

## **Investment Advisory Fees: Benchmarking Value and Cost**

How much do investment advisors charge and how does this compare to the value they add?

### **Typical Full-Service Advisory Fees**

Typically, about 1% of Assets Under Management (AUM) per year for the first \$1,000,000. This amounts to a few of \$10,000 per year

Tiered schedules offer lower fees at higher AUM levels such as:

- On the first \$1,000,000: 1.00%
- On the next \$1,000,000: 0.80%
- On the next \$1,000,000: 0.70%
- On the next \$2,000,000: 0.60%
- Accounts over \$5,000,000: Negotiable

For AUM of \$5,000,000 this would amount to an annual fee of \$37,000 (effectively 0.74% of AUM). For AUM of \$10,000,000 fees can be about \$60,000 per year.

This typically covers:

- Designing an investment plan and asset allocation based on a client's needs, preferences, time horizon and risk tolerance.
- Management of the investment portfolio including rebalancing.
- Periodic reporting on performance relative to a benchmark portfolio.

Additional financial planning services and consulting may be bundled with the AUM fee or may be available at an additional fixed or hourly rate.

### **The Low-Cost Robo-Advisory Fees**

Low-cost, automated benchmark for portfolio management and basic planning services.

Typically about 0.25% per year on the first \$1,000,000 of AUM, This amounts to about \$2,500 per year. Tiered rates may apply above that level such as 0.15% on the next \$1,000,000 and 0.1% for amounts over \$2,000,000.

For AUM of \$5,000,000 this would amount to an annual fee of \$7,000 (effectively 0.14% of AUM). At AUM of \$10,000,000 the annual fee would be \$12,000.

What clients receive:

- Globally diversified ETF portfolios
- Automated rebalancing and tax-loss harvesting (where eligible)

- Digital planning tools with limited advisor access

The above fees do not include access to a professional advisor such as a CFP® Professional (Certified Financial Planner) or CFA Charterholder. Some Robo-Advisory firms offer premium packages including access to a personal advisor for fees starting at 0.65% of AUM with lower fees for higher tiers.

### **Value Added by Professional Advisors**

Research shows that the value of a professional advisor extends well beyond investment selection or short-term performance.

Core sources of value include:

- **Behavioral coaching** – Helping clients avoid costly emotional decisions during market volatility.
- **Goal-based planning** – Translating life goals into actionable, monitored financial strategies.
- **Tax-aware portfolio management** – Coordinating asset location, tax-loss harvesting, and multi-year tax and withdrawal strategies to improve after-tax outcomes.
- **Retirement income design** – Structuring sustainable withdrawal strategies that balance longevity risk, market risk, and tax efficiency.
- **Risk management** – Aligning portfolios with true risk tolerance and capacity, not just short-term preferences.
- **Coordination across professionals** – Integrating investment decisions with estate planning, tax planning, and other advisors to reduce gaps and inefficiencies.
- **Discipline and accountability** – Providing a structured decision-making framework and ongoing monitoring over full market cycles.

In combination, these factors can meaningfully enhance after-fee, after-tax, and after-behavior outcomes—often exceeding the explicit cost of advisory fees. Vanguard’s Advisor Alpha study shows that these factors can amount to 3% of assets under management.<sup>1</sup> Russel Investments suggest that the value could be as high as 4.87%.<sup>2</sup>

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<sup>1</sup> <https://advisors.vanguard.com/content/dam/fas/pdfs/IARCQAA.pdf>

<sup>2</sup> <https://russellinvestments.com/content/dam/ri/files/us/en/financial-professional/insights/value-of-an-advisor-study.pdf>