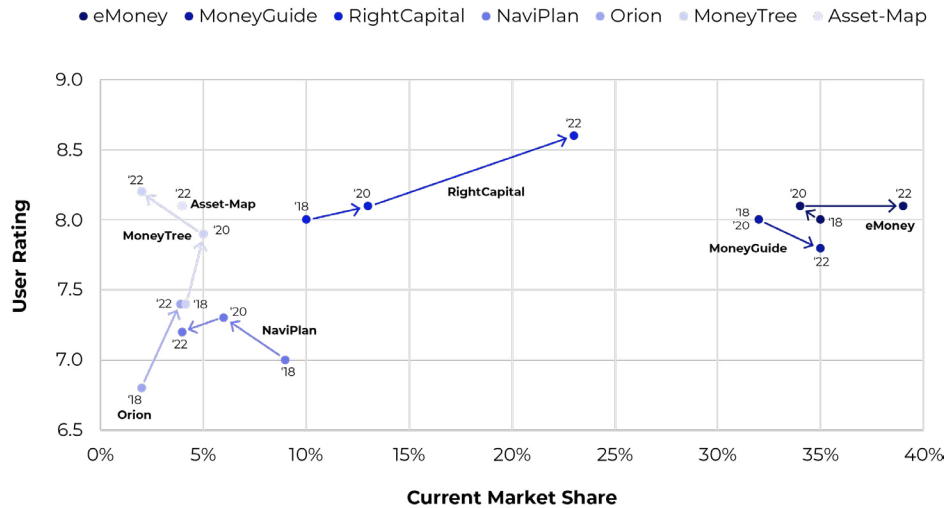


Simply put, satisfaction ratings do appear to be a good indicator of *future* advisor adoption trends, as advisors – particularly independents who control their own software decisions – do ultimately vote with their feet. Frequently, however, adoption rates lag satisfaction ratings (in both directions). Awareness of a high performer that is new to the market may be slow to spread, slowing market growth in turn. And even if they are dissatisfied with a provider, advisors may hesitate to switch to another due to the inconvenience of doing so. They may also be limited due to constraints placed on them by an affiliate or obstacles created by other legacy technology.



Figure 50 shows the connection between satisfaction and usage, where some (but not all) providers benefit from rising adoption when satisfaction increases. A prime example of such a beneficiary is RightCapital, which has consistently increased its market share as satisfaction has improved as well. Just in the last 2 years, its market share is up substantially, from 13% in 2020 to 23% in 2022.

Figure 50. Third-Party Financial Planning Software (Usage vs. Satisfaction, 2018-2020)



Application	Average Satisfaction			Market Share		
	2018	2020	2022	2018	2020	2022
eMoney	8.0	8.1	8.1	35%	34%	39%
MoneyGuide	7.8	7.8	8.0	35%	35%	32%
RightCapital	8.0	8.1	8.6	10%	13%	23%
NaviPlan	7.0	7.3	7.2	9%	6%	4%
Orion	6.8	-	7.4	2%	<1%	4%
MoneyTree	7.4	7.9	8.2	4%	5%	2%
Asset-Map	-	-	8.1	-	-	4%

Note: Satisfaction represents the average advisor rating based on a 1-10 scale, with "10" representing the highest possible satisfaction.

In contrast, as reflected in our Kitces AdvisorTech study, interest continues to wane for MoneyGuide's simpler goals-based approach compared to other more-in-depth tools like eMoney and RightCapital. As a result, eMoney now leads all providers with usage improving from 34% to 39% since 2020, while MoneyGuide dropped from 35% to 32% during the same period. Notably, though, the technical planning capability of a piece of software isn't sufficient on its own; if the software doesn't have a strong user interface, it may also suffer in satisfaction and, subsequently, adoption – exemplified by NaviPlan (which has long struggled with the complexity of its interface), which saw adoption fall to 4% in 2022 from 6% in 2020.

Asset-Map and Orion also had a 4% market share in 2022, whereas, in previous years, adoption was lower or non-existent. MoneyTree saw its usage fall from 5% to 2% in the last 2 years, but this coincided with a change in leadership and substantial redevelopment of the tool. MoneyTree is now generating rising satisfaction ratings, suggesting that it may see at least a partial rebound in market share in the coming years.

Clearly, the different comprehensive financial planning applications have different strengths and weaknesses, and advisors appear to be doing relatively well in 'self-sorting' into the tools that are the best fit for them. Which means in practice, companies that are winning market share appear to be doing so in large part by either being best-in-class within a particular segment of planning software users or by benefitting from broader changes in advisor preferences for planning tools in the first place.

In practice, there appear to be a few consistent clusters of advisor users: those who want to do the broadest and most comprehensive financial plans for clients (who are skewing towards eMoney and especially RightCapital), those who want to get through the planning process faster and easier (who use MoneyGuide and MoneyTree), those who want to have a particularly strong visual interface for collaboration with clients (where RightCapital is currently winning but Asset-Map is also growing), and those who want to leverage a financial planning *portal* with their clients (where eMoney was historically a leader but today appears to be losing market share to RightCapital and Orion).

Notably, the fact that RightCapital shows up near the top of the advisor satisfaction ratings across several of these sub-categories (see Appendix for further detail) – for depth and breadth of planning, its client portal, and its collaboration capabilities – helps to explain why it is gaining market share so rapidly. While the overall shift of financial planners towards increasingly comprehensive plans with greater depth – a trend we've seen throughout the study – helps to explain why MoneyGuide is continuing to lose market share and why MoneyTree may be struggling as well.

Perhaps of greater significance, though, is that no financial planning software in the market today is anywhere close to providing a genuine 'all-in-one' solution for advisors. Instead, there is the widespread use of specialized planning software along with more manual tools like Word or Excel to supplement either the analysis or the client deliverable, with the majority of advisors using every comprehensive planning software employing at least one (and often, several) other tools to 'fill in the gaps'.

Given these broad considerations, ahead are profiles of each of the leading third-party financial planning applications for those readers interested in more detail in the features and prominent applications of each. Summarized for each application are the following:

- **Who uses it** in terms of team revenue, distribution channel, and whether the advisor has attained CFP certification.
- **How they use it** in terms of plan approach and plan breadth.
- **Impact on planning** in terms of the application's use in coordination with other tools and the median hours spent with the software developing plans.
- **Unique considerations** outlining standout considerations for the software, which may relate to niche, clients, fee structure, and other characteristics.

## eMoney

**Who Uses It.** eMoney is most often used by larger advisory firms. For instance, relative to an overall adoption rate of 39%, just 20% of service teams with less than \$100,000 in revenue use the software, compared to 55% of teams with revenue of \$2 million or higher. The difference in usage is driven by a combination of cost (eMoney's premium price point is less affordable for newer advisors with limited revenue) and its depth (which is most effective for higher-net-worth clients who tend to be served by larger firms with more revenue).

eMoney is most popular with IBD service teams (46% adoption) and amongst Hybrids (44%). It's not necessarily unpopular among RIAs (36% adoption), but at least a segment of RIAs (who don't have access to the enterprise-level discounts of advisors at independent broker-dealers) may be priced out. On the other hand, only 14% of W2 brokers reported using eMoney, as its depth likely goes beyond the more product-based focus of brokers who don't have an RIA affiliation. eMoney is also more popular among CFP professionals (40% adoption) compared to non-CFP professionals (35%).

The logo for eMoney, featuring the word "eMoney" in a dark blue, sans-serif font. The "e" is lowercase and smaller than the other letters, which are all lowercase. The "y" has a long, thin tail that extends downwards.

**How They Use It.** By plan approach and breadth, eMoney is most popular among those doing Collaborative and Extensive financial plans. eMoney is used by 43% of those who apply a Collaborative approach to deliver plans and by 45% of those who create Extensive plans by breadth.

**Impact On Planning.** Advisors that reported using eMoney commonly combined it with other software, though no more so than users of other comprehensive planning software. For instance, of eMoney users, 48% also used specialized software, 55% used Excel, and 41% used Word, compared to 48%, 55%, and 41%, respectively, of all users of third-party comprehensive planning software.

The median team time spent using eMoney to build a plan is 5 hours or 1 hour more than what is typical across all financial planning software applications. However, there is also considerably wide variability in time spent using eMoney from one advisor to the next, with a long tail of advisors who spend a *lot* of hours in eMoney (a mean time of 7.5 hours with a standard deviation of 8.1).

This doesn't appear to be a function of eMoney being inefficient planning software but instead a reflection of its greater use for the most time-intensive Extensive plans. In other words, the typical financial plan takes longer in eMoney simply because the typical financial plan in eMoney is a longer, more in-depth plan in the first place. In that context, it's notable that advisors who choose to produce thorough, in-depth plans appear to have a strong preference for eMoney as their in-depth planning software of choice.

**Unique Considerations.** eMoney's success appears to be driven by its sheer depth and breadth of capabilities, as it scores highest amongst advisors in both the comprehensiveness of its planning capabilities and the depth of its analysis. Notably, along with the increased planning functionality comes some additional 'complexity' in its application, and as a result, eMoney scores lower than most of its peers in terms of simplicity of design and ease of use. Nonetheless, to the extent that advisors would rather showcase their expertise than streamline the planning process, eMoney's depth trumps its lack of simplicity in advisor ratings, leading it to one of the highest user ratings – and similarly, a plurality of advisors as the new leader in market adoption. Though as noted, eMoney's pricing has tilted its usage towards larger and more established advisory firms (who tend to have more revenue to afford the software and more affluent clientele to merit its depth).

## MoneyGuide

**Who Uses It.** MoneyGuide is found most often in service teams that are mid-range by revenue. For instance, while MoneyGuide has an overall adoption rate of 32%, it is the software of choice for 39% of teams between \$250,000 and \$1 million, placing the software squarely in the middle of advisory firms that typically serve mass affluent clientele.



MoneyGuide is the overwhelming software of choice amongst W2 brokers (owing to MoneyGuide's sizable enterprise relationships). Its adoption rate within this channel, at 79%, is double that of any other channel.

MoneyGuide was also a more common software for non-CFP professionals (36% adoption) compared to CFP professionals (31%).

**How They Use It.** Looking at its planning approach, MoneyGuide was the most popular application for financial planners creating Comprehensive plans (where the advisor inputs data and then presents the standard planning software output to clients): 39% of Comprehensive planners use MoneyGuide, a higher rate than the 32% adoption rate among all planners. MoneyGuide was also slightly more popular among advisors using a Calculator approach (at 35%), i.e., using the software primarily to determine what products to implement. Advisors who follow the Custom approach were the least likely to use MoneyGuide, with an adoption rate of just 26%.

In terms of plan breadth, MoneyGuide was significantly less likely to be used for creating Extensive plans (at only 28% adoption, compared to 32% across all advisors), while all other (less comprehensive) breadth categories saw comparatively greater adoption of MoneyGuide (at 38% for Broad plans, 38% for Narrow, and 39% for Targeted). Given MoneyGuide's more limited depth, it also, not surprisingly, had a slightly higher rate of advisors who reported using other specialized planning tools to supplement their MoneyGuide analysis.

**Impact On Planning.** MoneyGuide is also commonly used in concert with other software to support planning. Excel (56%) and specialized software (52%) were both used more than half of the time (compared to rates of 57% and 46% across all planners, respectively). Word was only used about 1/3 of the time (38%), less often than the broader advisor average of 41%.

The median team time spent using MoneyGuide, at 4 hours, was no different than what was typical across all third-party financial planning applications.

**Unique Considerations.** MoneyGuide has long been known for its goals-based planning approach, which emerged as a way to do more expedited and simplified financial plans by eliminating the need to enter 'every' client cash flow, and instead focusing only on the details necessary to articulate whether a client is on track for a particular specified goal. 2 decades later, MoneyGuide still operates primarily in a domain of doing less in-depth financial plans (leading to higher usage rates among advisors that offer more narrow breadth plans as well as those who use a calculator approach to illustrate product needs). This is consistent with MoneyGuide's above-average ratings in ease of use and simplicity, as well as its below-average ratings in the comprehensiveness of capabilities and analysis depth. Which helps to explain why MoneyGuide appears to be losing market share as advisors are increasingly producing deeper and broader financial plans. Though notably, MoneyGuide still shines with its interactive capabilities for doing Collaborative planning, which may help to explain why the application leads in usage among both hourly planners and advice-only planners who have proven more likely to take a Collaborative approach.

## RightCapital

**Who Uses It.** RightCapital is the most popular financial planning software for low-revenue advisor teams. Nearly half (49%) of teams with revenue of \$250,000

or less use RightCapital, versus just 15% of teams beyond \$250,000 in revenue—dramatically higher and lower, respectively, compared to the overall usage rate of 23%.

However, RightCapital is a newer tool compared to eMoney or MoneyGuide, and financial planning software has historically had a very low switch rate amongst financial advisors (largely due to the lack of data portability from one tool to the next, which makes switching platforms a time-consuming process). As a result, new entrants like RightCapital typically must focus primarily on new advisory firms that are starting 'fresh' and don't need to worry about the barriers of switching software. RightCapital's concentration amongst smaller advisory firms appears to be less a function of it 'only' being appropriate for smaller firms and more a reflection of its go-to-market strategy. If true, the expectation is RightCapital will be seen more often in larger firms as its current users grow in size. In fact, the sheer rate of RightCapital adoption amongst smaller firms suggests that its growth rate in market adoption will likely continue, as it appears to be capturing a highly disproportionate share of new advisors starting firms today (as MoneyGuide and eMoney did when they began and gained their initial traction decades ago).



By channel, RightCapital is most common in RIAs (27% adoption rate) compared to Hybrid (18%) and IBD (17%). More CFP professionals (23%) compared to non-CFP professionals (20%) use RightCapital.

**How They Use It.** In terms of planning approach, RightCapital is used by 28% of Custom plan creators and 24% of Collaborative plan creators. Conversely, RightCapital is only used by 18% of advisors using financial planning software as a product Calculator, and by only 15% of advisors who report creating out-of-the-box Comprehensive plans that they simply print and deliver to clients.

Not surprisingly, given its popularity among planners using a Custom approach, by plan breadth RightCapital is more common among advisors making Extensive plans (25% adoption rate) compared to Broad (22%), Narrow (20%), and Targeted (15%).

In practice, users rank RightCapital most similar to eMoney in the depth of analysis. Though notably, RightCapital ratings equal eMoney in comprehensiveness while *also* scoring the highest in satisfaction across all applications in simplicity and ease of use, which helps to explain its relative win in market share.

**Impact On Planning.** Only 41% of advisors using RightCapital also used specialized planning software, compared to 48% of all advisors using comprehensive planning applications. This suggests RightCapital is doing a better job of actually incorporating the full breadth of analyses that advisors tend to conduct, reducing the need for advisors to invest in other software to supplement. The propensity for RightCapital users to rely on any other applications for financial planning remained similar to overall averages.

The median time spent using RightCapital per plan was 5 hours, 1 hour greater than typical for users across all third-party comprehensive applications. However, the time spent is the same for eMoney users, which was the other software most commonly used to create Extensive plans. This suggests that RightCapital, like eMoney, isn't a more time-consuming software per se, but rather one that is more likely to be used by advisors who want to take the time to create the most in-depth (time-consuming) plans in the first place. In turn, given that RightCapital users tend to have reduced reliance on other specialized software as well, RightCapital is effectively proving itself to be the most efficient at creating Extensive financial plans by more consistently operating as a 'one-stop-shop' compared to its competitors.

**Unique Considerations.** RightCapital showed by far the biggest increase in market share over our 2020 study, which appears to be driven by a combination of its low price point and its highest overall satisfaction rating of all comprehensive financial planning

software. Which, in turn, is borne by the fact that RightCapital rates highly in depth and comprehensiveness – but *without* sacrificing ease-of-use and simplicity to get there (as most of its competitors do). Also notable was RightCapital's top ratings (by a large margin) in its Client Portal, a domain where competitor eMoney historically excelled. The end result is that while RightCapital remains most popular among pure solo firms, teams with less than \$250,000 of revenue, and practices under 4 years old, that is not a reflection of any limitations inherent in the software. Rather, it simply chose to enter the market and grow by pursuing newer advisory firms that wouldn't have to switch planning tools in order to gain initial traction. Which leaves RightCapital very well positioned for growth if it can continue to capture the bulk of new advisory firms while its high satisfaction ratings and word-of-mouth accolades win harder-to-achieve defections from competitors.

## NaviPlan

**Who Uses It.** NaviPlan, with an overall market share of 4%, has deep roots as being one of the most comprehensive financial planning software tools. Consequently, like eMoney, NaviPlan tends to be utilized by teams with higher revenues and more affluent clients. NaviPlan usage is highest (9%) in teams with revenues between \$1 million to \$1.5 million, followed closely in usage for teams with revenues over \$2 million (8%) – double its overall usage rate.



On the other hand, NaviPlan has lost what RightCapital has won in adoption with new advisors; there was not a single instance of a team under \$100,000 in revenue using NaviPlan. By channel, owing to its deep roots in large-firm enterprise sales, NaviPlan was far more common in IBDs (9% usage) and with W2 brokers (7%), compared to RIA (4%) and Hybrid (3%) advisors.

**How They Use It.** In terms of planning approach, NaviPlan is most used among 'product calculator' planners, with 7% adoption. Conversely, NaviPlan was least popular among Collaborative planners (3% adoption). With the exception of advisors preparing Targeted plans, advisor usage was fairly consistent in terms of plan breadth: Consistent with the comprehensiveness for which it is historically known, there was no instance of NaviPlan being used to create a Targeted plan (5 or fewer planning topics covered in a single plan).

**Impact On Planning.** NaviPlan was used in concert with other technology tools more than any other application. Whether it was specialty software, Word, or Excel, about ⅔

of NaviPlan users were accessing each of these additional applications to supplement analysis or output for clients. This suggests that NaviPlan, notwithstanding its depth and breadth, is still not able to analyze client scenarios or produce client output in the manner that its advisors most desire.

Despite the greater tendency to use supplemental software, the median time per plan spent using NaviPlan was no different than for advisors across all third-party comprehensive applications – 4 hours. Further, teams using NaviPlan typically took just 9.5 hours in total to prepare a financial plan, a half hour less compared to service teams overall.

**Unique Considerations.** While RightCapital has found the sweet spot of offering analysis depth and coverage comprehensiveness without suffering in ease of use or simplicity, NaviPlan has struggled. NaviPlan was competitive in the categories of depth and breadth (and a leader in categories like estate planning), but advisors ranked it lowest of all comprehensive applications in terms of satisfaction with ease of use and simplicity, and substantially lower than its peers with its client portal. In addition, NaviPlan also ranked substantially lower in its interactivity capabilities and its aesthetics, which leaves NaviPlan poorly positioned as advisors increasingly adopt a more collaborative approach to financial plan construction and delivery with clients. As a result, overall advisor satisfaction and adoption appear to be materially impaired, leading to the continued erosion of NaviPlan's market share.

## Orion Financial Planning

**Who Uses It.** Orion Financial Planning tends to be used by large-revenue teams, which is likely due to Orion's history with larger and more established teams with substantial AUM. These are the teams (who tend to purchase Orion's core portfolio-management and performance-reporting software) to whom Orion Financial Planning was recently rolled out after Orion acquired Advizr in 2019. Relative to a baseline adoption rate of 4%, Orion's market share among teams with \$750,000 or more in revenue is 5.2%, more than double its 2.4% share with teams less than \$750,000 in revenue.

By channel, 6% of Hybrid advisors used Orion, a usage share more than double that of other channels. It is also more popular among non-CFP professionals (6%) compared to CFP professionals (3%).

**How They Use It.** Orion Financial Planning is most often used as a product calculator to illustrate the client's gaps and needs; among advisors with this approach, there is

a 7% usage rate. Orion's lowest usage by plan approach, 1%, is among Comprehensive advisors who use planning software output to provide a holistic picture of the client's financial situation.

Orion, in terms of plan breadth, is most often used for narrow plans. This aligns with Orion's satisfaction ratings, where the application scored last for comprehensiveness and near-last for depth of analysis and, in general, was last or near-last in ratings for most planning categories (e.g., life insurance, long-term care insurance, estate planning, retirement distribution planning). However, Orion scored extremely well for its client portal and for its account aggregation of cash flows and net worth, signaling that, in practice, Orion Financial Planning is being used less as comprehensive financial planning software, per se, and more as a financial planning portal (attached to the broader Orion performance reporting portal for clients).

**Impact On Planning.** While Orion is used in concert with specialized software and Excel at rates similar to users of any other third-party comprehensive application, just 1/3 of Orion users also use Word. Usage is much lower than the 41% of respondents who use Word overall, again an indicator that advisors are more likely to simply let Orion's portal stand on its own as a financial planning interface for clients.

The median time per plan team spent using Orion was 4 hours, no different than those who used other third-party comprehensive applications.

**Unique Considerations.** Orion's Financial Planning tool is utilized substantively differently than other traditional financial planning software. As per advisor satisfaction ratings, its relative weaknesses – depth of analysis, comprehensiveness of coverage, and individual financial planning modules – suggest it is not widely adopted by advisors who do in-depth comprehensive financial planning and instead is used primarily as a financial planning portal (as reflected in its category-leading scores for client portal and account aggregation).

This makes sense relative to the Orion financial planning software addition to the existing Orion system – which historically was used for portfolio management and performance reporting. Advisory firms that are not deep in financial planning have begun to use Orion's financial planning portal to do 'something' in financial planning for clients (which explains why it is far more used within hybrid broker-dealers than amongst standalone RIAs who tend to be more planning-centric). However, this also raises questions of whether Orion's financial planning software will find a stable base of advisors who are content to do that level of financial planning (and live within that niche), or if



those firms progress to deeper planning work and deliverables over time, which may draw them away from Orion to competing planning software tools that accommodate analyses in greater depth.

## MoneyTree

**Who Uses It.** Relative to its overall adoption rate of 2%, MoneyTree is used most often by mid-sized service teams with revenues between \$500,000 and \$1.5 million (at 4% usage), but like most competing planning software tools, it is used by at least some firms at all team revenues. MoneyTree was significantly more popular in IBDs (5% usage in the channel) compared to RIA (2%) and Hybrids (1%).



**How They Use It.** By planning approach, the use of MoneyTree is most pronounced in the product calculator group (6% usage) and the custom plan group (3%), compared to use by planners doing comprehensive (2%) or collaborative plans (only 1% of the time). By plan breadth, MoneyTree is most common among targeted (3%) and Broad plan creators (3%). It is least common among Extensive (2%) and Narrow plan creators (1%). This split – broad and targeted plans – aligns with MoneyTree’s overall 2-tier approach of tools, with Plan (a MoneyTree solution for building broader plans) and Advise (MoneyTree’s solution for producing narrower and more targeted goal-based plans).

**Impact On Planning.** MoneyTree is significantly less likely to be used in concert with specialized software. Just 1/3 of MoneyTree users use specialized planning software compared to 48% of all respondents using a comprehensive planning application, which speaks to the more targeted (not as in-depth and comprehensive) use of Advise that tends not to incorporate other more advanced planning analysis. MoneyTree users’ accompanying use of Excel and Word was similar to other planning tools, though.

While Money Tree has a bit of a hold with many different types of firms doing varied types of planning, it lacks significant market share. Its use may be limited to more non-traditional ways – for instance, a money coach with their own practice, focusing on middle-of-the-road clients for one-off plans—which may explain why the median time spent using MoneyTree to produce a financial plan was 3 hours, 1 hour less than typical users of third-party comprehensive applications.

**Unique Considerations.** MoneyTree has a storied history as one of the earliest financial planning software tools going all the way back to the late 1970s... which unfortunately had given it a relatively lagging aesthetic and limited cloud adoption capabilities. Similar to Orion, however, MoneyTree also experienced a change in ownership in 2019. Over the

past 3 years, this new ownership has substantially reinvested into overhauling the look and interface of MoneyTree, which is reflected in its rising overall satisfaction ratings and bodes well for its future market share growth opportunities.

However, MoneyTree still lags in some key areas – in particular, its client portal and account-aggregation capabilities – and in practice, the tool appears to be used simultaneously by those who want a ‘financial planning lite’ tool that can do quick calculations to illustrate basic needs (with MoneyTree Advise), and a segment that still wants to use MoneyTree to support more in-depth custom financial plans (with MoneyTree Plan). As a result, MoneyTree does not appear to have any *particular* area where it stands out, and as such, may struggle to find opportunities to win market share from competitors, notwithstanding its rapidly rising overall satisfaction ratings thanks to its recent re-designs.

## Asset-Map

**Who Uses It.** Asset-Map tends to be used with mid-sized and larger, more established advisor teams.



Relative to an overall adoption rate of 4%, 5% of teams with revenues between \$250,000 and \$1.5 million used Asset-Map, but only 2% of teams with less than \$250,000 in revenue used the application. By channel, Hybrid advisors are the clearest adopters of Asset-Map. Their 7% adoption rate is more than double usage in any other channel.

**How They Use It.** In terms of approach toward delivering plans, Asset-Map is most common among collaborative planners, who tend to share plan results with the client in a live setting. Asset-Map has a 6% market share among these advisors, a share more than double what it maintains among others.

According to the typical breadth of plans prepared, Asset-Map is more commonly used by Extensive plan creators, accounting for a 5% market share with that advisor group. However, while Asset-Map supports advisors in covering a wide breadth, the software itself does not go nearly as deep *with* the tool compared to traditional planning software like eMoney (as Asset-Map ranked lowest for depth of analysis and second lowest for comprehensiveness according to satisfaction ratings). Interestingly, though, Excel usage is quite low for Asset-Map users – signifying that Asset-Map has found a niche of advisors who are happy with its “broad but not as deep” approach to planning.

**Impact On Planning.** While Asset-Map users tend to make greater use of supplemental specialty software for plan preparation (54% of users), their use of Word and (especially) Excel is much less prevalent; just 31% of Asset-Map users deploy Excel to support plan

production, compared to 55% of users of other comprehensive applications. These differences are consistent with Asset-Map being most likely to appeal to collaborative planners presenting output directly to clients (coupled with its satisfaction ratings that are nearly-top-scoring visual appearance of the software and highest-scoring in report output).

The median number of team hours per plan spent using Asset-Map, at 4, was similar to that of other comprehensive applications.

**Unique Considerations.** Asset-Map is truly unique from other financial planning software applications as it originated to provide 1-page mind-mapping-style visualizations of a client’s household financial picture; only later did it include expanded financial planning and analysis tools. As a result, it is a leader in advisor satisfaction with respect to aesthetics and report output as well as ease of use and simplicity, but near last in terms of satisfaction with its comprehensiveness of coverage and depth of analysis.

Notably, Asset-Map also has deeper roots in the insurance and broker-dealer channels, which is again reflected in its functionality, where Asset-Map leads in advisor satisfaction related to life insurance, disability insurance, and long-term care insurance modules, but lags in retirement savings and retirement distribution planning. Ultimately, Asset-Map appears to have carved a strong niche for itself in providing visualizations that are simpler to use and understand for clients with ‘light’ planning capabilities, which also helps to explain why it is significantly more popular in use with younger clientele.

## Specialty Financial Planning Applications

As discussed throughout this study, the ongoing pressure for advisors to do increasingly complex work for clients is driving the rapidly growing use of specialized planning software tools. While only 30% of advisors used specialized tools in 2020 (and only 29% in 2018), a whopping 46% reported using them in 2022. Of those using specialized tools, 93% of them also indicated that they were using comprehensive financial planning software (e.g., eMoney and MoneyGuide). In other words, specialized tools are specifically used to go *beyond* to fill in the gaps of what general financial planning software cannot do.

Advisors often use multiple types of specialized software. For instance, of those advisors who reported using a specialized tax tool, 56% also use special Social Security planning tools, and 53% use specialized retirement planning tools. Likewise, advisors who use Social Security planning tools also very commonly use specialized tax (75%) and retirement (63%) planning software.

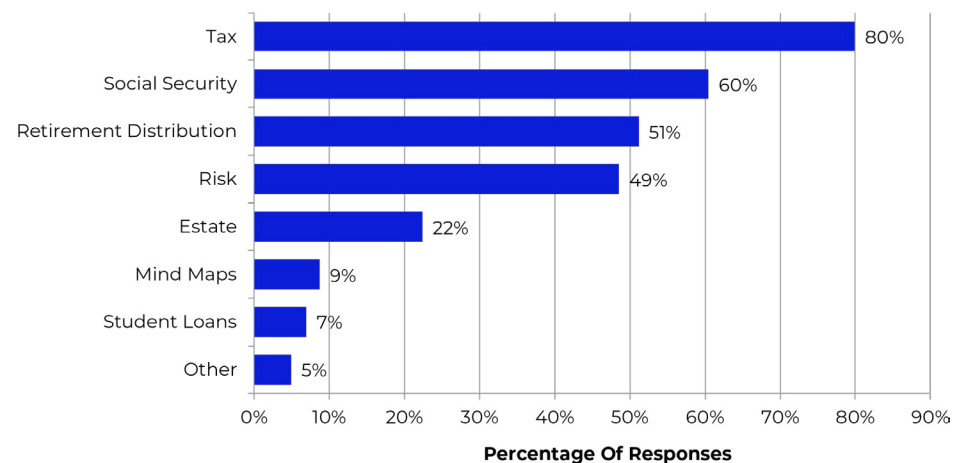
The use of specialized tools is largely driven by advisors charging fees for advice to work with more complex clients whose needs outstrip standard financial planning software tools. Half of RIA advisors use specialized planning software. It is less common for IBD and W2 Brokers, where fewer than ⅓ rely on specialized software.

Not surprisingly, then, specialized software is used by just 30% of advisors working mainly on commissions but far more common with advisors who actually charge fees for advice (and have a greater incentive to go deeper with planning). These include advisors primarily reliant on fees – either through retainers (50% usage), AUM (47%), or hourly (43%).

Specialized tools also become more common as financial advisors work with increasingly larger clients, who tend to have greater complexity and require more in-depth analysis; as such, 61% of advisors serving \$2 million-plus clients use specialized tools compared to 27% of advisors with typical clients with less than \$500,000 in AUM. Interestingly, the use of specialized tools had no unique relationship with niche, plan approach, or plan breadth.

Figure 51 shows specialized software usage by software type for the 46% of respondents indicating any use of specialized applications. Within this group, tax applications were the most common, with 80% usage – a substantial shift since 2020, when just 60% used tax-planning tools. Social Security applications follow with 60% usage, down from 66% in 2020. The use of broader retirement-distribution tools, at 51%, was also up substantially, compared to 30% in 2020.

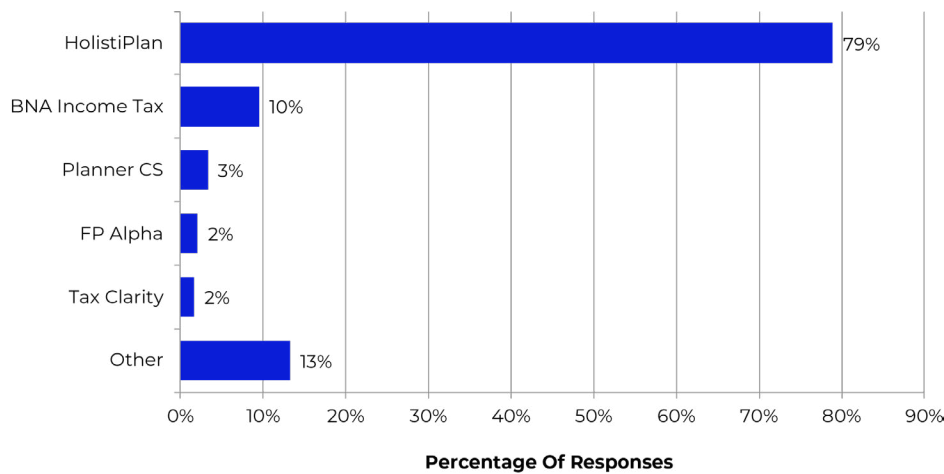
Figure 51. Specialized Software Usage



Given the overall increase in the use of specialized planning tools in the aggregate, all categories – including Social Security – are showing increases in total advisor adoption as advisors go increasingly deep into their financial planning work with clients.

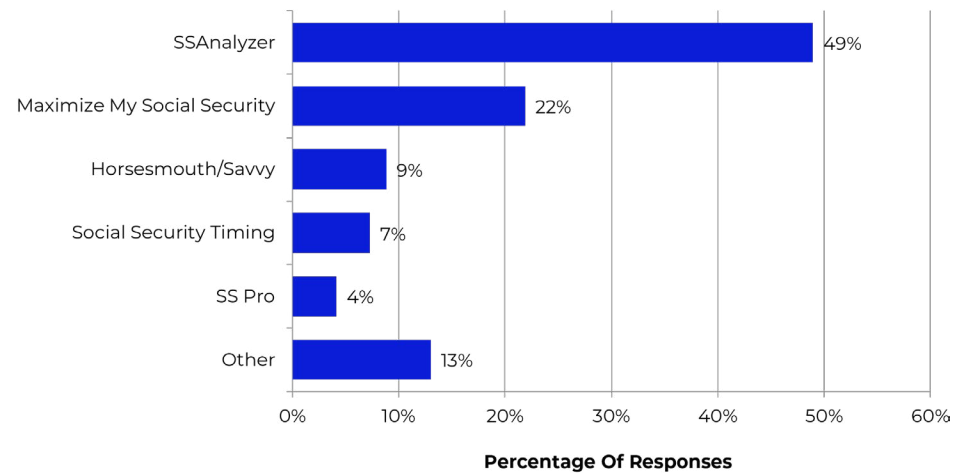
Of all the types of specialized planning tools reviewed, only 2, tax and Social Security, had large enough sample sizes to make any meaningful conclusion about about usage of individual tools within these categories. For tax and Social Security planning, there were clear leaders. Tax is led by HolistiPlan, with 79% adoption among those using tax software (Figure 52).

Figure 52. Specialized Tax Software



Social Security is led by SSAnalyzer (49% market share) but faces more robust competition, including 22% of advisors using Maximize My Social Security, 9% using Horseshmouth, and 7% using Social Security Timing (Figure 53).

Figure 53. Specialized Social Security Software



And although responses regarding estate planning software were fewer than 20, it is still notable that 74% of those that reported using an estate planning tool fell into the category of “Other”, suggesting there is no clear leader in Estate planning software for advisors.

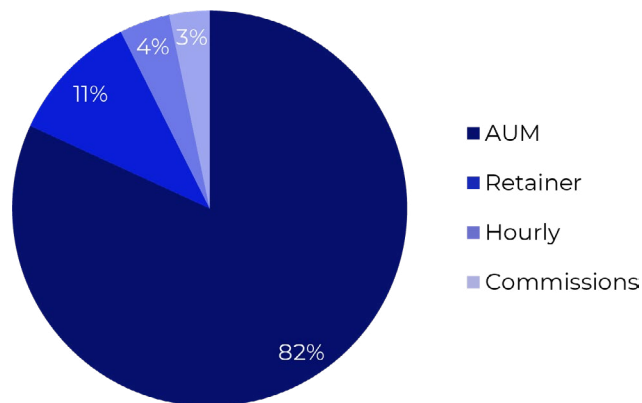


# Charging For Plans And Financial Advice In General

## Pricing Overview

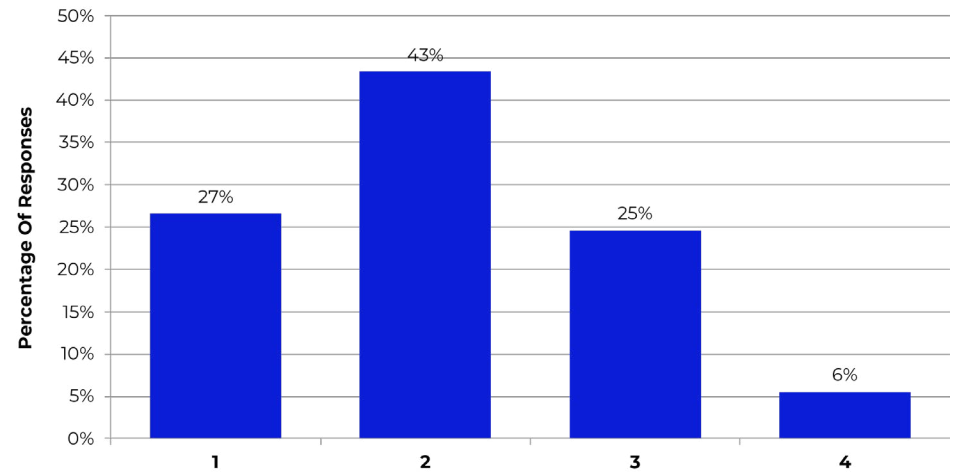
Financial advisors who participated in our Kitces Research study relied on a range of business models to generate revenue as compensation for their services. As has been the case for many years running, however, the Assets Under Management (AUM) fee still reigns supreme. For 89% of respondents, at least some compensation from clients was in the form of a fee tied to a percentage of AUM. For 82%, the AUM fee represented more than half of revenues (Figure 54). The remaining advisors primarily relied on retainers (including subscription fees), hourly or project fees, or commissions.

Figure 54. Majority Revenue Source



While the AUM fee is dominant, though, it is unlikely to be an advisor's only revenue source. Nearly  $\frac{3}{4}$  of respondents generated revenue from multiple charging methods (Figure 55). For example, of the respondents that used an AUM fee, at least  $\frac{1}{3}$  also used an hourly/project, retainer/subscription, or commission charge with at least some clients. Generally, however, if an AUM fee was applied to clients, it generated the bulk of an advisor's revenue. The AUM fee accounted for 85% of revenue for the typical advisor that also used other types of charges.

Figure 55. Number Of Different Charging Methods Used

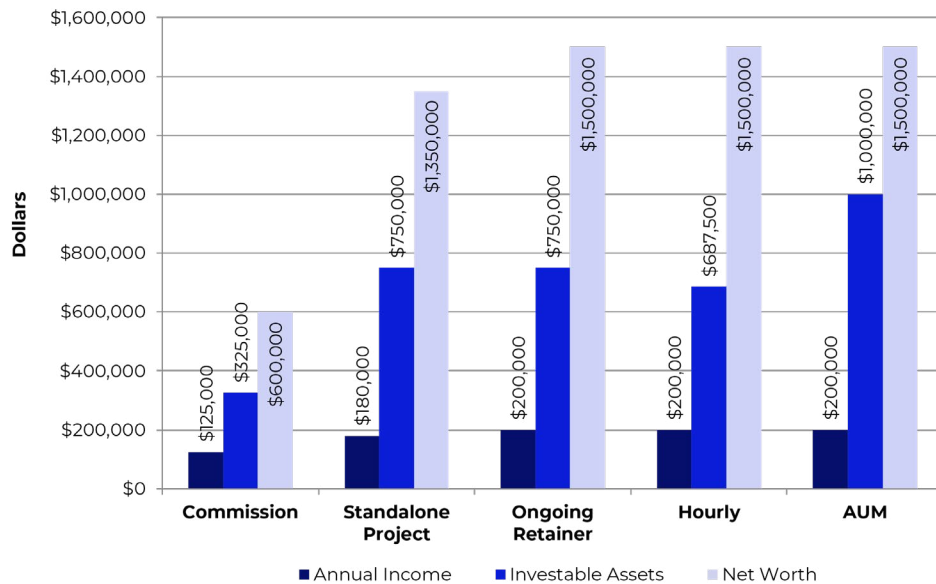


To some extent, the tendency for advisors to use multiple charging methods results from the recognition that certain methods are more suitable for different client types. For instance, the AUM fee model is very limited for working with clients who may have higher income or net worth levels and who are willing to pay for advice but simply don't have investable assets available to delegate to an advisor to manage.

Accordingly, Figure 56 shows that clients who pay via an AUM fee tend to have substantially more investable assets than those served by any other type of revenue model. Other fee-for-service models serve clients of similar income and net worth but who don't have the portfolio sizes to 'fit' the AUM model.

At the other end of the spectrum, the typical client subject to commission charges is far less affluent by any measure (investable assets, net worth, and income) than those who are subject to other charging methods. In fact, whether measured by income, assets, or net worth, the wealth level of commission clients is roughly half that of other clients. Though it's not entirely clear whether other advice models *can't* be used to serve more affluent clients or if, instead, there is simply such a shortage of financial advisors that more affluent clients are effectively 'bidding up' their fees in other advice models and crowding out (or pricing out) the rest of the consumer marketplace.

Figure 56. Typical Client Affluence By Charging Method



More often, however, advisors look to be simply layering on additional fees to the same client to ensure full cost recovery for all services provided. A good example of this is when a client is charged separately for a financial plan on top of already paying an AUM fee for ongoing portfolio management services (explored in more detail ahead).

### Typical AUM Fee Levels

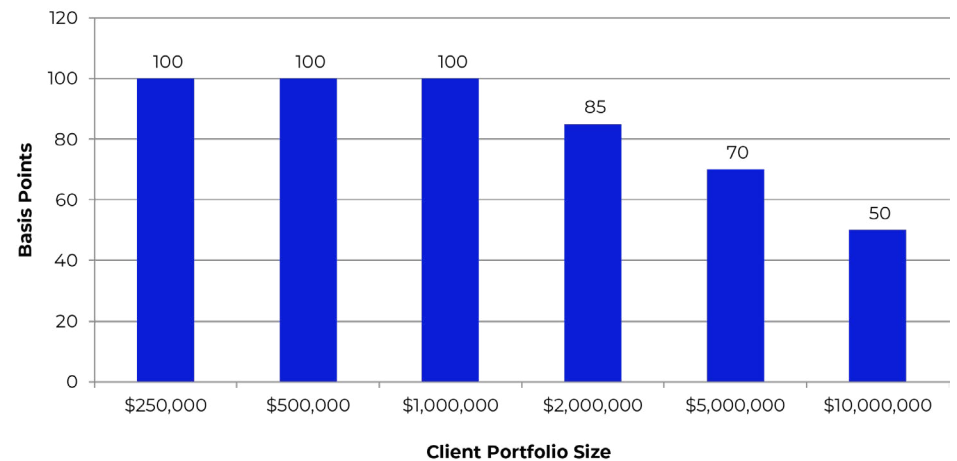
As the advisor’s value proposition has evolved far beyond simply managing a client’s assets, industry pundits have projected the demise of the AUM fee for some time now. Yet while there are clear signs that advisors are increasing their use of alternative charging methods, the AUM fee continues to be a dominant revenue source. Across survey respondents, nearly ¾ of advisor compensation on average came through an AUM fee.

With an AUM fee, clients are typically charged through either a graduated or flat-fee rate. Graduated rates, used by 59% of advisors with an AUM fee, are based on a blend of different fee rates across graduated AUM tiers. Another 37% of advisors apply a flat rate for calculating the AUM fee, where a single flat fee rate is applied retroactively back to ‘dollar one’ of the client’s assets when the next asset threshold is reached.

In practice, blended fee structures are likely more common because they reduce the risk of price shocks – for both the advisor and the client – by reducing the potential for small changes in portfolio value to dramatically impact client charges. For example, with a flat fee, a client might pay the advisor 100 basis points annually on a portfolio of less than \$1 million, with the total fee dropping to 85 basis points for portfolios between \$1 million and \$2 million. In this case, with just a \$1 increase in portfolio value to \$1 million, advisor revenue on such an account drops 15%. Going the other way, if the market declines, pushing the value of a portfolio down from \$1.1 million to just under \$1 million, the client fee would *increase* at nearly the same rate as the drop in portfolio value (at the worst time to deliver the news of a fee increase to the client)!

Whether the fee rate is graduated or flat, the larger a client’s portfolio, the less the charge. As shown, the typical 50 basis point revenue yield on a \$10 million portfolio is half that of a \$1 million portfolio (Figure 57). The sliding scale implies the advisor’s recognition that the cost to serve a client does not increase linearly as portfolios increase in size. This is particularly true for larger portfolios.

Figure 57. Median Revenue As A Percentage Of Assets Managed



That being said, there is no change in the typical AUM revenue yield for account sizes of \$1 million or less, with the median holding constant at 100 basis points. Regardless of client size, there are fixed costs for onboarding and maintaining a relationship that the firm needs to cover. By maintaining a higher AUM fee across this range, advisors are better assured of covering these costs.

Additionally, 63% of respondents mandate a minimum account size for AUM clients, another effective means to ensure client revenue exceeds client servicing expenses for the smallest account sizes. The typical minimum is \$100,000 for those advisors that have one. Surprisingly, the existence of a minimum makes no difference to the typical AUM fee an advisor charges on accounts of \$1 million or less, which hold steadfast at 1%. This is consistent with typical AUM fee schedules showing little variation across different practice characteristics in general. Nonetheless, advisors generating \$1 million or more in revenue typically maintain a minimum account size of \$250,000 for AUM clients, compared to a minimum of just \$100,000 for other advisors, and those with higher minimums do tend to have greater advisor productivity.

### Structuring Graduated Fee Schedules

Given the widespread use of the graduated method for determining a client's AUM fee, Kitces Research collected additional details from respondents on the structure of these fees. Figure 58 summarizes a typical structure based on these responses. As shown, a 4-tier structure is most common, with the final tier topping out at \$5 million or more in assets. Note that whether advisors adhere to a flat fee or blended approach, the fee on a \$1 million account is identical at 100 basis points.

Figure 58. Typical Blended Tier Fee Structure (Based On 4-Tier Median)

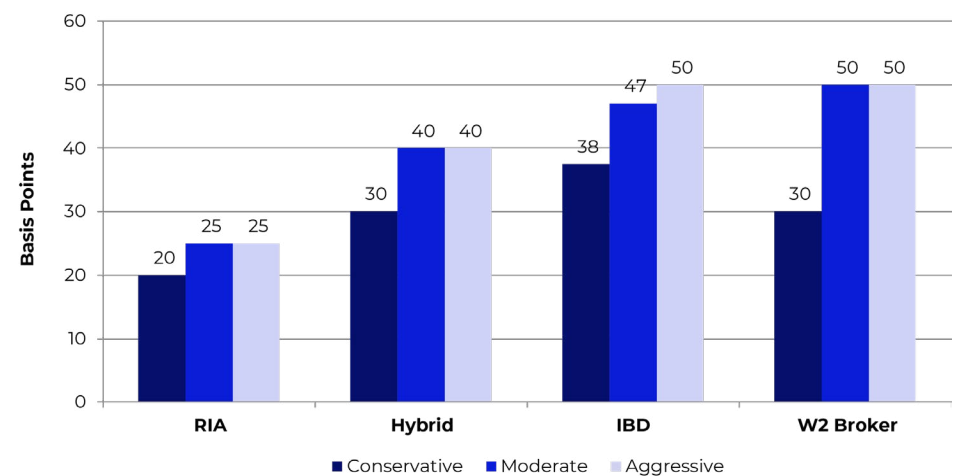
Tiers	Asset Range	Tier Basis Point Charge
Tier 1	\$0 to \$1m	100
Tier 2	\$1m to \$2m	85
Tier 3	\$2m to \$5m	70
Tier 4	\$5m+	45

### All-In Fees Including The Underlying Cost Of Investing

While AUM fees reflect what goes to the firm, the amounts that clients actually end up paying are typically more, as most client portfolios consist of a mix of mutual or exchange-traded funds packaged and overseen by outside managers, which each having management expenses of their own. Layering in these underlying fees results in an all-in fee that is a more complete representation of the client's total expenses.

To capture these additional costs, survey respondents were asked to estimate approximate blended expense ratios for 3 different portfolio types: conservative, moderate, and aggressive (in recognition that costs of bond funds, in terms of expense ratios and sometimes outright billing rates, tend to be lower than equity funds). Unlike the advisor's AUM fee, these underlying expense ratios do show some significant variation, especially in relation to the advisor's distribution channel (Figure 59).

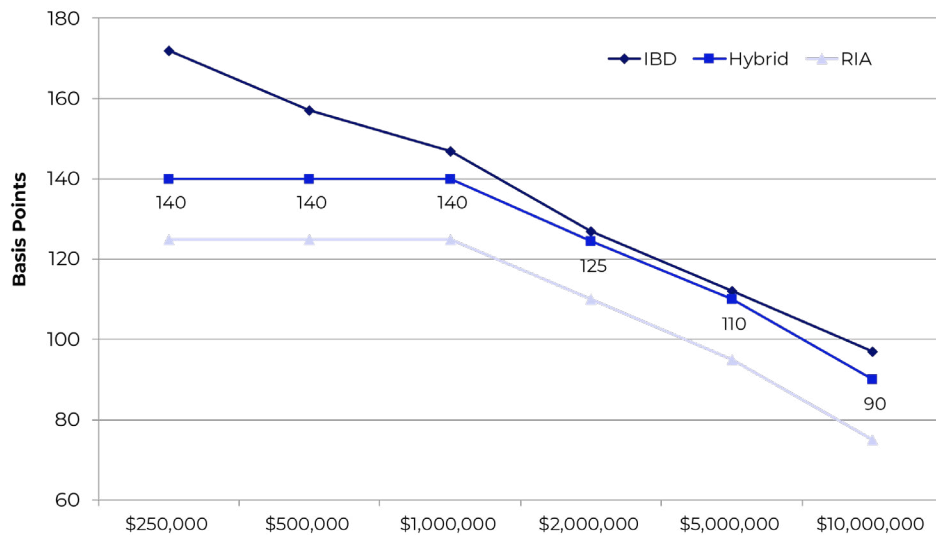
Figure 59. Expense Ratios For Underlying Client Funds By Advisor Channel



As shown, regardless of their portfolio's level of risk, pure RIA clients have the benefit of the lowest expense ratios. They are roughly half what IBD or W2-broker clients pay, as those platforms tend to generate a portion of their own revenue from asset managers and consequently are more likely to use higher-cost versions of common funds. Expense ratios for Hybrid channel clients fall in the middle between pure RIA and pure broker channels, likely as a reflection of the blending of expense ratios between RIA-channel funds and broker-sold funds.

Given these typical expense ratios, a \$1 million client who was invested in a moderate portfolio would pay an all-in fee of 125 basis points if working with an RIA advisor (100 basis points directly to the advisor plus 25 points to the underlying portfolio managers). In comparison, this same client portfolio would pay an all-in fee that is 150 basis points (20% higher) if being served by a W2 broker or 147 basis points (18% higher) if served by an advisor at an IBD. The gap between IBD and RIA all-in fees grows even wider as client portfolios decrease below \$1 million (Figure 60).

Figure 60. All-In Fee By Advisor Channel By Portfolio Size (Moderate Risk Profile)



In essence, as competition for top-line payouts has become increasingly intense for broker-dealer recruiting, it appears that broker-dealers are increasingly generating a portion of their revenue from underlying products – whether in the form of revenue sharing, platform fees, or participation in 12b-1 fees – and those additional costs for the broker-dealer intermediary are showing up in the form of higher costs for the solutions their advisors implement.

As pricing becomes increasingly transparent to consumers, broker-dealer affiliated advisors will need to be prepared to justify these higher costs or offset them with price reductions in their own fees. In addition, broker-dealers may increasingly feel pressure

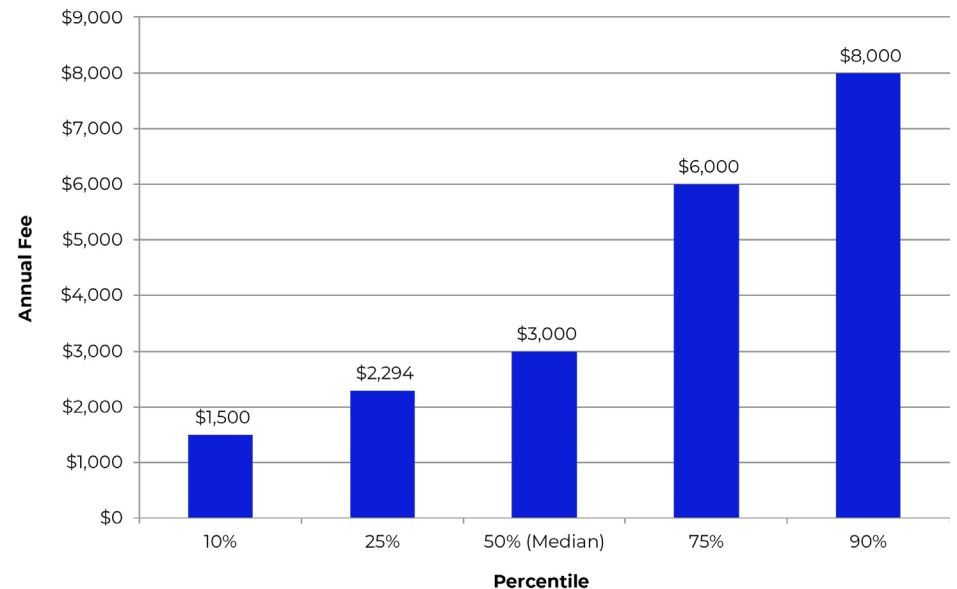
to make additional lower-cost investment options available to their advisors to remain competitive. Concurrently, RIA advisors may gain another effective point of differentiation in the competition for new clients by being able to demonstrate lower all-in costs without the additional cost layer introduced by the broker-dealer intermediary.

## Retainer Fee

Retainer fees were used by 39% of advisors, but fewer than 3% relied on them exclusively. Instead, of those advisors using retainer fees, 81% also collect revenue via an AUM fee. For the typical advisor that employs both AUM and retainer fees, retainer fees account for 13% of revenue. This minor revenue share suggests that retainer fees are primarily being used as a model to charge for financial planning alongside AUM fees for portfolio management services.

While the median annual retainer fee was \$3,000, what clients paid varied across advisors, as well as across clients of the same advisor. For the middle 50% of responses clustered closest to the median, typical retainer fees ranged from \$2,300 to \$6,000 (Figure 61).

Figure 61. Distribution Of Typical Annual Retainer Fee



Further, as shown in Figure 62, just 20% of advisors charging retainers maintained a standard retainer fee for all clients. Nearly half tailored retainer fees specific to each client, with the remainder determining fees by assigned tier (e.g., by providing multiple tiers of services such as Bronze, Silver, and Gold and allowing clients to select which tier of service they wanted for the associated subscription fee).

### Hourly Charges

The application of hourly charges was about the same as for retainer fees, with 40% of advisors generating revenue from an hourly rate. Exclusive use of an hourly charge was equally rare as well, with less than 3% of advisors operating on an hourly-only model. In much the same way advisors use retainer fees, hourly charges frequently play a minor supporting role to AUM fees. The majority of those using hourly charges (81%) also used an AUM fee. Hourly fees represent just 5% of revenue for the typical advisor using both AUM and hourly fees, suggesting that advisors most often apply hourly charges in a role that is supplementary to the AUM fee. For those that charged hourly, the typical rate was \$250, with half of the responses clustered between \$223 and \$300 per hour (Figure 63).

Figure 63. Distribution Of Hourly Planning Fees

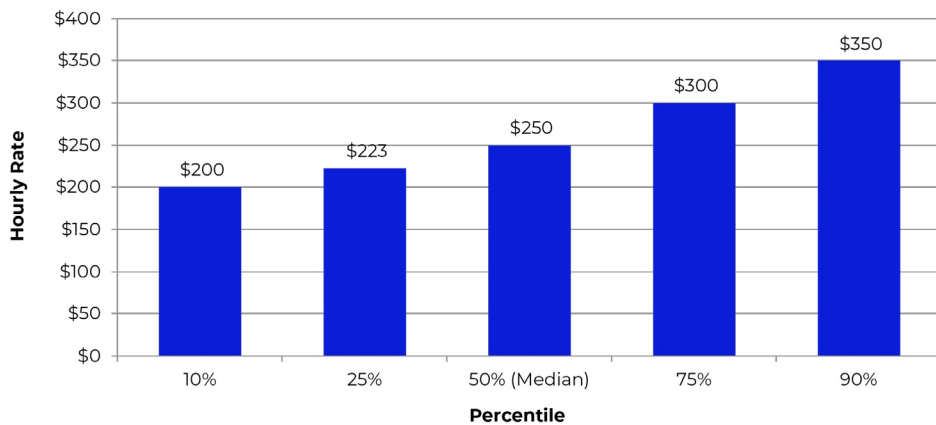
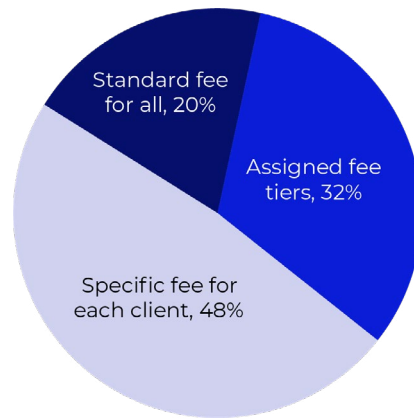


Figure 62. Extent Of Variance For Retainer Fees

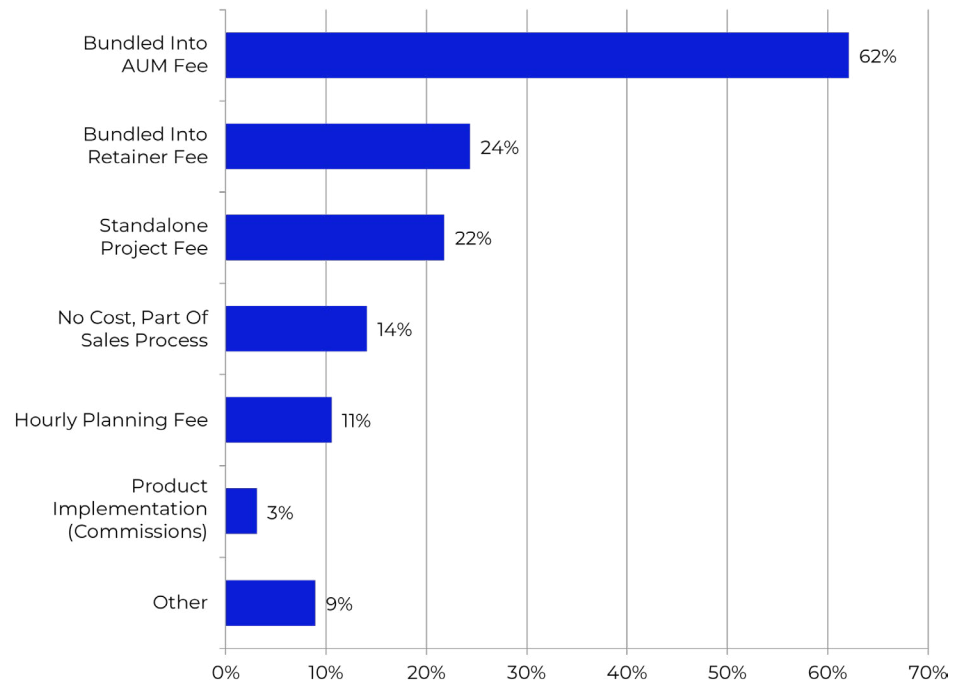


### Paying For Financial Plans

How advisors charge for their services can send a quiet but powerful signal that shapes client perception of the value that advisors provide. Many advisors have evolved their primary role as they've transitioned from broker to investment manager to true financial planners getting paid for providing financial advice (financial "advisers" in Kitces nomenclature). Despite this evolution, the AUM fee still dominates advisor pricing.

The end result is an increasingly bundled approach to advice fees, where financial advisors provide more and more financial planning as a bundled part of their existing AUM fee. In practice, our Kitces Research finds that 62% of advisors bundle the cost of developing a financial plan into their AUM fee (Figure 64). While just 27% of advisors charge separately for developing a financial plan, either via a standalone project fee (22%) or hourly rate (11%). (Note: advisors could choose one or more charging methods as typical, such that response totals add up to more than 100%).

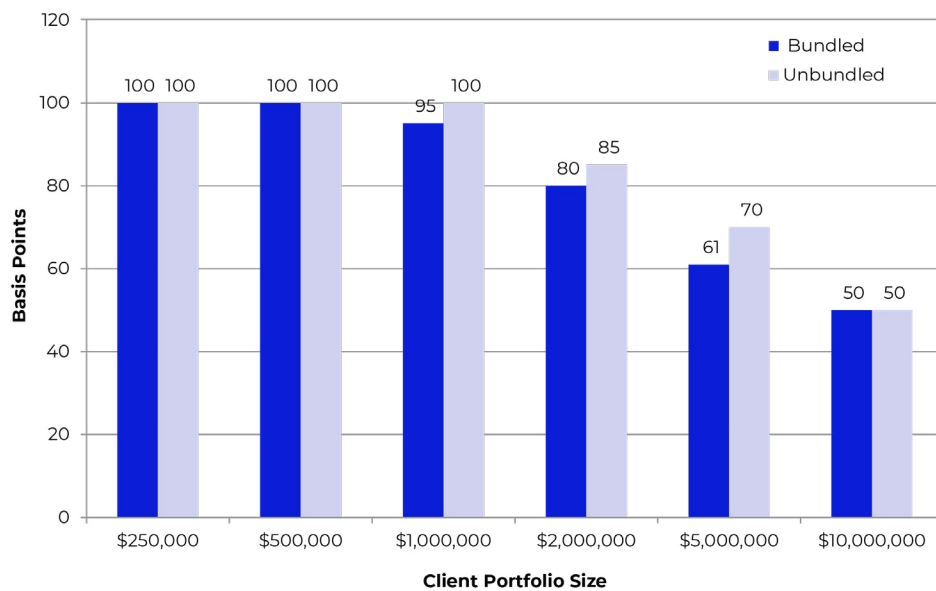
Figure 64. Typical Charging Methods For Financial Plans



However, as discussed earlier, with the rise of retainer fees, a growing number of advisors are beginning to decouple their financial planning services from their AUM fee and are instead bundling them into an ongoing subscription fee for financial planning services, effectively shifting to a '2-fees-for-2-separate-services' approach that helps to ensure each service generates sufficient revenue to cover the cost of their services. However, the practice still appears to be inconsistent within many advisory firms, suggesting that firms may more often be using the approach as a way to set a minimum fee for their smaller relationships (to ensure the necessary revenue is being generated to service the client at the firm's standards) rather than a full decoupling as a standard offering.

Figure 65 compares the AUM fee schedules for the majority of advisors who still bundle the cost of a financial plan into their AUM fee versus those who do not. The 2 schedules are nearly identical, except for the \$1 million to \$5 million account range, where advisors that bundle are actually charging less than those who do. The fact that the fee schedules are so similar across the board, despite the substantial work entailed in delivering financial planning, suggests that, in the long run, AUM advisors are finding that bundling in financial planning so deepens and enriches the client relationship that they are able to more than make up for a lower fee with the higher retention that comes as a result of making financial planning the included default for clients.

Figure 65. Median AUM Fee (Plan Bundled Vs Unbundled)

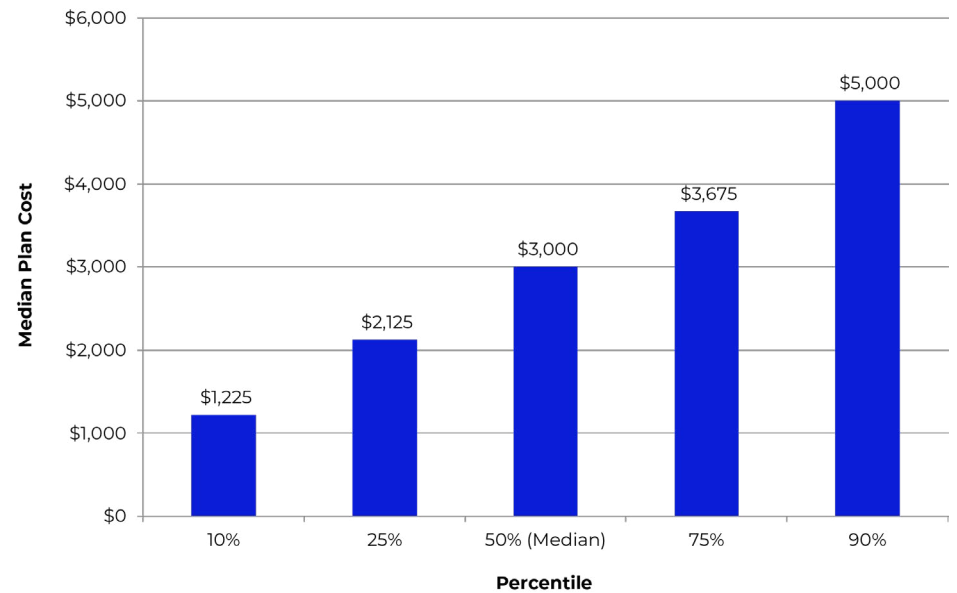


Which highlights the long-standing challenge that advisors continue to face in charging separately for financial planning – while it takes a substantial amount of time to do financial planning, it so enriches the advisor-client relationship that a large segment of advisors continue to find it profitable to not charge, or even charge *less*, to clients who engage with their financial planning process!

### Standalone Project Planning Fees

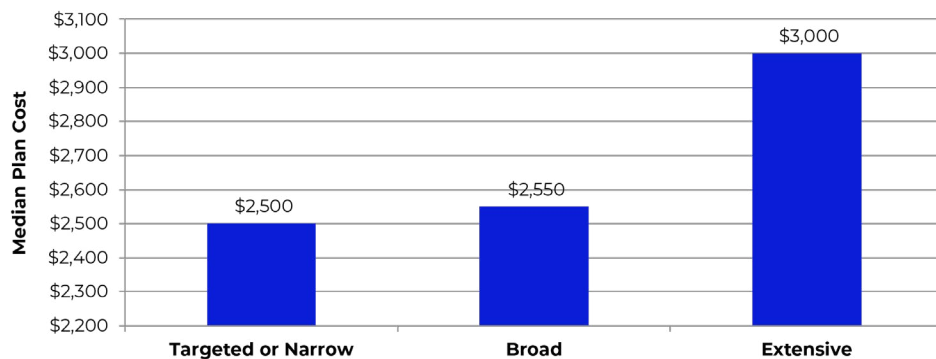
For those that do charge separately for an upfront financial plan, the most common method is to charge per plan via a standalone fee. Across all respondents who provide plans, about 1/3 charged in this manner. The median standalone fee for a comprehensive financial plan was \$3,000, representing a 20% increase over the \$2,500 typical fee in 2020 and up 33% from the median fee of \$2,250 just 4 years ago in 2018. In 2022, standalone plan fees for half of the respondents were grouped within a range of \$2,125 to \$3,657 (Figure 66).

Figure 66. Distribution Of Fees For Standalone Plan



Exactly why standalone-plan charges vary so broadly is not entirely clear. Surprisingly little correlation exists between a plan's standalone price and the breadth of the plan. Figure 67 does show that the typical price of an Extensive plan (covering the most financial planning topics) is about 18% higher than that of a Broad plan. Targeted or Narrow plans (combined to improve our sample size), however, are just 2% cheaper than the Broad median price – hardly a material difference. Which continues to emphasize that the sheer overhead in establishing the financial planning relationship, doing the analysis, and delivering the financial plan continues to be the driver of its cost – not the incremental amount of depth or breadth in the financial planning analysis stage.

Figure 67. Typical Standalone Plan Fee By Plan Breadth



There is also weak justification that standalone prices for a financial plan vary according to plan preparation costs, as prices are slightly (but only slightly) correlated with hours that a service team invests in preparing a plan. For example, at \$2,750, the median charge for a standalone plan taking less than 8 hours to prepare is just 8% less than the \$3,000 median fee for plans taking 13 or more hours to prepare.

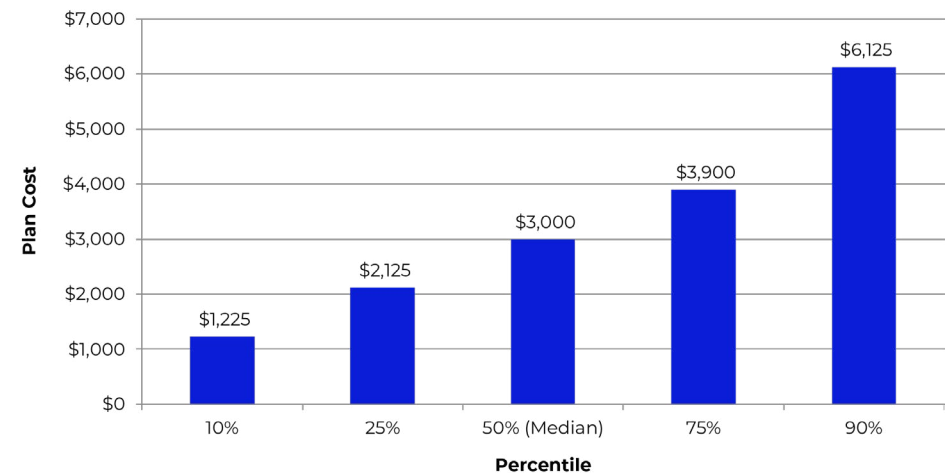
These results suggest limited price competition when it comes to what advisors charge for plans, as well as a lack of understanding on behalf of clients regarding what might be a fair price to pay. This includes clients' inability to distinguish between a higher-value plan that would have a higher fee relative to a less valuable financial plan for a materially lower fee. At present, advisors may simply be charging based on their best guess of what they think the market may bear. Alternatively, advisors could be discounting what they perceive to be the market plan price in order to improve the chance of winning or maintaining an ongoing client relationship, given that very few advisors generate their revenue *solely* from financial plan fees, and most who charge for financial plans are still doing so as a lead-in to an ongoing AUM or retainer fee relationship.

Regardless, there may be an opportunity for premium pricing of high-quality standalone financial plans if advisors can better articulate and differentiate the comparatively superior value of their financial plans relative to competitors.

## Plans By The Hour

One obvious way to ensure that the prices of financial plans reflect their underlying preparation cost is to charge by the hour. Just 11% of advisors charge hourly for a financial plan, though. For those that do, resulting plan charges closely mirror standalone planning fees. Multiplying the team's hourly charge with the typical hours required to prepare a plan results in a median fee of \$3,000. For the 50% of respondents grouped nearest the median, plans by the hour ranged from \$2,125 to \$3,900 (Figure 68).

Figure 68. Distribution Of Cost For Plan Based On Hourly Rate



As would be expected, the median hourly total of \$3,000 for a Broad plan is 10% greater than a Targeted or Narrow plan. Surprisingly, however, the typical hourly price for a Broad plan is nearly the same as that of an Extensive plan, signaling again that the bigger driver of plan production cost is not the time it takes to analyze a broader range of planning issues, but what it takes to establish the relationship, input the data into the planning software, and generate the planning output or deliverable (while the planning software itself appears to be making it efficient at the margin to add more planning topics with little additional time investment). As a result, advisors charging by the hour invest a similar amount of time at a similar rate to advisors who charge for and deliver standalone financial plans with other compensation models.

# Planning For Success – What The Most Productive Advisors Are Doing

By design, this report devotes extensive coverage to the specifics of how advisors carry out the financial planning process with clients. This insight offers useful guideposts for advisors in determining how close (or far off) their process implementation is relative to their peers. But even more importantly, what do our findings suggest for advisors who want to outperform their peers? What are the commonalities of the most productive financial advisors (measured by the revenue they are responsible for) as distinguished from the rest?

Summarized here, organized by the most critical areas of influence, are the key distinctions that have emerged from this research and that align with the most productive and successful advisors.

**Time Management.** For the most productive advisors in our survey, working longer hours doesn't necessarily equate with greater productivity. While a senior advisor that generates \$1 million or more in revenue typically maintains a work week that is 9% longer than less productive advisors, a more critical distinction relates to how more productive advisors are spending their time.

Productivity correlates positively with how much time an advisor directly allocates to clients. Senior advisors with \$1 million or more in revenue spend 39% of their time on front-office work (e.g., meeting with clients and/or prospects and other activities related to business development) compared to other advisors (generating less than \$1M of revenue) who spend just 29% of their time on similar activities. Much of this 10%-of-time difference involves higher-productivity advisors spending more time meeting with clients, with the capacity to do so created by working on and leveraging themselves through teams, as discussed further below.

In addition to allocating more time to clients, more productive advisors refrain from over-investing time in the first year of a client relationship. Teams led by \$1 million-plus senior advisors typically spend just 1 hour more in the first year of a client relationship than they do in following years. Compared to others, they spend 5 hours *less* in the first year of a client relationship and 3 hours *more* in subsequent years.

**Team Structure.** Generally, the larger the client service team, the greater the team's capabilities to attract and serve more affluent (and more profitable) clients. However, the most productive advisors tend to work within 3-person service teams, likely due to larger teams being more time-consuming for advisors as the people-management responsibilities grow. With a 3-person team – typically consisting of the senior advisor, a client service administrator, and an associate (or sometimes, service) advisor – median revenue per advisor is greater than that of other advisors in both smaller and larger teams. Not only is a 3-person team correlated with maximum productivity, but it is also large enough to facilitate career pathing. In turn, the next most productive teams are 4-person teams that typically include a senior, service, and associate advisor, all supported by a client service administrator.

More productive advisors also tend to seek financial planning support beyond the confines of their dedicated service teams. Compared to others, teams with revenue per advisor of \$1 million or more are about twice as likely to rely on centralized specialists within the firm. Centralized resources primarily drive productivity by providing advisors with the specialized expertise that better enables service to be provided to niche and other more complex (and often more affluent and profitable) clients. By contrast, lower-productivity advisors, to the extent they made use of resources outside of their teams, were more likely to rely on other external resources (e.g., home office specialists or outsourced providers) rather than developing an in-house centralized team of financial planning specialists.

**Clients.** In terms of clients served, higher advisor productivity correlates with a client base that is more affluent. Comparing advisors managing \$1 million or more in revenue with others, typical client net worth is  $\frac{2}{3}$  greater, and investable assets are nearly double that of less productive advisors. Simply put, the most productive advisors tend to work with more affluent clients, who can pay them higher fees for their service and expertise.

As wealth often correlates with age, it's not surprising that these more productive advisors are also slightly more likely to serve older clients. The median share of clients 55 years or older is 65% for \$1 million-plus advisors, compared to 60% for other advisors.



**Financial Planning.** The most productive advisors manage client assets while also providing financial planning but don't overcomplicate the financial planning process.

Without assets to generate revenue, the advice-only model challenges advisor productivity. The typical advisor who both manages assets and provides financial planning advice for clients generates \$400,000 in revenue. Revenue per advisor for those providing advice-only services, at \$162,500, is less than half that.

In addition, there is no clear correlation between financial plans that are broader in coverage and productivity of advisors that prepare more extensive plans – in other words, to the extent that some advisors create more comprehensive financial plans, they have been unable to command higher fees commensurate with the extra work it takes to produce such plans. If a trend is at all apparent, it is in favor of moderate breadth. The typical advisor that offers Extensive plans generates \$360,000 in revenue, a rate 7% lower than all other advisors preparing less extensive financial plans. Related to this, advisors who customize written financial plans for each client are 13% less productive than advisors who do not produce customized plans. The planning approach that correlates with the highest productivity is Comprehensive, where software generates a holistic picture of a client's financial situation, and the advisor delivers the financial planning software output with no substantive customization. Planners delivering plans simply using software output generated 18% more revenue per advisor than others.

More productive advisors are also somewhat distinct in terms of the tools they rely upon to support the planning process. Like their peers, advisors with \$1 million or more in revenue have a strong tendency to rely on third-party comprehensive planning applications. By contrast, however, the more productive advisors are nearly twice as likely to use firm-created financial planning software and much less likely to rely on Word or Excel to support their planning process. Firm-created planning software is used by 16% of \$1 million-plus advisors versus just 9% for others.

Relative to advisors generating less than \$1 million in revenue, more productive advisors have a greater tendency to use eMoney, MoneyGuide, Naviplan, or Asset-Map for a third-party planning application, with most (43%) using eMoney. At just 12% usage compared to 28% for others, high-productivity advisors are far less likely to use RightCapital. However, RightCapital is still newer on the market and has yet to make deep inroads with more established and typically more productive advisors. This raises the question as to

whether its adoption rate amongst the most productive advisors may rise over time. On the other hand, RightCapital tends to have greater use among planners who use more customized approaches and have more extensive plan breadth – planning traits where RightCapital shines, but traits that are less associated with more productive advisors due to the time-consuming nature of producing extensive customized financial plans.

**Pricing.** In terms of revenue model, advisors that generate the majority of their revenue from an AUM fee have a significant productivity edge over those advisors more dependent on other charging structures. The median of \$433,333 revenue per advisor under the AUM revenue model is more than double that for advisors working under different revenue models.

To better ensure coverage of fixed client costs, more productive advisors also set higher minimum account sizes for AUM clients. Advisors generating \$1 million or more in revenue typically maintain a minimum account size of \$250,000 for AUM clients compared to a typical minimum of just \$100,000 for other advisors.

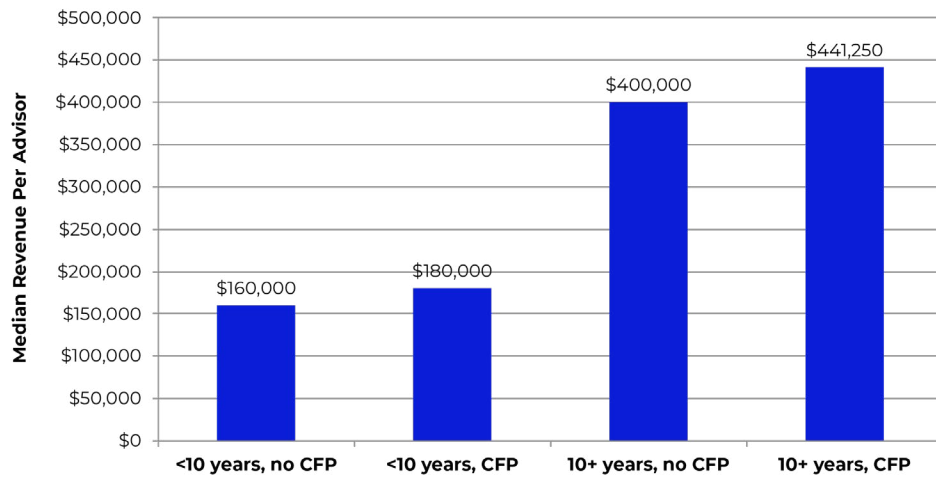
While hourly, retainer, and standalone plan fees are similar across advisors regardless of their productivity, higher productivity clearly correlates with higher AUM fees. Relative to others, advisors overseeing \$1 million or more in revenue have AUM fees that are typically 5-10 basis points higher across a range of account sizes. Further, unlike other advisors, these more productive advisors set higher AUM fees if providing a financial plan is bundled within the AUM fee.

**Experience And Expertise.** Last but hardly least important is the relationship between the advisor's productivity and their experience and expertise. The nature of the advice business will always require that advisors commit a certain amount of face time to their clients. This time requirement, however, handicaps the advisor's ability to scale the practice, as there are only so many hours in a workday. Building up experience and expertise, however, is one important means of spending client time more efficiently and raising advisor productivity as a result.

As shown in Figure 69, experienced advisors maintain a significant productivity advantage over those less experienced, with expertise in the form of CFP certification only adding to this advantage. For all senior advisors without the CFP marks, those with 10 or more years of client-facing experience are more than twice as productive in terms of revenue per advisor compared to less-experienced senior advisors.

This advantage is a result of more experienced advisors being more efficient at serving clients and more capable to serve more complex clients (resulting in the advisor outright generating more revenue with their time from clients who can and are willing to pay more for the advisor's services). Accordingly, experience also correlates with an advisor having a more refined (and more affluent) base of clients. Which is also often supported by a more established business development network for attracting these types of clients.

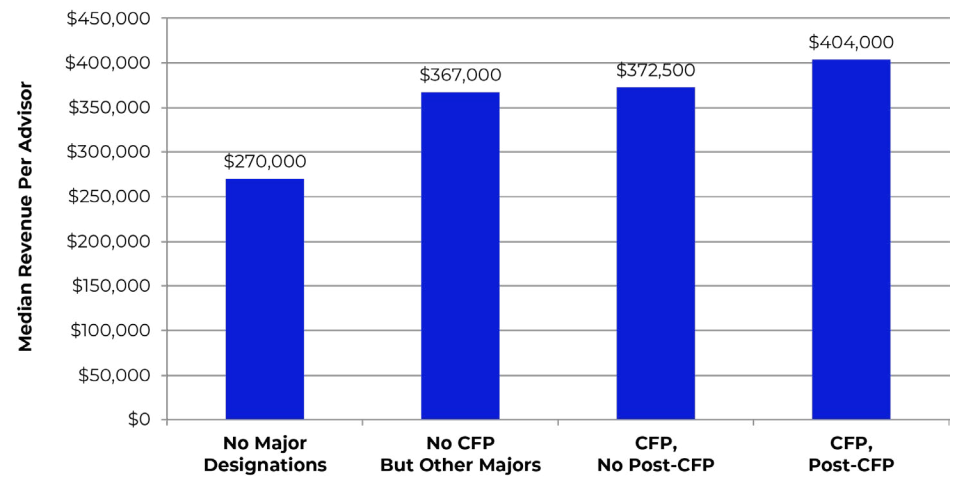
Figure 69. Advisor Productivity By CFP And Experience



Advanced certifications further bolster productivity by both enabling an advisor to work more effectively with more complex clients and providing an advisor with more immediate credibility when prospecting for clients. With CFP certification, advisors with 10 or more years of experience are 10% more productive than others with similar experience. A greater 13% advantage exists for less experienced advisors with the CFP marks, demonstrating the particular effectiveness of CFP certification early in an advisor's career to help overcome disadvantages inherent to lack of experience.

Notably, though, the benefits of advisor degrees and designations do not appear to be specific to the CFP marks but instead a marker of advisors reinvesting into their education more broadly (Figure 70). Accordingly, advisors with other substantive designations of similar impact to the CFP marks – such as the CFA, the PFS designation for CPAs, and the ChFC marks – saw a similar productivity boost (even without the CFP marks themselves). And advisors who pursued additional advanced designations beyond the CFP marks – such as CPWA for working with high-net-worth clients, RICP or RMA for working with retirees, or CIMA or CFA certification to go deeper on investments – saw a further productivity boost.

Figure 70. Advisor Productivity By Designations

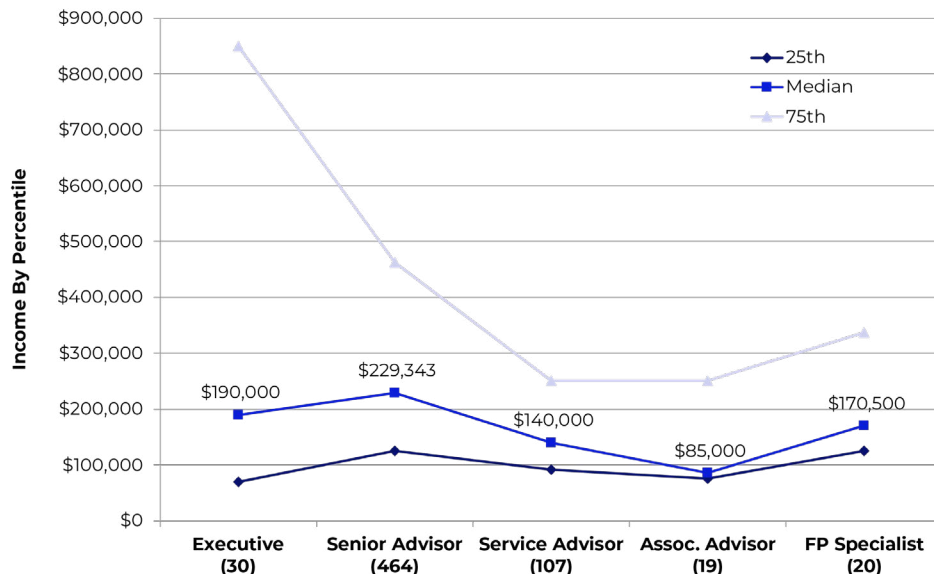


# What Does It All Add Up To?

While there are obviously intrinsic rewards related to helping clients achieve financial as well as personal goals, one key measure of success as a professional financial advisor is the income the advisor can generate for themselves with their expertise. In addition to reporting on the characteristics of their advisory business, survey respondents also provided data on the income that they received from their business. Respondents reported a total income-derived figure that included both compensation from performing work within the practice as well as any profits received resulting from ownership in the practice.

Figure 71 shows the aggregated results for this income data by role, where sufficient data were available (the number of respondents is in parentheses). In addition to the median income for each of these 5 common advisory roles, income at both the 25th and 75th percentiles show the degree to which income varies for these roles.

Figure 71. Income By Role



Given the role's critical influence on the success of an advisory service team, it's not surprising that the median income for senior advisors is highest at about \$230,000. Relative to the median revenue per advisor of \$370,000 (including both senior and service advisors), this amounts to compensation that is 62% of the revenue that a typical advisor is responsible for. Senior advisor income represents a substantial premium that is earned by being responsible for business development; by contrast, service advisors who have similar client relationship management responsibilities but *not* material business development obligations have a median income of only \$140,000 – equivalent to 38% of median revenue per advisor. In turn, associate advisors – who are not yet able to manage client relationships on their own and support service or senior advisors – have a median income of just \$85,000. Which helps to reflect the substantial increases in income that advisors can unlock by learning to independently manage and retain client relationships (a \$55,000 increase in median income) and to engage in business development (an \$89,000 increase in median income).

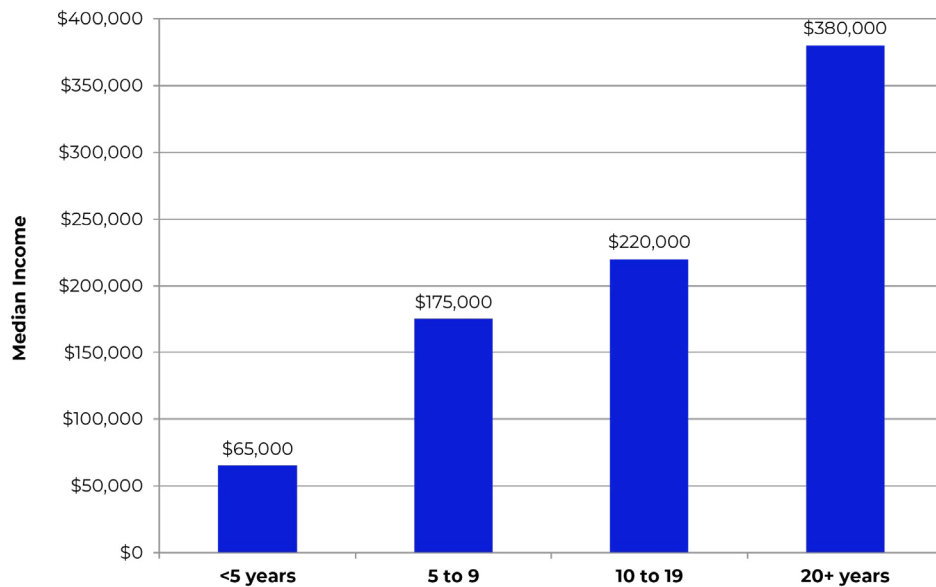
At the same time, our results also show sizable opportunities for those who seek centralized non-revenue-producing roles... at least in larger advisory firms that can afford to hire for them. The median compensation of an internal financial planning specialist – for instance, a Director of Financial Planning or senior technical expert – was \$170,500 (though particular compensation depends on specific roles and responsibilities), and the median compensation for an advisory firm executive was \$190,000. Though notably, income varies widely for executives, with those above the 25th percentile earning \$850,000 or more. However, this is likely a result of many different types of executive roles responding to the Kitces survey (e.g., CEOs, COOs, etc.), with the variety of accountabilities likely driving the variability in reported income.

Further exacerbating differences is that the most senior executives often have significant ownership shares (in many cases because they are the original founders), with much of their income coming in the form of profits from the business. A more in-depth analysis of executive income, in particular, will necessitate a separate follow-on study.

While not as exaggerated as the difference between the median and 25th percentile income for executives, all roles in advisory firms show a more significant long-tail distribution at the high end of the income range. That is, the distribution above the median income level is much wider than below the median income. Again, ownership is a likely factor driving much of the disparity above the median. Further, this difference is accentuated in more profitable years, when returns on shares could represent  $\frac{1}{3}$  or more of total income, depending upon the ownership share.

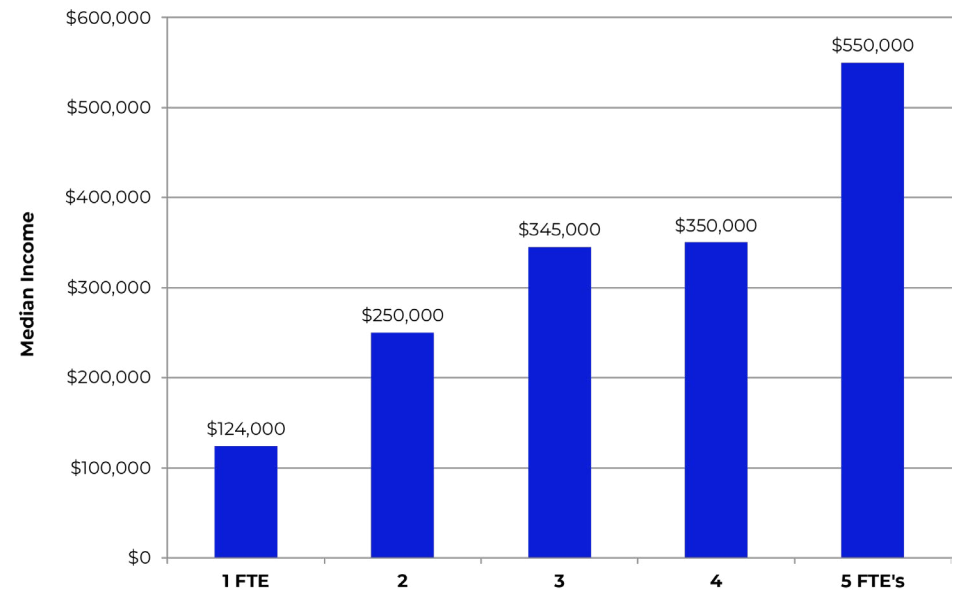
Beyond ownership, a host of other factors can drive compensation as well. Not surprisingly, experience is a major influence. As shown in Figure 72, income roughly doubles as senior advisor experience doubles. Typical senior advisors with 20+ years of client-facing experience, for example, earn 117% more than those with 5 to 9 years of experience. This is likely a combination of the raw experience capabilities of the senior advisor, the fact that senior advisors tend to accumulate more (and more affluent) clients as they add years of experience, and the tendency for senior advisors to be more effective at business development (if only by having more years to establish personal networks and having more clients to refer them) as their years of experience increase.

Figure 72. Senior Advisor Income By Experience



In addition, staff support is also strongly correlated with senior advisor income. As shown (Figure 73), a senior advisor earns roughly \$100,000 more in additional income for each person that is added to the service team. Typical income increases by \$221,000 when a senior advisor evolves from working independently (1 FTE) to being a member of a 3-person team. A similar \$205,000 jump in income occurs when the advisor progresses from a 3 to 5-person team. Though, as discussed earlier, senior advisors don't appear to spend less *time* in their roles as their team expands; instead, they simply become more leveraged *in* their time, realizing greater revenue of their service team (and greater take-home pay as an advisor) with the additional support infrastructure. And as noted below, there appears to be a particular capacity barrier when adding the 4th team member (typically a service advisor to begin taking the lead on clients as the senior advisor hits a client capacity wall), before the expanded team creates additional operational leverage with the 5th team member addition.

Figure 73. Senior Advisor Income By Service Team Size



Similarly, by practice structure, unsupported solo advisors earn far less relative to senior advisors working under supported solo, silo, or ensemble structures. The median income for the unsupported solo is \$105,000, compared to \$306,000 for senior advisors working as supported solos (Figure 74). Ensembles offer senior advisors the highest income of any practice structure, given the structure's tendency to provide more robust support.

Figure 74. Senior Advisor Income By Practice Structure



A final key influence on advisor income is the revenue model for the practice (i.e., how clients are charged). The highest-earning senior advisors generate the majority of revenue from an AUM fee (Figure 75). Their median income of \$300,000 is more than 3 times that of all senior advisors working under hourly (\$78,000) or retainer (\$82,500) revenue models. The wide gap in income is further evidence that it may take some time before advisors move away from the AUM fee. Income for senior advisors mostly reliant on commission is about midway between the medians for AUM and hourly or retainer revenue models.

Figure 75. Senior Advisor Income By Majority Revenue Source

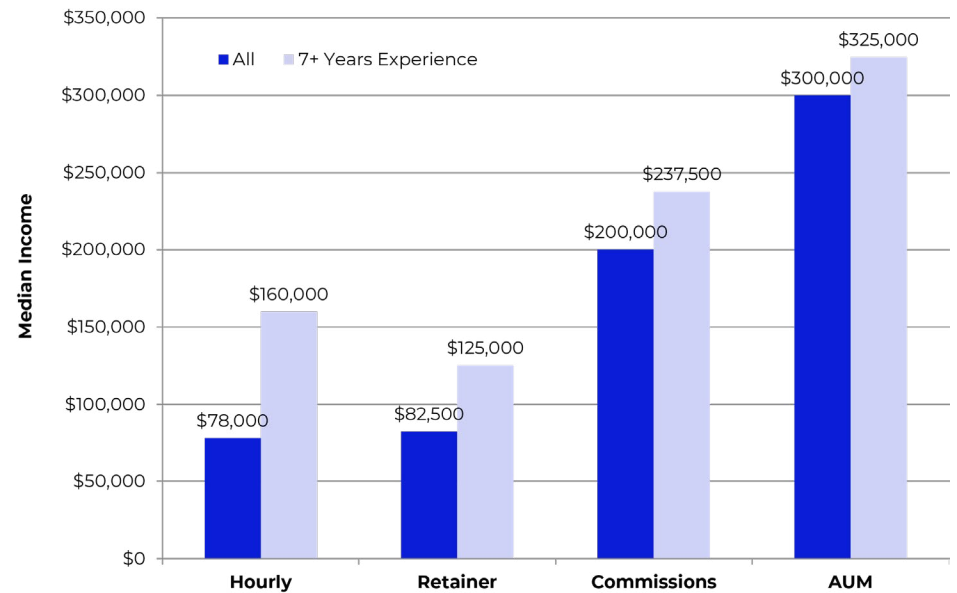


Figure 75 also illustrates, however, that some of the income differences for advisors across revenue models could be due to differences in experience. The typical client-facing experience of advisors that are reliant on an AUM fee is 17 years, compared to about 10 years for advisors under different revenue models.

Restricting our income comparison to only advisors with 7 or more years of client-facing experience still shows the AUM advisor on top, but the median income for hourly advisors with at least 7 years of experience jumps dramatically, growing closer to the level of a commission-based advisor. Retainer-based advisors also show a sizable (but lesser) jump in income when adjusting for the level of experience. This suggests hourly and retainer revenue models may have more income-generating potential than what was revealed initially and that this potential is better realized as an advisor becomes more experienced in adapting to, and scaling up, these less traditional charging structures.

# Conclusion

This Kitces Research report likely contains more detail on the financial planning process than any other previously published. Across the breadth of its coverage, a few key themes are easily identified.

First, financial planning is an increasingly complex undertaking. The number of topics addressed in a typical financial plan is rapidly expanding, while many of these plans are increasingly custom-written. As a result, service teams are spending more time with each client. The fact that younger clients have a greater propensity to receive more comprehensive plans suggests that advisors will not have it any easier in the future. A generational shift is likely underway, with clients continuing to expect more financial planning depth and breadth from their advisors.

Technology tools are only going so far in helping advisors meet growing service demands while maintaining fees at competitive levels. Most advisors using a comprehensive financial planning application must also rely on Word, Excel, and additional planning applications that are more specialized to support their planning processes.

The most effective path toward a more productive – and ultimately more profitable – financial planning practice centers on an advisor's ability to leverage time better. More specifically, this will come in the form of serving more affluent clients and having the capabilities to do so not just efficiently but effectively. Having the right team in place and finding a moderated approach toward planning that strikes the right balance to minimize wasted effort will also be required.

Serving wealthier clients can boost the return on an advisor's time, but this means an advisor must have the capabilities to serve these more demanding and typically higher-revenue clients. Toward this end, experience, specialized degrees, and advanced professional certifications all correlate with an advisor's ability to serve more affluent clients and generate greater revenue as a result.

But the most productive advisors aren't doing it by themselves – they are typically working within a team of 3 or 4 and tapping into the expertise of other (typically centralized) specialists outside of their teams. Further, they are delegating back- and middle-office tasks to others, freeing more time to meet with their more affluent clients (though notably, even the most productive advisors spend no more than 40% of their time on front-office activities as advisors reach their personal-relationship capacity).

Lastly, throughout these research findings, there is the theme of the most productive advisors finding the right balance in how they conduct the financial planning process. This comes in the form of working with the right-sized team, a team that is big enough to provide sufficient service capabilities and flexibility to delegate but not so large that management is cumbersome. Other examples of balance include planning more collaboratively with clients as opposed to preparing custom-written plans and striving for more meeting time with clients (but recognizing that spending most of a workday in client meetings is unrealistic).

In any profession, and for financial advisors, in particular, time is a precious and finite resource. As William Penn once said, however, "Time is what we want most but use worst." By better leveraging time, advisors will continue to uncover opportunities in the increasingly complex and demanding marketplace for financial planning.



## Financial Planning Software Detail Ratings

	eMoney	MoneyGuide	RightCapital	NaviPlan	Asset-Map	Orion	MoneyTree
<b>Overall Rating</b>	<b>8.1</b>	<b>8.0</b>	<b>8.6</b>	<b>7.2</b>	<b>8.1</b>	<b>7.4</b>	<b>8.2</b>
Client-Directed Data Gathering	6.5	6.0	7.8	5.9	7.0	6.9	6.1
Client Portal	7.3	6.2	8.3	5.6	6.7	7.8	3.7
Account Aggregation For Net Worth	7.5	6.8	7.7	6.7	7.4	8.2	4.1
Account Aggregation For Cash Flow	7.1	5.7	7.0	7.0	6.1	7.1	4.6
Customization Of Market Assumptions	7.9	7.5	8.1	7.2	7.2	6.1	8.6
Other Custom Assumptions	8.2	8.3	8.4	8.1	6.5	6.8	8.8
Tracking Over Time	6.5	7.0	6.9	6.8	6.4	5.9	6.3
College Planning	7.2	7.2	7.5	7.6	6.7	5.9	7.8
Student-Loan Planning And Analysis	5.2	4.7	7.2	4.5	5.0	4.2	5.6
Life Insurance	7.3	7.0	7.1	7.4	7.8	4.8	7.0
Disability Insurance	7.0	6.4	6.9	6.6	7.8	4.3	6.7
Long-Term Care Insurance	7.1	6.7	7.3	6.8	7.2	5.4	7.3
Retirement Savings	8.8	8.7	8.8	8.9	7.6	8.1	9.6
Retirement Distribution	8.5	8.3	8.7	8.6	7.3	7.8	9.2
Tax Planning	6.8	6.1	7.6	7.3	4.4	5.3	7.3
Estate Planning	7.0	6.1	6.9	7.4	5.2	5.3	6.8
Cash-Flow Planning	7.9	5.8	7.3	8.3	5.0	7.1	7.9

## Financial Planning Software Detail Ratings, cont.

	eMoney	MoneyGuide	RightCapital	NaviPlan	Asset-Map	Orion	MoneyTree
Ease Of Use	7.4	8.0	8.8	6.9	8.6	7.6	8.6
Simple	6.8	7.9	8.9	6.4	8.9	8.1	8.5
Comprehensive	8.7	8.0	8.7	8.7	7.1	6.0	8.6
Depth Of Analysis	8.4	7.1	7.8	8.3	4.9	5.6	8.2
Plan Methodology	8.1	7.3	8.7	7.9	6.5	6.6	8.4
Monte Carlo	8.4	8.7	8.9	7.9	5.0	7.5	9.1
Interactive	8.5	8.8	8.3	6.2	6.2	7.2	7.9
Aesthetics	7.9	8.5	9.0	6.7	8.9	7.9	7.4
Reports	7.4	7.6	7.9	7.0	8.7	7.8	8.1
Customer Support	8.3	8.1	9.0	6.8	8.0	8.3	7.6
Overall Technology	8.6	8.2	8.7	8.6	8.3	8.0	8.7
Overall Accuracy	7.7	7.0	8.3	7.7	6.3	6.8	8.2
<b>Sample Size</b>	<b>247</b>	<b>197</b>	<b>139</b>	<b>25</b>	<b>23</b>	<b>21</b>	<b>15</b>



## Study Terms

Practices & Terms	Description
<b>Practice</b>	Any entity for which there is a common business vision, budget, client base, and service standard. Across the entity, resources and profits are pooled. A practice could be an entire firm or an individual or team of individuals affiliated with a larger firm. Affiliations, for example, could include a broker-dealer, an independent RIA, or a platform service provider
<b>Service Team</b>	A service team is typically a subset of a practice that consists of a group of individuals or a single individual within the practice that serves a defined client base. At a minimum, the service team will have at least 1 individual managing client relationships and leading the delivery of financial planning advice. Support roles could include associate advisor, paraplanner, or client service administrator. (Shared resources, such as centralized financial planning specialists, were not considered part of a service team for the purposes of this research.)

Practice Structure	Description
<b>Unsupported Solo</b>	Advisors with no other advisors or W-2 employees.
<b>Supported Solo</b>	Senior advisor with ultimate responsibility for all clients of the practice, supported by 1 or more W-2 employees, which may include associate advisors.
<b>Silo</b>	Multiple advisors or advisor teams, each independently responsible for their own distinct client base and profits.
<b>Ensemble</b>	Multiple advisors or advisor teams pooling all resources and profits, where clients are clients of the firm and are served under a consistent standard.

Advisory Firm Roles	Description
<b>Executive</b>	General term for any executive role within the firm dedicated to full-time or management responsibilities. Specific job titles included Chief Executive Officer and Chief Operating Officer.
<b>Senior Advisor</b>	Accountable for managing the most valued client relationships as well as business development and mentoring other advisors.
<b>Service Advisor</b>	Primarily accountable for relationship management and retention of existing clients.

<b>Associate Advisor</b>	Supports more senior advisors on a team to deliver advice in a client-facing capacity but typically has no primary responsibility for client relationships.
<b>Paraplanner</b>	Conducts financial planning analyses and provides similar financial planning support for more senior advisors but is not responsible for delivering recommendations to clients.
<b>Financial Planning Specialist</b>	Serves as a centralized planning resource to support all advisors of a practice; may include Director of Financial Planning.
<b>Client Service/Administrative</b>	Interacts with clients only with respect to administrative requests.

<b>Financial Planning Approach</b>	<b>Description</b>
<b>Calculator</b>	Financial plan analysis is used to calculate the client's needs or gaps, which helps the advisor identify products to implement.
<b>Comprehensive</b>	Printed output of planning software is used to show a more holistic picture of the client's current and projected financial situation.
<b>Custom</b>	A custom-written financial plan is developed for each individual client's circumstances.
<b>Collaborative</b>	Planning software is used as a collaborative tool (e.g., via screen share or a conference room monitor) live in client meetings.

<b>Financial Planning Depth</b>	<b>Description</b>
<b>Targeted</b>	A financial plan that covers 5 or fewer financial planning topics.
<b>Narrow</b>	A financial plan covering from 6 to 9 different financial planning topics.
<b>Broad</b>	A financial plan covering 10 to 12 different financial planning topics.
<b>Extensive</b>	A financial plan covering 13 or more financial planning topics.



**Website:** [kitces.com](http://kitces.com)

**General Inquiries:** [questions@kitces.com](mailto:questions@kitces.com)

