

## Flat Fee Outlook, Appetite to Pay for Financial Planning and Investment Management, and the “Free” Factor Amid Consumer Pricing Confusion

Insights into Pricing Perceptions and Understanding

(Jan. 31, 2024, Rye, NY) – Flat fees emerge as a favored way to pay for financial planning, and even investment management, in a new market intelligence report that examines preferred ways to pay for financial services and products by [Hearts & Wallets](#), the data and benchmarking firm that specializes in powering growth for saving, investing and financial advice businesses.

**Pricing Mechanisms: Consumer Perspectives on What’s Worth Paying for, Preferred Ways to Pay, and Surprising Attitudes to “Free”** explores how consumers think they should pay, if anything, for different services and products to inform pricing strategies going forward. Using national focus groups, the qualitative report examined which of five pricing mechanisms – percentage of investment, flat fee, commissions, part of the product, or free – were perceived to be the best ways to pay for five financial services – guidance on asset allocation, investment management, personal financial planning, dedicated financial professional and motivational support. This examination was especially important given over one third (36%) of consumers do not know how they pay for their primary and secondary saving and investing relationships, and in 20% of relationships, customers believe their saving and investing solutions are free.<sup>1</sup>

The report is one of six in the *Explore Qualitative 2023: Money Movement & Strategic Industry Dynamics* series. In addition to pricing mechanisms, the series analyzes what “simplicity,” the #1 driver of money movement, means to consumers, industry-level dynamics between asset managers and distributors, and consumer understanding of managed product structures. In addition to a life events segmentation, this Explore Qualitative™ report segments focus group participants by desired scope and service levels on the Hearts & Wallets Inside Advice® Grid for greater insights into pricing preferences.

### Key Learnings

Among the significant learnings from the report are –

- Today’s consumer talks about pricing more rationally than in the past, acknowledging a firm “needs to make money.”
- Flat fees are a preferred way to pay for several services/products.
- “Free” services are appealing, but consumers often believe there’s a catch, and they identify 4 reasons companies can offer free services/products.

### Flat Fees: Threat and Opportunity

In the nationwide focus groups, participants – especially higher-asset households with investable assets of \$1 million to under \$3 million and over \$3 million – prefer flat fees as the payment mechanism for a broad range of services, especially financial planning.

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<sup>1</sup>Hearts & Wallets *Wants & Pricing 2023: Growing Demand for Access, the Allure of “Free” and Top Performer Firms*.

## Flat Fee Outlook, Appetite to Pay for Financial Advice and Investment Management

Qualitative research permits dialogue for insights that go beyond qualitative statistics and reach into consumer thought processes. For example, a participant in Boston with \$1 million to under \$3 million in investable assets who likes flat fees said percentage of investment “punishes you for having a lot of money.” Nationally, flat fees have grown to be nearly as common as basis points (about 15% of saving/investing relationships) and are currently more common with lower-asset customers.<sup>2</sup>

Most focus group participants say investment management should not be “free.” However, percentage of investment barely beats flat fee and commissions as the preferred pricing mechanism.

“A widespread shift to flat fees could have a significant impact on industry revenue. Senior executives should keep this trend on the radar,” Laura Varas, Hearts & Wallets CEO and founder, said. “Flat fee use is currently limited to solutions that target lower-asset households. Because of its transparency, flat fee pricing has broad appeal, including for higher-asset households.”

### The “Free” Factor

The report also explores reactions to “free” with focus group participants, who offer four reasons why they believe certain services and product solutions are free. Many focus group participants said “free” services were appealing but ultimately nothing is free. Certain services, such as motivational support and guidance on asset allocation, are more likely to be seen services that should be offered as “free” than services such as financial planning or investment management.

### Methodology

The *Pricing Mechanisms: Consumer Perspectives on What’s Worth Paying for, Preferred Ways to Pay, and Surprising Attitudes to “Free”* report is drawn from Explore Qualitative™ Database, which supports firm initiatives to foresee how unmet needs may change the competitive landscape. The report is the first of six from the *Explore Qualitative 2023: Money Movement & Strategic Industry Dynamics* series.

The Explore 2023 nationwide focus groups were held in Los Angeles, Minneapolis and Boston in the spring. All 72 participants were actively involved in money movement, either having recently concluded a transaction or considering one in the next 12 months. The groups included participants ages 35 to 64 with sole or shared responsibility for investment decisions and over \$250,000 in investable assets (excluding the primary residence) and over \$50,000 outside their workplace retirement.

### About Hearts & Wallets

Hearts & Wallets is the data and benchmarking firm that specializes in powering growth for saving, investing and financial advice businesses. Leading firms rely upon Hearts & Wallets market intelligence reports, software and benchmarking to make strategic decisions that lead to growth by improving products, distribution, pricing, positioning and targeting. The power of 2.5x: over 70% of Hearts & Wallets subscribers experienced positive net flows in 2022 as compared to just 30% of non-subscribers. For more information, visit [www.heartsandwallets.com](http://www.heartsandwallets.com).

### Media Contact

Lynn Walters [lynn@heartsandwallets.com](mailto:lynn@heartsandwallets.com)  
800-930-0966 ext. 704

### Hearts & Wallets, CEO & Founder

Laura Varas [laura@heartsandwallets.com](mailto:laura@heartsandwallets.com)  
800-930-0966 ext. 700

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