How to Start an Advice-Only Practice: A Guide for Independent Financial Advisors

The financial advisory profession is shifting. For decades, the dominant model involved managing assets under management (AUM) and collecting a percentage fee based on portfolio size. But a growing number of advisors are questioning whether that structure truly serves their clients or their own long-term goals. Instead, they choose to start an advice-only practice, where they charge directly for financial planning and advice rather than earning through product commissions or asset-based fees.

This approach appeals to advisors who want to operate under a fiduciary standard without the pressure to push products or gather assets. It also resonates with clients who prefer paying transparent fees for guidance rather than wondering what their advisor earns behind the scenes. If you are considering this path, the process involves more than just deciding to drop your series licenses. You need a clear plan that covers compliance, technology, client onboarding, and the practical realities of running a firm on your own terms.

What Advice-Only Means in Practice

An advice-only practice is built around fee-only compensation. You charge clients for your time, expertise, and financial plans, not for selling insurance products, mutual funds, or managing their investment accounts. This model aligns naturally with the fiduciary standard because there is no incentive to recommend one product over another. Your income comes from advice, not transactions.

Many advisors who operate this way still help clients implement recommendations. They might work with a custodian such as TD Ameritrade or Charles Schwab to open accounts, but the advisor does not hold discretionary trading authority or earn revenue from those accounts. Instead, the client pays a flat retainer, an hourly rate, or a project fee for the plan itself. This separation of advice from product sales is what makes the model distinct.

Regulatory and Compliance Considerations

Even if you are not managing money, you still operate within a regulated environment. The SEC and FINRA set rules around investment advice, and the CFP Board enforces standards for those who hold the CFP certification. If you give advice that could be interpreted as securities-related, you may need to register as an investment adviser. Many advice-only advisors register as a state-regulated RIA or affiliate with an existing RIA platform that provides oversight and compliance support.

One key document in this process is Form ADV. This is the uniform registration form for investment advisers. Filing it properly and keeping it updated is a requirement if you register as an RIA. The form discloses your fee structure, conflicts of interest, and business practices. It is public information, so clients and regulators can review it. Getting this right from the start saves headaches later.

Working with an RIA platform can simplify these steps. These platforms handle regulatory filings, provide compliance software, and help you stay current with changing rules. They also offer back-office support that reduces the administrative burden, letting you focus on client work. This support is especially valuable when you first start an advice-only practice and are still building your operational systems.

Choosing Your Business Structure and Technology Stack

Your choice of business structure affects your liability, taxes, and regulatory obligations. Many advisors form a limited liability company or a professional corporation. Then you select the technology that runs your daily operations. At a minimum you need:

- Financial planning software for building plans and projections
- Compliance software to manage disclosures, client agreements, and regulatory filings
- Client onboarding tools that collect data, signatures, and documents securely
- A customer relationship management system tailored to advisory work
- A billing platform that handles recurring fees, invoices, and payment processing

These tools should integrate with each other. Disconnected systems create extra work and increase the chance of errors. Many advisors start with an all-in-one platform that bundles compliance, planning, and client management. The right setup depends on your niche and the complexity of your clients' situations.

Finding Your Clients and Setting Fees

Advice-only practices tend to attract clients who value transparency and are willing to pay for expertise. Your marketing should emphasize the fiduciary standard and the fee-only nature of your work. Referrals from existing clients and professional connections, such as tax preparers or estate attorneys, are common sources of new business.

Setting fees is one of the hardest decisions. You need to cover your costs and earn a living while keeping your services accessible. Some advisors charge a flat monthly retainer, others charge by the hour, and some use a hybrid model. The key is to be clear about what each fee covers. Clients should know exactly what they get for their money and what falls outside the scope of your engagement.

Organizations such as XY Planning Network and resources from Kitces offer guidance on fee structures and business models for advice-only advisors. They also provide community support, which can be invaluable when you are figuring out how to handle a tricky client situation or a compliance question. Learning from others who have already made the transition saves you from making expensive mistakes.

Working with Custodians and Managing Client Assets

Even in an advice-only model, clients may want help implementing their investment plan. You can recommend a portfolio allocation and then direct the client to open accounts at a custodian such as TD Ameritrade or Charles Schwab. You do not need trading authority or an AUM arrangement to provide this guidance. The client executes the trades themselves, or you operate under a limited power of attorney that restricts your ability to withdraw funds.

This approach keeps you free from conflicts related to asset under management fees. It also simplifies your compliance burden because you are not managing client money. However, you still need to understand the custodian's policies and how they handle advisor relationships. Some custodians have specific agreements for advisors who do not charge AUM fees, and they may require certain disclosures or account structures.

Staying Compliant as You Grow

When you start an advice-only practice, compliance is not a one-time task. It is an ongoing process. You must file annual updates to Form ADV, maintain records of client communications, and document your reasoning for every recommendation. The CFP Board's rules require you to act as a fiduciary at all times when providing financial planning advice. That means putting the client's interest ahead of your own and disclosing any potential conflicts.

Working with an RIA platform or a compliance consultant can help you build systems that scale. Back-office support becomes more important as you add clients. You need reliable processes for client onboarding, data security, and regulatory reporting. A mistake in compliance can lead to fines or loss of your registration, so it pays to invest in good support from the beginning.

Common Pitfalls to Avoid

One common mistake is underestimating the time and cost of running a compliant business. Advisors who are used to working under a broker-dealer umbrella often do not realize how much paperwork and oversight is involved in running their own RIA. Similarly, advisors

sometimes skip important steps like drafting a comprehensive client agreement or documenting their fee structure clearly. These omissions can create legal exposure.

Another pitfall is trying to serve too broad a client base. Advice-only practices work best when you focus on a specific niche or client profile. When you know your ideal client's needs, you can tailor your services, your marketing, and your compliance processes accordingly. A general practice may struggle to differentiate itself in a crowded market.

Finally, do not underestimate the importance of community. Going independent can be isolating. Networks of other independent advisors, whether through XY Planning Network, Kitces, or local study groups, provide support and accountability. They can also be a source of referrals and shared expertise.

Moving Forward

The decision to start an advice-only practice is not just a business choice. It is a philosophical one. It reflects a commitment to putting clients first and building a career on the quality of your advice rather than the volume of assets you gather. The path requires careful planning, a solid understanding of regulatory requirements, and a willingness to invest in the right technology and support systems.

But for many advisors, the rewards are substantial. You gain full control over your client relationships, your fee structure, and your professional life. You also earn the trust that comes from operating under a clear fiduciary standard. If you are ready to make the leap, start by researching RIA platforms, consulting with compliance experts, and talking to other advisors who have already made the transition. With the right preparation, you can build a practice that serves both your clients and your own vision of what advisory work should be.