When considering a switch to fee-based, the first obstacle that typically comes to mind is, “How will I convince my clients to make the change?” The thought process often stops there, but it shouldn’t. Most clients are far more receptive to the idea than you may think.

Before each meeting

The ability to speak confidently about switching to fee-based begins with a conviction that the fee-based structure will help you serve your clients better. Before each meeting or phone call, remind yourself why a fee-based approach is better for your client:

- **Alignment of interests**
  With fee-based, when your clients do well, you do well. When your clients take a hit, so do you. Your interests are therefore more closely aligned with those of your client’s, putting you on the same side of the table.

- **Greater market agility**
  Today’s financial markets can be volatile, calling for greater diligence and often more frequent changes to portfolio strategy. A fee-based structure gives you the flexibility to respond appropriately to critical market changes without the added costs to your client from trading activity, since they won’t be paying commissions on each trade.

- **A focus on the whole financial picture**
  While a commission based approach is typically focused on specific financial products, a fee-based approach stresses a broader, more important goal of ensuring that your client’s whole financial picture is in good shape. In this way, a fee-based structure offers a better framework for fully integrated financial planning, which is the best approach to helping your client achieve his or her goals.

As you gear up for meetings, it’s also important to remind yourself why fee-based makes sense for your business.

You are a trusted advisor, not a product salesperson. Your advice is valuable, and you should be compensated for it. And because a fee-based practice typically generates more predictable, consistent cash flows, switching to fee-based is an important step in helping you reach your goals for your business.

Talking to your clients

The following ideas for how to introduce the subject of switching to fee-based with your clients have come directly from the field. They are tried and true methods used with real clients and developed by advisors like you.

1. **Graduation story**
   The graduation story introduces the switch to fee-based as a way of “graduating” your client to a better way of doing business:
   - “We’ve worked together for a number of years, and I want to thank you for placing your trust in me.”
   - “I believe I have a better way of doing business that will enable you to stop paying commissions on trades, and that will free me to offer you a deeper, more extensive, more consultative set of services.”
   - Then explain the benefits (listed above) of a fee-based approach.
2 Restaurant analogy
Ask your client what type of food is their favorite. They may respond, “Italian,” or something similar. You next recommend an Italian restaurant that has great food, good service and terrific ambiance, all at a great price. When that client goes to the restaurant and has a great experience there, they’ll probably think the world of you since your recommendation turned out so well. Well, let’s say you go back to that person a year or two down the road and tell them that you have good news for them, that you have an even better Italian restaurant for them to try out. The food, service and ambiance are even better, and it comes at a better cost to you. What will that client think of you? They already think highly of you and view you as their trusted advisor. So, simply, they’re going to say “Yes.”

3 Changing world/economy
Another approach is to start with a description of how the world’s markets and the economy have changed, and then explain why a fee-based structure makes more sense, given those changes. You’ll want to explain:

- “Market volatility has increased dramatically since the 2008 financial crisis, and global economic conditions have become less stable. Today’s environment occasionally requires the ability to move in and out of markets quickly. This puts commissioned accounts at a disadvantage, since they are either paying a lot for trades, or not rebalancing when they should.”
- “With a fee-based approach, I have the flexibility to help you respond appropriately to market changes without having to be concerned about transaction costs.”

4 Alignment of interests
One of the most compelling reasons for clients to be interested in a fee-based approach is that it aligns your interests squarely with theirs, eliminating the most obvious source of conflicts of interest. Explain that:

- “With a fee-based structure, my success is linked directly to yours. As your assets grow, so will my fees; during inevitable periods of market decline, my fees will shrink.”
- “This dynamic affirms a key aspect of our relationship that has always been in place: I am on your side, and your financial success is my top priority.”

5 Rebalancing logic
When Chris Young, an advisor based in south Texas, began to speak to his clients about making the change to fee-based, he used this approach:

- “I broke it down logically for my clients, asking, ‘How often do you think a change should be made to your portfolio?’ The overwhelming answer was at least once a year.”
- “I said, ‘Well, I agree. This new way will allow us to do that without incurring extra costs. Not only can we rebalance once a year, we can do it four times a year to make sure your investments stay in line with your goals.’”

6 The same side of the table
Scott McMillan, a Houston-based advisor, introduced the subject with his clients this way:

- “With most clients, I’d tell them, ‘Currently, when I recommend something, I’m compensated for executing that purchase. If I call you back later to sell that position, you’re going to pay again. You may wonder if it was it for my best interest or for your best interest? Was it better for my paycheck or for your portfolio?’”
- “Moving to a fee-based relationship puts us both on the same side of the table. You know that my recommendations are in your best interest.”
- “Most of my clients responded by saying, ‘That makes perfect sense.’ There were very few questions and little if any push-back.”

Call an SEI Practice Consultant at 888-734-2679 to find out more about how we can help you make the transition to fee-based.