

# Coaching Pricing

**Advisor:** Ross Kline

**Method:** Net Worth Under Management (NWUM), Marginal

| Margins                 | Rate                 |
|-------------------------|----------------------|
| \$0 - \$200,000         | 2.00% (Min. \$1,000) |
| \$200,000 - \$1,000,000 | 1.00%                |
| \$1,000,000+            | 0.50%                |

## Explanation:

A marginal system charges a different amount for values falling within given ranges. In this system, 2.00% is charged for values falling between \$0 and \$200k, and 1.00% for values between \$200k and \$1m. Therefore, a \$750k net worth would be charged \$9,500 per year since \$200k is charged at 2.00% and the remaining \$550k at 1.00%.

## Examples;

Net worth: \$15,000 = Annual cost: \$1,000 (Minimum)

Net worth: \$750,000 = Annual cost: \$9,500 (See Explanation Above)

Net worth: \$2,400,000 = Annual cost: See breakdown below

$\$0 - \$200k \times 2.00\% = \$4,000$

$\$200k - \$1m \times 1.00\% = \$8,000$

$\$1m - \$2.4m \times 0.50\% = \$7,000$

Total = \$19,000

## Reasoning:

The use of a marginal system makes sense because the amount of work and expertise does not increase proportionate to the increase in net worth. An individual with a \$1.5m net worth does not require 5x more work and experience than an individual with a net worth of \$300k. Therefore, the rate charged decreases as your net worth increases.

It's worth mentioning that most advisors charge 1% of *assets* under management *without a marginal decrease*. That's a critical difference. While this does partially align the individual's and advisor's interests, it encourages the advisor to keep assets within investments under management to protect his/her fee. This is why most advisors discourage investing in real estate. They can't charge an AUM fee on real property. The lack of a marginal decrease means the advisor is getting paid a lot more money for very little additional value.

If you would like a **Fee Transparency Report** on your current investments, I provide this free of charge. You may be surprised how much you're actually paying!