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SEI Study Reexamines the Changing Fee Model Through the Eyes of Advisors and Investors

The AUM Fee Model May Persist But Continue to Evolve with Advisors' Perceived Value

OAKS, Pa., July 26, 2018 /PRNewswire/ -- As financial advisory fee structures continue to evolve, SEI (NASDAQ: SEIC) Advisor Network replicated its 2015 research to find that in 2018, there is still a gap between an advisor's price and perceived value. Based on data from SEI's 2018 primary research among financial advisors and investors, changing client demands, fluctuating regulations and industry pressures are prompting advisors to continue their shift to an assets under management (AUM) fee-based model, while experimenting with additional fee structures.

"In our 2018 updated report, we find that transparency is improving, consumers are becoming more fee-savvy and the industry is transitioning to a traditional professional service model—one that resembles the legal and accounting professions that command respect and are viewed by clients as true fiduciaries," said John Anderson, Managing Director and Head of Practice Management Solutions for the SEI Advisor Network. "Today's consumer is driving change and continues to push advisors to more client-centric pricing models, which likely would not evolve if left solely to the advisor or advisory firm."

Three years after SEI's first "Fees at a Crossroads" research report, this replicated primary research among advisors and investors is part of a larger SEI Advisor Network report called, "Fees at a Crossroads *Revisited*: Closing the Gap Between Price and Value." The report, which was co-authored by SEI Advisor Network and Bob Veres, publisher of Inside Information, assesses the current advisory-fees landscape and examines how it has changed implications for advisors and the industry since 2015. The report explores the latest pricing trends, pressure points and strategies along with actionable steps advisors can take now to rethink their fee models.

Persistent, but Narrowing, Gaps Remain between Price and Value

The latest research reveals that advisors are making progress revisiting their value proposition and are focusing more on striving to meet client goals through financial planning and advice than previous years. Fifty-two percent of advisors have changed their fee structure within the past four years; 27 percent have added planning fees and retainers; and 37 percent have made other pricing adjustments. Furthermore, 34 percent of advisors are segmenting their clients in 2018, compared to just 25 percent of advisors in 2015.

The "Fees at a Crossroads *Revisited*" study reports that more than two-thirds (69 percent) of advisors now say that they charge AUM only or a combination of AUM plus upfront fees for initial planning work, which is up from 58 percent in 2015. When asked what changes advisors had recently made to their fee structures, an additional 19 percent indicated they had added financial planning fees to an AUM model, beyond the 30 percent who added planning fees in 2015. Additionally, advisors' use of retainers has increased to 24 percent from 15 percent in 2015.

Anderson added, "The biggest changes we have witnessed from our 2015 study include greater acceptance and demand for financial planning—among both advisors and consumers. It's also a lever for models that is helping attract new clients and justify a variety of fee arrangements."

Investors Still Unsure of How Advisors are Compensated

Down from 38 percent in 2015, SEI's research this year found that only 28 percent of investors either do not understand how their advisors are compensated or do not believe they are paying their advisors, showing some progress has been made over the past three years. Notably, correlated to the increasing shift from commission-based to AUM-based pricing, only 13 percent of investors said they pay transaction fees in 2018 compared to 27 percent in 2015.

In addition, 2018 research shows that more than 83 percent of investors responded that they value financial planning equally or more than investment management services. Additionally, slightly more investors this year reported that they are willing to pay for investment advice, supporting a trend that has grown steadily over the recent years (57 percent in 2018 compared to 51 percent in 2015).

"The evolution in what and how financial planners charge their clients is likely to become one of the most important practice management issues of the next decade." said Veres. "It could impact a shift in market share from the laggards to the early adopters."

Methodology

The financial advisor survey was conducted online in March 2018, generating responses from 736 advisors. SEI partnered with Phoenix Marketing International to conduct an online investor survey in January 2018, generating responses from 926 U.S. affluent households across multiple wealth tiers with $100,000 to $4,999,999 in investable assets.

Financial advisor data from 2015 was generated from an online survey in August 2015 with 775 respondents. Investor research was also collected through SEI, in partnership with Phoenix Marketing International. There were 539 U.S. affluent households from the August 2015 survey, also across multiple wealth tiers with $100,000 to $4,999,999 in investable assets.

To view the full whitepaper, please visit: https://seic.com/knowledge-center/fees-crossroads-revisited?cmpid=ADV-PR-FEESREVISITED.

About The SEI Advisor Network
The SEI Advisor Network provides independent financial advisors with wealth management services through outsourced investment strategies, administration and technology services, and practice management programs. It is through these services that SEI helps advisors save time, grow revenues, and differentiate themselves in the market. With a history of financial strength, stability, and transparency, the SEI Advisor Network has been serving the independent financial advisor market for more than 25 years, has 7,500 advisors who work with SEI, and $65.3 billion in advisors' assets under management (as of June 30, 2018). The SEI Advisor Network is a strategic business unit of SEI. For more information, visit seic.com/advisors.

About SEI
Now in its 50th year of business, SEI (NASDAQ:SEIC) is a leading global provider of investment processing, investment management, and investment operations solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of June 30, 2018, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages, advises or administers $882 billion in hedge, private equity, mutual fund and pooled or separately managed assets, including $331 billion in assets under management and $545 billion in client assets under administration. For more information, visit seic.com.

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