





# Thankful To Be Able To Share Ideas That Can Change Lives

By Brad Creger – President & CEO, % ) ) Financial, Inc.

Albert Schweitzer once said, “Success is not the key to happiness. Happiness is the key to success. If you love what you are doing, you will be successful.”

I love being a financial advisor but, unfortunately, too many people misunderstand what I actually do. Why? Many who have worked with a “financial advisor” assume that all financial advisors are the same. This couldn’t be farther from the truth.

There are distinct differences among financial advisors that are too numerous to cover in this article. However, I wanted to share some insight to give you something to consider over the holidays.

One of the biggest differences among advisors centers on whether they are “independent” and if they are a “business owner” or an employee. These are not the same things, but let’s explore how they are related.

Almost every financial advisor will say they “own their practice” but, in reality, most are employees who have no ownership or control of their firm. The bigger the firm, the more likely your advisor is an employee. I’m not suggesting that you can’t find a good advisor at a big firm. But how does their employment decision affect you?

First, an employee may have no control over the financial products and services offered. In other words, if the firm *only* has turkey for sale, then the employee’s job is to sell you turkey. But what if you also want ham? Either you can go without or you find a second advisor that offers ham.

Let’s assume your advisor offers both turkey and ham. Is there another advantage in working with an independent business owner/advisor? Yes, and it can make a difference. The business owner/advisor typically has pricing advantages which

can be used to lower how much you will pay for their services. Let’s examine some common industry pricing.

On many fee-based portfolios, a 1.00% “advisory fee” is fairly common. This 1.00% advisory fee is added to the “platform fee” to arrive at the total “management fees” paid by the client. So how can being an independent business owner/advisor make a difference?

When you work with an employee/advisor at many large financial institutions, approximately 55% of the 1.00% advisory fee you pay is often absorbed by the firm, leaving only 45% for your advisor. At independent firms like mine, the math can be much different.

Within the last few years, on specific fee-based portfolios I discounted my 1.00% advisory fee in half and yet I can still net the same that the employee/advisors are earning. How, you ask? Because I am an independent business owner/advisor, I pay less on every dollar to my firm. So when I discount the typical 1.00% advisory fee in half, I often still earn essentially the same that employee/advisors receive - but the savings to my clients are substantial, especially for those with large amounts invested. Over time, this can have a significant impact on your account.

Among financial services professionals, pay structure can be a carefully guarded secret and many advisors will not like that I’ve just “spilled the beans” but it’s the Thanksgiving season and food gets spilled! I’ve never before “advertised” my pricing differences, but maybe that’s as naive as thinking all financial advisors are the same.

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