Kitces Research:
How Financial Advisors Actually Charge

Summary of Key Findings | 2024 Kitces Report

About This Research

The Kitces Report — formally titled "How Financial Planners Actually Do Financial Planning" — is an annual industry survey of 621 U.S.-based financial advisors conducted in 2024. It is widely regarded as the most comprehensive independent benchmark for financial advisor fee structures and business practices.

1. AUM Fees: The Dominant Pricing Model

The assets under management (AUM) model remains the overwhelming standard for how financial advisors charge clients. Its prevalence has grown, not declined, in recent years.

- 92% of advisors incorporate AUM fees in some form
- 86% rely on AUM fees as their primary source of revenue (up from 82% in 2022)
- 72% of advisory firms use more than one charging method for flexibility

AUM fees are not solely for investment management. On average, 41% of an AUM fee covers financial planning and advisory services beyond portfolio management — meaning the fee is broader than it may appear.

2. AUM Fee Rates by Portfolio Size

Advisors consistently charge higher percentage fees on smaller portfolios. The industry data shows a clear inverse relationship between account size and fee percentage.

Portfolio Size	Common Fee Range (25th–75th Percentile)	Median Blended Rate
Under $1 million	1.00% – 1.20%	~1.00%
$1M – $2M	0.90% – 1.10%	~1.00%
$2M – $5M	0.80% – 1.00%	~0.85%
Over $5M	0.50% – 0.75%	~0.60%

Key Finding for $250,000 Accounts

> A $250,000 account falls in the highest fee tier. The Kitces data shows the 25th–75th percentile range for sub-$1M accounts is 100–120 basis points (1.00%–1.20%). At $250K, advisors that accept such accounts typically charge at or above this range.

3. Fee Schedule Structures

There are two primary ways advisors apply tiered AUM fees. Understanding which method your advisor uses significantly affects what you actually pay.

Graduated Fee Schedule (Most Common — 58% of Firms)

Each tier of assets is charged at that tier's rate. Only the portion within each band is subject to that band's percentage.

Asset Tier	Median Rate	Notes
$0 – $1 million	1.00%	First-tier rate applies to assets in this range only
$1M – $2.5M	0.80%	Lower rate applies only to this tranche
$2.5M – $5M	0.65%	Continues to step down
Over $5M	0.50%	Lowest tier rate

Cliff Fee Schedule

A single rate applies to the entire portfolio based on the highest tier reached. Crossing a threshold can meaningfully change the total fee.

Asset Tier	Median Rate	Applied To
$0 – $500,000	1.15%	Entire portfolio
$500K – $2M	1.00%	Entire portfolio
$2M – $4M	0.85%	Entire portfolio
Over $4M	0.75%	Entire portfolio

4. How Many Advisors Charge Above 1% on $250,000 Accounts?

No dataset isolates this exact account size, but Kitces data combined with the Inside Information 2024 "Fees in Motion" report provides a clear directional picture.

- 62% of advisors charge at least 1% on $1 million portfolios
- That figure rises as account size decreases — at $250,000, the majority of advisors charge 1% or more
- At $2 million portfolios, only 32% charge at least 1%, confirming the inverse trend

Practical Implication

Based on the available data, it is reasonable to estimate that the majority of advisors charging AUM fees on a $250,000 account are at or above 1%, with a significant portion likely in the 1.15%–1.5% range. Paying below 1% at this account size typically requires a flat-fee or retainer structure.

5. Account Minimums and Access

A $250,000 account faces a structural access challenge in the market. Many full-service advisory firms set minimums that exclude or de-prioritize smaller accounts.

- 66% of AUM-based advisory firms have a minimum asset requirement
- ~One-third have minimums below $500,000
- ~One-third have minimums between $500,000 and $1,000,000
- ~One-third have minimums at or above $1,000,000

However, minimums are frequently waived in practice:

- Only 11% of firms strictly enforce their minimums
- 90% of firms occasionally or regularly waive minimum requirements

Advisors who waive minimums for smaller accounts often do so to build long-term client relationships with clients expected to grow into higher asset levels — but may charge higher fees to compensate for lower near-term revenue.

6. Alternative Fee Structures

Advisors are not limited to AUM pricing. Three other structures are common and may be more cost-effective for a $250,000 account.

Fee Type	2024 Median	Best For
Hourly	$300/hour (up from $250 in 2022)	One-off planning or consulting needs
Standalone financial plan	$3,000 (unchanged from 2022)	Comprehensive one-time planning

Fee Type	2024 Median	Best For
Retainer/subscription	$4,500/year (up from $3,000 in 2022)	Ongoing planning, smaller portfolios

Note: The sharp rise in subscription fees (50% increase since 2022) reflects firms repricing to compensate for the higher service intensity of smaller accounts. Only 17% of firms using subscription pricing rely on it as their sole revenue model.

7. Bundled vs. Unbundled Fees

Whether fees are bundled or unbundled affects transparency but not necessarily total cost. Kitces research found that across nearly all client segments, total fees charged by bundled and unbundled advisors are nearly identical.

Bundled (Single AUM %):

- Simpler billing; all services under one percentage
- Easier to understand but may obscure the value of individual services
- Common: 1% AUM covering investment management, planning, and advisory services

Unbundled (Separate Line Items):

- AUM fee covers investment management only (typically lower %)
- Separate retainer or project fee covers financial planning
- Greater transparency; allows clients to opt in/out of specific services
- May appeal to smaller accounts seeking cost control

Source: *Kitces Research, "How Financial Planners Actually Do Financial Planning" (2024); Inside Information "Fees in Motion" Report (2024). Compiled for research purposes.*