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The Flat Fee Revolution™

Why the way you pay for financial advice matters more in retirement than it ever has



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Bruce J. Smith III

Elite Wealth Network



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Before You Read This

Let me get the awkward part out of the way on page one.

I run an investment advisory firm. The WealthKare Investment Center is registered with the Securities and Exchange Commission, and we have just launched something most of this industry has rarely offered in fifty years: a flat annual fee of ten thousand dollars, rather than a percentage of your assets. The program is new, and it is outside the box on purpose. This book exists because it may be an extremely valuable alternative for you to consider.

This book is marketing. I wrote it to persuade you to consider a different way of paying for financial advice, and I benefit if you do. Nobody paid me to write it and nobody is paying you to read it, but you should hold it the way you would hold anything else written by someone with a stake in your conclusion.

I am telling you that first because you already suspected it, and because everything that follows depends on you believing what I say. A book like this either earns that or it doesn't, and pretending to be disinterested is the fastest way not to.

So here is what I am offering, stated plainly before I make a single argument for it.

- Our fee is ten thousand dollars a year, billed twenty-five hundred quarterly, in advance.
- Our minimum is generally a million dollars. Our Form ADV states five hundred thousand, and we hold ourselves to a higher bar in practice. Chapter Five explains why the two numbers differ.
- You can leave by giving us written notice, effective when we receive it. Any prepaid portion is returned to you. There is no penalty and no notice period.

- Our fee is not the only thing you pay. There are costs underneath it that exist in almost every arrangement including this one, and Chapter Three walks you through finding them in yours.
- We have conflicts. A flat fee rewards doing less work and taking on more clients. We are also licensed to sell insurance and are paid commissions when we do. Chapters Eight and Ten deal with both.

Three things this book is not.

It is not an argument that advisors are overpaid. Some are worth every dollar and more. I have spent forty years around people in this business and the number I would describe as compromised is small.

It is not an argument that the flat fee is better for everyone. It is not. There are specific, knowable situations where a percentage fee is the better arrangement, and Chapter Five names five of them, four with the dollar figures attached. That chapter argues against my own interest and it is the one I would read most carefully.

It is not a promise about investment returns. Nothing in here suggests that changing how you pay for advice will improve what your portfolio earns. The entire argument concerns cost, which is the one variable in this whole business that anyone can actually control.

Here is what it is. A single claim: one of the most valuable retirement expense reductions available to you has been hiding in plain sight, on the one line of your statement nobody reads. And seeing it changes more than the bill. The chapters ahead follow that saving as it compounds — into growth the account keeps, income the growth sustains, an estate that inherits the difference, and the room it opens to move steadily toward a Roth-heavy retirement.

What this book will ask of you is about half an hour and your own statements.

By the end of Chapter Three you will have a number that almost nobody in this country has: exactly what you paid last year for financial advice, in dollars, computed by you from documents you already have. Everything after that is arithmetic performed on your own figure rather than one I supplied.

That is the whole method. I do not need you to trust me. I need you to open your statements.

Bruce J. Smith III
Summerfield, Florida

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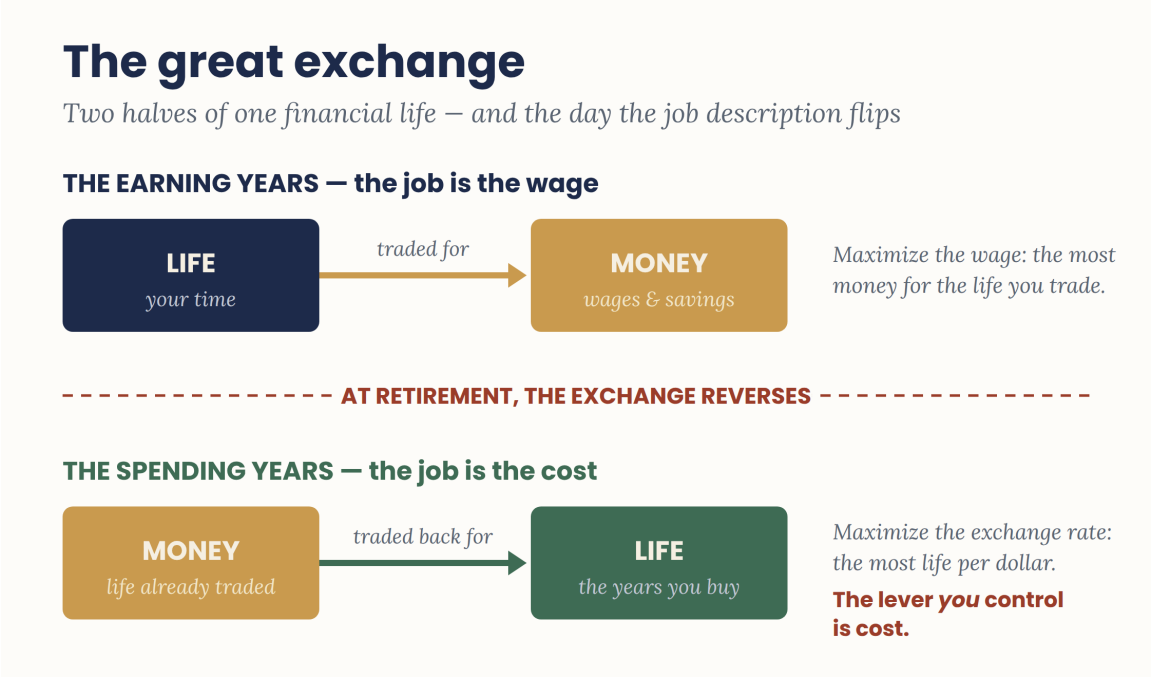
PREFACE

The Exchange Rate

Before the first chapter, I owe you the idea underneath this book — and underneath every book in the series it started.

Thirty years as a fiduciary planner, forty-five working weeks a year, forty hours a week: call it 54,000 hours spent inside other people's retirement plans. Not one product sale repeated 54,000 times — a clean sheet of paper every time, pricing a family's retirement and working out how the wealth they built would pay for it. When I finally turned that lens on my own retirement, everything I had learned collapsed into one picture, and it is simple enough to state in a paragraph.

You work your whole life, and for that work you trade life for money. By the hour if you earned a wage; by the year if you earned a salary. At retirement you cannot get back one hour of the life you traded — but the money you kept is still there, and now the exchange runs the other way. For the rest of your life you will trade *money for life*: every month, dollars go out and a month of living comes back.



One financial life, two exchanges — and the day the job description flips.

While you worked, the right obsession was the wage: the most money for the life you traded. In retirement, the right obsession is the exchange rate: the most life for the money you trade back. And that is a cost question. Here is where the financial industry gets it wrong — it aims your attention almost entirely at earnings on money, while the thing that actually sets your exchange rate goes unexamined. An optimized retirement plan is not the one with the greatest potential to grow. It is the one that manages costs best, because your capital can only compound on what the costs have left behind. The man on the hundred-dollar bill is quoted as saying it in six words, and his words are worth more in retirement than they were in his century: a penny saved is a penny earned.

To be clear about what I am not saying: growth matters, because thirty years of inflation is itself a cost — the erosion cost — and only growth pays that bill. But every growth decision is, underneath, a cost decision, and unlike returns, costs are knowable in advance. A dollar of avoided cost is the only return you can lock in before the year happens.

In the earning years, maximize the wage. In the spending years, maximize the exchange rate. The lever you control is cost.

This book prices the first and largest controllable cost on the list: the cost of the advice itself. The companion volumes price the rest — the costs inside annuities, the tax drain, the costs of declining health and wealth transfer, and the whole harsh-reality tour of the no-paycheck years. Every one of them is weighed the same way: honest pros, honest cons, and the price tag in the open. You traded your life for this money. This series is about trading it back well.

The companion books and guides in this series are available at InsideYourRetirement.com.

CHAPTER ONE

The Recommendation That Costs Your Advisor Money

There is a decision most couples make in their early sixties that will matter more than almost any investment choice they ever make. It gets decided in an afternoon. Often it gets decided by accident.

I want to walk you through it, because of what it reveals.

Let me introduce a couple. Call them Ray and Diane. They are both sixty-two. Ray spent thirty-one years at the same company and retired last spring. Diane taught fourth grade and stopped a few years before he did. They have a portfolio of about two million dollars, most of it in Ray's rollover IRA, and they have been working with the same advisor for eleven years. They like him. He returns calls. He remembered Diane's surgery.

Ray and Diane are not a real couple. I have put them together out of a few dozen conversations I have had over the past four decades, because the situation repeats itself almost exactly, and because the numbers are cleaner when nobody has to be protected.

Their question is when to claim Social Security.

Ray can claim now, at sixty-two. He can wait until his full retirement age of sixty-seven. Or he can wait all the way to seventy. Most people know, vaguely, that waiting pays more. Very few people know how much more, and almost nobody has been walked through what it costs to wait.

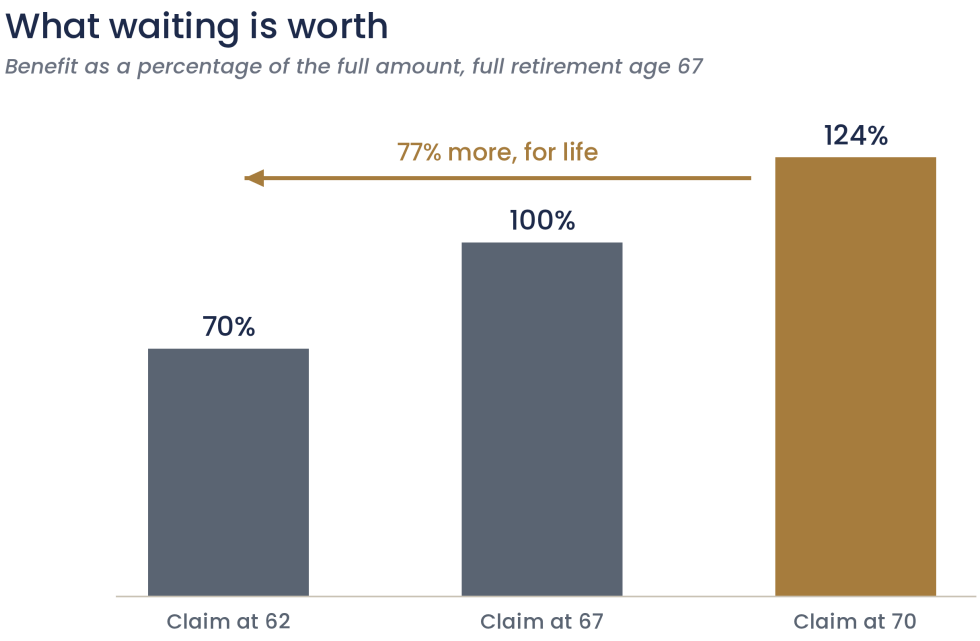
Here is what waiting pays.

If Ray claims at sixty-two, he receives seventy percent of his full benefit. Not ninety. Seventy. That reduction is permanent, and it follows him for the rest of his life.

If he waits until seventy, he receives one hundred twenty-four percent of that same full benefit.

Put those side by side and the number is startling. Claiming at seventy instead of sixty-two produces a benefit that is seventy-seven percent larger. Not seventy-seven percent for a few years. Seventy-seven percent for as long as Ray lives, adjusted for inflation every single year, and then continuing to Diane as a survivor benefit if she outlives him, which statistically she probably will.

Seventy-seven percent more, for life.



Benefit factors assume a full retirement age of 67. Verify your own at ssa.gov.

In Ray's case, that is the difference between about twenty-eight thousand dollars a year and about fifty thousand. Nearly twenty-two thousand dollars a year, guaranteed by the federal government, rising with inflation, protected for the survivor. There is nothing in the private market that will sell you that. Not for any price.

So the answer looks obvious.

It is not obvious, because waiting is not free.

To get from sixty-two to seventy without Social Security, Ray and Diane have to live on something. That something is the portfolio. In their case, running the household as they actually live requires about sixty thousand dollars a year more from the account than they would need if Ray were collecting.

Eight years. Sixty thousand a year.

Four hundred and eighty thousand dollars comes out of the portfolio.

Now. That money is not wasted. It is spent buying an inflation-adjusted, government-guaranteed, survivor-protected income stream that is seventy-seven percent larger than the alternative, and in the great majority of cases the trade is a good one. This is not a close question in the planning literature. For a healthy couple with longevity in the family, delaying is very often the single most valuable planning decision available to them.

But I want you to notice something about that four hundred and eighty thousand dollars.

It leaves the account.

Ray and Diane's advisor is paid a percentage of the assets he manages. Their blended rate, once you read past the first tier of his schedule, comes to about three quarters of one percent. That is not a gouge. That is an ordinary, competitive, entirely defensible fee, and it is roughly what a two million dollar household pays across most of this industry.

But it means his compensation is calculated on the balance of that account. And four hundred and eighty thousand dollars just left it.

Not for a year. Permanently.

Run that forward. Had the money stayed in the portfolio and grown at a reasonable rate, it would have generated fees for the next three decades. It didn't stay. So over the thirty years following that decision, recommending the strategy that is almost certainly right for Ray and Diane costs their advisor approximately

two hundred forty-seven thousand dollars in fee revenue he will now never collect.

Two hundred forty-seven thousand dollars.

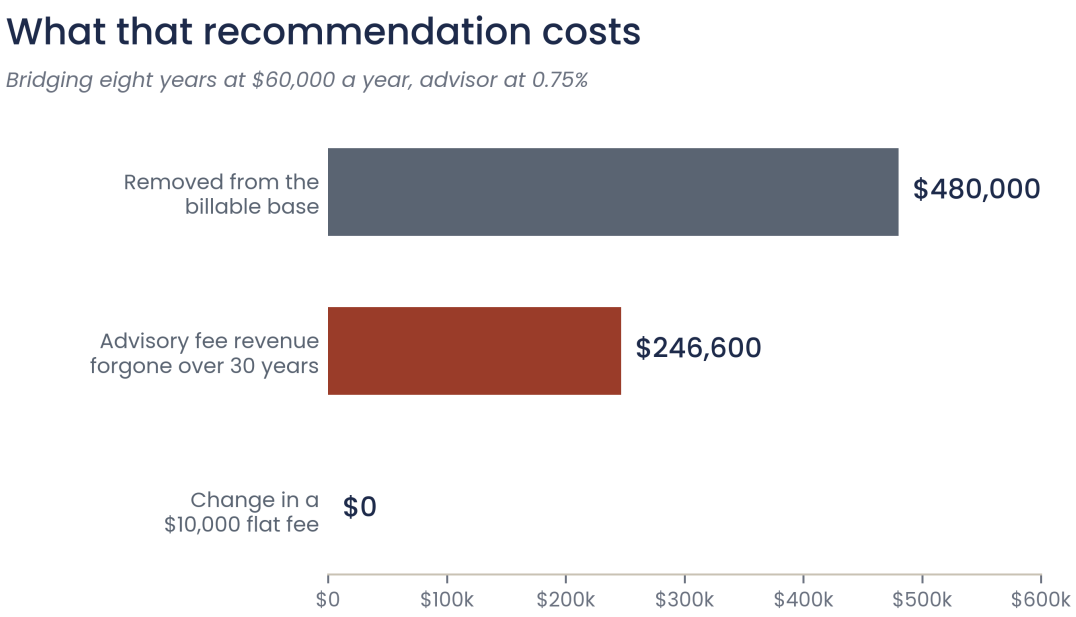


Illustration of forgone advisory revenue, not a projection of investment results.

That is not a rounding error in a small practice. For many advisors, one client's Social Security decision represents more revenue than they will earn from that household in the next decade combined.

Now I need to be very careful, because there is a lazy version of this chapter and I am not going to write it.

I am not telling you that your advisor is hiding this from you. I do not know your advisor. The overwhelming majority of people in this business are honest, work hard, and would tell Ray to wait until seventy without a second thought, precisely because that is what a fiduciary does and most of them are fiduciaries who take it seriously.

I am also not telling you that this conflict is hidden. It isn't. It is disclosed. Every registered investment adviser in this country files a Form ADV, and every firm charging a percentage of assets states in that document, in plain language, that its

fee is based on the value of the account it manages. Your advisor's ADV says so. Mine says what mine is based on. You can read either one online this afternoon.

So nothing here is secret and nothing here is an accusation.

What I am telling you is this. That disclosure has been sitting in front of you for years, and almost nobody has ever connected it to the actual decisions on their actual kitchen table.

You read "our fee is based on assets under management" and you understand it to mean *the fee goes up when the account goes up.* Which is true, and which most people have made peace with.

What almost nobody works out is the other direction. The fee also goes down when the account goes down. Including when the account goes down because your advisor gave you excellent advice.

That is a strange thing to build into a compensation structure. Not corrupt. Strange. It means that on one particular category of recommendation, the ones where the right move is to take money out of the account and do something else with it, your advisor has to argue himself out of his own paycheck to tell you the truth.

Most of them do. I want to say that again, because it matters and because it is true: most of them do.

But you have hired someone to give you advice, and you are entitled to know where the structure of their compensation makes that advice harder to give.

Social Security is the largest example. It is not the only one.

Consider what else falls into the same category.

Paying off the mortgage from the portfolio. Money leaves the account.

Converting part of the IRA to a Roth and paying the tax bill from investable assets, which is usually how you want to pay it. Money leaves the account.

Giving to charity directly from the IRA through qualified distributions in your seventies. Money leaves the account.

Helping a daughter with a down payment. Funding the grandchildren's college accounts. Buying a guaranteed income stream somewhere other than the platform your advisor bills on.

Every one of those is sound planning. Every one of them is, in the right circumstances, exactly what a good advisor should recommend.

And every one of them shrinks the number that his compensation is calculated from, permanently, for as long as you are a client.

There is a whole chapter later in this book that works through the arithmetic on each of them. For now I only want the pattern to be visible, because once you see it you cannot stop seeing it. The recommendations that most reliably improve a retiree's life are disproportionately the ones that reduce the balance of the account.

Here is where my own interest enters, and I would rather say it directly than let you find it.

I run an investment advisory firm. We offer a flat annual fee alternative. Not a percentage. A number, in dollars, disclosed in advance, that does not move when your portfolio moves.

Which means that when a client on that arrangement sits down to decide about Social Security, our revenue from that household is the same whether they claim at sixty-two or wait until seventy. It is the same whether they pay off the mortgage or carry it. It is the same whether they convert two hundred thousand dollars to a Roth or none at all. It is the same if they give a quarter of a million dollars to their church.

Four hundred and eighty thousand dollars can walk out of a client's portfolio on my recommendation, and the change in what we are paid is zero.

I am not claiming this makes me a better advisor than the one Ray and Diane already have. I have no idea. He may well be better than I am. That question cannot be settled from the outside and I am not going to pretend otherwise.

What I am claiming is narrower, and I think it is the only thing in this entire book that is genuinely beyond argument: on this particular category of decision, one structure has a tension in it and the other does not.

That is not a matter of character. It is a matter of arithmetic.

I should also tell you that my structure has its own problem, because a book that dissects somebody else's conflict and pretends to have none of its own is a sales brochure wearing a jacket.

A flat fee pays me the same whether I do the deep work or the shallow version. If I take a client's ten thousand dollars and give them forty hours of thought, I get paid ten thousand dollars. If I give them four hours, I still get paid ten thousand dollars. That is a real incentive, it points in an unhelpful direction, and it is disclosed in my Form ADV the same way the other one is disclosed in his.

There is an entire chapter near the end of this book about that, about what we do to manage it, and about exactly what you should demand from us so you would know if you weren't getting it.

I would rather you read that chapter with your guard up than have you finish this book thinking I had discovered a fee model without a downside. Nobody has. Every way of paying an advisor creates some incentive, and the useful question was never *which one is pure*. It is which tension you would rather have sitting across the table from you when the stakes are highest.

So that is the question I would like you to carry into the rest of this book.

Not whether advisors are worth it. They frequently are, and I will make that case honestly later on, including the parts of the evidence that cut against me.

Not even whether you are paying too much, although we are going to work that out together in a few pages, using your own statements and your own advisor's fee schedule, so the number you end up with is yours and not mine.

And not only the savings, although the savings are real. An advisory fee is the one retirement expense that compounds against you, which means removing it where it is suitable to remove is the one expense reduction that compounds *for* you — in the growth the account keeps, in the income that growth can sustain, in the estate

it leaves behind, and in the room it opens to move money steadily toward a Roth, where no future fee and no future tax bill is waiting for it. One of the most valuable expense reductions available to a retiree has been hiding in plain sight, on the one line of the statement nobody reads. This book is about seeing it.

The question is this one.

The next time someone recommends something to you about your money, do you know what that recommendation costs the person making it?

For Ray and Diane, the honest answer was about two hundred forty-seven thousand dollars.

I hope their advisor told them to wait until seventy. Most would.

But I think they should have known what it cost him to say it.

Ray and Diane are hypothetical. The Social Security figures assume a full retirement age of sixty-seven, at which a claim at sixty-two pays seventy percent of the primary insurance amount and a claim at seventy pays one hundred twenty-four percent. Your own full retirement age and benefit factors depend on your year of birth and should be verified at ssa.gov. The fee figure assumes the $480,000 leaves the portfolio as $60,000 at the start of each of eight years, and a blended advisory rate of 0.75% applied annually to each withdrawn amount and its assumed growth at 7% per year through year thirty, and is presented as an illustration of forgone advisory revenue rather than a projection of any investor's returns. Your circumstances will differ. Nothing in this chapter is a recommendation regarding your Social Security claiming decision.

CHAPTER TWO

You're Right, You Can't Tell Us Apart

I have heard the same sentence more times than I would like to count, usually about nine minutes into a conversation, usually said kindly, and almost always said with a small apologetic shrug.

> ***Look, no offense, but you financial advisors are all the same.***

For most of my career I argued with that. I had a whole answer ready. Credentials, process, philosophy, the way we handle drawdowns, the reason our approach is different. I could go twenty minutes without repeating myself.

It never worked. Not once that I can remember.

It took me an embarrassingly long time to understand why, and the answer is that the objection is largely correct, and I was arguing with the wrong half of it.

Let me separate the two things that sentence is doing, because they are not the same claim and only one of them is true.

The first claim is that advisors are interchangeable. That whoever you pick, you get roughly the same outcome, so it hardly matters.

That one is false, and I am not going to pretend otherwise to seem agreeable. The difference between a thoughtful advisor and a mediocre one, compounded across a thirty-year retirement, is enormous. It shows up in tax decisions, in what happens during a bad market, in whether anyone caught the problem in the beneficiary designations, in whether the Social Security decision from Chapter

One was ever properly modeled. Advisors are not interchangeable, and a book arguing they are would be an odd book for an advisor to write.

The second claim is that from where you are sitting, you cannot tell which is which.

That one is entirely true. And it is not your failure. It is ours.

Go look at eleven advisory firm websites this afternoon. I have done it. I do it periodically to see what the market looks like from outside.

Every one of them says fiduciary. Every one says independent. Every one says comprehensive, or holistic, or goals-based. Every one has a photograph of a couple in their sixties on a dock, or walking a beach, or laughing at something just off camera that must have been extraordinarily funny. Every one says they put clients first. Every one says they build customized plans around your unique situation.

Now try to find the sentence that distinguishes any of them from the others.

You will not find it, because it is not there. The language converged years ago, everyone adopted the words that tested well, and the result is an industry that has made itself genuinely impossible to differentiate from the outside.

So when you tell me we all look the same, you are reporting accurately on the evidence available to you. What you are describing is not cynicism. It is an honest reading of a landscape that has been sanded smooth.

Here is the part that took me longer to accept.

Even if we all stopped writing that way tomorrow, you still could not evaluate us in advance.

The things that actually separate a good advisor from a poor one only become visible over years. Whether they told you something you did not want to hear. Whether they called during a crash or hoped you wouldn't. Whether the tax planning was real or a paragraph in a binder. Whether they noticed the thing you never thought to ask about.

None of that is knowable from a website, a brochure, a first meeting, or a book. Including this book.

That is not unique to my field. You cannot evaluate a surgeon by talking to one either. But surgeons have outcome data and licensing boards and referral networks that have watched them work, and even then people mostly choose by instinct and reputation. We have considerably less than that, and what we do have is buried in documents nobody reads.

So I am going to stop making the argument I used to make. I am not going to spend this book insisting that we are different in ways you have no way to verify. That is exactly what everyone else does, and you already discount it, and you are right to.

Instead I want to ask a smaller question.

If quality cannot be verified in advance, what can be?

Two things. Only two, as far as I can tell, and both of them can be established this afternoon without anyone's permission.

The first is what you pay. Not approximately. Not as a percentage you half remember from a form. The actual dollar figure that left your account last year. It is knowable, it is in documents you already have or can obtain for free, and the next chapter walks you through finding it.

The second is what the person advising you is paid to recommend. Not what they will recommend, which is a question about character, but what the structure of their compensation rewards and penalizes. Chapter One was one example of that. There are others, and they are all in a public filing.

Neither of these tells you whether an advisor is any good. I want to be very clear about that, because a book that quietly equated low cost with high quality would be its own kind of dishonesty, and I am about to spend several chapters arguing about price.

Cost is not quality. There are expensive advisors worth every dollar of it, and there are low-fee advisors I would not send my sister to.

But cost and incentive are the two things you can actually establish before you commit, and when most of a decision is unverifiable, the reasonable move is to start with the part that isn't.

There is one more reason to start there, and it is the reason this whole book exists.

Whatever else is uncertain about the next thirty years, the fee is not.

You do not know what the market will do. You do not know how long you will live, or whether your health will hold, or which of your children will need help. You do not know whether the advisor sitting across from you is excellent or merely pleasant.

You know exactly what you will pay. It is the one term in the entire arrangement that is fixed, knowable, and entirely within your control before you sign anything.

That is not a small thing to have found in a field with this much uncertainty in it. It is arguably the only firm ground available, and it seems strange to me that so few conversations start there.

So I am conceding the point, with one word changed.

You cannot tell us apart. That is fair, and I am not going to try to talk you out of it with adjectives.

But *indistinguishable* is not *identical*, and the fact that you cannot evaluate the advice does not mean you cannot evaluate the arrangement.

The arrangement is knowable. It has been sitting in your statements and in a public filing the entire time.

Let's go find it.

This chapter reflects the author's opinions and experience. The WealthKare Investment Center is an SEC-registered investment adviser; registration does not imply any particular level of skill or training. Nothing here should be read as a characterization of any specific firm.

CHAPTER THREE

What You Actually Paid Last Year

This chapter asks you to do something rather than read something. It takes about half an hour and you can do it at your kitchen table with a calculator and the statements you already have.

At the end you will have four numbers. Every argument in the rest of this book runs on them, and because you produced them yourself, you will not have to take my word for a single one.

I want to say plainly what this is not. It is not an exercise in catching your advisor at something. Most likely you will find they have charged exactly what they said they would charge, disclosed the way they said they would disclose it. That is the usual outcome and it is the correct one.

The point is different. You cannot evaluate an arrangement you have never quantified. And almost nobody has quantified this one.

Why you probably don't already know

There is a reason this number tends to surprise people, and it has nothing to do with anyone hiding anything.

You never write the check.

Your advisory fee is deducted from your account, usually quarterly, usually automatically, usually appearing as a single line among a great many other lines. The deduction rests on a standing authorization — the advisory agreement you signed when the account was opened — and it has run on that signature ever since. An invoice may or may not exist somewhere in the process. Some firms produce one. But where it exists, it is not the kind of invoice that arrives on its own and demands an action from you; it tends to sit folded inside an account

statement or some other client mailing, easy to miss and easier to ignore. Nothing leaves your checking account. The money is simply a little less than it was.

Compare that to your property tax bill, which arrives in an envelope, demands an action from you, and is therefore a number you almost certainly know to the dollar despite being, for most households reading this, considerably smaller.

That is not a criticism of deduction. It is convenient and it is standard and I do it too. But there is a well-documented gap between how people experience a cost they pay and a cost that is simply taken, and thirty years of quarterly deductions is about as invisible as a large expense can get.

So the number is not hidden. It is just never assembled.

The exercise

Step one. Gather four statements. The last four quarters from the account or accounts your advisor manages. Paper or the online portal, either is fine.

Step two. Find the fee. Look for a line reading advisory fee, management fee, investment management fee, or program fee. It is often in a transactions section rather than at the top, and on some statements it appears in a separate fees-and-charges summary. If your household holds several managed accounts, each one is likely billed separately, so check all of them.

If you cannot find it, call and ask. The correct question is: *what was the total advisory fee charged to my accounts last calendar year, in dollars?* Any firm can produce that in a few minutes, and any reluctance to produce it is itself information.

Step three. Add the four numbers. Write the total down. This is the first of your four figures.

Step four. Get the brochure. Your advisor's Form ADV Part 2A is a public document. Go to adviserinfo.sec.gov, search the firm name, and open the brochure. It is free, it requires no login, and nobody is notified that you looked.

Turn to Item 5, which is titled Fees and Compensation. That is the published fee schedule, including any breakpoints, and it is what you were agreed to be charged.

While you are in there, read Item 10 and Item 11 as well. Those cover affiliations and conflicts of interest. It is the most useful fifteen minutes available to any client of any advisory firm, and I would guess fewer than one client in fifty has ever spent it.

Step five. Compute your blended rate. Take the annual fee in dollars and divide it by your average account value over the year. Beginning value plus ending value, divided by two, is close enough.

That percentage is your actual rate. It is the second of your four figures, and it is very often not the number people expect.

What you may find

Two things happen at this step, in roughly equal measure.

Sometimes the rate is lower than assumed. Breakpoints were applied, the household is billed across tiers, and the blended rate lands well under one percent. If that is you, note it carefully. It matters a great deal to the arithmetic in Chapter Five, and it moves that arithmetic in your current advisor's favor, not mine.

Sometimes it is exactly one percent, or more, on a very large account. The industry talks about breakpoint pricing as though it were universal. In forty years of reading other firms' statements I have found that considerably less reliable than the talk suggests. I have lost count of the households well past three million dollars paying a flat one percent with no breakpoint ever applied. On three million dollars that is thirty thousand dollars a year.

I have no way of knowing which of those you are, and neither does anyone who has not looked at your statement. That is the entire reason for the exercise. Every number in the rest of this book uses your rate, not an assumed one, because the assumed one is wrong about half the time in each direction.

A second way to look at that number

You have a dollar figure now. Before we go further, I want to divide it by something other than your account balance.

In retirement, your portfolio has one job. It produces the income you live on. Whatever you draw each year — three and a half percent, four, five, whatever your plan actually calls for — that withdrawal is your paycheck.

Here is the part almost nobody sees. Yours is not the only paycheck this portfolio is writing.

Every quarter, quietly, the same account pays a second income to the person who manages it. You rarely notice a bill, for the reason we just covered — the fee is deducted on the standing authorization in your agreement, and whatever invoice or fee notice the process produces is usually tucked where nobody reads it. But it is a withdrawal all the same. Drawn from the same pool, in the same dollars, in the same years. In retirement, your advisor retires on your portfolio right alongside you.

So put the two paychecks side by side. Divide the advisor's annual paycheck by your own.

At a one percent fee and a four percent withdrawal, the answer is twenty-five percent. For every dollar of income the portfolio pays you, it pays your advisor another twenty-five cents.

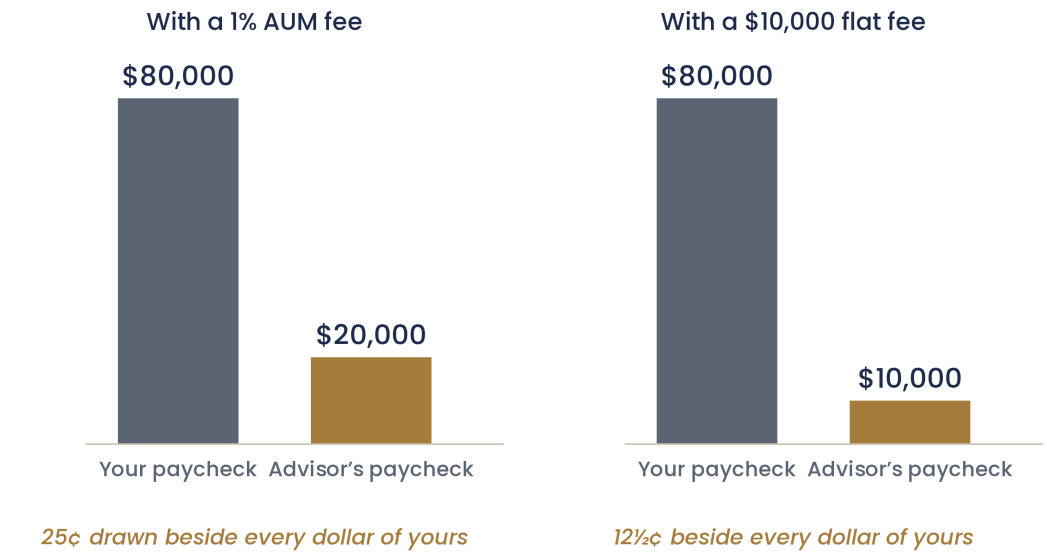
The arithmetic is simpler than it looks, and worth doing on your own numbers. The advisor's paycheck, measured against yours, is just the fee rate divided by your withdrawal rate. It does not depend on how much money you have. A household with eight hundred thousand dollars and a household with six million, both paying one percent and both drawing four, are funding a second paycheck of exactly the same relative size. Twenty-five cents alongside every dollar of their own.

Change the withdrawal rate and it moves. Draw three and a half percent and the advisor's paycheck grows to twenty-nine percent of yours. Draw five and it falls to twenty. Notice the direction: the more carefully you spend, the larger the second paycheck becomes next to your own.

I have never met anyone who thought of it this way before someone showed them, and I have never met anyone who was unaffected once they did.

Two paychecks from the same portfolio

$2,000,000 portfolio, 4% annual withdrawal — $80,000 of income

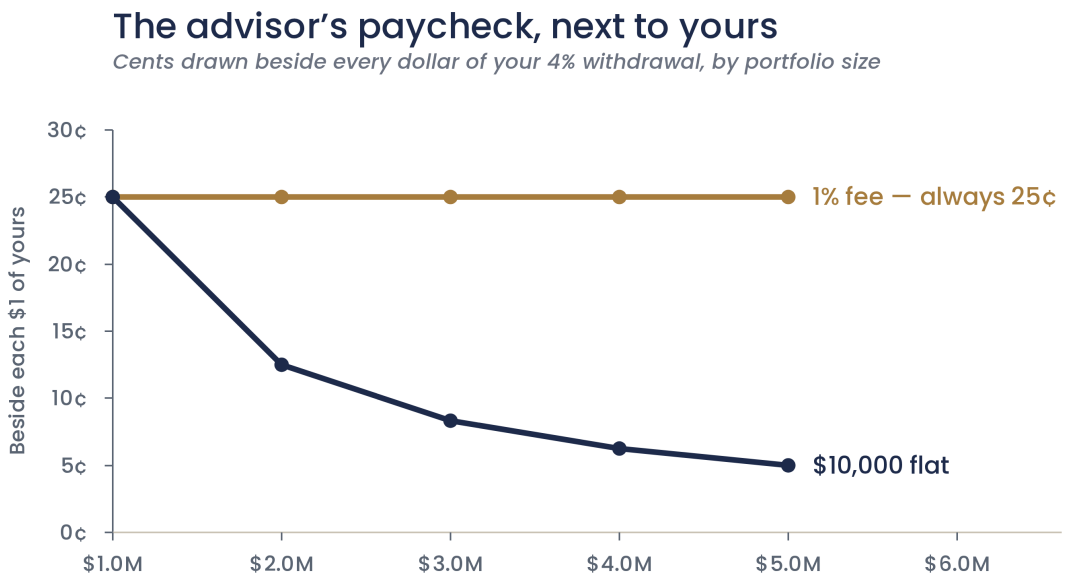


A $2,000,000 portfolio drawing 4% pays you $80,000 a year — and pays a 1% advisor $20,000 alongside you.

Here is the same comparison as a flat fee, on the same four percent draw:

Portfolio	Your paycheck	Advisor's paycheck at 1%, next to yours	At $10,000 flat, next to yours
$1,000,000	$40,000	25%	25%
$2,000,000	$80,000	25%	12.5%
$3,000,000	$120,000	25%	8.3%
$4,000,000	$160,000	25%	6.3%

The percentage column never moves. That is the whole point of a percentage — it is designed not to move. The flat-fee column falls every time the portfolio grows, because that paycheck stays a fixed number while yours keeps pace with the account.



Your advisor's paycheck, measured against yours, is the fee rate divided by your withdrawal rate.

Why this matters more now than it ever has

There is a reason I put this in a book written for people in or near retirement rather than for thirty-five-year-olds.

During your working life you could out-earn a cost. A bad year of fees was absorbed by the next contribution and by thirty more years of compounding. You had time and you had income coming in. The cost was real but it was recoverable.

None of that is true anymore.

There are no more contributions. The pool is what it is, and it now has to last a length of time nobody can tell you in advance. Every dollar of cost is permanently removed from a finite number, and there is no future paycheck arriving to replace it.

It is worse in a bad market. When your portfolio is down and a fee is deducted, shares are sold at depressed prices to pay it — losses locked in to cover a charge. During accumulation the same fee was partially offset by new money buying at those low prices. In retirement there is no offsetting purchase. There is only the sale.

And costs are the one variable you actually control. You cannot control returns, inflation, tax law, your health, or how long you live. You can control what you pay. It is the only lever on the entire dashboard that responds when you pull it, which makes it strange that it is the one almost nobody pulls.

The part that bothers me most

Retirees are, in my experience, the most cost-conscious people in America.

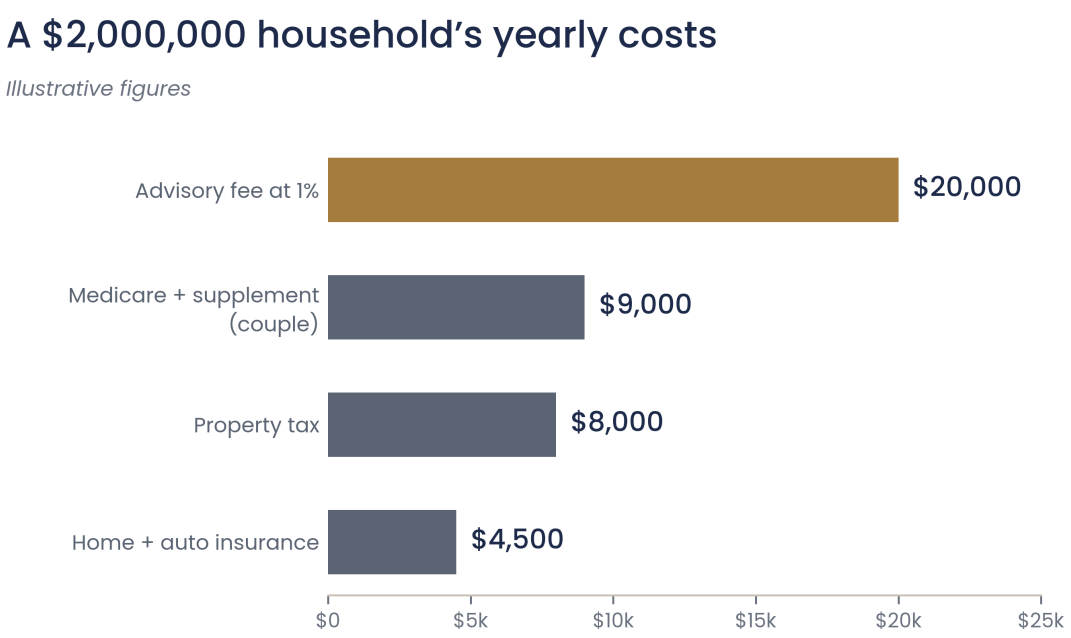
They shop their Medicare supplement every single year. They compare homeowners policies. They know the price of things. They will drive across town for a better rate on a certificate of deposit, and I say that with admiration rather than as a joke — that instinct is exactly right and it is why their money lasted long enough to need managing.

Now look at what that same household is looking at.

For many families with a couple of million dollars invested, the advisory fee is the largest recurring expense in their life. Larger than the property tax. Larger than what they pay for Medicare and a supplement, combined. Larger than insuring the house and both cars.

Every one of those other costs arrives in an envelope. Somebody sends a bill, and it gets read, questioned, and shopped.

The largest one is the only one that never arrives at all.



Illustrative figures for a household with $2,000,000 invested.

That asymmetry is the reason this chapter exists, and it is the reason I asked you to spend half an hour with your statements. The instinct that makes retirees good at controlling costs is already there. It has simply never been pointed at the biggest number, because the biggest number never asked for attention.

The costs nobody shows you

There is a second layer of cost underneath the fee you just calculated, and almost nobody knows it is there.

I want to be careful here, because this is the part of the conversation where advisors either mislead people or scare them, and I would rather do neither.

So let me say the important thing first.

You are already paying this layer. You have been paying it for years, under every advisor you have ever had, and you would pay it if you fired all of us tomorrow and managed the money yourself.

Nothing I am about to describe is a charge you would take on by changing how your advisory fee is calculated. It is a charge you are carrying right now and have simply never seen.

Why you have never seen it

Your advisory fee is deducted from your account. It shows up. You can find it, which is what the last few pages were about.

The costs inside your investments do not work that way. They are removed before any number ever reaches you.

When a fund reports that it returned 9.2 percent last year, it earned somewhat more than 9.2 percent and the difference went to the people who ran it. That subtraction happens inside the fund, continuously, and it is disclosed in a prospectus rather than on a statement. There is no line item because there is no transaction. No bill arrives because no bill is ever sent.

Which means the return you have been looking at on your statement for the past decade is already net of this cost. You have been experiencing the result of it the entire time without ever being shown the number.

That is not a scandal. It is how pooled investments have always worked, and it is the same at every firm in the country. But it does mean that the fee you computed on the previous page is not your total cost, and anyone who lets you believe otherwise is doing you a disservice.

The three layers

It is easier to hold if you think of it as a stack.

Layer one — the advisory fee. What you pay a human being to advise you. Visible, deducted from your account, findable on your statement. This is the layer this book is about, and it is the only one of the three where how it is *structured* is genuinely up for debate.

Layer two — the platform and strategy layer. If your portfolio uses model portfolios built by an outside investment firm, that firm is paid for building them. Depending on how your arrangement is put together, this may be debited visibly from your account, folded into a wrap fee, or buried inside a fund-of-funds

structure where you will not find it without reading a prospectus. This layer exists in most managed arrangements. A pure do-it-yourself investor buying broad index funds generally avoids it.

Layer three — the fund and ETF expenses. Charged inside every fund and ETF anyone owns, disclosed in the prospectus, never itemized anywhere. This layer is genuinely universal. Your current advisor's clients pay it. Our clients pay it. A robo-advisor's clients pay it. Someone managing their own money in a discount brokerage account pays it.

Changing how layer one is priced does nothing whatsoever to layers two and three. I want that stated plainly, because I am about to spend several chapters arguing about layer one, and I do not want you crediting me with savings I have no part in producing.



Layers two and three exist under nearly every arrangement, including this one.

What ours are

Since I have asked you to go find your advisor's numbers, here are mine.

Our clients custody at a number of firms; our flat-fee clients custody at Altruist, the only custodian we use that has made flat-fee billing available to us. Altruist

also publishes its model marketplace pricing openly. Some models carry no fee at all. Most of the major institutional series — BlackRock, Vanguard, PIMCO, Fidelity, Goldman Sachs, Capital Group, State Street — are priced at twelve one-hundredths of one percent a year. The most expensive series on the entire schedule is sixty-two hundredths.

Accounts enrolled in the Altruist One program pay a subscription of twelve hundredths of a percent a year, and that subscription reduces the model fee by at least the same amount. On those institutional series it removes the model fee entirely. The two figures offset, which is worth understanding for what it says about how the money moves rather than for what it costs. That cost has not gone anywhere; it has stopped being paid quietly by a fund company for distribution and started appearing on a statement.

Underneath all of that, the funds and ETFs we use carry their own expense ratios, the same as everyone else's do.

I am putting real numbers here rather than a range because a range is what firms publish when they would rather you not do the arithmetic. At four million dollars, our advisory fee plus the platform layer on those institutional models comes to about fourteen thousand eight hundred dollars a year. Roughly thirty-seven hundredths of one percent, all in, before the fund expenses that everyone pays.

I have put those in writing because the whole argument of this book is that you should be able to see what you pay. It would be a strange book that asked you to audit your advisor and then went quiet about its own second layer.

How to compare them fairly

Here is the trap, and I want you to avoid falling into it in either direction.

If you set my three layers against your current advisor's one layer, mine will look worse. That comparison is not a comparison. Your current arrangement has a layer two and a layer three, and they are the same kind of cost, sitting in the same place, invisible for the same reason.

So compare like against like:

- **Layer one against layer one.** Their advisory fee in dollars, against ours.

- **Layer two against layer two.** Their strategist or platform cost, against ours. If nobody can tell you what theirs is, that itself is worth knowing.
- **Layer three against layer three.** The weighted average expense ratio of what they hold, against what we would hold. Every fund publishes this figure.

That is the only honest version of the exercise, and it is the one I would want run on me.

One practical note. Because layer two and layer three are quoted in prospectuses rather than billed, the only way to establish them is to look them up. Ask your advisor directly: *what is the weighted average expense ratio of my portfolio, and what am I paying for the models it is built from?* Both questions have exact answers. A firm that cannot produce them promptly has told you something.

Your four numbers

Write these down. Everything after this chapter uses them.

1. What you paid last year, in dollars, to your advisor.
2. Your blended rate, as a percentage of average assets.
3. Your portfolio value today.
4. Your horizon — how many years this money needs to last. Be honest rather than optimistic. This one matters more than most people expect, and Chapter Five explains why.

And one more if you can get it: the weighted average expense ratio of what you currently hold, plus any model or strategist cost. That is your layer two and layer three. Everything from here forward concerns layer one, but you should know the whole number before anyone starts arguing with you about part of it.

That is it. Four numbers, half an hour, and no permission required from anyone.

I said at the start that this exercise is not about catching anyone out, and I meant it. But I will add one observation from four decades of watching people do it.

The reaction is almost never anger. It is usually a pause, and then some version of *I knew it was one percent, I just never multiplied it out.*

That gap, between knowing the rate and having never once computed the dollars, is the most consistent thing I encounter in this business. It persists among people who negotiate hard on cars, who read the closing documents on a house line by line, who would notice a forty dollar error on a restaurant bill.

The fee is a percentage, and percentages of large numbers do not feel like large numbers. They just are.

You now have the dollars. The next chapter is about what they do over thirty years.

Form ADV Part 2A is publicly available at adviserinfo.sec.gov for SEC- and state-registered investment advisers. Item numbering follows the standard Form ADV Part 2A format and may vary in presentation between firms. Observations regarding breakpoint pricing at other firms reflect the author's experience reviewing client statements and are not a characterization of any particular firm or of the industry generally. This chapter describes a process for locating your own fee information; it is not advice regarding your existing advisory relationship.

CHAPTER FOUR

The Fee That Doubles When Your Portfolio Doubles

You now have a number. Whatever came out of the exercise in the last chapter, that is what you paid last year to have your money managed.

This chapter is about what happens to that number over the next thirty years, and about a question nobody in my industry particularly wants asked at the kitchen table.

Here it is.

Does the work double when the account doubles?

Sit with that a moment before you answer, because everything in this chapter follows from it.

Let me give you the honest answer first, since the dishonest one is easier and I would rather not start there.

Sometimes, partially, yes. Larger portfolios do occasionally bring genuine additional complexity. More accounts to coordinate. More tax lots. A concentrated position that needs unwinding over years. Estate work that gets more intricate as the numbers get larger. Anyone who tells you the work is identical at four million dollars and at four hundred thousand has not done both.

But notice what that concession actually concedes. It says the work sometimes scales with complexity.

It does not say the work scales with the market.

And the market is what your fee is indexed to.

Consider a household with four million dollars paying a full one percent — which, as Chapter Three noted, is more common at that size than the industry's talk about breakpoints would lead you to expect.

That household pays forty thousand dollars this year.

Now suppose nothing changes. Same advisor, same service, same quarterly review, same two phone calls in March. The portfolio simply grows the way portfolios are supposed to grow, at seven percent, and thirty years pass.

Even with the fee coming out every year along the way, that four million dollars grows to more than twenty-two million.

And that year's fee is about two hundred twenty-seven thousand dollars.

The rate never moved. Nobody sent a letter. There was no renegotiation, no justification, no meeting where anyone had to explain why the service was now worth nearly six times what it was worth before.

The fee went up nearly six-fold on its own.

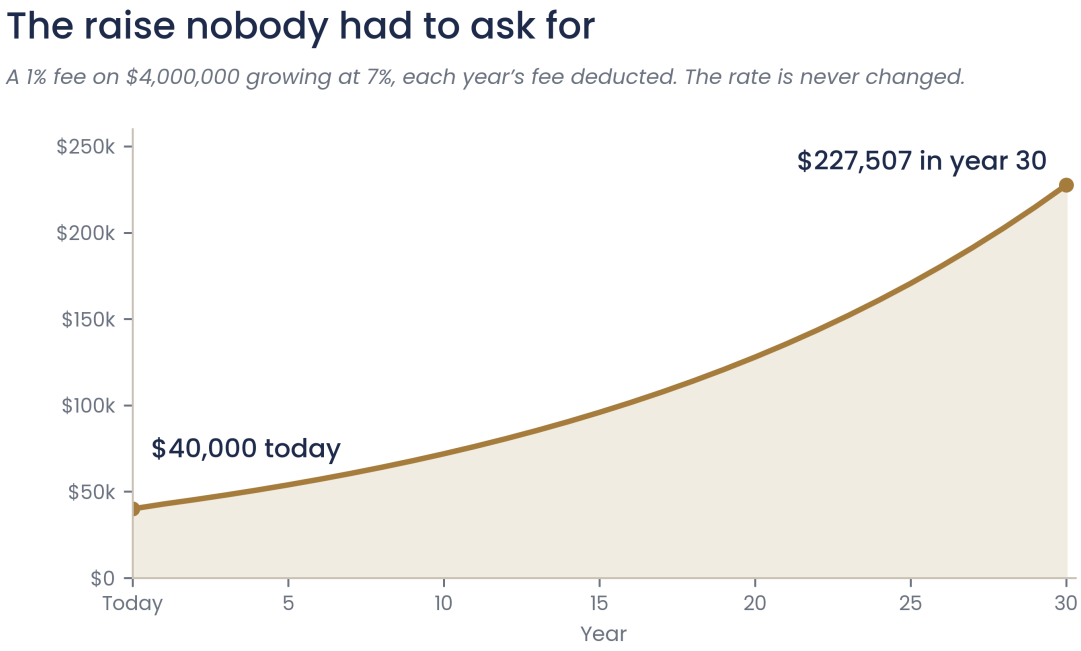


Illustration of fee arithmetic at a constant rate, not a projection of investment results.

I want to be precise about what is strange here, because it is not that the fee is large.

It is that it is automatic.

In every other professional relationship you have, a fee increase requires someone to ask for it. Your accountant sends a notice. Your attorney raises the hourly rate and tells you. Your plumber quotes a higher number than last time and you decide whether to accept it. Somebody has to make a case, and you get to say no.

Your advisor's fee increases without any of that. It rises every year the market rises, by exactly the amount the market rose, and the mechanism is so quiet that most clients never register that a raise occurred at all.

Consider how you would react if your advisor called each January and said the fee was going up seven percent this year. You would want a reason. In a good decade you would be fielding that call ten times, and the cumulative increase would be near a hundred percent, and at some point you would ask what exactly you were getting for it.

Almost nobody has that reaction, because nobody makes the call. The market makes it for them.

Now the total, which is the number this chapter exists to produce.

Take that same four million dollar household at one percent, over thirty years, at a seven percent return. The cumulative advisory fees paid come to roughly three million three hundred forty-two thousand dollars.

Against a flat fee of ten thousand dollars, indexed at three percent a year so that it keeps pace with inflation and reaches about twenty-three thousand five hundred by the end, the cumulative total is roughly four hundred seventy-six thousand dollars.

Both of those are cost figures. Neither is a projection of what your portfolio will earn, and neither depends on anyone outperforming anything. They are simply what the two fee schedules produce when applied to the same assumed growth. Change the growth assumption and both numbers move together.

The difference between them is about two million eight hundred sixty-seven thousand dollars.

That is the fee conversation. Not a percentage. Dollars, over the period the money actually has to last.



A cost comparison using stated assumptions, not a projection of investment results.

And recall the other comparison from Chapter Three. That same one percent, against a four percent withdrawal, is a second paycheck equal to a quarter of your own — every year, in every year, regardless of how large the portfolio grows. The dollars rise. Next to your paycheck, it never shrinks.

There is a second thing happening in those numbers, and it runs the other direction.

My ten thousand dollar fee on a four million dollar portfolio is one quarter of one percent today. If that portfolio grows and my fee only tracks inflation, then as a percentage of your assets my fee gets smaller every year for the rest of your life. By year thirty it is well under a tenth of a percent.

The percentage fee does the opposite. It holds its percentage and grows its dollars, permanently, automatically, in every rising year.

One structure charges you less as you succeed.
The other charges you more.

That is not a claim about who does better work. It is a description of two pricing mechanics pointed in opposite directions.

The second increase

Everything above assumes the rate stays where it is.

In parts of the market over the past couple of years, it has not. There is a pattern, not universal and not something I would want to characterize as an industry norm, of percentage-fee firms raising their rate, frequently citing inflation and rising costs of doing business.

I want to handle that carefully, because rising costs are real and a firm is entitled to price for them.

But look at what the justification actually claims.

A percentage fee is already indexed to inflation. That is what it does. Your assets are priced in dollars, and as those dollars lose purchasing power the assets carry more of them, and the fee rises accordingly. That is not a side effect. It is the mechanism working exactly as designed. It is the reason forty thousand dollars becomes more than two hundred twenty-seven thousand without anyone touching the rate.

So when a percentage fee is raised for inflation, inflation is being charged for twice. Once through the automatic increase built into the structure. Again through the rate.

The arithmetic of that compounds unpleasantly, because a rising rate applies to a rising base.

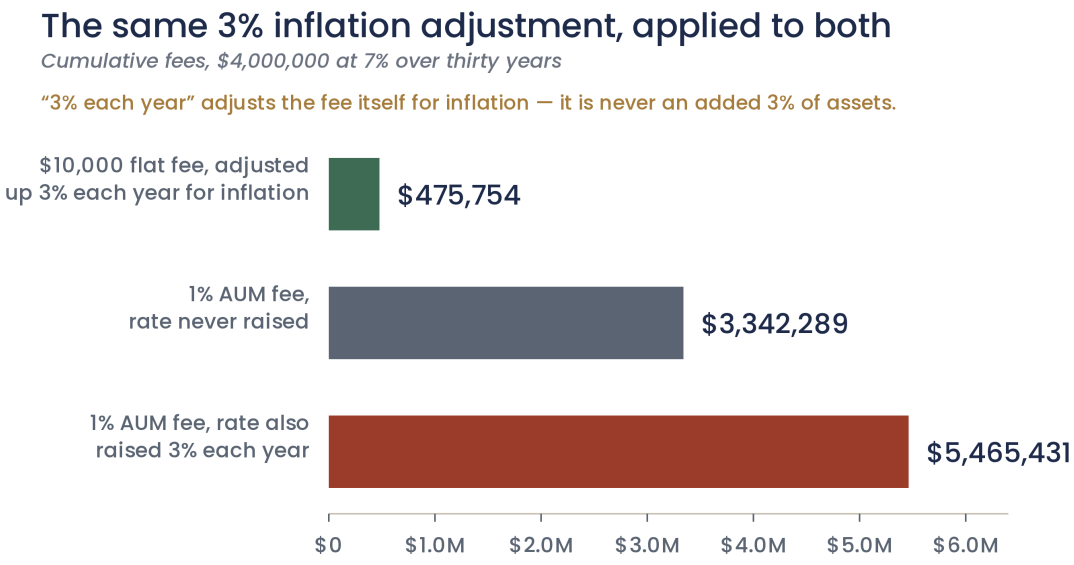
Take our four million dollar household and raise the rate three percent a year, the same adjustment I assume for my own flat fee. By year thirty, one percent has become two and a third percent. Cumulative fees go from three million three hundred forty-two thousand dollars to roughly five million four hundred sixty-five thousand.

The rate increases alone cost that family about two million one hundred twenty-three thousand dollars.

And here is the comparison worth holding onto. Apply the identical three percent inflation adjustment to both fee structures, so that neither side gets a favorable assumption. My flat fee reaches twenty-three thousand five hundred dollars a year and totals four hundred seventy-six thousand across thirty years. Theirs reaches two and a third percent and totals five million four hundred sixty-five thousand.

Same inflation. Same justification. Same portfolio. A difference of nearly five million dollars.

That is not a rhetorical flourish. It is what happens when you index a fixed number and when you index a percentage of a compounding asset, and it is the entire argument of this book in a single comparison.



The rising-rate scenario illustrates a pattern observed in parts of the market, not a prediction about any firm.

What I am not saying

I am not saying your advisor is overpaid. I have no idea what your advisor does for you, and there are people in this business worth every dollar of a percentage fee and more.

I am not saying percentage fees are improper. They are legal, disclosed, ubiquitous, and for plenty of households they are the correct arrangement. The next chapter walks through exactly which households those are, using the same arithmetic, and it does not flatter me.

And I am not saying the work never grows. Sometimes it does.

What I am saying is narrower and I think undeniable. The connection between what you pay and what is done for you was severed the moment your fee was tied to the market instead of to the work. After that, your cost tracks something that has nothing to do with the service you receive, and it does so automatically, in a direction that is only ever up.

You may look at that and decide it is a fair arrangement anyway. Many people do, and they are not being foolish.

But you should decide it on purpose, having seen the number, rather than inherit it from a form you signed eleven years ago and have not read since.

So. Does the work double when the account doubles?

If the honest answer is no, or not entirely, or only sometimes, then you are paying for something other than the work.

The rest of this book is about what that something is, whether it is worth what it costs, and where the line sits between the households for whom this arithmetic matters and the households for whom it doesn't.

Fee totals are cost comparisons, not projections of investment returns. They assume a four million dollar portfolio, a seven percent constant gross annual return, annual fee deduction in arrears, no contributions or withdrawals, a flat fee of ten thousand dollars indexed at three percent annually, and no volatility or sequence-of-returns effect. Real results will differ. The scenario in which a percentage rate rises three percent annually is an illustration of a pattern observed in parts of the market, not a prediction about any firm and not a characterization of the industry generally. Observations regarding breakpoint pricing reflect the author's experience reviewing client statements. Use your own advisor's actual blended rate from their Form ADV Part 2A rather than any rate illustrated here.

CHAPTER FIVE

Where the Line Is

If you have read this far in order, you have just spent two chapters watching me build a case against the way you are currently paying for advice. You computed your own number. You saw what it compounds to. If the argument worked, you are somewhere between irritated and alarmed.

This is the chapter where I take some of it back.

Not because I have lost my nerve, and not as a rhetorical trick to make the rest go down easier. I am doing it because the flat fee is not better for everyone, the places where it loses are specific and knowable, and if I don't tell you where they are then everything else I have written is just advertising with footnotes.

There are five situations where a percentage fee is the better arrangement. Four of them are about arithmetic. The fifth is about you.

Before any of them, one piece of housekeeping, because it changes every number in this chapter.

First, an admission about my own fee

Everywhere else in this book I could have modeled my flat fee as ten thousand dollars, frozen, forever. It would make the comparisons look considerably better than what you are about to see.

I have not done that, because no advisor can honestly promise it across thirty years, and a number that depends on a promise nobody can keep is not a number you should trust.

So every figure in this chapter assumes my fee rises three percent a year with inflation. By year thirty it is a little over twenty-three thousand dollars. Across

thirty years it totals about four hundred seventy-six thousand dollars rather than three hundred thousand.

That costs me about six percent of the advantage I would otherwise be claiming. I would rather give that up than build the case on an assumption that dissolves the first time anyone questions it.

Which raises the obvious objection: *if your fee rises with inflation, what exactly have I gained?*

The short answer is that mine rises with inflation and theirs rises with the market, and over long periods those are not remotely the same thing. A portfolio compounding at seven percent grows roughly seven and a half times across thirty years. Inflation at three percent multiplies it by not quite two and a half. One percent of a four million dollar portfolio is forty thousand dollars in year one and about two hundred twenty-seven thousand dollars in year thirty, and the rate never changed. The percentage fee is already indexed to inflation by construction, because your assets are.

The longer answer is Chapter Four, and I will not relitigate it here.

Now, where the flat fee loses.

One. Your portfolio is below the line

A flat fee is a fixed number. A percentage is a variable one. Somewhere between them there is a portfolio size where the two produce the same result, and below that size the percentage wins.

Most people assume that crossing point is obvious. Ten thousand dollars is one percent of a million dollars, so a million must be the line.

That is not the line. There are two of them, and neither is where you would guess.

The first is the one you feel in your checkbook. If your advisor charges a full one percent, my fee equals theirs at a portfolio of one million dollars. If they charge three quarters of one percent, you have to reach about one million three hundred thousand before my bill stops being the larger one. A household with nine hundred thousand dollars at three quarters of a percent pays about six thousand

seven hundred fifty dollars a year. I would charge ten thousand. I would be costing them real money, in cash, today, and no amount of talk about structure changes that.

The second line sits lower, because the two fees behave differently over time. Yours grows with your portfolio, at portfolio speed. Mine grows with inflation, at inflation speed. So even when I start out more expensive the gap narrows, and eventually reverses.

Where it reverses, assuming a seven percent return, a thirty-year horizon, and my fee indexed at three percent:

Their rate	Crossing point
One percent	About $654,000
Three quarters of one percent	About $842,000
Six tenths of one percent	About $1,031,000

Below those figures, the percentage is the better deal. I would rather you knew the number than took my word for the direction.

Two. Your horizon is short

This is the one almost nobody expects, and it matters more than portfolio size.

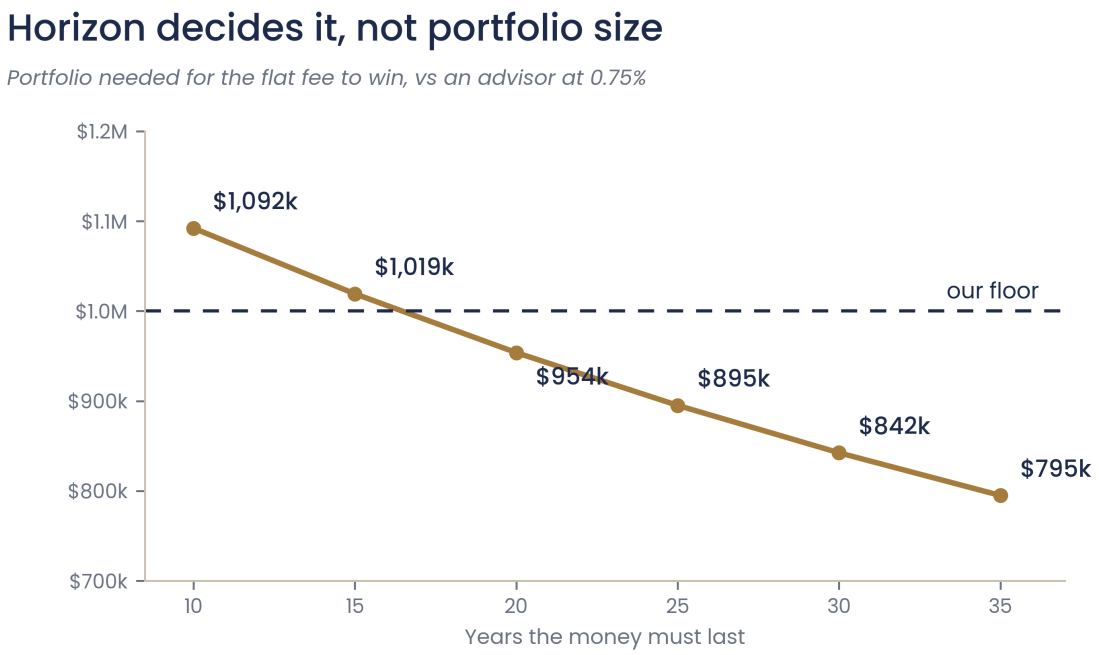
The flat fee wins by outlasting the percentage. It needs years to do that. Take the years away and the advantage shrinks no matter how large the account.

At three quarters of one percent and a seven percent return, here is where the crossing point sits at different horizons.

Horizon	Crossing point
Ten years	About $1,092,000
Fifteen years	About $1,019,000
Twenty years	About $954,000
Twenty-five years	About $895,000
Thirty years	About $842,000

Read that carefully, because it is the most useful table in the book. A couple in their early sixties planning across thirty years needs roughly eight hundred forty-two thousand dollars for the flat fee to make sense. A seventy-eight-year-old widow with a fifteen-year horizon needs over a million. Same fee, same market, different answer, because she has fewer years for the arithmetic to work in her favor.

If someone quotes you a flat fee and never asks how long your money needs to last, they have skipped the variable that decides the question.



Assumes a 7% return and a flat fee adjusted upward 3% a year for inflation. Crossing points are fee arithmetic, not performance projections.

Three. Your advisor charges less than you think

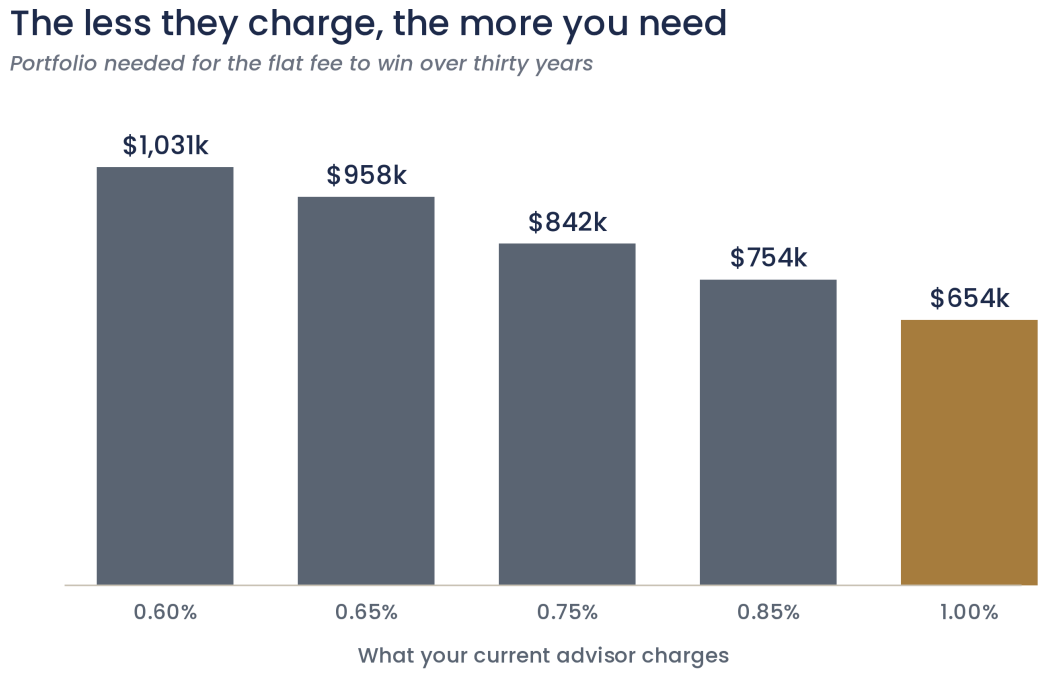
Here is the finding I would least like to explain away.

The less your current advisor charges, the larger your portfolio has to be before a flat fee helps you.

That sounds backwards. It isn't. My advantage comes from the gap between my fixed number and their percentage. Shrink the percentage and you shrink the gap, so you need a bigger account to open it back up.

At one percent, the thirty-year crossing point is about six hundred fifty-four thousand dollars. At three quarters of a percent it climbs to about eight hundred forty-two thousand. At six tenths of a percent it passes a million.

So if you called your advisor after Chapter Three and found you are paying six tenths of a percent rather than the one percent everyone assumes, you did not merely narrow my advantage. You raised the bar I have to clear by nearly four hundred thousand dollars.



Thirty-year horizon, 7% return, flat fee adjusted upward 3% a year for inflation.

I will say something that cuts the other way, because it is also true. As Chapter Three described, the breakpoint pricing the industry calls standard is a good deal less universal than the talk suggests, and a large account sitting at an unbanded one percent is not a rare sight.

Which is why Chapter Three asked you to find your actual rate instead of assuming one. The answer runs in both directions, and only your own statement settles it.

Four. The market falls

There is a feature of the percentage fee that nobody advertises and that becomes very real in a bad year.

When your portfolio falls, your advisor's bill falls with it.

A two million dollar portfolio at three quarters of one percent pays fifteen thousand dollars. If it drops to one million six hundred thousand, the fee drops to twelve thousand. Nobody calls a meeting. Nobody renegotiates. The relief is automatic, it arrives exactly when writing checks is least comfortable, and it is a genuine virtue of the structure.

My fee does not do that. In a year when your portfolio loses three hundred thousand dollars, my invoice is what it was the year before, plus inflation. You feel it, and you should. Some people find that unbearable, and I would not try to talk them out of it, because the feeling is telling them something accurate about how they want to experience cost.

There is a second edge to it worth naming, and it cuts toward me. In retirement a fee is paid by selling something. When markets are down, a smaller AUM fee means fewer shares sold at depressed prices. A flat fee in that same year means selling the same dollar amount regardless. Over a long drawdown that is a real difference and I am not going to wave it away.

I will add one thing and then leave it alone. That relief runs both ways. The same mechanism that lowers your bill in a bad year raises it, permanently and without a conversation, in every good one. You are buying insurance against the downside

by handing over an unlimited share of the upside. For some people that is the right trade. It is a trade, though, and worth knowing you are making it.

Five. You need more than a flat fee can carry

This one is not arithmetic.

A flat fee has to support the work. If a household's situation genuinely requires forty or fifty hours a year of complex attention, at some point the fee stops covering it, and one of two things happens. Either the fee gets raised, or the service quietly degrades.

I would rather tell you that now than let you discover it in year three. Closely held business interests, active litigation, complicated multi-generational trust work, concentrated positions requiring constant management. In those situations a percentage arrangement on a large account genuinely funds the depth of attention required and a flat fee may not. The percentage is not a worse deal there. It is the thing paying for work you actually need.

A related caution, since I am being thorough. "Flat" describes the shape of a fee, not a guarantee that the number never moves. Most firms working this way fully intend to hold their fee level, and most do. A few entrants in this space have raised theirs more than once, which is generally what happens when a model was priced optimistically at the start.

Before you engage anyone on a flat fee, including us, ask three questions. What has this fee been historically? How often has it changed? What governs changing it? For whatever it is worth, ours has not moved, and it is priced with the intention of holding at this level for about the next decade. You should still ask, and you should ask it of everyone.

I will note one asymmetry and move on. There is also a pattern appearing in parts of the market of percentage-fee firms raising their rate, frequently citing inflation. It is not universal and I would not want to suggest it is. But when it happens it is worth understanding what it means, because a percentage fee already rises with inflation automatically, for the reason I gave at the top of this chapter. That is the subject of Chapter Four.

So here is our line

We generally do not take clients with portfolios under one million dollars.

When I first ran this arithmetic assuming my fee stayed frozen forever, a million dollars looked like a comfortable cushion above every crossing point. Running it honestly, with the fee indexed, it turns out to be roughly the actual line. Against an advisor charging three quarters of a percent, a million dollars clears the thirty-year crossing point comfortably, clears the twenty-year one narrowly, and falls just short of the fifteen-year one. Against an advisor charging six tenths of a percent, a million dollars sits just below even the thirty-year crossing point.

So the floor is not conservatism. It is close to the arithmetic.

We set it where we did because near the crossing point the answer stops being reliable. Move the return assumption a point in either direction, shorten the horizon by five years, discover the incumbent rate was six tenths rather than three quarters, and a modest advantage becomes a modest disadvantage. I am not willing to build a client relationship on a conclusion that fragile, and you should not want me to.

Well above a million dollars, with a long horizon and an incumbent rate near three quarters of a percent or higher, the answer stops depending on which assumptions I chose. Close to the line — or against a low incumbent rate, or a short horizon — it does not, and I will not pretend otherwise. That is exactly why the comparison has to be run on your figures rather than mine.

Two things about that number, since this is the chapter where I tell you the parts that complicate my own case.

The first is that our Form ADV states a minimum account size of five hundred thousand dollars, which we retain discretion to apply. If you go and read it, as I have been asking you to do since Chapter Three, that is what you will find. The filed minimum is the floor we are permitted to work at. A million dollars is the higher bar we hold ourselves to in practice, for the reasons above. I would rather tell you the two numbers differ than have you discover it and wonder what else I rounded in my favor.

The second is what actually happens below it.

We do sometimes take a smaller portfolio. Not because someone asked nicely, and not on a general theory that every household is a special case. It happens when the value at stake is genuinely somewhere other than the fee arithmetic — a multi-year tactical Roth conversion sequence, a concentrated company stock position about to become liquid, a family structure with real complexity in it.

Those situations have something in common: the planning work is worth more than the fee difference, and it is worth more by an amount that can be shown rather than asserted.

I want to be equally plain about the other side. If a household's portfolio is below the crossing point and the situation is a straightforward one — two retirement accounts, a pension, a paid-off house, no unusual moving parts — then the arithmetic in this chapter says a percentage fee serves them better, and we will say so. That conversation costs nothing and it happens more often than the reverse.

Every below-minimum engagement we accept gets that reasoning worked out on paper before anyone signs anything, because a decision I could not write down is a decision I should not be making.

There is a version of this book without this chapter. It is shorter, more confident, and considerably better at selling.

But you are being asked to consider moving what is probably the largest sum of money you will ever control, on the strength of arguments made by a stranger who benefits if you do. The only reasonable question you can ask is whether that stranger is telling you the whole thing or only the flattering part.

I have now told you that my own fee is not frozen, the five situations where the model I am offering is the wrong answer, and the specific dollar figures where it stops working.

Everything after this, you can weigh knowing I was willing to do that.

Crossing points are the portfolio value at which a flat annual fee and a stated percentage fee produce identical ending balances, assuming a constant gross return, no additional contributions or withdrawals, the flat fee indexed at three percent annually, and the percentage rate held constant. They are illustrations of fee arithmetic, not projections of investment results, and contain no assumption about volatility or sequence of returns. Your figures will differ. Advisory rates cited are illustrative; use your own advisor's actual blended rate from their Form ADV Part 2A. Observations about pricing practices at other firms reflect the author's experience reviewing client statements and are not a characterization of any particular firm or of the industry generally. WealthKare's fee schedule and its stated account minimum are described in our Form ADV Part 2A, which is available at adviserinfo.sec.gov; the filed minimum and the higher practical minimum described in this chapter are not the same figure, and the filed document governs. Acceptance of any client below our practical minimum is evaluated individually and is not offered generally.

CHAPTER SIX

Fifty Years of Driving Down Cost

I want to step back from your statements for a chapter and tell you where this argument comes from, because I did not invent it and I would be a poor student to pretend otherwise.

The idea that cost is the thing to attack is roughly fifty years old. It has already produced two revolutions in how Americans invest. Both of them saved ordinary people extraordinary amounts of money. Neither of them touched the fee you computed in Chapter Three.

That is the whole story of this book, and it takes about twenty minutes to tell.

The first revolution: the product

In 1975 a man named John Bogle started a mutual fund company organized in a way nobody had tried. The funds would be owned by their shareholders, and those funds would in turn own the management company. There would be no outside owners to pay.

The arrangement sounds like a technicality. It was not. It meant that when the firm became more efficient, there was no third party standing between that efficiency and the people whose money it was. The savings had nowhere else to go.

Bogle spent the next four decades making one argument, over and over, to an industry that found it deeply irritating.

The argument was arithmetic. Investors as a group must, by definition, earn the market's return before costs. That is not a theory, it is a tautology; the investors collectively *are* the market. So after costs, investors as a group must earn less than

the market, by exactly the amount of the costs. Every dollar of fee is a dollar that does not compound.

From which the conclusion follows and cannot be escaped: in investing, you get what you don't pay for.

The industry hated this. It implied that the expensive product was not merely no better but reliably worse by the amount of its own expense. It implied that a great deal of very well-compensated activity was subtracting value. And it was, uncomfortably, correct.

The firm Bogle built now manages more than ten trillion dollars. Jason Wenk, whose company I will come to shortly, credits it with cutting fund fees more than two thousand separate times across fifty years.

Two thousand times. Not two thousand basis points of marketing. Two thousand actual reductions in what somebody was charged.

That is the first revolution, and it worked so thoroughly that most people under fifty have no memory of what came before. An eight percent front-end load on a mutual fund used to be ordinary. Annual expense ratios of one to two percent were unremarkable. A generation of investors now pays three or four basis points for broad market exposure and considers it unremarkable, which is exactly what winning looks like.

The second revolution: the plumbing

The second one is less famous because it happened backstage, and because it saved money for advisors rather than directly for you.

Running an advisory firm used to be enormously expensive in ways that had nothing to do with advice. Custody, trading, account opening, performance reporting, billing, compliance documentation, the physical movement of paper. A small firm might spend a third of its energy on operations that produced nothing a client could see.

Over the past decade that cost collapsed. Modern custody platforms rebuilt the infrastructure, integrated the pieces that used to be stitched together by hand,

and removed enormous quantities of friction from the business of running a practice.

I have a personal stake in this part of the story, so let me disclose it rather than narrate around it.

I started in this business as a broker. I did well at it, quickly, and the thing I remember most clearly from those years is how much waste I was looking at. Not fraud. Waste. Layers of cost that existed because they had always existed, work being done twice, fee structures inherited from an era of paper tickets and telephone orders that nobody had revisited because nobody had to.

Years later, WealthKare entered a co-advisor agreement with a firm called FormulaFolios, run by a man named Jason Wenk — we used their models and methods for our clients' accounts held with them — and I participated in an advisor group affiliated with that company during its peak years. I think he is one of the sharper minds working in this industry, and our paths look similar enough that I noticed it early: two people who came up inside a system, did well in it, and could not stop seeing the inefficiency.

That history also has a present tense, and you should know it plainly before I describe anyone's work. The WealthKare Investment Center uses Altruist, the custody platform Wenk built afterward, as the custodian for our flat-fee programs. We are not partners and not co-advisors; Altruist is where the accounts are held. We chose it because it has proven to be a successful solution, and because its consumer-driven pricing and design run parallel to our own goals for a financially efficient wealth-management platform — a genuine win-win for clients where the platform is suitable and available. I have never participated in any advisor group at Altruist, I do not speak for the company, and nobody there has blessed a word of this. But when their work appears in the pages that follow, you should read it knowing that we do business together.

What just happened

In August of 2026, that custody platform, Altruist, announced that it has agreed to be acquired by Vanguard, the company Bogle founded. As of this writing the transaction has not closed and remains subject to regulatory approval.

I have no stake in the transaction itself, and this book is not about the deal — though as you now know, we do business on the platform, so read this section with that in mind. But the symmetry is worth one paragraph.

On the morning of the announcement, Wenk published a letter explaining the decision. He traced his own thinking back to reading Bogle early in his career, and said he was drawn as much to the conviction behind the ideas as to the ideas themselves. He described the principle that had governed the company he built this way: *if something isn't good for the end client, we shouldn't do it.* And he named the reason he was willing to hand the work to Vanguard specifically, which was that Vanguard has no outside public shareholders standing between its efficiency and the investors it serves.

Which is exactly the structural argument Bogle made in 1975, arriving back at the same door fifty-one years later.

A Vanguard executive described the same structure more plainly a year earlier, saying the firm was built to make money for its clients rather than from them.

I have quoted that sentence to more people than any other sentence in my professional life, and I want to be careful about why. It is not an endorsement of my firm. Vanguard has never heard of me. It is a description of what happens to an organization's incentives when its compensation is not tied to extracting more from the people it serves.

That is a structural claim, not a marketing one, and it can be evaluated on its own terms.

The layer nobody touched

So: the cost of the product fell to nearly nothing. The cost of the plumbing fell dramatically. Both revolutions succeeded beyond what their advocates expected.

Now go back to the number you wrote down in Chapter Three.

The fee for advice did not move.

The one percent convention was in place before Bogle started. It survived the index fund. It survived the collapse of trading costs, the arrival of modern custody,

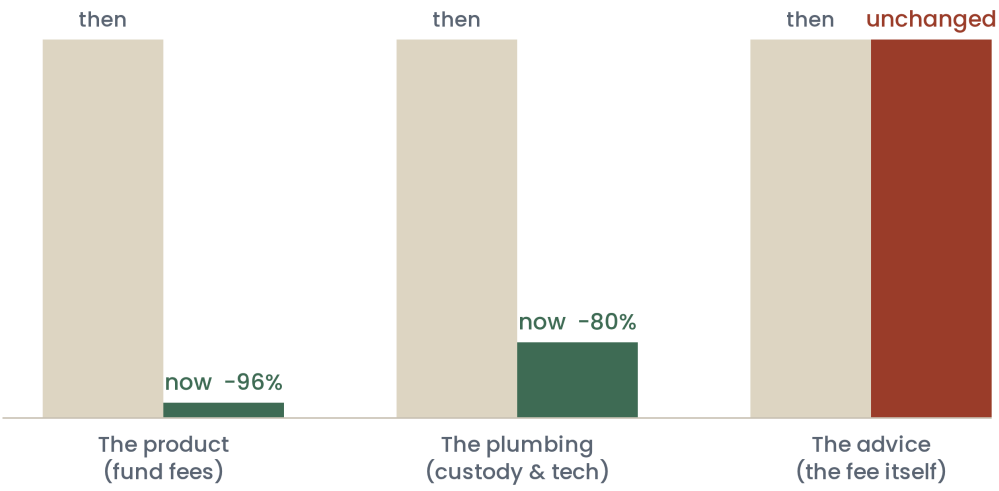
the automation of rebalancing and reporting and billing. Every efficiency of the past fifty years arrived, and the advisory fee sat there, indexed to the market, rising automatically, unexamined.

I find that genuinely remarkable. Two enormous cost revolutions rolled through this industry, and the largest single line item most affluent households pay was untouched by either of them.

Not because anyone conspired to protect it. Because nobody attacked it, and prices do not fall on their own.

Fifty years of driving down cost

Relative cost, illustrative



Two cost revolutions rolled through this industry. One layer was untouched by either.

Illustrative. Relative cost of each layer, then and now.

There is a small piece of evidence for that which I did not go looking for.

Over the past few years we have asked a number of firms whether a flat fee could be billed on their platforms. Not whether they thought it was a good idea. Whether the system could do it.

Most said it was not available.

I am not going to tell you why, because I do not know, and I am not going to speculate about anyone's motives in print. What I will tell you is what the answer implies about the machinery.

A fee that does not move with the account balance is the simplest instruction you can give a billing system. A fixed number, divided by four. That this is unavailable on a great many platforms in 2026 says nothing about anyone's intentions. It says a good deal about what those systems were built to assume.

They were built to compute a percentage of assets, because for fifty years that is what everybody charged. The convention never had to be defended. It simply became the shape of the plumbing.

And plumbing is slow to change.

There is a version of this chapter that claims I am the third revolution. I am not going to write it. I run a firm with offices in Pennsylvania and Florida, serving families across the country. Bogle changed how the world invests; I am arguing about a fee schedule.

But the argument I am making is his argument, applied one layer further down than he applied it. Costs compound. What you keep is what compounds. A charge indexed to your assets rather than to the work is subtracting from the thing it is supposed to be growing, and it does so silently, forever, in an amount that rises every year without anyone deciding it should.

Bogle spent fifty years proving that at the product layer.

Nobody has finished the job at the advice layer.

The WealthKare Investment Center uses Altruist as a custodian and has no ownership interest in Altruist, Vanguard, or any affiliate of either, and receives no compensation from either firm for any statement in this book. Neither firm has reviewed, approved, or endorsed this book or WealthKare's services, and nothing here should be read as an endorsement by them. The WealthKare Investment Center previously maintained a co-advisor agreement with FormulaFolios, a firm formerly led by Jason Wenk, under which client accounts held with that firm used its models and methods, and the author participated in an advisor group affiliated with that firm; he has not participated in any advisor group at Altruist. The WealthKare Investment Center uses Altruist as the custodian for its flat-fee programs; that custodial relationship, and the conflicts associated with custodial arrangements, are described in this chapter and in its Form ADV Part 2A. As of publication, Vanguard's announced acquisition of Altruist had not closed and remained subject to customary closing conditions and regulatory approval; readers should verify current status independently. Fund fee reduction figures are as characterized by Altruist's founder in his published letter of August 26, 2026. Custodial arrangements and the conflicts associated with them are described in WealthKare's Form ADV Part 2A.

CHAPTER SEVEN

The Gap Between What Funds Earn and What Investors Earn

Everything so far has been about cost. This chapter is about the other side of the ledger, and it is the chapter where I have to be most careful, because I am about to cite the statistic my entire industry uses to justify itself.

I am going to give you the number. Then I am going to tell you about the peer-reviewed paper that says the number does not mean what everyone claims it means. Then I am going to tell you what I actually think survives.

If that seems like a strange way to make my case, consider the alternative. You are exactly the sort of reader who goes looking. If you find the counter-argument on your own, after I have leaned on the headline figure, you will reasonably conclude I was hoping you wouldn't. And you will be right to throw out everything else I have written.

So let's do it in the correct order.

The number

Each year Morningstar publishes a study called *Mind the Gap*. It compares two things: what a fund returned, and what the average dollar invested in that fund actually earned.

Those are not the same, because investors do not buy at the beginning and hold to the end. They put money in after good years and take it out after bad ones. The fund's published return assumes a lump sum sitting still. The dollar-weighted return accounts for when money actually arrived and left.

In the 2026 edition, covering the decade ended December 31, 2025, Morningstar estimated that the average dollar invested in US funds and ETFs earned about 8.7 percent a year, while the funds themselves returned about 9.9 percent.

A gap of 1.2 percentage points annually. Across the nearly twenty-three thousand US funds and ETFs the study covered, Morningstar put the shortfall at close to 3.8 trillion dollars in wealth that existed inside the funds and never reached the people who owned them.

And the study notes that this is not an anomaly. Morningstar's earlier studies found gaps over each of the rolling ten-year periods ended 2021, 2022, 2023, and 2024.

If you have ever sat through an advisor's presentation, you have seen a version of that slide. It is the single most-cited piece of evidence in my business, and the conclusion drawn from it is always the same: investors sabotage themselves, therefore hire someone.

The complication

In May of 2026, the *Financial Analysts Journal* published a paper titled, more or less, that bad timing does not cost investors fifteen percent of their funds' returns. The authors are Fulkerson, Jordan, Riley and Yan, and they examined Morningstar's own study directly.

Using the same sample, they concluded that poor timing by fund investors costs them about one tenth of one percent per year. Not 1.2 percent. Roughly a twelfth of it.

Their argument, drawing on earlier work by Hayley, is that the Return Gap has two components that get blended together and shouldn't be. One is timing — money genuinely arriving at bad moments and leaving at bad moments, which destroys real wealth. The other they call hindsight, which is an artifact of how the two returns are computed rather than a description of anything that happened to anyone's money.

Only the first component reduces what investors actually have. The paper's finding is that the first component is small and the second is most of the measured gap.

The paper is peer-reviewed. It is in one of the more serious journals in the field. It examined the 2025 edition of the study, which reported the identical 1.2 percent figure, so the critique carries directly to the current one.

I have read it. I do not think it is frivolous, and I am not going to tell you it is.

What I actually think

Here is where I land, and I want to be precise, because the honest position is more modest than either side's headline.

The aggregate number is contested. Anyone quoting 1.2 percent as the proven cost of investor behavior is overstating what the evidence supports. That includes a great many advisors, and it included me for longer than I would like to admit.

The dispersion is not contested. And the dispersion is the part that was always more useful.

Because buried under the headline figure is a finding that nobody has challenged and that says something far more specific than *investors behave badly.*

The gap is not evenly spread. It concentrates.

For the least volatile funds in the study, the gap was about 0.4 percent. For the most volatile, about 2.1 percent — more than five times as large.

The broad, steady categories kept the most. Investors in US stock funds captured about 97 percent of their funds' total returns, and investors in allocation funds — the group that includes target-date funds, the least exciting products in existence — about 92 percent.

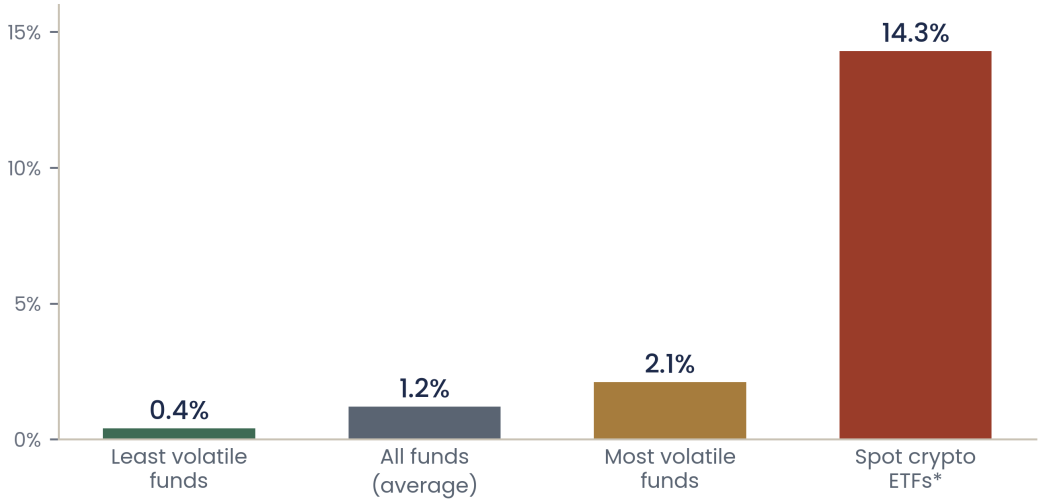
Sector equity funds, which invite you to have an opinion about which part of the economy will do well next, have repeatedly shown some of the widest gaps. In Morningstar's 2024 edition they had the widest of any category group, about 2.6 percent a year.

And then there is the case that makes the point with no ambiguity at all. Morningstar looked at spot crypto ETFs from their launch in January 2024 through June 30, 2026. Over that stretch, the funds themselves returned about 8.5 percent annually. The average dollar invested in them lost about 5.8 percent annually.

A gap of more than fourteen percentage points. The vehicle made money. The people in it lost money. Same fund, same period, opposite outcomes, and the entire difference is when the money showed up and when it left.

The damage concentrates

Annual gap between funds' returns and their investors' returns — Morningstar, 2026



*Funds and ETFs: ten years ended Dec. 31, 2025. *Spot crypto ETFs: Jan. 2024 – June 30, 2026.*

Morningstar Mind the Gap 2026. Averages across large groups of funds; individual results vary.

Why that finding is the one that matters

Notice what the dispersion data actually describes.

It is not a claim that people are foolish. Investors in broad, steady funds kept nearly everything those funds produced, and those are ordinary people, frequently with no advisor at all, often defaulted into a target-date fund in a workplace plan without choosing it.

The same population of human beings does fine in one vehicle and badly in another. What changes is not the person. It is what they are holding.

The damage concentrates where two conditions are present together: high volatility and a story. Something that moves violently, and something that gives you a reason to believe you know which direction it will move next. Sector funds have both. Crypto has both in extreme form. A target-date fund has neither, which is precisely why it is boring, and precisely why the people in it keep their returns.

That is a much more precise statement than the headline. And it survives the rebuttal, because it does not depend on the disputed decomposition of the aggregate. It is a comparison of gaps across categories within Morningstar's own data, and the critique does not touch it.

What this does and does not establish

It does not establish that an advisor will get you the missing 1.2 percent. I want to be blunt about that, because it is the claim the slide is usually deployed to support, and I do not think the evidence gets you there.

It does not establish that advised investors outperform unadvised ones. That is a much harder question and the research on it is considerably messier than my industry lets on.

What it establishes is more limited.

There is a real and repeatedly measured cost to holding volatile, narrative-driven investments through periods when they behave badly. That cost is not evenly distributed and it is not inevitable. It nearly disappears in structured, unexciting vehicles held steadily.

The distance between those two outcomes is not a matter of intelligence or discipline in the abstract. It is a matter of what someone is holding when the market gets uncomfortable, and whether anyone talked to them about it beforehand.

That is a description of a job. Not a heroic one. Not one that beats the market. A job that consists mostly of building something a person can actually stay in, and being available when they want to get out of it.

Whether that job is worth what it costs is the next chapter.

I will close with the reason this chapter is structured the way it is.

I could have given you 1.2 percent and 3.8 trillion dollars and moved on. It is a good slide. It has sold a great deal of advisory business, and nothing would have stopped me.

But you are being asked to make a large decision on the strength of what a stranger tells you. The only real test available to you is whether that stranger tells you the parts that complicate his own argument.

The paper exists. It is in a real journal, it is well-argued, and the number my industry quotes most often is weaker than we say it is.

The smaller finding underneath it is still standing, and it is enough.

Investor return gap figures are from Morningstar's Mind the Gap 2026 study, authored by Jeffrey Ptak, covering the decade ended December 31, 2025, and its case study of crypto ETFs from January 2024 through June 30, 2026; the sector equity figure is from the 2024 edition of the same study, covering the decade ended December 31, 2023. The critique described is Fulkerson, Jordan, Riley and Yan, published in the Financial Analysts Journal in May 2026, examining the 2025 edition of the same study, which reported an identical 1.2 percentage point gap; the referenced decomposition of the Return Gap into timing and hindsight components draws on Hayley (2014). Both sources are publicly available and readers are encouraged to consult them directly rather than rely on this summary. Category gap figures are annual averages across large groups of funds and say nothing about any individual investor's experience. Nothing in this chapter is a recommendation to buy, sell, hold, or avoid any fund, category, or asset class, including those named. Past results do not predict future results.

CHAPTER EIGHT

What You're Paying a Human For

The last chapter left a question sitting on the table, and it is the fair one.

If the honest evidence does not show that advisors recover the missing 1.2 percent, and if the aggregate behavior gap is contested, then what exactly is the human being for?

I have a precise answer and a broad one. Let me give you the precise one first, because it is the one I am most sure of.

What people are actually holding

Over four decades I have sat across from a great many households and gone through their statements line by line. If you asked me for the single most consistent thing I have found, it would not be bad funds or high fees or anything dramatic.

It is that people are carrying more risk than they believed they were carrying.

Not recklessly. Almost never on purpose. It accumulates. A position from a former employer that never got trimmed. A portfolio built during working years that nobody rebuilt for retirement. A model allocation assigned from a questionnaire filled out nine years ago in a very different market. Nothing on the statement is obviously wrong. It just no longer matches the person who owns it.

Now put that next to what Chapter Seven found.

The behavior gap was small in the least volatile funds and five times larger in the most. It nearly vanished in structured, unexciting vehicles and it was enormous in the volatile ones.

Those two observations are the same observation.

The gap is not evidence that people are foolish. It is evidence that people are holding more of the thing that produces the gap than they understood. Nobody abandons a portfolio they can actually live through. They abandon the one that turned out to be more than they signed up for, and they abandon it at the worst possible moment, because that is when they find out.

Which means the job is not talking someone off a ledge in March. By March it is late. The job is making sure they were never standing there.

Why that costs money in retirement specifically

During your working years, a risk mismatch was survivable. You had contributions arriving and years of recovery ahead of you.

In retirement the same mismatch is expensive in a way it never was before. You are selling to eat. A drop you did not expect means selling more shares at lower prices to produce the same income, and those shares are gone. That is capital permanently removed from a finite pool during the exact years it cannot be replaced.

So risk and cost are not two separate arguments in this book. They are the same argument.

A fee removes dollars from that pool on a schedule. A risk mismatch removes them in a quarter. Both are permanent, both are worse in retirement than they have ever been, and both are among the few things on the entire dashboard that anyone can actually do something about in advance.

That is what I think the human being is for. Not returns. Not a view about the market. Making sure the portfolio matches the person, before the market asks the question.

Which brings me to the toolkit

Here is where the fee structure enters, and I want to be precise about the mechanism rather than vague and flattering.

A flat fee does not by itself give anyone access to better investments. Anyone can buy anything.

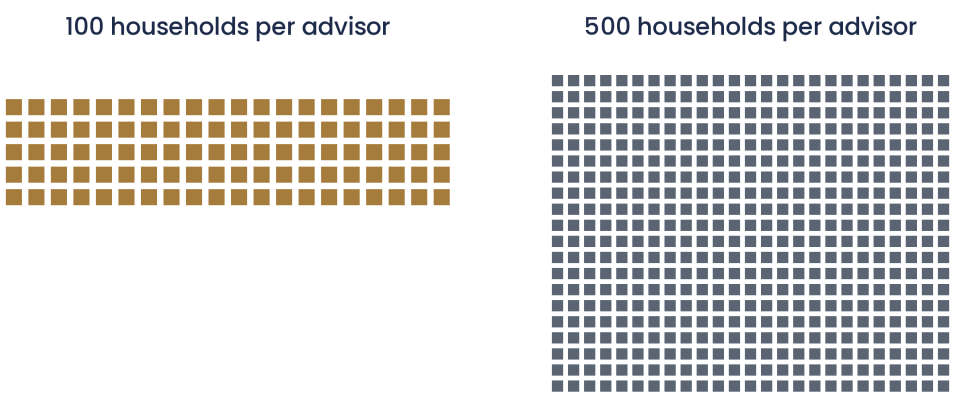
What it changes is capacity.

Our advisors carry about a hundred client families. Chapter Ten explains why that number exists and what it costs us. The relevant part here is what it makes possible: at a hundred households you can do work at the level of the individual instrument. At five hundred you cannot.

That is not a criticism of anyone. It is arithmetic. At five hundred households nobody is sourcing individual positions, comparing terms across issuers, or watching where a specific holding sits relative to its ceiling. There is no time. You use models, because models are the only thing that scales to that number, and the model becomes the universe.

What capacity makes possible

At a hundred households you can work at the level of the individual holding.



Each square is one client household.

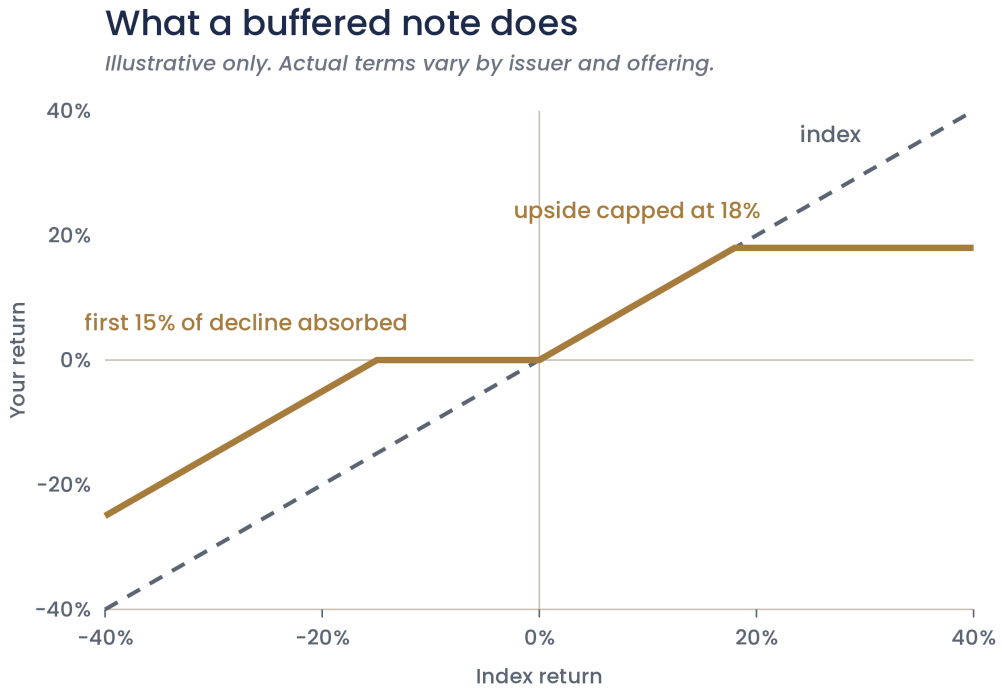
We work with models too, including some very good ones from firms you would recognize. But they are not the whole universe available to us, and the reason is simply that our capacity allows for work that does not scale.

One example

Among the tools that open up are structured notes, which most retirees have never had explained to them.

In plain terms: a structured note is a debt obligation of the financial institution that issues it, with a return linked to the performance of an index — commonly the S&P 500 — under terms set at purchase. A buffered note absorbs a stated portion of an index decline, the first ten or fifteen percent for example, and the investor bears any loss beyond that buffer. Some notes are designed to return the original principal at maturity regardless of how the index performs. Every one of them depends on the issuer's ability to pay, and in exchange for the buffer or protection, the upside is typically capped rather than unlimited. We tend to favor shorter maturities, often around eighteen months, and we also use income-oriented notes with longer terms where the income profile fits a household's needs.

The reason they matter for the households in this book is the defined range of outcomes. A retiree drawing income can plan around terms that are known in advance — how much of a decline the note absorbs, and how much gain it can deliver — when the note is held to maturity and subject to the issuer's credit. That is a different kind of comfort than a diversified allocation provides, and for some families it is the difference between staying invested and not.



Illustrative only. Buffer levels, caps, and terms vary by issuer and offering. Losses beyond the buffer are borne by the investor, and all payments are subject to the credit of the issuer.

They are also not something you buy and forget. We track where each note sits against its ceiling, and when one reaches roughly sixty-five percent of its cap we look at whether to realize the gain and re-establish a wider growth range. That is active work on an individual holding, and it is the kind of thing capacity either permits or it doesn't.

Notes carry their own risks and their own terms, including issuer credit risk, limits on upside, limited liquidity, and the possibility of receiving less than the original investment if a note is sold before maturity or if an index decline exceeds the buffer. Those are set out in the offering documents, and we go through them with a family before anything is recommended. I am not going to reproduce a prospectus in a book. I am telling you the category exists, that most people have never been shown it, and that whether it belongs in any particular portfolio is a specific question with a specific answer.

The disclosure this chapter owes you

I have just spent several pages arguing that a flat fee removes my incentive to keep your money inside the account.

So you should know that I hold an insurance license, and that when a client purchases an insurance product through us, I am paid a commission on it. That is a real conflict. It is disclosed in our Form ADV, which Chapter Three already asked you to read, and it points in precisely the opposite direction from the argument I just made.

A flat fee removes my incentive to keep assets in the account. It does not remove my incentive to sell you an annuity.

Now let me tell you why the license exists anyway, because the full picture is more complicated than that one sentence and you deserve the whole thing.

People buy these products. They buy them whether or not an advisor is involved. Annuities, single premium life, hybrid long-term care contracts, things that sit entirely outside the investment world. Money comes out of a portfolio and goes into a policy, and in my experience it happens constantly, often without anyone having modeled what it does to the rest of the plan.

I have heard every possible outcome from those purchases. Some genuinely solved a problem the portfolio could not solve on its own. Some were regretted inside a year. A few were bad enough that one honest conversation beforehand would have prevented them.

What most of them had in common was that nobody in the room was looking at the whole picture.

That is the real choice facing a household considering one of these contracts. Not whether somebody gets paid, because somebody always does, including in the version where I decline and they go elsewhere. The choice is whether the person being paid is looking at one product in one meeting, or at the plan it has to fit inside and the thirty years that follow it.

So we hold the licenses, and we do this work when a client asks for it or when we believe it is warranted. When we do, we look across a wide range of carriers and contract structures rather than a short shelf, the same way we do with investments, and we lay out what the thing actually does, what it costs, what it gives up, how financially strong the company standing behind its guarantees is, and what happens if circumstances change. The goal is an informed decision with both columns filled in, not a recommendation with one.

None of that makes my conflict disappear. It is still there and it is still disclosed, and you should still ask the question Chapter One ended on, extended slightly for this case: *if this recommendation is right for me, does it cost you money, or make you money?*

Ask it. I will answer it directly. And if the answer leaves you wanting a second opinion from someone with no stake in the outcome at all, that is an entirely reasonable thing to want, and I will tell you so rather than talk you out of it.

So, what are you paying for

Not outperformance. Nobody can promise that and the ones who imply it should worry you.

You are paying for the match. For someone whose job is to know what you actually own, whether it fits the life it is supposed to fund, and what happens to it

in the year that goes badly — and who has the time and the tools to do something about it before the year arrives rather than after.

Whether that is worth ten thousand dollars a year is a question only you can answer, and the answer depends on your portfolio, your horizon, and your situation, exactly as Chapter Five laid out.

But it is a real job, it produces real dollars, and it is not the job most people think they are buying.

This chapter reflects the author's professional experience and opinions. Structured notes, market-linked notes, and insurance products involve risks and features not described here, including limits on potential gains, loss of principal where an index decline exceeds any buffer, limited liquidity and terms governing sale prior to maturity, and the credit risk and financial condition of the issuing institution. Structured notes are not FDIC-insured. Complete terms and risks are set out in each product's offering documents, which should be reviewed before any purchase. Nothing here is a recommendation to buy or sell any product or category of product; suitability depends entirely on individual circumstances. Advisory persons of WealthKare are licensed insurance professionals and receive commissions on insurance products sold, a conflict of interest disclosed in WealthKare's Form ADV Part 2A. Past results do not predict future results.

CHAPTER NINE

Every Recommendation That Shrinks the Account

Chapter One was one couple and one decision.

This chapter is the pattern.

Once you see it, you will not stop seeing it, and I think that is a good thing even if you never become a client of mine. It changes what you listen for.

The pattern

An advisor paid a percentage of your account is paid on the balance of that account.

Most of the time that arrangement is unremarkable. Should you own more bonds? Should we rebalance? Is this fund still the right one? None of those questions moves money out of the account, so the fee is unaffected either way and the advisor's compensation is simply not in the room.

But there is a specific category of recommendation where the right answer is take money out and do something else with it.

In that category, and only in that category, giving you the correct advice reduces what your advisor earns. Permanently. Not for a quarter — for as long as you remain a client, because the base was reduced and it compounds from a lower number forever after.

That is the whole pattern. It is not complicated, and it is not a secret.

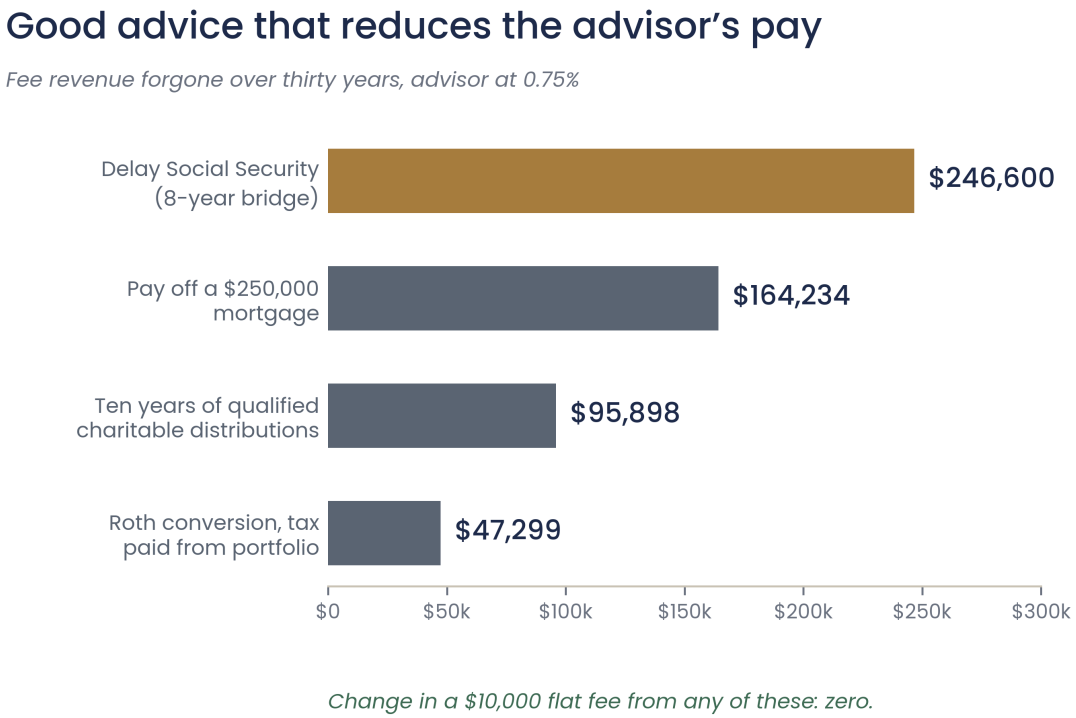
It is also concentrated almost entirely in retirement. Every item on the list below is a decision people face in their sixties and seventies and almost never before.

Which means the category of advice where a percentage fee works against you is the same category you are entering right now. What is remarkable is how rarely anyone connects it to a specific decision on a specific kitchen table.

Let me put numbers on the ones that matter most.

The list

Each figure below assumes an advisor at three quarters of one percent, a seven percent return, and a thirty-year horizon. The number in each case is the fee revenue that advisor gives up by making the recommendation.



Illustrations of forgone advisory revenue, not projections of investment results.

Delaying Social Security. Bridging eight years from age sixty-two to seventy at sixty thousand dollars a year takes four hundred eighty thousand dollars out of the account over those eight years. Cost to the advisor: about two hundred forty-seven thousand dollars.

What the client gets is a benefit that rises from seventy percent of the full amount to one hundred twenty-four percent. Seventy-seven percent more, inflation-adjusted, survivor-protected, for life.

This is the largest single item on the list in both directions, which is why it opened this book.

Paying off the mortgage. Clearing a two hundred fifty thousand dollar balance from the portfolio costs the advisor roughly one hundred sixty-four thousand dollars in future fees.

Whether it is the right move depends on the rate, the tax situation, and how the household feels about debt in retirement. Sometimes it plainly is. The point is that the arithmetic of the question and the arithmetic of the advisor's paycheck point in opposite directions.

Roth conversions. A three hundred thousand dollar conversion with the tax paid from the portfolio — which is usually how you want to pay it — removes about seventy-two thousand dollars. Cost to the advisor: roughly forty-seven thousand dollars.

Note the wrinkle. Paying the tax from *outside* the portfolio preserves the advisor's base. Paying it from *inside* is generally the better answer for the client and the worse one for the advisor. That is a genuinely uncomfortable place for a fee structure to put someone.

Qualified charitable distributions. Twenty thousand a year for ten years directly from the IRA moves two hundred thousand dollars out. Cost to the advisor: about ninety-six thousand dollars.

Gifting and family help. A down payment for a daughter. Funding grandchildren's education accounts. Annual exclusion gifting as part of an estate plan. Every dollar leaves the base and never returns to it.

Buying guaranteed income elsewhere. If the right answer for a household is an income annuity purchased outside the platform the advisor bills on, that purchase reduces the base by the full amount.

What this does and does not mean

Chapter One already made the careful version of this point, and it holds here without repeating every word of it. None of this means your advisor is withholding advice; most would tell you to wait until seventy without a second thought. None of it is hidden; it is in the Form ADV, which Chapter Three asked you to read. The list above is simply what that disclosure looks like when you put it next to the decisions you are actually about to make — and on every item, the advice that is right for you is the advice that lowers your advisor's pay.

The question this produces

You do not need to become suspicious. Suspicion is exhausting and mostly misplaced.

You need one question, asked once, in a normal tone of voice:

> ***If this recommendation is right for me, does it cost you money?***

Watch what happens next. Not the answer — the pause before it.

A good advisor will tell you yes, and then tell you why they are recommending it anyway. That answer is worth more than any credential on the wall, because it means the person across the table has already worked out for themselves where their interests and yours diverge, and has decided which one wins.

An advisor who says the question is offensive has answered it.

And under a flat fee

On every item on that list, what a flat-fee client pays us is unchanged — the Social Security bridge, the mortgage, the Roth conversion, the charitable giving, the gifting, the annuity purchased somewhere else. As I said in Chapter One, that does not make me a better advisor than the one you have. It means that on this category of decision, one structure has a tension in it and the other does not.

Mine has a different one, and it would be a poor book that stopped here without naming it. That is the next chapter, and it is the one I would read most carefully if I were you.

Fee figures are illustrations of forgone advisory revenue, not projections of investment results. Each assumes the stated amount is removed from a portfolio growing at seven percent annually, with an advisory fee of 0.75% deducted annually in arrears over thirty years, no volatility or sequence-of-returns effect, and no additional contributions or withdrawals. Amounts removed over several years (the Social Security bridge and the charitable distributions) are modeled as equal withdrawals at the start of each year. Actual figures will differ with the fee rate, return, horizon, and circumstances. Social Security benefit factors of 70% at age 62 and 124% at age 70 assume a Full Retirement Age of 67; verify your own at ssa.gov. Nothing in this chapter is a recommendation regarding Social Security claiming, mortgage repayment, Roth conversions, charitable giving, gifting, or the purchase of any insurance product. Each depends entirely on individual circumstances and should be evaluated with your advisor and tax professional. Statements regarding compensation structures at other firms describe incentives created by fee arrangements generally and are not a characterization of any particular firm or advisor.

CHAPTER TEN

Our Conflict, Disclosed

Somewhere in your relationship with your advisor, someone probably said a version of this:

> ***I look at your account every month.***

It is a reassuring sentence. It is meant kindly. And for a great many of the people who say it, it is not true.

Do the arithmetic. An advisor with five hundred client households who genuinely reviewed each account monthly would need to conduct twenty-five substantive reviews every business day, every day, on top of meetings, planning work, calls, compliance, and running a business. Not glances. Reviews.

Nobody does that. What usually happens is that a system confirms the account exists, confirms it is within its model's tolerances, confirms the fee was billed, and that is described afterward as looking at the account.

I am not raising this to accuse anyone of lying. I do not think most of them experience it as a lie. I raise it because it is a small, revealing example of the thing this chapter is about: what a fee structure quietly permits you to claim, and what it never forces you to prove.

The previous chapter went through every recommendation that shrinks an account under management, and what each one costs an advisor paid a percentage of it. If I stopped there, I would be doing exactly what I promised on page one this book would not do.

So here is mine.

What a flat fee rewards

A flat fee pays me ten thousand dollars whether your household gets forty hours of thought this year or four.

Sit with that. Do the deep version, ten thousand dollars. Do the competent, defensible, entirely adequate version at a quarter of the effort, ten thousand dollars. Nothing in the arrangement distinguishes them. No invoice ever says *this year we worked harder.* That is a genuine incentive, it points in an unhelpful direction, and it is disclosed in our Form ADV.

The two conflicts are not the same shape, and comparing them requires precision rather than a slogan.

A percentage fee creates a conflict about the content of advice. It puts a thumb on the scale of particular recommendations — the ones where the correct answer is to take money out of the account.

A flat fee creates a conflict about the level of effort. It has no opinion about what I recommend. It has an opinion about how much work happens before I recommend it.

I would rather have the second problem, and I will say so plainly. A conflict that touches *what* you are told can point you in the wrong direction. A conflict that touches *how much attention produced it* can only give you less of the right one. But that is my ranking, you are entitled to your own, and either way I have a conflict and here it is.

It shows up in three places. They need three different answers.

One. The pressure to do less than I said I would

Effort is invisible. You see conclusions, not the hours behind them, and a thin analysis and a thorough one produce documents that look much the same from the outside. Which is exactly why "I look at your account every month" survives as a claim. It cannot be checked.

So rather than make you a promise of that shape, I will tell you how the work is actually organized, because the structure is the only part you can hold me to.

We monitor holdings continuously, not accounts periodically.

That distinction is the whole thing, so let me be concrete. The securities and strategies our families own are under ongoing review — as investments, on their own merits. When something changes, when a holding is flagged for review, marked for sale, or warrants an increased position, we then run that against our client data to identify precisely which households are affected, and those families get contacted with a recommendation.

The trigger is an event in the portfolio, not a date on a calendar.

I think that is both the more truthful description and the better method. More truthful because it is a claim I can actually stand behind, at any scale, without arithmetic that falls apart under inspection. Better because contact is prompted by something having genuinely happened rather than by October arriving. A monthly review of an account where nothing changed produces a monthly report saying nothing changed.

Alongside that, here is what every family can count on, regardless of what markets do:

- A set of overview items runs monthly on every portfolio.
- We conduct an annual tax analysis, and we ask each family for current tax returns to do it. That last part matters, because a tax analysis performed without the actual return is an estimate dressed up as an analysis.
- Four times a year we host Coffee with Friends, a relaxed gathering where we walk through what the markets have been doing and what it means for the portfolios we manage, along with the planning and lifestyle questions families are facing. Clients are welcome to bring friends. For most of our families, this is where the updated picture actually arrives.
- Individual reviews — once a year, or whenever something in a family's situation changes — are available to every family that wants one. We do not schedule them universally for the sake of checking a box.
- Every family has access to our planning portal, which carries the live planning picture rather than the account balances alone. Your custodian shows you

what you hold. This shows you what it means, updated as things change, built around what that particular family said mattered to them.

None of that is heroic. It is simply specific enough that its absence would be noticeable, which is the only property that makes any service promise worth making.

Two. The pressure to take on too many

This is the one most people miss, and structurally it is the largest.

Consider how each model grows.

Under a percentage fee, revenue rises when markets rise. An advisor with a hundred households and no new clients is meaningfully better off after a good decade, having added nobody.

Under a flat fee, that does not happen. My revenue grows only if I add families. The pressure in my model points at volume, and volume is precisely how service quality erodes. It is also how you end up with five hundred clients and a sentence about monthly reviews that cannot survive a calculator.

A constraint on that has to be a number, so here is ours.

One hundred client families per advisor.

At our fee, that is a million dollars of revenue per advisor. I am giving you the arithmetic on purpose, so you can satisfy yourself the model is sustainable at that headcount rather than a loss leader that will have to be repriced once the client base is captive. It is, comfortably.

The reason the number can be that low is the technology. An advisor's real capacity is a function of how much time the firm's process consumes per household. An in-person meeting costs several hours once you count preparation, the meeting itself, and everything it generates afterward. The same substance delivered through a well-run online meeting with digital notes and a defined process framework takes a fraction of that.

But efficiency creates its own temptation, and I want to name it. If technology lets one advisor serve four hundred families adequately, a firm can take four hundred

and let quality drift toward adequate. We treat the efficiency as headroom rather than as capacity to sell. That is a choice, it costs real revenue, and it is the most expensive commitment in this chapter.

Ask any flat-fee firm you speak with what their number is. If they do not have one, that is information.

Three. The pressure toward simple households

The fee does not scale with difficulty, so it quietly rewards straightforward situations and penalizes complicated ones. A business owner with a pending sale, a special needs trust, four states of residence and a blended family generates the same ten thousand dollars as a retired couple with two IRAs, and several times the work.

We handle that at the front door, and the interview runs both directions.

While a family is evaluating whether we can do what they need, we are working out whether we can. That means understanding the situation, the goals, and the expectations, and forming a view about whether real long-term value is achievable given our knowledge, our experience, the technology we can bring, and how efficiently we would communicate with each other — with enough headroom left over for complexity that has not arrived yet.

Expectations about contact are part of that assessment, and I will be direct about both ends of it.

Some families want a meeting every month. We will not do that, and we say so before anyone signs anything, because agreeing to it and then delivering something less is the exact failure this chapter is about.

Some families want the opposite — no contact at all, *we pay you to handle it, just do what you do.* We generally decline those as well, which surprises people. But planning that never checks its assumptions against the life it belongs to stops being planning within a few years, and a household that does not want to be involved is one we cannot serve properly no matter how the fee is structured.

When we conclude it is not a fit, we say so and decline, politely. That is the right outcome for both parties. A firm that never turns anyone away is telling you something about how it thinks about capacity.

The objection I should raise before you do

A skeptical reader has spotted something by now, and I would rather name it than hope it slides past.

I am paid the same regardless of effort. I have just told you we favor online meetings over in-person ones, that we rely on quarterly Coffee with Friends gatherings rather than scheduling a mandatory annual appointment for every household, and that we decline families who want monthly meetings. Every one of those is more efficient for me.

A reasonable person could read that sequence and conclude I have built a service model around my own convenience and described it as a philosophy.

So, directly. The efficiency is real and I am not going to pretend it is incidental. It is part of why the flat fee works at all, and Chapter Six explains why that matters more than it sounds like it should.

But availability is not what is being economized. The quarterly gatherings sit alongside individual work, not in place of it. Any family that wants its annual review gets one, and anything requiring a private conversation gets one. The format exists so that four times a year there is a low-friction way to raise something without first deciding it warrants a formal appointment, and so that families in similar circumstances can hear from each other rather than only from us.

My honest view is that a mandatory once-a-year meeting serves the calendar rather than the household. Financial questions do not arrive annually in the second week of October.

You should still test that against the substance rather than the theory. Which brings me to the part that actually matters.

How you would know, and how you would leave

Everything above is a description of intent. Descriptions of intent are what every firm offers, including the ones with five hundred clients and a monthly review claim.

So here is the part that is not a description.

You can end the arrangement in writing, and it is over when we receive the notice. Not at quarter end. Not after a notice period. Immediately. We bill in advance, so whatever portion of the quarter you have already paid for and are not going to use is prorated and returned to you.

No multi-year agreement. No surrender period. No penalty. Nothing that makes leaving expensive or slow.

I want to be clear about why that belongs in this chapter rather than in a footnote.

A flat fee gives me an incentive to do less. The most effective check on that incentive is a client who can end it today and take a decade of revenue with them. It means the work has to be worth continuing, in substance, every quarter, or it stops.

That is not generosity. It is the constraint I have accepted in place of the one my fee structure fails to provide, and it costs me something real, which is exactly why it is worth more than any promise on the preceding pages.

While I am on the subject, we bill at the front of the quarter rather than the end, and I would rather explain that than let you wonder about it. The heavy work in this relationship is front-loaded — the clean-sheet build, the tax analysis, the planning. Billing at the front puts the charge in front of you while you can still see what it bought. Billing at the back means an invoice arriving three months after work you have half forgotten. The refund provision above exists precisely so that billing ahead costs you nothing if you leave.

When you evaluate any advisor, including this one, ask three questions and weigh the answers accordingly. How long am I committed for? What does it cost me to leave? And what specifically will you do that I would notice if you stopped?

Why this chapter is in the book

The previous chapter argued that a percentage fee has a tension built into it. That argument was only worth reading if I was willing to do the same to my own.

Every method of paying an advisor creates an incentive. Percentage fees reward keeping assets in the account. Hourly billing rewards taking longer. Commissions reward transactions. Flat fees reward doing less and taking on more. There is no arrangement without a thumb somewhere on the scale, and anyone claiming to have found one is selling the most dangerous story in this business.

The useful question was never which structure is pure.

It is which tension you would rather have across the table when the decision is large, what the firm on the other side has actually put in place to hold itself against it, and how quickly you can walk if they don't.

I have told you mine. Go ask the other firm on your list for theirs.

The WealthKare Investment Center is an SEC-registered investment adviser. The conflicts described here, along with others, are disclosed in our Form ADV Part 2A, available at adviserinfo.sec.gov, which you should read before engaging any adviser, including us. Capacity limits, service descriptions, acceptance practices, and termination terms reflect current firm policy and may change; the terms of your advisory agreement and current disclosure documents govern. The illustration regarding review frequency at a five-hundred-client practice is arithmetic offered to make a general point about scale and is not a characterization of any particular firm or advisor. Registration does not imply any particular level of skill or training.

CHAPTER ELEVEN

Questions to Ask Any Advisor, Including This One

We are near the end, so let me hand you something you can use rather than something else to read.

What follows is ten questions. They work on me and they work on the advisor you already have. Each one comes with what a good answer sounds like and what an evasion sounds like, because the second is usually more informative than the first.

I would use them on us. I would be disappointed if you didn't.

1 What did I pay you last year, in dollars?

A *good answer*: a number, or a promise to produce one within a day. Any firm can pull this in minutes.

An evasion: a percentage. You did not ask for a percentage. You asked for dollars, and the reason the industry prefers percentages is that percentages of large numbers do not feel like large numbers.

2 What is my blended rate, and where does it appear in your Form ADV?

A *good answer*: the rate, and a pointer to Item 5.

An evasion: "it's about one percent." About is not a rate. Your actual blended rate may be higher or lower than you assume, and Chapter Five explained why that matters more than almost anything else in this book.

3 What is the total expense ratio of everything I hold, and am I paying anything for the models my portfolio is built from?

A *good answer*: two figures, or a report produced on request. These are layer two and layer three from Chapter Three, and every firm can calculate them.

An evasion: "those are built into the funds." True, and not an answer to the question.

4 If a recommendation is right for me, can it cost you money? Can it make you money?

A *good answer*: yes, and here is where, and here is how I handle it. That answer means the person across the table has already worked out where their interests and yours diverge and decided which one wins.

An evasion: treating the question as an insult. That is an answer.

5 How many client households do you personally serve?

A *good answer*: a number. Ask what their firm's limit is, if it has one.

An evasion: "we have a team approach." Perhaps. Ask the number anyway.

6 What specifically will you do for me this year that I would notice if you stopped?

A *good answer*: things with dates and outputs. A tax analysis using my actual return. A review of the withdrawal sequence. Something a reasonable person could confirm happened. And a plain account of what prompts a call to you.

An evasion: "I look at your account every month." Chapter Ten did that arithmetic. Ask what "looking" consists of and what triggers a call.

7 Have you modeled my Social Security claiming decision, and when?

A *good answer:* yes, here it is, here is what it assumed, here is when we ran it.

An evasion: general encouragement to wait. This is the largest single decision in most retirements and it deserves a model, not an opinion.

8 What have you recommended to me that reduced the balance of my account?

This one is unusual and it is the most revealing question on the list.

A *good answer*: examples. A Roth conversion. A mortgage payoff. A charitable distribution. Advice to delay claiming and bridge from the portfolio.

An evasion: nothing comes to mind. That may mean nothing was warranted. Over ten or fifteen years of retirement, it usually means something else.

9 How long am I committed for, and what does it cost me to leave?

A *good answer*: a short notice period, no penalty, a clear statement of what happens to any prepaid fee.

An evasion: vagueness about notice periods, or a surrender charge attached to a product rather than to the advisory agreement. Ask about both.

10 What is your conflict, and what have you put in place against it?

Every arrangement has one. Percentage fees reward keeping assets in the account. Flat fees reward doing less and taking on more clients. Commissions reward transactions. Hourly billing rewards taking longer.

A *good answer*: names the conflict without being cornered into it, and describes something specific that constrains it.

An evasion: "we're fiduciaries, so we don't have conflicts." Fiduciaries have conflicts. Being a fiduciary is what obliges them to tell you about them, not what makes them vanish. An advisor who says otherwise either does not understand the standard or is hoping you don't.

What to do with the answers

You are not looking for a perfect score. Nobody has one, we don't, and a firm that answered all ten flawlessly would make me suspicious rather than reassured.

You are looking for two things.

Whether the answers exist. Most of these questions have exact answers sitting in a system somewhere. A firm that cannot produce them has told you something about how it operates, regardless of what it produces afterward.

Whether the person is comfortable being asked. That matters more than the content. You are considering handing someone authority over the money that has to last the rest of your life. If a reasonable question about their compensation makes the room cold, you have learned the most important thing on this list, and you learned it before it cost you anything.

The last honest thing I will tell you

Our floor is a million dollars, for the reasons Chapter Five set out and with the exceptions it described. Below that, in most straightforward situations, the arithmetic in this book favors staying where you are, and I would rather say that plainly than have you spend an afternoon discovering it.

If you are above that line, the exercise in Chapter Three will tell you most of what you need to know, and you can do it without speaking to anyone. That was deliberate. A decision this size should not depend on a conversation with a stranger who benefits from the outcome, including this one.

And if you work through all of it and conclude that the advisor you have is worth what you pay them, that is a completely legitimate place to land. It is the place a great many people should land. You will simply be landing there on purpose, with a number in front of you, which is more than most people in this country can say about the largest recurring expense of their retirement.

That was the point of the book.

Everything after this is arithmetic, and the arithmetic is yours now.

This chapter reflects the author's opinions and professional experience. It is not a recommendation to retain, terminate, or engage any particular adviser. The WealthKare Investment Center is an SEC-registered investment adviser; registration does not imply any particular level of skill or training. WealthKare's fees, account minimum, conflicts of interest, and termination terms are described in our Form ADV Part 2A, available at adviserinfo.sec.gov, and in our advisory agreement, which govern in all cases.

Your Fee Audit



Everything in this book runs on four numbers you produce yourself. This page collects them.

Nothing here is submitted anywhere unless you choose to. Fill it in for your own use. If you would like a professional to run the comparison against your figures, the last page of this book shows how to request a Fiduciary Fee Review.

Step one — what you actually paid

Pull the last four quarterly statements for every account your advisor manages. Look for a line reading advisory fee, management fee, investment management fee, or program fee. It is often in a transactions section rather than at the top.

If you cannot find it, call and ask exactly this: *what was the total advisory fee charged to my accounts last calendar year, in dollars?*

Q1	$ _____
Q2	$ _____
Q3	$ _____
Q4	$ _____
Total paid last year	$ _____

Step two — your blended rate

Account value, start of year	$ _____
Account value, end of year	$ _____
Average (add and divide by two)	$ _____
Blended rate (total fee ÷ average value)	_____ %

Compare that to the published schedule in Item 5 of your advisor's Form ADV, free at adviserinfo.sec.gov. While you are there, read Item 10 and Item 11. They cover affiliations and conflicts, and they are the most useful fifteen minutes available to any client of any advisory firm.

Step three — the layers underneath

Weighted average expense ratio of your holdings	_____ %
Model, strategist, or platform fee, if any	_____ %
Wrap or program fee, if any	_____ %

Your advisor can produce all three. A firm that cannot has told you something.

Step four — your horizon

Years this money needs to last	_____ years

Be honest rather than optimistic. Chapter Five explains why this matters more than portfolio size.

The two numbers this produces

The advisor's paycheck next to yours. Divide your annual fee by the amount you withdraw each year. Not by your assets — by the income the portfolio actually pays you. The account is funding both paychecks; this tells you their relative size.

At a one percent fee and a four percent withdrawal, the answer is twenty-five percent.

My advisor's paycheck equals _____ % of my own.

Your fee over your horizon. Take your annual fee and carry it forward across the years in step four, allowing for the fact that a percentage fee grows as the portfolio does.

Over _____ years, I will pay about $_____ for advice.

That second number is the one almost nobody has ever calculated. It is also the only one that matters.

And it is only the first link in the chain. The same dollars, left in the account, compound into growth; the growth sustains income; the income protects what your estate inherits; and year by year they make room to move money toward a Roth, where no fee and no tax bill is waiting. The expense reduction hiding in plain sight is the one that keeps paying you back.

If you would like a second set of eyes

We offer a Fiduciary Fee Review: send us your four numbers and we will return the full comparison against our flat fee, including the point at which a percentage arrangement serves you better than we would. That figure exists, we will show it to you, and if it is your situation we will say so. The last page of this book has the code to schedule one.

There is no charge and no obligation, and we do not accept every household that asks. Chapter Ten explains why.

The fee audit is an educational worksheet. Figures you produce reflect your own inputs and documents. The Fiduciary Fee Review is offered by The WealthKare Investment Center. Any comparison we return is an illustration of fee arithmetic using assumptions we will state, not a projection of investment results or a recommendation regarding your current adviser. Advisory services are offered only pursuant to a written agreement and after delivery of our Form ADV Part 2A and Form CRS.

To the Advisor Reading This

If you work in this business, you may have picked this book up braced for an attack. I would have. A book with the word revolution on the cover, written by a competitor, aimed at your clients — the posture writes itself.

So let me say directly what the rest of this book says between the lines. I have spent more than forty years around the people who do this work. Most of them charge what they said they would charge and disclose it the way they said they would. Many of them are worth every dollar and more, and Chapter Five of this book names, with dollar figures attached, the situations where their arrangement beats mine. I did not write those pages to be generous. I wrote them because they are true, and because a book that only argues its author's side is an advertisement.

But I want to close by talking to you about where this is going, because I think you already suspect it.

You and I have watched this industry take cost out of everything it touches — everything except the layer we work in. Fund expenses collapsed, and the advisors who moved their clients into low-cost funds early did not lose their practices; they kept their clients longer and earned more trust than any marketing campaign ever bought. Then the plumbing followed: custody, trading, technology — costs that once justified whole fee schedules quietly fell toward zero. Two revolutions, and both times the advisors who embraced them came out ahead of the ones who defended the old price of the old thing.

The fee itself is the last layer standing, and I do not believe it will stand alone forever. Not because advisors are villains — this book has spent eleven chapters saying they are not — but because the arithmetic in these pages is now sitting in your clients' hands too, and the platforms that make a flat fee operationally simple finally exist. When the tools arrive and the math is public, pricing follows. It did

for products. It did for platforms. Advice is next. The only open question is whether the change happens to your practice or through it.

Here is what I have learned building it: the flat fee is not a discount, and it is not a race to the bottom. It is a different business. A hundred households at ten thousand dollars is a million dollars of revenue per advisor, delivered at a depth of service that five hundred households can never receive — that chart is in Chapter Eight, and it works just as well read from your side of the desk. Chapter Five's arithmetic works from your side too: it tells you which of your clients a flat fee genuinely serves and which it does not, which means it tells you how to offer both arrangements honestly and keep the trust of everyone in your book. The firms that offer the alternative where it fits will keep those clients for decades. The firms that pretend the question does not exist will keep them until the afternoon someone else does the arithmetic with them.

We are already comparing notes with advisors around the country who see the same future and are working out how to evolve toward it — the suitability arithmetic, the workflows, the platform mechanics, the conversations with longtime clients. None of us has all of it figured out. That is rather the point of comparing notes.

So here is the extended hand. If you are an advisor reading this and the argument holds up under your own math — or you think you can show me where it breaks — I would like to hear from you at bruce@insideyourretirement.com. I will share what we have learned, including the parts we got wrong. No pitch, no franchise, no secret handshake. Colleagues, comparing notes about where our profession is heading.

The revolution in the title was never aimed at you. It is aimed at a pricing convention that has outlived the costs that once justified it. Conventions like that do not need enemies to fall. They need alternatives, offered plainly, by people clients already trust.

That could be us. I would rather it be us together.

This section is addressed to financial professionals. Nothing in it is an offer of partnership, employment, or compensation, and any professional relationship would be governed by its own written agreement. Advisors remain solely responsible for their own regulatory, suitability, and disclosure obligations.

Notes and Sources

Figures are current as of September 2026. Hypothetical illustrations are the author's arithmetic on the stated assumptions.

The stories in this book are composites, as each one states, and need no source. The firm's own fee, minimum, termination terms, and conflicts are stated in its Form ADV Part 2A, available at adviserinfo.sec.gov, which governs.

Preface — The Exchange Rate

"*call it 54,000 hours*" — Author's arithmetic: 30 years × 45 working weeks × 40 hours.

"*a penny saved is a penny earned*" — The popular saying is a paraphrase of Franklin's "A penny saved is two pence clear," Poor Richard's Almanack (1737). "7 Things Benjamin Franklin Never Said," The Franklin Institute. https://fi.edu/en/science-and-education/benjamin-franklin/7-things-benjamin-franklin-never-said

Chapter One — The Recommendation That Costs Your Advisor Money

"*he receives seventy percent of his full benefit*" — "Starting Your Retirement Benefits Early," Social Security Administration (2026); full retirement age is 67 for those born in 1960 or later. https://www.ssa.gov/benefits/retirement/planner/agereduction.html

"*one hundred twenty-four percent of that same full benefit*" — "Delayed Retirement Credits," Social Security Administration (2026). https://www.ssa.gov/benefits/retirement/planner/1960-delay.html

"*seventy-seven percent larger*" — Author's arithmetic: 124 ÷ 70 = 1.77.

"*about twenty-eight thousand dollars a year and about fifty thousand*" — Author's illustration; assumptions: a full-retirement-age benefit of about $40,000 a year (70% ≈ $28,000; 124% ≈ $49,600).

"*continuing to Diane as a survivor benefit*" — Social Security Handbook §407, "Amount of Widow(er)'s Insurance Benefit," Social Security Administration: the survivor rate includes the deceased worker's delayed retirement credits. https://www.ssa.gov/OP_Home/handbook/handbook.04/handbook-0407.html

"*which statistically she probably will*" — "Actuarial Life Table" (2023 period table, 2026 Trustees Report), Social Security Administration: life expectancy at 62 is 20.3 years for men and 23.1 years for women. https://www.ssa.gov/oact/STATS/table4c6.html

"*roughly what a two million dollar household pays*" — Michael Kitces, "Independent Financial Advisor Fee Comparison: All-In Costs," Kitces.com (n.d.), reporting a median advisory fee of 0.75% at $2 million from Bob Veres's Inside Information advisor survey. https://www.kitces.com/blog/independent-financial-advisor-fees-comparison-typical-aum-wealth-management-fee/

"*approximately two hundred forty-seven thousand dollars*" — Author's illustration; assumptions: $60,000 withdrawn at the start of each of eight years, 7% annual growth, a 0.75% fee deducted annually, measured through year thirty. Result: $246,600.

"*Every registered investment adviser in this country files a Form ADV*" — Form ADV, Part 2 instructions, U.S. Securities and Exchange Commission. https://www.sec.gov/about/forms/formadv-part2.pdf

Chapter Three — What You Actually Paid Last Year

"*Item 5, which is titled Fees and Compensation*"; "*Item 10 and Item 11*" — Form ADV Part 2A: Item 5, Fees and Compensation; Item 10, Other Financial Industry Activities and Affiliations; Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading. U.S. SEC. https://www.sec.gov/about/forms/formadv-part2.pdf

"*Go to adviserinfo.sec.gov*" — Investment Adviser Public Disclosure, U.S. SEC. https://adviserinfo.sec.gov/

"*the answer is twenty-five percent*"; the two-paychecks table — Author's arithmetic: fee rate ÷ withdrawal rate (1% ÷ 4% = 25%; 1% ÷ 3.5% = 29%; 1% ÷ 5% = 20%); flat fee $10,000 ÷ 4% of each portfolio.

"*Medicare + supplement (couple)*" (chart) — Author's illustration. For scale: the 2026 standard Part B premium is $202.90 a month per person, about $4,870 a year for a couple. "Medicare Costs 2026," Centers for Medicare & Medicaid Services. https://www.medicare.gov/publications/11579-medicare-costs.pdf

"*disclosed in a prospectus rather than on a statement*" — "How Fees and Expenses Affect Your Investment Portfolio," Investor Bulletin, SEC Office of Investor Education and Advocacy (2025). https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated

"*priced at twelve one-hundredths of one percent a year*"; "*sixty-two hundredths*"; "*Some models carry no fee at all*" — Altruist LLC Fee Schedule, August 2026, Altruist. https://altruist.com/legal/altruist-llc-fee-schedule/

"*a subscription of twelve hundredths of a percent a year*" — "Altruist One," Altruist (2026): 0.01% per month. https://altruist.com/one/

"*about fourteen thousand eight hundred dollars a year*" — Author's arithmetic: $10,000 + 0.12% × $4,000,000 = $14,800, or 0.37%.

Chapter Four — The Fee That Doubles When Your Portfolio Doubles

"*grows to more than twenty-two million*"; "*about two hundred twenty-seven thousand dollars*" — Author's illustration; assumptions: $4,000,000, 7% a year, a 1% fee on each year-end balance deducted annually, thirty years. Ending balance $22,523,152; year-thirty fee $227,507.

"*the cumulative increase would be near a hundred percent*" — Author's arithmetic: 1.07 to the tenth power = 1.97.

"*three million three hundred forty-two thousand*"; "*four hundred seventy-six thousand*"; "*two million eight hundred sixty-seven thousand*" — Author's illustration; same assumptions, flat fee of $10,000 raised 3% a year (reaching $23,566 in year thirty). Totals $3,342,289 and $475,754; difference $2,866,535.

"*five million four hundred sixty-five thousand*" — Author's illustration; same assumptions with the 1% rate raised 3% a year (2.36% by year thirty). Total $5,465,431.

Chapter Five — Where the Line Is

"*grows roughly seven and a half times*"; "*not quite two and a half*" — Author's arithmetic: 1.07 to the thirtieth power = 7.61; 1.03 to the thirtieth power = 2.43.

"*about six percent of the advantage*" — Author's arithmetic: indexing the flat fee adds $175,754 against a frozen-fee advantage of $3,042,289, or 5.8%.

"*about one million three hundred thousand*" — Author's arithmetic: $10,000 ÷ 0.75% = $1,333,333.

Crossing-point tables and charts — Author's illustration; assumptions: 7% constant return, fees deducted annually, flat fee raised 3% a year; the crossing point is the starting value at which both fee structures leave the same ending balance.

Chapter Six — Fifty Years of Driving Down Cost

"*In 1975 a man named John Bogle started a mutual fund company*" — "Fast facts about Vanguard," Vanguard: commenced operations May 1, 1975; owned by its funds, which are owned by their shareholders. https://corporate.vanguard.com/content/corporatesite/us/en/corp/who-we-are/sets-us-apart/facts-and-figures.html

"*you get what you don't pay for*" — John C. Bogle, "The Arithmetic of 'All-In' Investment Expenses," Financial Analysts Journal 70:1 (2014). https://ideas.repec.org/a/taf/ufajxx/v70y2014i1p13-21.html ; and Salim Ramji, "Our unwavering commitment to you," Vanguard (2026). https://corporate.vanguard.com/content/corporatesite/us/en/corp/articles/salim-letter-to-investors-2026.html

"*now manages more than ten trillion dollars*" — "Vanguard to buy Altruist and scale custody platform," Investment Executive (2026), describing Vanguard as managing US$12 trillion. https://www.investmentexecutive.com/news/industry/vanguard-to-buy-altruist-and-scale-custody-platform/

"*cutting fund fees more than two thousand separate times*"; "*if something isn't good for the end client, we shouldn't do it*" — Jason Wenk, "A Letter from Founder and CEO Jason Wenk," Altruist (August 26, 2026). https://altruist.com/news/a-letter-from-founder-and-ceo-jason-wenk

"*An eight percent front-end load on a mutual fund used to be ordinary*" — "Mutual Fund Share Class Developments (Part 1)," The Practical Lawyer, Dechert LLP (2018): front-end charges were "often as high as 8.5 percent" in the 1960s; FINRA Rule 2341 caps sales charges at 6.25% to 8.5%. https://www.dechert.com/content/dam/dechert%20files/knowledge/publication/2018/6/Practical%20Lawyer%20-%20Touch%20of%20Class%20Article%20Part%201%20-%20June%202018.pdf

"*Annual expense ratios of one to two percent were unremarkable*" — "Mutual Fund and ETF Fees Remained Near Historic Lows in 2025," Investment Company Institute (2026): asset-weighted equity mutual fund expense ratios fell 62% from 1996 to 2025, to 0.40%. https://www.ici.org/news-release/mutual-fund-and-etf-fees-remained-near-historic-lows-in-2025

"*three or four basis points for broad market exposure*" — Vanguard Total Stock Market ETF fact sheet, Vanguard (June 30, 2026): expense ratio 0.03%. https://fund-docs.vanguard.com/F0970.pdf

"*Over the past decade that cost collapsed*" — e.g., "Charles Schwab is eliminating online commissions for trading in US stocks and ETFs," CNBC (October 1, 2019). https://www.cnbc.com/2019/10/01/charles-schwab-is-eliminating-online-commissions-for-trading-in-us-stocks-and-etfs.html

"*announced that it has agreed to be acquired by Vanguard*" — "Vanguard to Acquire Altruist, Expanding the Reach and Impact of Financial Advice," Vanguard (August 26, 2026); expected to close later in 2026, subject to closing conditions and regulatory approvals. https://corporate.vanguard.com/content/corporatesite/us/en/corp/who-we-are/pressroom/press-release-vanguard-announcement-082626.html

"*to make money for its clients rather than from them*" — John James, Vanguard, "Focus on returns for investors, not from investors," Vanguard (July 15, 2025). https://corporate.vanguard.com/content/corporatesite/us/en/corp/articles/focus-on-returns-for-investors-not-from-investors.html

"*Relative cost of each layer, then and now*" (chart) — Author's illustration; see the ICI and Vanguard figures above.

Chapter Seven — The Gap Between What Funds Earn and What Investors Earn

"*about 8.7 percent … about 9.9 percent*"; "*nearly twenty-three thousand*"; "*close to 3.8 trillion dollars*"; "*rolling ten-year periods*"; "*about 0.4 percent … about 2.1 percent*"; "*about 97 percent …*

about 92 percent"; spot crypto ETFs "*about 8.5 percent … about 5.8 percent*" — Jeffrey Ptak, "Mind the Gap 2026," Morningstar (August 6, 2026). https://www.morningstar.com/business/insights/research/mind-the-gap

"*about 2.6 percent a year*" — "Mind the Gap 2024," Morningstar (2024), covering the decade ended December 31, 2023. https://assets.contentstack.io/v3/assets/blt4eb669caa7dc65b2/blt0571178b63219c0b/66bdeb4a4f0e4749e15a5621/2024_Mind_the_Gap.pdf

"*about one tenth of one percent per year*" — Jon A. Fulkerson, Bradford D. Jordan, Timothy B. Riley, and Qing Yan, "Bad Timing Does Not Cost Investors 15% of Their Funds' Returns: An Examination of Morningstar's 'Mind the Gap' Study," Financial Analysts Journal 82:3 (May 12, 2026). https://rpc.cfainstitute.org/research/financial-analysts-journal/2026/bad-timing-does-not-cost-investors-funds-returns

"*drawing on earlier work by Hayley*" — Simon Hayley, "Hindsight Effects in Dollar-Weighted Returns," Journal of Financial and Quantitative Analysis (2014). https://openaccess.city.ac.uk/id/eprint/6226/

Chapter Eight — What You're Paying a Human For

"*a structured note is a debt obligation of the financial institution that issues it*" — "Investor Bulletin: Structured Notes," SEC Office of Investor Education and Advocacy (January 12, 2015). https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins-76

"*What a buffered note does*" (chart) — Author's illustration; assumptions: a 15% buffer and an 18% cap, held to maturity. Actual terms vary by issuer and offering.

"*Each square is one client household*" (chart) — Author's arithmetic: 100 or 500 households reviewed monthly over about 20 business days.

Chapter Nine — Every Recommendation That Shrinks the Account

"*about two hundred forty-seven thousand*"; "*roughly one hundred sixty-four thousand*"; "*roughly forty-seven thousand*"; "*about ninety-six thousand*" — Author's illustration; assumptions: 0.75% fee, 7% return, fees measured through year thirty; the Social Security bridge as $60,000 at the start of each of eight years and the charitable distributions as $20,000 at the start of each of ten years. Results: $246,600, $164,234, $47,299, $95,898.

"*removes about seventy-two thousand dollars*" — Author's illustration; assumes the $300,000 conversion is taxed at 24%. The 2026 federal 24% bracket for married couples filing jointly covers taxable income over $211,400 up to $403,550, so a conversion stacked on other income can reach 32%. "IRS releases tax inflation adjustments for tax year 2026," IRS (2025). https://www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2026-including-amendments-from-the-one-big-beautiful-bill

"*Qualified charitable distributions*" — Available from IRAs at age 70½ and older, up to $111,000 per person in 2026. "Reducing RMDs With QCDs in 2026," Charles Schwab (2026). https://www.schwab.com/learn/story/reducing-rmds-with-qcds

Chapter Ten — Our Conflict, Disclosed

"*twenty-five substantive reviews every business day*" — Author's arithmetic: 500 households ÷ about 20 business days a month.

"*a million dollars of revenue per advisor*" — Author's arithmetic: 100 households × $10,000.

Sources are cited for verification, not as endorsements. None of the organizations named has reviewed or endorsed this book. Figures attributed to third parties are as published by them on the dates given; where a source has been updated since, the source governs.

About the Author



Bruce J. Smith III is the founder of WealthKare.com, Inc. dba The WealthKare Investment Center, an SEC-registered investment adviser with offices in Pennsylvania and Florida, and co-founder, with his wife Monica, of American Assets Financial Corp.

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He is the author of Inside Your Retirement™: A Fiduciary's Library, a series of books published by Elite Wealth Network. The library lives at InsideYourRetirement.com — because after forty years as a student of personal finance, it's time to be the educator.

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RetirementTaxBook.com

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AnnuityInsiderBook.com

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- The handful of questions that reveal, in one meeting, whose side an advisor is on
- How to change arrangements without unnecessary taxes, penalties, or hard feelings

The revolution isn't louder advice. It's a fairer bill.



BRUCE J. SMITH III

A Navy submarine nuclear plant operator turned forty-year veteran of the investment and insurance worlds, Bruce J. Smith III became a fiduciary adviser in 1996 and remains a licensed insurance professional. This series lives at InsideYourRetirement.com — because after forty years as a student of personal finance, it's time to be the educator.

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