

Do You Know How Your Advisor is Being Compensated?

The answer may surprise
you.



Constantine Hatzivassiliou

MANAGING DIRECTOR

Mr. Hatzivassiliou advises affluent individuals, families, and institutions, as well as their respective trusts, estates, foundations and endowments on all wealth management and family office related matters.

CONNECT WITH CONSTANTINE:

(561) 797-0951

constantine@camdencapital.com

[https://www.camdencapital.com/people/
constantine-hatzivassiliou/](https://www.camdencapital.com/people/constantine-hatzivassiliou/)

Compensation Models in the Wealth Management Industry

Not all financial advisors are created equally, and it is important to understand and recognize the difference between them.

Historically, the wealth management industry has utilized three common compensation models. The first compensation model is based on commission, where advisors receive compensation for steering their clients towards certain financial products, blurring the line between the client's best interest versus their own. The second is a non-commissioned based financial model, where advisors operate on a fee-only basis. The third is a varying hybrid of the first two. When working with an advisor, it is important to know who is managing your money, how they are managing it, and how they are being compensated.

How to Identify a Commissioned Advisor

Typically, financial advisors who work at companies such as banks or brokerages tend to promote specific products or services to their clients in exchange for commission. The fact that these recommendations are directly linked to their own compensation may create a conflict of interest.

If your advisor routinely meets with you to discuss purchasing new products, such as annuities, structured notes, bonds, mutual funds, ETFs, etc., then you are likely paying your advisor via commissions on these brokered transactions. This compensation structure is most commonly found with highly paid "salesmen" representing financial brokerage houses and is also why a so-called "suitable" investment option for you may not necessarily be the most cost-effective or appropriate one.

Depending on the products sold to the client, such advisors may be compensated in any of the following ways¹:

- 120% of first year's premium plus trailing income for years to come (eg. insurance products)²
- A percentage of "load" charges associated with the investment (load charges may range from 1-5% of the investment amount)³
- Commissions on loans against the portfolio or for the sale of non-investment products (eg. mortgages; deposit banking products; etc.)
- An all-expenses-paid vacation dependent on the sale of certain products⁴

What Makes Camden Capital Different

Camden Capital is a registered investment advisory firm which employs a straightforward fee structure, 100% disclosed, with compensation based on each client's long-term success⁵. All Camden Capital advisors are fee-based advisors who are legally bound to act as fiduciaries to their clients. Camden advisors work directly with clients to build a customized portfolio based on their unique financial circumstances.

Why it Matters

The unfortunate truth is that it is more difficult than one may think to find a trusted financial advisor who acts as a fiduciary. This underscores the importance of taking time to research the qualifications, experience and track record of your advisor to ensure that they will meet or exceed your needs and expectations.

What's Next?

Please contact Constantine Hatzivassiliou today to learn more about how you can benefit by working with a fee-based financial advisor.

Disclaimer: This whitepaper contains the opinions of Camden Capital, LLC current as of the date of publishing and should not be viewed as investment or financial planning advice tailored to your personal financial situation, goals, or risk tolerance. Additionally, none of the information contained herein should be construed as legal or tax advice. Always consult with legal and tax professionals for estate planning and tax matters, respectively. Inherent in any investment is the possibility for loss.

¹ The sales compensation examples provided are for illustrative purposes only to highlight the various compensation practices commonly observed in the industry. It is not an exhaustive list of all possible compensation arrangements.

² Source: <https://www.foxbusiness.com/features/how-much-does-a-life-insurance-agent-pocket>

³ Source: <https://www.investopedia.com/terms/l/load.asp>

⁴ Source: <http://careers.edwardjones.com/explore-opportunities/new-financial-advisors/compensation/compensation.html>

⁵ More information regarding Camden Capital's product and service offering, including fees and compensation, can be found in Part 2A of Form ADV. A copy of Part 2A of Form ADV can be supplied free of charge.