

I N D E P E N D E N T B D S

Payouts Up, Fees Down At Commonwealth

“THIS IS THE FIRST YEAR IN

which fees are exceeding commissions for us as a firm,” says Wayne Bloom of Commonwealth Financial network. As a result, Commonwealth — which includes more than 1,000 advisors — is raising payouts in its fee-based business and lowering administrative fees.

Commonwealth’s total assets stand at \$45 billion, about one-third of which are part of fee-based programs. “It’s more than doubled in the past two years,” says Bloom. For a typical advisor, about

■ FA Training Has An Impact

Advisors earning \$200,000 to \$400,000 in yearly sales who used Commonwealth’s free practice management services in 2006 significantly increased annual revenues over a control group of reps not participating in such a program.

On average, the 22 advisors — who joined bimonthly conference calls that focused on growing revenues — grew earnings by 25.2 percent versus 16.5 percent for those who did not participate. Paul Bonapart of Financial Security Planning Services in Corte Madera, Calif., for instance, increased his individual sales (or production) by over 44 percent.

■ Commonwealth’s Fee-Based Administrative Fees and Payouts

Fee-Based AUM	Admin. Fee	Payout
\$25 mn-\$50 mn	0.110–0.125%	90%
\$50 mn-\$100 mn	0.0875–0.100%	92%
\$100 mn-\$150 mn	0.0750%	93%
\$150 mn-\$250 mn	0.0625–0.0650%	94%
\$250 mn-\$500 mn	0.0500–0.0600%	95%
\$500 mn+	0.0475%	95%

Source: Commonwealth

half of a book of business is based on fees.

The most important difference between the payouts at Commonwealth and at some competitors, says Bloom, is how much of the fee-based business is covered by the payouts of 90 percent and higher. “Ours are linear,” he says, “which means they cover the entire basket” versus a tiered system in which only a certain amount of assets or business over a certain level gives an advisor these high payout amounts.

The average Commonwealth advisor has some \$45 million in assets under management and yearly sales of \$310,000. And about half of the advisors in Commonwealth are expected to see their

administrative fees drop and their payout rise for fee-based work, the company says. The firm will pool the fee-based assets of advisors working in a group, or multi-producer practice, so that they receive the maximum payouts and lowest fees.

“It’s the fifth time we’ve lowered fee-based pricing,” explains Bloom. “As we get bigger and bigger, we are giving the economies of scale back to the advisor.” ●