



MFS ADVISOR EDGE®

# Financial Advisor Fee and Service Trends

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Advanced (k)®

Benchmarking financial advisor fees and services

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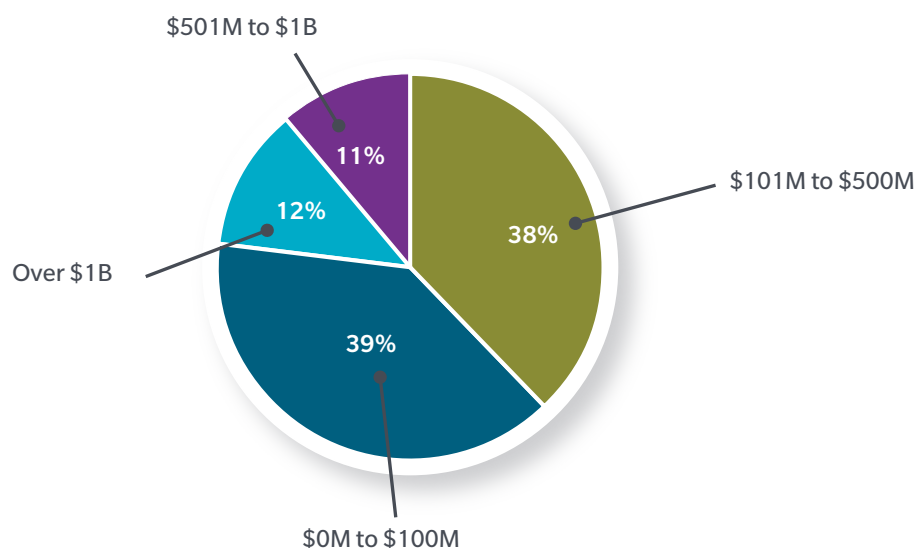
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## Database composition

The database is representative of firms with a wide range of qualified assets under advisement. Of the participating firms, 75% have assets under advisement of \$500 million or less, while 13% have more than \$1 billion in assets under advisement. The total amount of assets of all participating firms is more than \$350 billion.

The average qualified assets under advisement for the entire database population is \$1.1 billion. The median is \$183 million, which means half the participating firms have qualified assets under advisement less than \$183 million and half have more than \$183 million.

### Retirement Practice Size by Total Qualified Assets Under Advisement



### Total 401(k) Plans by Practice Size

RETIREMENT PRACTICE SIZE	RANGE	MEAN	MEDIAN	TOTAL PLANS IN CATEGORY
\$0 to \$100M	0 to 125	13.3	8	681
\$101M to \$500M	5 to 165	55.4	50	2,657
\$501M to \$1B	4 to 276	83.8	64.5	1,173
Over \$1B	28 to 325	158.7	178	2,380
<b>TOTAL</b>				<b>6,891</b>

Fee Benchmark, December 31, 2022, data from 128 practices. ©2023 Fi360, Inc.

## Retirement practice staffing

The total number of full-time retirement specialists represented in the database is 1,268. Fifty-one percent of the participating firms have between one and three full-time retirement specialists, while another 27% have between four and seven full-time retirement specialists.

The average number of full-time retirement specialists varies from 6.1 to 6.8, based on the business model. Overall, firms average one full-time retirement specialist for every \$282 million in assets under advisement (AUA), although this can vary significantly based on a number of factors.

### Full-Time Retirement Staff

#### PERCENT OF FIRMS IN DATABASE

1 to 3 full-time employees	67%
4 to 7 full-time employees	22%
8 to 12 full-time employees	6%
Over 12 full-time employees	5%

### Retirement Staff by Business Model

#### NUMBER OF RETIREMENT SPECIALISTS

BUSINESS MODEL	FT STAFF RANGE	MEAN	MEDIAN
Wirehouse-Affiliated FA's	0 to 15	2.9	2
Independent FA/RIA	0 to 29	3.8	2
Fee-Only Consultants	0 to 29	6.9	6
Insurance Reps	1 to 4	2.3	2

## Fee methods

While many advisors price new business on a flat-fee pricing schedule, asset-based pricing is still dominant. For all advisors in the database, the average breakdown of pricing structure remains similar to 2015, with 82% on an asset-based schedule, 16% on a flat-fee schedule and 1% each charging a per-participant fee or via project-based fees. Based on the continuing new business trend, we anticipated a shift of existing business from an asset-based fee to a flat fee; however, the data continues to show advisors charging their fee based on the plan's assets as we monitor year-over-year survey results.

### Prevalence of Fee Methods by Business Model

BUSINESS MODEL	ASSET-BASED FEE	FLAT FEE	COMBINATION
Independent or dually registered RIA/FA	49%	40%	11%
Fee only RIA	40%	55%	5%
Bank or Wirehouse affiliated RIA	81%	19%	0%
Insurance company representative	40%	68%	0%
Database Average	46%	47%	7%

### Prevalence of Fee Methods by Practice Size

ASSETS UNDER ADVISEMENT	ASSET-BASED FEE	FLAT FEE	PER-PARTICIPANT FEE	PROJECT-BASED FEES ONLY
\$0 to \$100M	90%	8%	1%	0%
\$101M to \$500M	87%	12%	1%	0%
\$501M to \$1B	74%	24%	1%	1%
Over \$1B	53%	43%	1%	1%

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## Factors Driving Financial Advisor Fees

Most advisors and consultants have a standard fee schedule; however, custom pricing is frequently used to adjust for plan complexity, services and the overall client relationship. The larger the plan, the greater the potential for custom services and, consequently, custom pricing. It is difficult to make an apples-to-apples fee comparison for these large plans (*i.e.*, plans in excess of \$550M) without doing a detailed comparison of the services being provided because pricing typically doesn't follow a specific fee schedule.

Multiple factors drive advisor pricing, so it is important to evaluate both the quantity and the quality of services provided when comparing fees. A number of factors may influence how an advisor's fee is determined:

- Complexity of the plan
- Sophistication of the plan sponsor
- Plan committee structure and cohesiveness
- Number of participants
- Number of plans
- Multiple sites/locations
- Frequency of investment reviews
- Number of days of meetings
- Seniority of advisor team members
- Time spent on site at plan sponsor's location
- Client tenure

## Retainer services versus project fees

Advisors offer a robust package of services for their retainer fee. For most plan sizes, 75% or more of the firms in the database provide the following services as part of their annual recurring (or retainer) fee:

- Act as a 3(21) fiduciary to the plan
- Investment policy development
- Fund menu design
- Investment monitoring/committee meetings
- Fund replacements/fund manager searches
- Plan design consulting
- Vendor searches
- Transition services or recordkeeping
- Vendor fee and service reviews
- Vendor management and issue resolution
- Education program strategy
- Employee meetings

Services not commonly included in the annual retainer:

- Act as a 3(38) discretionary fiduciary to the plan
- Act as 3(38) for custom plan models
- Act as a fiduciary to participants
- Compliance oversight
- Act as an administrative 3(16) fiduciary to the plan
- Act as a fiduciary to company stock
- ESOP consulting
- Financial Wellness Program Delivery
- Fiduciary Training for Committee
- HSA Consulting

Employee meetings are the service most commonly provided on a project or a la carte basis.

### Investment Review Frequency

Quarterly investment reviews are most commonly provided for plans with \$10M or more in assets. As the size of the plan increases, so does the frequency of investment reviews by firms.

#### Frequency of Investment Reviews

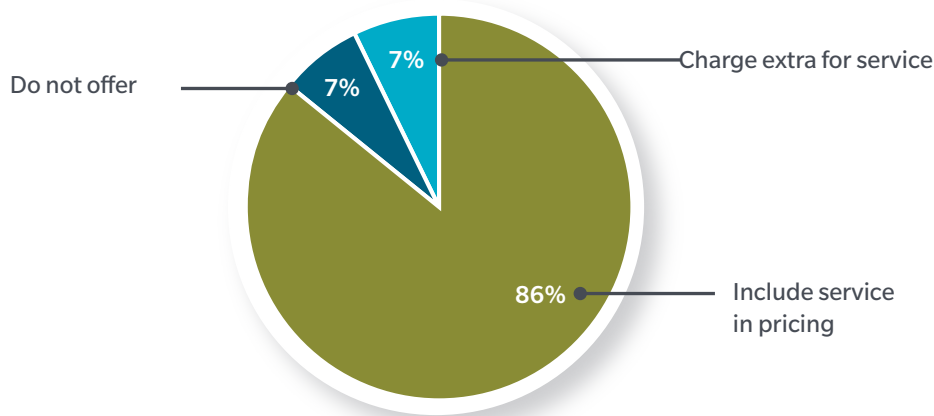
PLAN SIZE	NUMBER OF RESPONDENTS AND PERCENTAGE		
	ANNUALLY	SEMIANNUALLY	QUARTERLY
\$5M	31%	34%	31%
\$25M	5%	28%	61%
\$50M	3%	71%	17%
\$100M	0%	12%	80%
\$200M	0%	8%	83%

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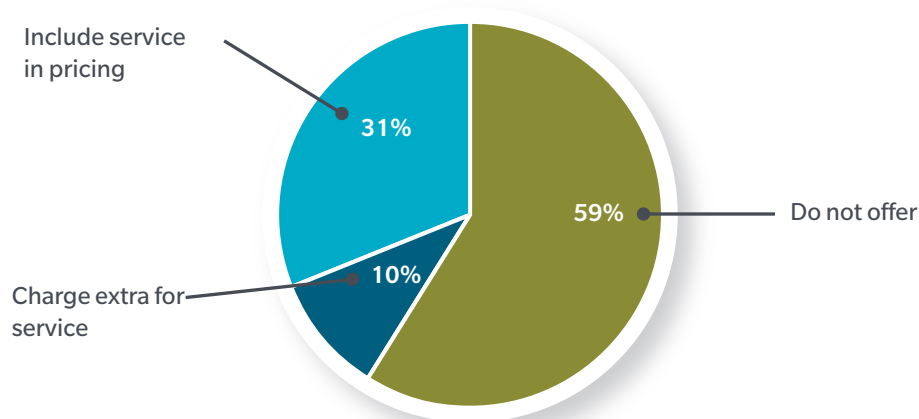
### Plan-Level Fiduciary Support Services

- 93% of retirement specialist advisors in our database offer 3(21) investment fiduciary services.
- 65% of those that act as a 3(21) fiduciary include this service as part of their pricing, while 7% will charge extra.
- 43% of advisors in the database offer 3(38) fiduciary services. The majority (31%) offer 3(38) as part of their normal fee, while 10% charge extra for 3(38) services. While fees vary, most charge extra basis points for 3(38) solutions:
  - 3 to 30 basis points (average 13 bps)

Percentage of Firms Acting as 3(21) Fiduciary



Percentage of Firms Acting as a 3(38) Discretionary Fiduciary

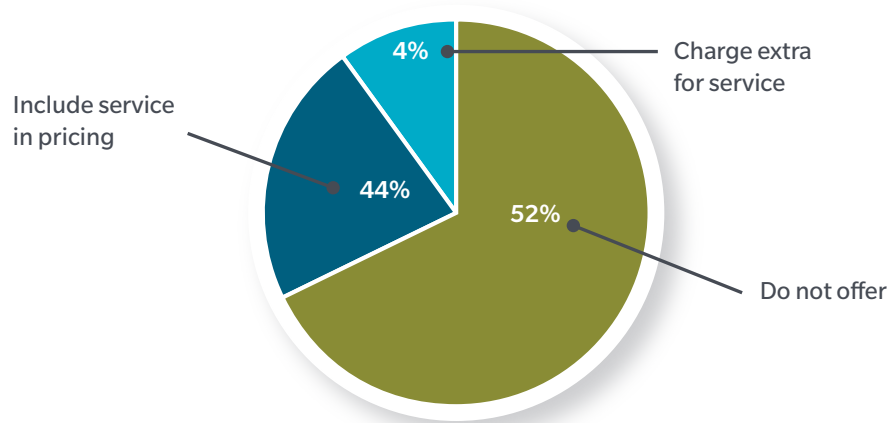


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### Participant-Level Fiduciary Support Services

- 36% of firms will offer participant-level fiduciary services, while 64% will not. The majority (44%) offer it as part of their normal pricing, while 4% will charge extra for the service.

Percentage of Firms Acting as a Fiduciary to Participants





## Annual Retainer Fee Summary

An annual retainer is the fee (asset-based or flat) that a financial advisor receives on a recurring annual basis for the services provided to a plan.

### Summary of Annual Retainer Fee Averages by Plan Size

PLAN SIZE	MEAN/AVERAGE ANNUAL FEE	MEDIAN FEE	MODE FEE
\$1M	\$6,242	\$5,000	\$5,000
\$2M	\$10,009	\$10,000	\$10,000
\$3M	\$13,169	\$13,500	\$15,000
\$4M	\$15,531	\$14,000	\$20,000
\$5M	\$18,412	\$17,500	\$25,000
\$6M	\$19,313	\$18,000	\$15,000
\$7M	\$21,459	\$21,000	\$17,500
\$8M	\$23,636	\$23,200	\$20,000
\$9M	\$25,838	\$22,500	\$22,500
\$10M	\$28,016	\$25,000	\$25,000
\$25M	\$46,685	\$50,000	\$50,000
\$50M	\$63,912	\$60,000	\$50,000
\$200M	\$75,146	\$76,125	\$50,000

For more information about financial advisor fees for a specific plan size, contact your MFS® representative.

Name

Email

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## Fee database methodology

The data contained in the Fee Benchmark<sup>®</sup> database is based on a quantitative study conducted by Broadridge Retirement and Workplace. The database includes fee schedules from 316 retirement practices representing over 1,268 full-time retirement plan specialists and retirement assets under advisement of more than \$350 billion.

## Key terms and definitions

### Financial Advisors Represented in the Database

**Affiliated Financial Advisors** are affiliated with a bank or wirehouse and may receive commissions; however, they may also be paid a fee-for-service. They comprise 9% of the database.

**Independent Registered Investment Advisors (RIAs)** are not affiliated with a bank or wirehouse. They may be paid via commission or on a fee-for-service basis, depending upon the client. They comprise 56% of the database.

**Fee-Only Consultants** are independent with no affiliations. They are compensated primarily on a fee-for-service basis and comprise 32% of the database.

**Insurance Company Representatives** are advisors affiliated with an Insurance company. They are paid via commission and comprise 3% of the database.

### Fee Methods

**Asset-Based Fees** are calculated by multiplying a set basis point amount (bps) by the amount of assets in the plan. For example: 25 bps x \$20 million assets = \$50,000 annual compensation paid.

**Flat Fee-for-Service** may or may not be calculated based on the asset size of the plan, but these fees are stated as a flat or fixed dollar amount, and they do not increase as the assets of the plan increase.

### Fee Average Definitions

**Mean:** The average number (either the average fee, the average number of plans, or the average number of staff). Calculated by adding up all the data points and then dividing by the number of data points that are summed.

**Median:** The number that falls in the middle when all data points are put in ascending order. Half the data points are below the median and half are above.

**Mode:** The data point that appears most frequently.

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