HOW MUCH IS YOUR ADVISOR CHARGING YOU?

CWT | CALIFORNIA WEALTH TRANSITIONS

Are you familiar with the fees that your financial advisor is charging you for their services?

Here at **California Wealth Transitions** we charge a **flat percentage rate** to manage your investment assets, but not all financial firms operate this way. It’s important for you to know how a financial advisor’s fee schedule is set up when considering starting a new relationship or if you're in the market for a new advisor, that way you know where your money is truly going.

There are key differences between **flat rate** fees and **blended** fees, and the difference between the two can mean more or less money in your pocket. Keep reading for more details on these exact differences.

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1) Flat Rate Fees

If your financial advisor charges for their services based on a flat rate fee schedule, that means they charge you a flat, fixed rate based on your asset level. Every financial advisors' fee schedule looks like a version of this:

Sample Fee Schedule

$0 - $1mil	1.25%
$1mil - $2.5mil	1.0%
$2.5mil - $5mil	.90%
$5mil - $10mil	.75%

Financial advisors with this schedule would charge clients with an asset level of up to $1mil an annual fee of 1.25%, clients between $1-2.5 million dollars in assets an annual fee of 1.0%, and so on.

The 1.25%, 1.0%, and .90% are flat rates that do not change. With flat rate fee schedules, clients know exactly what they will pay their financial advisor, no matter what.

In this example, if a client has 3.5 million dollars in assets, they will be charged .90% for the financial advisor's services ($31,500 annually.) Of course, if a client's assets increase to the next level of the fee schedule (above 5 million dollars); their annual fee will decrease to

.75%. We use this type of fee schedule with our clients.

Blended Rate Fees

A blended rate fee schedule combines annual percentages together into a cumulative fee based on a client's asset level. Instead of charging a client one asset level percentage, blended rate fees add up the previous percentages as well, hence the term blended rate. Let's take the same client example from above;
Say a client has 3.5 million dollars in assets. On a blended rate fee schedule, the client will be charged like this:

The first $1.0m * 1.25% = $12,500
The next $1.5m * 1.00% = $15,000
The next $1.0m * 0.90% = $9,000

Once you add those amounts together, on a portfolio worth $3.5 million, this investor would be charged $36,500 per year or 1.04% of their assets.

With a flat rate fee, a client with 3.5 million in assets
will pay $31,500 annually (0.90%), but with a blended rate fee, that same client pays $36,500 annually (1.04%). The client's financial advisor will often show the fee schedule to the client and say they are here (pointing at the 0.90% line). However, the client is actually paying over 1%. Rarely ever is this blended fee strategy properly explained to the client, often it is buried in the disclosures section of the initial account opening documents. These dollars can add up to a tremendous amount over the years, especially when

you consider dividend reinvestment and compounding interest.

So, we ask again, do you know how your financial advisor is charging you?

We don't want you to be in the dark when it comes to your finances. If you'd like to know more about the services that we provide here at California Wealth Transitions, contact us today!