# The real cost of running an advice-only planning practice

## What advice-only means for your bottom line

An advice-only financial planning practice charges fees for guidance and strategy, not for managing or selling products. That distinction shapes every line of the business's economics. Without commissions or asset-based fees, revenue comes directly from client engagements - retainers, hourly consultations, project fees, or subscription plans. The model sounds clean, but the financial reality is more layered than a simple fee schedule suggests.

Running a practice this way means every dollar earned is transparent, but so is every dollar spent. The cost structure is visible in a way that it is not for commission-based firms. That clarity cuts both ways: it makes pricing honest, and it also makes overhead unavoidable. Understanding the full picture requires looking beyond the obvious expenses of rent and software.

## Fixed overhead: the predictable baseline

Every practice carries costs that do not change much with the number of clients. Office space, professional liability insurance, regulatory licensing, continuing education, and core technology subscriptions all fall into this category. For an advice-only firm, these expenses are especially important because they must be covered by fee income alone. There is no product margin or trailing commission to absorb them.

A common mistake is to underestimate how quickly these fixed costs add up. Even a solo practitioner working from home faces annual outlays for errors and omissions insurance, membership in a professional body, tax and legal compliance, and at least one financial planning software license. When you add a bookkeeper or an administrative assistant, the baseline climbs further. The key is to know your fixed overhead number down to the dollar before you set any client pricing.

## Variable costs: the ones that grow with you

Unlike fixed overhead, variable costs rise and fall with the number of clients you serve. Payment processing fees on credit card transactions, client meeting software that charges per user, additional data storage, and extra compliance costs for a larger client base are typical examples. In an advice-only practice, these expenses tend to be lower than in product-driven firms because there are no custodial or transaction fees. But they still chip away at each client's contribution to your profit.

One often-overlooked variable cost is the time spent on client-specific administration: onboarding paperwork, ongoing check-ins, and ad-hoc questions that fall outside the formal engagement. While not a direct cash outlay, this time represents a real opportunity cost. If you do not account for it, your effective hourly rate can drop well below what you intend to charge.

## The breakeven point: where costs meet revenue

Your breakeven point is the number of clients (or the total fee revenue) needed to cover both fixed overhead and variable costs, leaving you at zero profit. For an advice-only practice, this number is a crucial benchmark. It tells you the minimum scale required just to keep the doors open.

To find your breakeven point, you need three inputs: total annual fixed overhead, average variable cost per client, and average annual fee per client. The formula is straightforward: breakeven clients equals fixed overhead divided by (average fee minus variable cost per client). If your fixed overhead is high and your average fee is modest, you may discover you need more clients than you expected just to break even. That discovery often drives a decision to raise fees, reduce overhead, or both.

## Owner profit: beyond survival

Breaking even is not the goal. A sustainable practice must generate owner profit - money that compensates you for your expertise, your risk, and your time. Setting a clear profit target is what separates a viable business from a hobby that happens to pay some bills.

Your profit target should include a reasonable salary for the work you do (planning, meeting, managing the business) plus a return on the capital you have invested. Many planners overlook the second part. They treat all revenue above expenses as personal income, without accounting for the fact that they have invested years of training and thousands of dollars in equipment, software, and credentials. A proper profit target acknowledges that investment and demands a return.

Once you have a profit target, you can calculate how many clients you need at your current pricing, or what price you need to charge for your desired client count. This exercise often reveals that the difference between a comfortable practice and a struggling one is not about working harder; it is about understanding your economics well enough to set the right numbers.

## Client count and capacity: the practical limit

An advice-only practice cannot scale its revenue without also scaling its capacity. Each client requires a certain amount of your time for meetings, research, plan creation, and ongoing

communication. Unlike a product-based firm that can add clients with little additional work, an advice-only planner has a hard ceiling on the number of clients they can serve well.

That ceiling is determined by your capacity - the total hours you can realistically devote to client work each year, divided by the hours each client demands. If you try to exceed that ceiling, quality suffers, burnout follows, and clients notice. The economics of the practice therefore involve a trade-off between client count and average fee. A small number of clients paying a high fee can produce the same revenue as a large number paying a low fee, but the operating expenses differ considerably. Higher-fee clients often require more complex planning, which raises variable costs. Lower-fee clients may require less depth but more volume, which strains your administrative systems.

Finding the right balance is a matter of modeling your own numbers. You can test scenarios: what happens if you raise fees by ten percent and lose two clients? What if you lower fees and attract five more? The answers depend entirely on your fixed overhead, variable costs, and personal profit target. There is no universal right answer, but there is a right answer for your specific situation.

## What the numbers tell you about pricing

Once you understand your cost structure, you can set fees with confidence rather than guesswork. The Advice-Only Practice Model gives you a framework for that analysis. It forces you to separate your fixed overhead from your variable costs, to define your profit target explicitly, and to calculate the client count needed to reach it. That clarity makes pricing decisions less emotional and more strategic.

For example, if your fixed overhead is forty thousand dollars, your variable cost per client is two hundred dollars, and your profit target is eighty thousand dollars, then you know exactly how much revenue you need and how many clients at a given fee will get you there. If the required client count exceeds your personal capacity, you must either raise fees or lower costs. There is no third option in a fee-only structure.

## The hidden costs worth watching

Beyond the obvious categories, some costs sneak up on advice-only planners. Payment processing fees seem small per transaction but can total thousands of dollars a year if you collect monthly retainers by credit card. Operating expenses like software subscriptions often creep upward as vendors raise prices or add tiers. And the cost of your own time - the hours spent on non-billable activities like marketing, compliance, and professional development - is real, even if it does not appear on a profit and loss statement.

A good practice model accounts for these hidden costs. It treats your time as a resource with a value, and it tracks every expense category no matter how small. The discipline of recording and reviewing these numbers regularly is what turns a rough idea of profitability into a reliable forecast.

## Why this matters for the long term

The economics of an advice-only practice are different from those of a product-based firm, and that difference is an advantage if you embrace it. You cannot hide behind product margins or trailing commissions. Your revenue is earned directly from the value you provide, and your costs are transparent. That transparency forces good habits: disciplined pricing, careful capacity management, and a clear-eyed view of what it really costs to serve each client.

When you run the numbers honestly, you may find that your current pricing is too low, your client count is too high, or your overhead is too heavy. Those discoveries are not failures; they are the information you need to build a practice that lasts. The **Advice-Only Practice Model** provides the structure for that analysis, but the real work is in applying it to your own situation and making the adjustments that fit your goals.

A practice that understands its economics can serve clients well, pay its owner fairly, and remain stable through market changes. That is the outcome worth aiming for.