

Consumers not phased by remuneration model

By Sara Rich

REGARDLESS of whether a financial adviser charges fees or commissions, those who are able to clearly define and disclose their remuneration model will enjoy the highest profit margins.

This is one of the key findings to come out of an in-depth study conducted by Elixir Consulting into the various types of pricing structures used by Australian advisers.

The survey of 120 practices across the country revealed that most pricing models fell into three broad categories: the purist fee model with set invoices and no commission; the hybrid model incorporating a mix of set fees and commissions; and the pure commission model based solely on the payments of product providers.

However, within these categories there is a range of models, many of which are unique

from practice to practice, as well as a variety of definitions for fee-for-service.

According to Elixir managing director Sue Viskovic, the type of pricing model an adviser uses has little impact on the perceived professionalism of the practice, as long as the client feels they are receiving value for money.

“Typically, advisers who have taken the time to design their fee structure seem to be more diligent about gaining efficiencies in

their business, utilising standard procedures, effective software solutions, etcetera, so they can maximise their profit margin and face-to-face time with their clients and ensure that their clients do, in fact, receive meaningful ongoing reviews,” she said.

“There appears to be little variance in this area between those who choose to apply a percentage-based ongoing fee or a flat dollar fee.”