



Why Use an *Independent Fee-only* Financial Advisor?

Trinity Wealth Management, LLC operates using the *fee-only* model for client service. We believe this model offers the highest degree of satisfaction and peace of mind for our clients. We provide a brief comparison of the compensation models used in our industry below.

How advisors are compensated in the financial services industry varies widely and often offers insight to the seller's motivation. Many advisors and service providers do not disclose their compensation and for good reason. The commission paid to a life insurance agent can equal as much as 50% of the first year's premium! How an advisor or service provider is compensated can give rise to conflicts of interest between the advisor and the client. The most common compensation models are listed below:

- Commission-based – typically registered representatives working for a broker/dealer and agents working for insurance companies
- Fee-based – advisors who adopted the fee-for-service model but still collect commissions on products they sell, such as life insurance or annuities
- Fee-only – advisors solely compensated from fees paid by their clients and who do not collect commissions or income from other sources

Of the three compensation models above, you probably discerned that the fee-only advisor is the most likely to offer unbiased advice when recommending investments or financial products to implement your financial plan.

Most people immediately recognize what motivates commission-based advisors. That's not to say you can't get good advice from a commission-based advisor or that paying a commission is unwarranted. But, if you recall your last financial product purchase, your agent or registered representative probably didn't volunteer the amount of the commission. This lack of transparency, in our opinion, leaves lingering doubt in the mind of the purchaser as to whether the product is appropriate for them.

Fee-based advisors are fence sitters: they like the steady flow of income the fee-only model provides, but can't break the habit of collecting huge commissions on products they sell to their clients. Once again there is lingering doubt as to the motivation behind the advice.

Fee-only advisors structure their compensation as one, or a combination of, the following:

- A flat fee or retainer
- An hourly fee
- A percentage of assets under management in an investment portfolio
- A percentage of generated income in an investment portfolio

The advantages to clients of *independent* fee-only advisors include:

- Full compensation transparency – you know how, when and how much
- Not limited to company-sponsored offerings or sales-driven opportunities
- You may be able to negotiate the fee
- Independent advisors have the universe of investment and financial planning tools to at their disposal
- Unbiased advice – our interests and those of our clients are aligned