

# SAXON CenterStage

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## Fee-Based vs Commission-Based Advisors: What You Should Know



*“After almost 30 years of working in the business, the most important question to ask,” Garry Rutledge, AIF®, a Fee Based Advisor with Saxon, explained, “is do you trust that person to make decisions in your best interest or in theirs?”*

In this month’s CenterStage article, we sat down with Garry to get the lowdown on what to expect from both fee-based financial advisors and commission-based advisors.

### **When Is a Commission-Based Advisor a Better Choice than a Fee-Based Advisor?**

A commission-based advisor receives compensation for transactional business, usually at the point of sale, with a small annual fee to encourage advisor engagement. A client rarely knows the commission amount until the transaction is completed.

Garry mentioned, “those who purchase investments for the long term are better off choosing a commission-based advisor, who won’t pursue the client for information and bombard you with advice.”

Also, if you are a do-it-yourselfer when it comes to investing, a commission-based advisor is a great fit for you.

### **When Is a Fee-Based Advisor a Better Choice than a Commission-Based Advisor?**

A fee-based advisor tends to value relationship’s over transactions. This results in, typically, a more involved and hands on process, because positive results increase the value of client’s portfolio. A fee-based advisor takes a consultative approach to managing client’s assets and is more likely to offer a broader scope of advice than compared to a commission based advisor.

A fee-based advisor works for the relationship resulting in little or no bias to an investment or its sponsor, as it relates to compensation, vs a commission-based advisor who may consider the compensation when making a decision when weighing similar products.

### **What Are You Paying Your Financial Advisor?**

There are three means of advisor compensation:

1. Commission for products or transactions
2. A percentage of assets an advisor manages
3. A hybrid between method 1 and 2

It's imperative to know which method your advisor utilizes. This knowledge allows you to determine if you are receiving advice commensurate with the value provided. A Commissioned advisor, after making a sale, generally has no interest in what the outcome is because they have received compensation vs a fee based advisor who must build trust with clients to maintain a meaningful relationship.

Garry very rarely utilizes the hybrid model when working with clients. However, in keeping with his philosophy of doing right by his clients, there are times when he must employ this model. Garry points out, "at times, an alternative investment that is a complimentary piece of a client's portfolio is not available on a fee basis, in which circumstance dictates that I receive a commission. In full disclosure, my clients realize when this happens and exactly what their charge will be."

As a means of building relationships, Garry has and is focused on sustaining the fee based practice he has built and continues to build through client referrals. Garry's fees range from 1% to .5%, depending on the assets and complexity of a client case. With this knowledge, clients know what their expenses will be up front.

The length of his client relationships is a testament that fee based advising is successful in building a solid financial advisory firm.

In the end, the client must determine what works for them, as far as how they will compensate the advisor. If a client wants to be transactional, commission is the way to proceed; but if an ongoing relationship is a requirement, a fee-based advisor is the best path for them.

## **More About Garry**

Garry joined Saxon in August of 2006 and his focus has been the strategic management of client assets with tax minimization and capital preservation as the foundation of his planning strategy.

Since graduating from Wright State University in 1988 with a degree in Finance, Garry has worked for two respected firms. Garry holds Series 7 & 63 securities licenses, and his Life & Health license, along with achieving the professional AIF (Accredited Independent Fiduciary) designation.

**You can contact Garry via [email](#), [phone](#), or connect with him on [LinkedIn](#).**

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