Am I too broke to afford a financial adviser?

Updated: April 4, 2023 at 9:50 a.m. ET
By Andrew Shilling (Follow)

How much will a financial adviser charge, and do they require a certain amount of money to work with you?

Many Americans think financial advisors are only for wealthy people. But is that really true?
GETTY IMAGES/ISTOCKPHOTO

Are financial advisers just for rich people? That's certainly what many people think, according to a recent MagnifyMoney survey of more than 1,500 Americans. Indeed, 42% of respondents think financial advisors are only for wealthy people. But is that really true?

While financial advisers can be very expensive — and many require you to have a minimum asset level before they will take you on aa a new client — not all work like this. "There are financial planners that will charge hourly for check ins, even if you don't have the minimum asset size they might manage," Catherine Valega, a certified financial planner at Green Bee Advisory in Boston, says, adding that there are "professionals who do help those with minimum assets, either on a monthly, annual, or ad hoc basis." (Looking for a new financial adviser? This tool can match you to an advisor who meets your needs.)

The true cost of a financial adviser

So how much does a financial adviser really cost? To answer that question, the first place to look is fee structure. Here are the five most common ways financial advisers charge their clients:

- **Percentage of assets under management**: With this model, advisers charge fees based on your total amount of invested money, or assets under management (AUM). A typical fee is about 1%, though charges are usually built on a tiered schedule with the lower percentage of fees attached to the higher asset levels.
- **Hourly**: Special project or consulting rates for advisers are often charged by the hour and can range anywhere from $100 to upwards of $300 an hour, according to a report from AdvisoryHQ.
- **Fixed fees**: After consulting with an adviser with a fixed fee, this predetermined amount must be paid for a service, such as the creation of a financial plan. Those who charge flat fees can range anywhere from $2,000 to $7,000 a year, the NerdWallet report found.
- **Commission:** Compensation for advisers with a commission-based fee structure charge when a purchase or a trade is made on your behalf.
- **Performance-based fees:** Fees for performance-based compensation packages are charged when a defined benchmark is outperformed.

Looking for a new financial adviser? This tool can match you to an advisor who meets your needs.

Considering these various methods of collecting payment, it should also be noted that advisers can use either one of these various models or a combination. Registered investment advisors, or RIAs, are only able to charge fees for their services — most commonly with the AUM fee structure. While those fees can range, they're usually in the ballpark of 1% per year, according to a NerdWallet report.

There is also what's known as a hybrid advisor, which can use both the AUM model and commission product model. If they go that route, they have to follow guidelines to explain all of these charges to their clients. Another, lower-cost option are robo advisers, or digital-only tools. These services also often follow AUM fee guidelines, but may charge less than 0.5%, plus investment, according to Bankrate

So how does this all add up? A random sampling of wealth advisers, RIAs, CFPs, and asset management firms found that clients with $1,000,000 invested can expect to pay 1.02%, or $10,200 in annual fees, according to AdvisoryHQ. Meanwhile those with $50,000 invested pay an average of 1.18%, or $590 annually.

To find these additional charges when researching advisers in your area, you can find out more on their fees by checking their website under "fees," "info," "advisory fees," or possibly on the "FAQ" page.

Something else to take into consideration are minimum account requirements, which many advisors can set for themselves and can range from $100,000 to as much as $1 million, or more, NerdWallet found. While those minimums may be disqualifying for many of us, Caleb Pepperday, a certified financial planner with JFS Wealth Advisors, says there are other ways to check in with a professional to help get your finances in order.

"I think this is an unfortunate misconception that our industry has created," Pepperday says, adding that "while yes, there are investment minimums at some firms to be a client, there are plenty of firms out there that work with clients that don't meet the traditional standard. For example, some firms offer project based plans, hourly consultations, monthly retainers, flat fees, etc."

Looking for a new financial adviser? This tool can match you to an advisor who meets your needs.

What if that's too expensive for me?

If the fees are too high for year round advice, Valega says even periodic, flat-rate appointments with an adviser to discuss your financial plan would be beneficial. "Have a check in with a planner at least every few years, or more often if they have changes to their personal situation," she says, adding that life events such as a "job change or loss, marriage/or divorce, baby [or a] move" are critical times for professional advice.

While not all advisers will adjust their rates, they are in fact required to disclose whether or not their fees are negotiable in their Form ADV, which you can find by checking the Securities and Exchange Commission's Investment Adviser Public Disclosure website.

If they include this clause, cutting to the point and telling the adviser what you think is a fair price based on your investable income is the likely best approach, according to Derek Tharp, the founder of

Conscious Capital and a research associate at Kitces.com who wrote a contributed article on the topic with MarketWatch. Tharp also recommends looking at the services you hope to receive, as many of those being offered may not apply to you, giving you some leverage to negotiate.

Looking for a new financial adviser? This tool can match you to an advisor who meets your needs.

How to find the right adviser for you

Certifications are big in the world of financial planning. You've probably seen the various credentials tacked to the ends of an adviser's email signature. Here are just 10 of the most common credentials to look out for:

- **Certified Financial Planner (CFP)®**: This certification is backed by the Certified Financial Planner Board of Standards, also known as the CFP Board. If you're looking for an adviser with expertise in financial planning, taxes, insurance, estate planning and retirement saving, seeing CFP next to their signature should assure you're in the right place. CFPs are also required to be a fiduciary of your assets, which in short means they are required to work in your best interest when it comes to managing your money.
- **Chartered Financial Analyst (CFA)®**: This subsect is recognized by the CFA Institute and ensures your adviser has passed exams covering topics such as accounting economics, ethics, money management and security analysis. For some context on the exclusivity of the CFA credential; more than two million candidates have taken the Level I exam since its inception in 1963, with 291,500 candidates going on to pass the Level III exam, according to Investopedia.
- **Certified Fund Specialist (CFS):** Advisers with a CFS have been certified by the Institute of Business & Finance (IBF) for their proficiency in working with mutual funds. Those who hold this title are qualified to become accountants, bankers, brokers, money managers, personal financial advisers, and various other financial industry professionals. To maintain this credential, advisers with a CFS are required to recertify with 30 hours of education every two years.
- **Chartered Financial Consultant (ChFC)**: Issued by the American College of Financial Services, this designation ensures additional expertise in tax and retirement planning for special needs, wealth management, insurance and more. Continuing education requirements here is also 30 hours every two years with at least one hour in ethics.
- **Chartered Investment Counselor (CIC):** Started by the National Alliance for Insurance Education & Research in 1969, the CIC certification is designated for agency owners, producers, agents, brokers, as well as agency and company personnel who meet various requirements and who pass five of seven course exams on the following topics: personal lines, commercial casualty, commercial property, life and health, agency management, commercial multiline and insurance company operations.
- **Certified Investment Management Analyst (CIMA):** Financial consultants and investment advisers who achieve this credential from the Investments & Wealth Institute typically build their business around investments, risk assessment and portfolio management. This certification requires three years of industry experience, no record of ethical misconduct, a passing score on the qualifying course offered at Yale, the University of Pennsylvania or the University of Chicago, a passing grade on the exams offered by the Investments and Wealth Institute, and 40 years of continuing education every two years to maintain.
- **Chartered Market Technician (CMT)®:** Those with this credential from the CMT Association demonstrate an expertise in investment risk in portfolio management including quantitative risk and market research, and rules-based trading system design and testing. CMTs are additionally qualified to conduct research, author research reports, recommend trades and investment programs and trade their own accounts.
- **Certified Public Accountant (CPA):** This is probably one of the more widely recognized credentials in public finance. CPAs are proficient in taxation auditing financial analysis and regulation, and meet both high professional and accounting standards. With tax season around the corner, this is a financial professional that may soon come in handy for just about all of us.
- **Personal Financial Specialist (PFS):** This credential is issued by The American Institute of Certified Public Accountants

(AICPA). Those with a PFS must hold an unrevoked CPA certificate, become a member of the AICPA and have at least two years of full-time teaching or business experience in personal financial planning.

- **Chartered Life Underwriter (CLU):** If you're looking for an expert in life insurance, estate planning, and business planning, financial professionals with a CLU might be for you. Often CFPs will add this credential to demonstrate this additional expertise.

That's just the tip of the credential iceberg. With the seemingly endless array of potential certifications available in the financial advisory profession, Pepperday says one place you can start cutting through the noise are with some of the various adviser organizations — even if you don't think you have enough assets.

"There are associations like FPA or NAPFA that have 'find an adviser' portals that can match you up with financial advisers in your area or have focuses in certain areas that can meet your needs," he says. What's more, he adds that the CFP board "does offer pro bono financial planning in some cities that can be an option for individuals as well."

Jessica L. Fahrenholz, a certified financial planner at Tudor Financial in Dayton, Ohio, says she would recommend interviewing more than one adviser before settling. "To me, it's so important that the adviser and client are on the same page and can communicate effectively," she says. "The adviser should be able to clearly communicate what to expect from working with them along with the fees involved."

Looking for a new financial adviser? This tool can match you to an advisor who meets your needs.

Alternatives to an adviser?

That said, if you've done your research, reached out to some financial advisers in your area, and you still just can't quite come to terms with the rates or fees, Fahrenholz says you may consider planners who work with clients on a one-time engagement, "meaning they'll work with you for a one-time fee to help craft a plan to pay off the debt and address other areas of your financial life."

For additional sources of pro bono planning, she adds there are other ways to access CFPs at organizations such as "the Foundation for Financial Planning."

If those services are not available in your area or online, Valega assures there are other options. "There is a whole industry of financial coaches who work primarily with clients who need help paying down debt," she says, adding that she "would point clients in that direction if they weren't ready for the next step of working with a financial planner." (Looking for a new financial adviser? This tool can match you to an advisor who meets your needs.)