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Voices: Rob Siegmann, on Differences Between Fee-Only Advisers

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Voices is an occasional column that allows wealth managers to address issues of interest to the advisory community. Rob Siegmann is chief operating officer and senior adviser at Financial Management Group in Cincinnati.

Clients are becoming increasingly aware of the differences between fee-only advisers and advisers who work on commission or have fee-based compensation structures. However, they often don't know that among fee-only advisers, the range of services offered can also vary dramatically.

When I look at the marketing efforts of fee-only advisers in the Cincinnati area, most of them present themselves as "money managers" or "financial planners." To a prospective client, it can sound like they're all saying the same thing.

Most consumers don't understand that there are different levels of financial-planning services offered. Most fee-only advisers charge a 1% fee but what clients get for that fee can vary depending on the firm. On one end of the spectrum are firms that are strictly money managers. If a client were to ask them about taxes, insurance, or estate planning, those firms may refer clients to a certified public accountant, an insurance agent, or an estate-planning attorney. On the opposite end of the spectrum are advisers who charge 1% but also offer a suite of financial-planning services in addition to money management.

Most fee-only firms, regardless of where they fit on this spectrum, do a very good job managing money. The difference is a matter of how detailed or how personalized their financial-planning efforts can get. A firm that offers more comprehensive services can form a deeper relationship with clients. They spend more time with clients and encourage them to reach out for advice whether it will produce revenue for the firm or not.

Because the relationship is deeper, the firm will likely see less client attrition in bad years than the firms that only offer money management. If you have a year like 2008, a client is more likely to stay with an adviser they have a personal relationship with, who offered advice and guidance on an employee-benefit package or a grandchild's college fund. At a money-management firm, clients are only expecting their advisers to beat the market and make them money.

The way for fee-only advisers who focus on financial planning to stand out from money-management firms is by not focusing primarily on the investments or on the return. They need focus on client retention and position themselves as a quarterback who can take in all their clients' financial questions, whether they're about taxes, estate planning, or managing employee-benefit packages.

But this personalized approach is not the kind of thing that can be done with a mass awareness campaign or built into an assembly line. Ultimately, for fee-only advisers looking to stand out from the rest, reaching potential clients happens by spending lots of one-on-one time.