

## NEWS

For Immediate Release

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# Advyzon Releases Third Annual Special Report on Financial Advisor Billing & Fees

*White paper analyzes billing trends and fee models that financial advisors are using today – and why*

**CHICAGO, IL (January 18, 2024)** – Could performance-based billing boost a financial advisor’s business? This is one of the questions that [Advyzon](#), a comprehensive service and technology platform and portfolio management solution for financial advisors and investment managers, dug into as they analyzed new data recently released in their third annual [Billing and Fee Study](#), a white paper based on original research that analyzes which fee models independent financial advisors (IARs and RIAs) are using today. The report uncovers recent trends in billing and fees, plus offers insights into where the industry may be headed.

One of the biggest takeaways from the year-end 2023 study is that the number of firms offering performance-based billing steadily increased within the past year. In addition, billing based on an account’s average daily balance, versus beginning or ending balance, saw continued growth in 2023. That being said, a quarterly billing cycle using a tiered fee structure based on AUM remained the industry favorite last year, while the number of firms using flat fees – which increased significantly from 2021 to 2022 – fell in 2023.

Advyzon conducted the same [billing study at the end of 2022](#), sharing insights from more than 1,000 firms. In this updated study analyzing 2023 data from more than 1,200 advisory firms that use Advyzon for billing, the award-winning fintech firm explores the similarities and differences of the data a year later, breaks down aggregate data to show different approaches taken by larger firms (more than \$100M AUM) and smaller firms, and shares how advisors using the Advyzon platform have been taking billing into their own hands.

## STUDY METHODOLOGY AND DETAILS

Advyzon's cloud-based platform for financial advisors combines portfolio management, customizable performance reporting, trading and rebalancing, client web portals, client

relationship management (CRM), client billing, and document storage – plus a model marketplace with access to third party strategists and/or turnkey asset management via [Advyzon Investment Management \(AIM\)](#). This comprehensive solution makes it easy for advisors to run their financial planning and investment advisory firms while managing their client accounts with efficiency and ease. Advyzon is currently serving nearly 1,500 advisory firms.

Data for the 2023 study was pulled from over 1,200 firms anonymously to protect firm and client data. By anonymously reviewing billing practices of all member firms, Advyzon’s billing study eliminates the self-reporting bias of firm surveys to give advisors an accurate overview of industry trends. In addition to spearheading the data pull and analyzing the data, Charles Rowlan, CFP®, CIMA®, Senior Vice President at Advyzon, authored the white paper.

## **STEADY INCREASE IN PERFORMANCE-BASED BILLING AND AVERAGE DAILY BALANCE**

While the number of firms using performance-based billing remained statistically small (just over 1%), the method has seen consistent growth since Advyzon first started reporting aggregate fee data in 2021. “The trend may be particularly helpful for smaller firms looking to differentiate or attract new clients,” said Rowlan.

With performance-based billing, certain fees are triggered only when assets perform well enough to pass a specified threshold. Previously, this method of billing may have felt intimidating or labor intensive, but Advyzon’s easy-to-use (and scale) billing software makes it accessible to firms of all sizes.

“Performance-based billing can be a great way for advisors to boost revenue in bull markets,” Rowlan explained. “On the other side of the equation, investors may embrace a feel of gamification, where fees shift along with performance. Others may shy away from the complexity. It really depends on the type of clients you work with.”

The other somewhat “novel” approach to fees – billing based on an account’s average daily balance versus beginning or ending balance – saw continued growth in 2023. Like performance-based billing, this technique may be too labor intensive for firms who don’t use a solid technology provider, such as Advyzon.

“Average daily balance remains the fairest way to bill, in my mind, for both advisors and investors,” said Rowlan. “However, most of the advisors we talk to aren’t aware it’s an option, largely because wirehouses and legacy tech providers haven’t made it available. In some ways, billing based on average daily balance can be a big differentiator for those who know how to promote it.”

Not only does average daily balance create a more predictable revenue stream, it’s also a logical way to bill. As advisors explain their billing method to clients, they can highlight the risk mitigation involved: clients don’t have to worry that they’ll pay more if markets unexpectedly rally on the first day of a billing cycle. It also helps alleviate client concerns in a bear market, since billing on a beginning balance that may be higher than the current account value can be a tough sell.

Most firms, however, aren't looking for new and innovative ways to bill, preferring to stick with a more traditional approach. A quarterly billing cycle using a tiered fee structure based on AUM remained the industry favorite last year. Firms were split on using beginning or ending balances, and billing in advance versus arrears.

## **FLAT FEE BILLING SEES DECLINE**

Interestingly, the number of firms using flat fees – which increased significantly from 2021 to 2022 – fell in 2023. Roughly 33% of Advyzon firms offered a flat fee option to clients last year, compared to more than 40% in 2022. The approach remains more popular with larger firms managing more than \$100 million in assets than with smaller firms managing less than \$100 million.

Due to ongoing industry conversation about whether (and how) firms should incorporate flat fees, Advyzon took a closer look at the data this year. About 19% of Advyzon firms used a single tier percent AUM as a flat fee approach. About 17% of firms offered a flat rate, in dollars. Another 13% charged a flat dollar amount that was specifically broken out as a financial planning fee.

There are many criteria that comprise a billing schedule beyond just fee structure, and there's no one-size-fits-all solution. Therefore, Advyzon made sure to break down the popularity of each within the white paper so readers can see some of the most popular offerings and how they might fit together, as well as provide context for advisors around what peers are doing. In addition, the study goes beyond parsing out the data to provide a number of helpful tips for advisors on how to talk to their clients about fees.

To read the full study and see a more detailed breakdown of the trends seen in billing and fee models in 2023, including how larger firms differed from smaller firms, [click here to download the full white paper](#).

## **ABOUT ADVYZON**

Advyzon provides comprehensive, intuitive, cloud-based wealth management technology and investment management services for independent financial advisors and registered investment advisors (RIAs). The Advyzon tech platform combines portfolio management, customizable performance reporting, trading and rebalancing, client web portals, client relationship management (CRM), client billing, and document storage, along with investment management services and a model marketplace offered by Advyzon Investment Management, LLC. A team of entrepreneurs led by CEO Hailin Li, Ph.D., CFA®, Advyzon strives to innovate in strategic and useful ways. Financial advisors inspire Advyzon's innovation and integrations. Their exceptional technology and unmatched service exist to improve the advisor experience – whether it's via portfolio and firm management or client relationships and growth. To learn more about Advyzon, visit [www.Advyzon.com](http://www.Advyzon.com). To learn more about Advyzon Investment Management, visit [www.AdvyzonIM.com](http://www.AdvyzonIM.com).

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