Love your business. *Fulfil your potential*

The Two Biggest Challenges When It Comes To Adviser Remuneration

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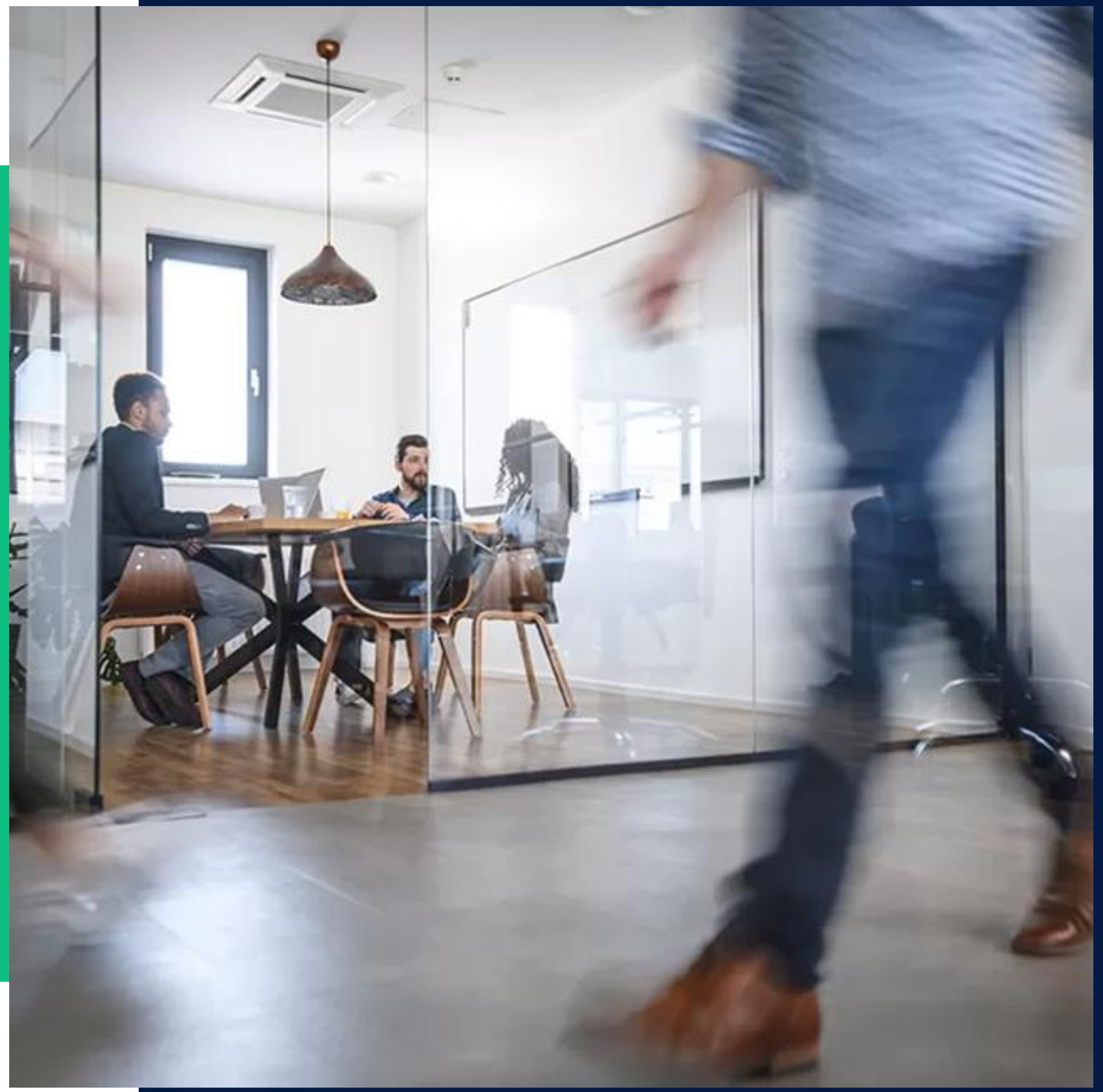
Why This Matters

Adviser remuneration is not just about pay.

It influences:

- Behaviour
- Culture
- Collaboration
- Client experience
- Leadership development
- Succession
- Firm valuation



Get it wrong and you create tension, silos and short-termism.

Get it right and you create alignment, stability and scale.

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What We're Going To Cover

When Advisers Demand Incentive-Based Pay

The Self-Employed Adviser Trap (and How To Escape It)

And why both issues are more connected than most firms realise

A Quick Framing Question

When an adviser says:

"I want to be paid based on what I produce."

What are they really saying?

CHALLENGE #1

When Advisers Demand Incentive-Based Pay

What I'm Hearing

- *Some up-and-coming advisers are demanding incentive-based pay*
- *They want to be paid traditionally - via a percentage of the revenue*
- ***Of course, they do!***
- *But you don't have to respond to those demands - by acquiescing*

The Scenario

You hire (or already have) a competent adviser.

At some point they say:

- *"I want to move to a revenue share."*
- *"I should earn what I produce."*
- *"It's only fair I'm paid on my numbers."*
- *"I could earn more elsewhere."*

And now you feel tension.

The Emotional Reaction of the Owner

Common internal reactions:

- “After everything I’ve done for them”
- “They don’t understand the overhead”
- “They don’t see the risk I carry”
- “Are they disloyal?”
- “Am I underpaying them?”

This quickly becomes emotional, not strategic.

Let's Be Honest

Incentive-based pay seems attractive because:

- *It feels meritocratic.*
- *It rewards visible output.*
- *It appears low risk for the firm (only pay for production)*
- *It aligns cost with revenue (in theory).*

But that's only half the story.

The Hidden Assumption

Revenue share assumes:

- The adviser is the primary creator of value.
- But in most modern financial planning firms, that isn't true.

Value is created by:

- *Brand*
- *Marketing*
- *Client acquisition systems*
- *Paraplanners*
- *Admin*
- *Investment process*
- *Compliance*
- *Technology*
- *Leadership*

The adviser is important
(as is everyone else)

Financial planning is a team sport.

What I See

Most adviser remuneration schemes look something like this:

- *E.g. Base salary* : *£40,000*
- *Variable Component* : *35% of all revenue above £120,000*

(3x qualifying level)

Why It Fails

My white paper ***"If Incentives Worked We'd All Be Amazing By Now"*** - outlined why I hate incentives (in 99% of cases) and why they don't usually work:

- In the traditional remuneration package - you're creating a future headache

- While advisers can see the long-term upside, this approach fails as an incentive scheme because:

    - *Variable pay (as opposed to base pay)* ***needs to be re-earned in each pay period.***

Why It Fails

AND

- With more experienced advisers most of their revenue is ongoing (not new)
    - *So most of their pay **is not being re-earned** in the next pay period.*
    - *In many cases, for longer-serving advisers it becomes a **disincentive scheme.***
    - *They work 3 days a week, rather than work harder to secure more clients.*

Don’t acquiesce. Get creative and get adviser remuneration right.

The Leadership Question

Do you want:

A. A collection of self-interested producers

OR

B. A unified leadership team building a 10+ year vision?

You can't incentivise both at the same time

The Fairness Myth

Advisers often say:

“It’s only fair I’m paid on what I produce”

But fairness depends on:

- *Who generates leads?*
- *Who funds marketing?*
- *Who carries regulatory risk?*
- *Who signs the PI insurance?*
- *Who hires and manages support staff?*
- *Who reinvests profits?*

The Fairness Myth

Production is not the same as value creation

The Owner’s Strategic Choice

You have to decide:
Are advisers:

Employees contributing to a bigger mission?

OR

Semi-independent profit centres operating inside your infrastructure?

Both can work, but you have to choose

And in a genuine Financial Planning firm, there’s only one choice

Who Are You Looking For?

Remember, we want to ***hire patriots, not mercenaries***

That means all team members, including our advisers, must buy into the real mission of the business:

- *Typically "making a difference" to the clients that we choose to serve.*

Who Are You Looking For?

- In my experience, all great financial planners have that mindset
- Sure, they like to earn and they like to be appreciated
- But money is not their motivator

Career Progression For Advisers

Up-and-coming advisers need to do the work if they want to progress

If you've properly crafted your pay structure for the adviser role, it's likely to contain multiple levels

For example:

- Trainee adviser
- Newly qualified adviser
- Shadow (or support) adviser
- Servicing adviser
- New business adviser

Career Progression For Advisers

At each level, you can outline the:

- Qualifications
- Skills
- Behaviours
- Mindset

...you would expect.

Include wide pay ranges to allow you to appropriately reward low, average and high performers at each level.

How Do I Earn More?

If a servicing adviser wants to move into a new business role, don’t just let them loose on your new leads

There needs to be a training and development programme:

- To develop the high level of soft skills required in this role

Think of it like training a pilot:

- There’s a high level of skill required before you allow them full control of the aircraft

How Do I Earn More?

If they are prepared to learn the skills, that requires:

- Study
- Training
- Observation
- Role play
- And eventually some practice on real clients

But they have to show a willingness to learn and grow first.

Your job is to support their training and development and ensure they can progress as quickly as possible

What If It Doesn’t Work?

Still not enough for your up-and-coming adviser?

- Then you probably need to part company
- But for good eggs, take the long-term view (Leaving party?)
- What types of firms still pay a percentage of revenue?
- How is that likely to play out?

What If It Doesn’t Work?

- The right people will come back to you
- And those that don’t have made the right choice for themselves and for you
- Remember, you are 100% responsible for your 50% of the relationship, and they are 100% responsible for their 50% too
- I’m ok with people asking for what they want, but I want to see them putting in 100% effort on their side of the fence
- And if we can’t reach a middle ground, then c’est la vie. We part company.
- It’s got to be win/win or no deal

CHALLENGE #2

The Self-Employed Adviser Trap (and How To Escape It)

The Starting Point

Historically, most advisers started as:

- *Self-employed*
- *Revenue share*
- *Eat-what-you-kill*
- *Personally responsible for survival*

That was fine in sales organisations.

But modern financial planning firms are client focused professional services firms.

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The Trap Defined

- Your remuneration is untenable if you pay away more than 40% of the gross revenue
- And in modern financial planning firms, even 40% of gross revenue is still too high (20%, 25% or 30% is more typical)
- As firms mature, it's the business itself which generates the inbound leads
- Yes, great advisers contribute to that significantly for their part in generating referrals
- However, so do all other parts of the business
    - E.g. If processing of work in the back office takes forever, you're not going to get many referrals

The Trap Defined

Financial planning is a team sport

Scaling Issues

Additionally, as the firm grows:

- We might *"give"* up-and-coming advisers a client bank and associated revenue stream
- In that situation, there's no need to be paying away huge percentages of gross revenue
- A salary package, set at the right level is perfectly adequate

The Difficult Conversation

How do you handle a difficult conversation with a self-employed adviser when you realise you are paying them too much?

Self-employed advisers are, as the name implies:

- *Working for themselves, but under your umbrella.*
- *That doesn't make them bad people.*
- *If you hired them on that basis, they are simply acting in line with the incentives you offered.*

The Difficult Conversation

As I covered earlier, typically it's some variation of this remuneration model:

- *E.g. Base salary* : *£40,000*
- *Variable Component* : *35% of all revenue above £120,000* *(3x qualifying level)*

The Difficult Conversation

To properly evaluate your self-employed adviser contracts, you must know your numbers:

- I see self-employed advisers receiving 50 - 60% of revenue
- You can't be profitable unless they does all of their own administration and paraplanning or hires their own staff (which is not common and a massive compliance risk to boot)
- Additionally, what are you building and what will you have to sell in the future?
- Sure, the revenue looks nice, but if you're not genuinely profitable and you don't actually own the client revenue stream, where's the value creation for you?

It just doesn't work

What To Do?

If the situation doesn't work for you, then change the incentives (or remove them entirely).

Your top priority is to both reduce the pay away (ideally down to about 35% initially) and to bring the advisers in-house so that everyone is part of the one business entity.

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How Do You Do That?

With great difficulty:

If you've got a good relationship, share the financial metrics from my ***Know Your Numbers*** *webinar, which gives them insight into the problem.*

You might then make a commitment to reduce the pay-away to the advisers step-by-step, over say 3 years, to give them time to adjust.

They might also tell you to bugger off, but that's the conversation you need to have.

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How Do You Do That?

If you can gain agreement to the reduced pay-away, the second challenge is, how do you bring them in-house so that all clients and income streams become an asset of the business?

Your options:

- *Purchase their client bank . Although this might be incredibly risky for you*
    - *They could just leave in the future*
- *Or bring them in as equity owners into the larger business entity, with equity apportioned to them based on the size of their annual revenue stream.*

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How Do You Do That?

As I'm sure you are already realising, this equity option might be:

- *Unattractive to you (do you want these advisers as your business partners?)*
- *Unattractive to them (they might be very happy with the income and flexibility they now enjoy)*
- *Hugely complex from a legal and taxation perspective*
- *Take up huge amounts of your time over the next 2 years in protracted negotiations and legals.*

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What's The Alternative?

In more than a few instances, I've recommended an amicable parting of the ways between the business and the self-employed advisers.

The self-employed advisers can go and find another home for themselves:

- There are still plenty of firms happy to take them on
- The business owner can strip the organisation back to its true core.

What's The Alternative?

That might lead to a reduction in total top-line revenue, but very quickly…

- Frees up the business owner from a load of management hassle
- Simplifies the business and the support team
- Allows the owner to focus on building real embedded value by growing a business full of clients loyal to the firm rather than individual advisers.

The Succession Problem

If every adviser "owns" their clients:

- *Who transitions relationships?*
- *Who mentors the next generation?*
- *Who steps back gradually?*
- *Who protects enterprise value?*

Without clarity, succession collapses into negotiation

What Advisers Fear

When you move away from revenue share, advisers fear:

- *Loss of autonomy*
- *Loss of income upside*
- *Loss of identity*
- *Being "controlled"*
- *Becoming less important*

You must address this openly

What They Actually Gain

When structured well, they gain:

- *Income stability*
- *Reduced personal risk*
- *A clear development path*
- *Leadership opportunity*
- *True equity (if earned)*
- *Participation in something bigger*

That's a stronger long-term proposition

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Clarity First, Remuneration Second

Before redesigning pay…

Clarify:

- *Your 10-year vision*
- *Ownership pathway*
- *Leadership expectations*
- *Client ownership structure*
- *Growth ambition*

Then design your pay to reinforce that

What To Audit In Your Own Firm

Ask yourself:

- *What behaviours does our pay model reward?*
- *What behaviours does it accidentally punish?*
- *Who feels like an employee?*
- *Who feels like a contractor?*
- *What story are we reinforcing?*

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Summary

The two biggest challenges in adviser remuneration:

1. Defaulting to incentive-based pay without strategic clarity.
2. Allowing self-employed thinking to dominate inside a growing firm.

Both limit scale

The Opportunity

If you get this right, you create:

- *Stronger culture*
- *Clearer leadership pathways*
- *More predictable growth*
- *Real succession options*
- *Greater enterprise value*
- *A more fulfilling business*

The Two Biggest Challenges

I know these ideas raises difficult issues for you…

…but if you don’t solve them now? When?

Any questions?

I've got a great free download for you

"Is Your Adviser Remuneration Strategy Causing You Problems?"

Go to:

https://fpadvance.com/pfs/remuneration-2

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