The Price of Financial Advice

Federico Mainardi
Columbia Business School

Sangmin S. Oh*
Columbia Business School

October 2026

Preliminary. Please Do Not Distribute Without Permission.

ABSTRACT

Financial advisers are a central intermediary through which U.S. households access portfolio management, financial planning, and investment advice. Using a novel dataset of fee schedules of the universe of SEC-registered advisers, we study the pricing of financial advice and its implications for household welfare. Advisory fees are about 1% of assets for a $1 million portfolio and, unlike fund expense ratios, have declined little over time. Fees decline sharply with account size, and many advisers state account minimums above the financial assets of the median household. Fees also vary widely across advisers and are slow to adjust. To interpret these facts and quantify their welfare implications, we develop a structural equilibrium model of advisory fees. Our estimates imply that about 30–35% of the advisory fee is markup. Among counterfactual policies, low-fee entry raises household welfare more than fee caps, a ban on wealth-based price discrimination, and greater fee awareness. Our findings suggest that financial advisers face limited price competition: households value advisory relationships and other non-price attributes, giving advisers room to sustain high markups even when lower-fee alternatives are available.

Keywords: Financial advisers; advisory fees; price dispersion; market power

JEL Codes: G20, G23, G28, G51, L11

*Mainardi and Oh are both with Columbia Business School. An earlier version of this project was part of Mainardi's dissertation proposal at the University of Chicago in 2023. For comments and feedback, we thank Ralph S.J. Koijen, Lars P. Hansen, Rohan Kekre, Harry Mamaysky, and Stefan Nagel as well as participants at Chicago Booth Asset Pricing Working Group and University of Chicago Economic Dynamics Working Group. We thank Pono DeMarzo for outstanding research assistance. Mainardi: fm2913@columbia.edu. Oh: oh@gsb.columbia.edu.

Households in the U.S. rely heavily on financial advisers for portfolio management, financial planning, and investment advice. In 2024, advisers managed over $20 trillion in assets for individual and high-net-worth clients.[1] Their reach extends well beyond the very wealthy: nearly half of households report using a financial professional as a source of saving, investment, or credit information (SCF, 2022). The role of financial advisers is especially important as they can directly affect household financial decisions and outcomes, often with significant implications for their financial well-being (Egan, Matvos, and Seru, 2019; Reuter and Schoar, 2024). This advisory relationship is therefore one of the central contracts through which household participation in financial markets is organized.

Despite the importance of financial advisers, the price households pay to access them has received surprisingly little attention. This gap is striking given the large literature on product-level fees in asset management, where prices such as mutual-fund expense ratios, ETF fees, and brokerage commissions have been central objects of study (French, 2008). One reason is that financial advisers offer a bundled service, so the relevant price depends on the service that the adviser provides. Another reason is that no centralized database reports advisory fees in a standardized, comparable format. As a result, fundamental questions remain unanswered about the level, scope, and dynamics of advisory fees.

In this paper, we provide the first systematic evidence on the price of financial advice by assembling a novel panel of advisory fee schedules for the universe of SEC-registered investment advisers. Our dataset construction exploits a key institutional feature of U.S. regulation that requires investment advisers to file a brochure that describes their services and fees. While publicly available with the relevant price information, the fee schedules often appear in unstructured text. To extract the data at scale, we use large language models (LLM) to identify fee schedules, classify the service and asset class to which each schedule applies, and parse the stated rates and brackets into comparable prices at different account sizes. We focus on the recurring percentage-of-AUM fee for asset allocation and portfolio management, the most prevalent and comparable price in the data. Using this novel dataset, we establish three sets of findings and then interpret them through the lens of a structural model of how households choose advisers and how advisers set fees.

First, the price of advice is high and, unlike other fees for financial products, has not fallen over time. The average $1 million account pays close to one percent of assets each year, which exceeds the asset-weighted expense ratios of active mutual funds, index funds, and ETFs alike. While those expense ratios have fallen sharply since 2011, the advisory fee has declined little.

[1] We compute this figure from Form ADV Part 1 filings by summing the regulatory assets under management that SEC-registered investment advisers report for individual and high-net-worth clients in Item 5.D.

Advisers also rarely revise their fee schedules: among schedules observed for at least ten years, roughly two-thirds never change the marginal rate that applies at a given account size. Looking only at product fees would therefore overstate the decline in the cost of investing; for advised households, the price of advice remains stubbornly high.

Second, fees fall sharply as account size rises. In 2025, the median effective fee (the total annual fee as a share of the account) declines to 80 basis points at $5 million and 69 at $10 million. The effective fee for the largest accounts is roughly half the rate paid by small accounts. Because each observation is a posted schedule, this is a within-schedule gradient: the same adviser charges its smaller clients a higher rate. Nearly every schedule in the data slopes downward, and the slope is steepest among advisers that serve high-net-worth clients. Account minimums introduce an access margin as well. While most advisers state no minimum, the median minimum among the 35% of adviser-schedules that do is $300,000, above the financial assets of more than three-quarters of U.S. households (SCF, 2022). Smaller accounts therefore face both a higher posted price when they are served and a more binding threshold before the fee schedule applies.

Third, advisers charge widely different fees for comparable services. For a $1 million account in 2025, the effective fee ranges from 38 basis points at the fifth percentile to 188 at the ninety-fifth, with almost a third of schedules posting exactly one percent. With the interquartile range at 90 to 125 basis points, households buying comparable portfolio-management services can thus face meaningfully different prices. This dispersion is not explained by observable adviser, client, and schedule characteristics, which collectively explain only about 11% of the variation. As schedules are rarely revised, this dispersion also does not close over time, which is consistent with weak price competition among advisers.

Overall, these facts depict a market in which advisory prices are higher for smaller accounts, dispersed across advisers, and slow to adjust. They also raise two questions that the descriptive evidence cannot answer on its own. First, are advisory fees high because advice is costly to provide, or because clients do not move when advisers charge more? This distinction matters because the same posted fee can reflect either the cost of a labor-intensive service or a markup sustained by weak price sensitivity. Second, if weak price sensitivity is the relevant friction, what are the welfare consequences of policies that try to lower fees? Greater fee awareness, low-fee entry, and fee caps may reduce what households pay, but they may also change adviser participation or the allocation of clients across advisers. To answer these questions, we build a structural model of how households choose advisers and how advisers set fees across the wealth distribution.

In our model, there are many advisers, two groups of clients—a high-wealth and a low-

wealth group—and an outside option of managing one's own portfolio or holding a low-cost passive alternative. Each adviser charges each group its own fee, consistent with the wealth-dependent schedule we observe in the data. A client chooses the adviser that delivers the highest utility, trading off the fee she would pay against the non-pecuniary attributes of the relationship and against the outside option. We model this choice with a discrete-choice demand system in which the weight a client places on the fee may differ between the two groups. On the supply side, each adviser chooses the two fees to maximize profit, taking the cost of serving clients and the demand it faces as given. Optimal pricing makes each fee a markup over the marginal cost of serving that group, and the size of the markup is governed by how price-sensitive the group is. A distinctive feature of our setting is that we observe the entire fee schedule each adviser posts, so the fee each client pays is read directly from the schedule rather than simulated.

We estimate the model on adviser-schedules for asset allocation and portfolio management, keeping the longest observed schedule per household-facing adviser. Households choose among these advisers and an outside option, which includes self-management and passive investing. The central obstacle to estimation is that fees are correlated with unobserved adviser quality. For example, an adviser with a stronger reputation or more attentive service can retain clients despite a higher fee, so a regression of market share on fees would understate how sensitive clients are to fees.

To overcome this endogeneity, we use instruments derived from the geometry of each posted schedule. For the low-wealth group, the instrument is the number of breakpoints in the schedule. A schedule with more breakpoints prices more finely by account size, which allows the adviser to charge small accounts a higher rate than large ones. For the high-wealth group, the instrument has two parts. The first counts the breakpoints that a large account passes through. The second measures how far the account sits above the last of these breakpoints, relative to the size of the account. For example, if an adviser lowers its last breakpoint, more of a large account is charged the lowest rate, so the effective fee falls even though no posted rate changes. In both groups, the instruments move the effective fee through the placement of breakpoints, while the rate levels remain the adviser's strategic choice. We estimate the differentiated-products demand system using one-step GMM and then invert each adviser's pricing condition to recover the marginal cost and markup implied by its schedule.

Our structural estimation reveals several results. First, households are relatively insensitive to advisory fees. The estimated fee coefficients are negative, but small in magnitude. Fee sensitivity also varies with wealth: high-wealth clients are about twice as fee-sensitive as low-wealth clients. Together, these estimates imply that clients place substantial value on non-price

adviser attributes relative to fee differences, so that advisers are imperfect substitutes for one another. This result helps rationalize the dispersion and rigidity documented above: when clients do not move on price, large fee differences can persist without being competed away.

Second, this low elasticity implies that the advisory fee contains a substantial markup. For low-wealth clients, the average effective fee is about 120 basis points, against an estimated marginal cost of about 79 basis points, so the markup is about 42 basis points. For high-wealth clients, the corresponding fee, marginal cost, and markup are about 68, 47, and 21 basis points. The fee declines with client wealth on both counts: larger accounts are cheaper to serve, and, because wealthier clients are more fee-sensitive, they are charged a lower markup. Smaller accounts therefore pay a higher fee, and a larger part of that fee is markup.

Third, we use the estimated model to evaluate three sets of counterfactuals. The first targets demand frictions. We ask whether small-account clients would pay less if they became more fee-sensitive, the mechanism through which better disclosure or a fee-comparison tool would operate. We thus double both segment-specific fee sensitivities and let advisers reoptimize their fees. We find that consumer surplus falls, especially for low-wealth households. The reason is that advisers remain differentiated. Greater fee sensitivity induces only modest fee cuts in equilibrium, while it raises the disutility of the fees that households continue to pay for the advisers they value. Making fees more salient therefore does not by itself produce large gains.

The second counterfactual introduces a low-fee alternative. We add an entrant priced at the minimum recovered marginal cost in each segment, such as a robo-adviser or scaled platform, and ask whether it disciplines incumbent fees. We find that entry raises consumer surplus for both groups, especially low-wealth households, but the gains are modest relative to the level of fees and markups in the baseline. The reason is the same low fee sensitivity: households value the non-price attributes of their existing advisers, so few switch to the entrant, and incumbents lose little share and retain most of their markups.

The third set of counterfactuals restricts the pricing schedule directly in two ways. We first prohibit wealth-based fee discrimination by forcing each adviser to charge the same effective fee to small and large accounts. Because advisers reprice against both groups at once, this rule raises the surplus of low-wealth clients but lowers that of high-wealth clients by a similar amount, and total surplus falls slightly. The second restriction on the pricing schedule imposes caps on the effective fee. We find that a loose cap of 2.0% raises consumer surplus slightly by removing the highest fees, while tighter caps of 1.5% and 1.0% reduce it, because they reduce participation by advisers whose recovered costs exceed the regulated fee. Pricing restrictions thus lower fees more directly than awareness or entry, but at the cost of adviser participation and the reallocation of clients across advisers.

Taken together, our results indicate that advisory fees are high and persistent because households do not substitute strongly on price. This is especially true at the low end of the wealth distribution, where limited fee sensitivity allows advisers to sustain larger markups. Among the interventions we evaluate, low-fee entry delivers the largest consumer-surplus gains for both wealth groups, supporting policies that make it easier for low-fee providers to enter the advisory market.

Related Literature

First, the paper contributes to the household finance literature on the costs households pay for financial services. A large portion of this literature studies the mistakes households make in saving, borrowing, and investing decisions (Campbell, 2006; Gomes, Haliassos, and Ramadorai, 2021). Some of these mistakes are more common among less wealthy (Calvet, Campbell, and Sodini, 2009) and less financially literate households (Lusardi and Mitchell, 2014), and financial firms often profit from them (Campbell and Ramadorai, 2025). Households can partly avoid these mistakes by delegating their financial decisions to a professional adviser, but we show that the price of doing so is also regressive in wealth. Smaller accounts pay higher percentage fees and larger markups, and minimum investments exclude smaller households from many advisers.

Second, the paper contributes to the literature on financial advice. A large literature has primarily focused on the quality of advice. One strand studies the portfolios of advised investors, which are often expensive or poorly diversified, in part because advisers transmit their own beliefs to clients (e.g., Foerster et al., 2017).[2] Another strand documents conflicts of interest and misconduct (Egan, Matvos, and Seru, 2019). Closest to our setting, Bhattacharya, Illanes, and Padi (2025) study how fiduciary duty shapes the market for financial advice and find that it raises the quality of annuity advice without reducing access. Relative to this literature, we focus on the cost of advice and on who can access it, which have received less attention than the quality of advice (Reuter and Schoar, 2024). We show that fees are high, vary sharply with client wealth, and adjust slowly, and that price competition among advisers is weak.

Third, the paper contributes to the literature on fees and price dispersion in financial products. A large literature studies mutual fund and ETF fees, emphasizing search costs, investor inattention, marketing, and product differentiation as forces that sustain dispersion even in relatively standardized investment products (e.g., Hortaçsu and Syverson, 2004).[3] Relative to

[2] See also Bergstresser, Chalmers, and Tufano (2009), Hackethal, Haliassos, and Jappelli (2012), Mullainathan, Noeth, and Schoar (2012), Chalmers and Reuter (2020), and Linnainmaa, Melzer, and Previtero (2021).

[3] Related work links fee dispersion to search costs (Sirri and Tufano, 1998; Elton, Gruber, and Busse, 2004;

this literature on the price of investment products, we instead focus on the price of the advice through which many households select and hold those products. In doing so, we construct the first standardized panel of advisory fee schedules from regulatory filings and find that advisory fees exceed product fees, decline with account size within the same contract, and, unlike product fees, have not fallen over time. Our findings also suggest that focusing on product fees alone paints an incomplete picture of the cost of investing for households.

Fourth, the paper contributes to the industrial organization of financial intermediation. A growing literature uses structural models to study competition, regulation, and market power in financial markets, including deposit markets (Egan, Hortaçsu, and Matvos, 2017), mortgage markets (Benetton, 2021; Robles-Garcia, 2019), index providers (An, Benetton, and Song, 2023), and insurance markets (Koijen and Yogo, 2016). We adopt this approach to study the market for financial advice, which confers two major advantages. First, it allows us to decompose each posted fee into the marginal cost of serving the client and a markup sustained by weak price sensitivity. Second, it enables policy-relevant counterfactuals, such as raising greater fee awareness, low-fee entry, and fee caps.

1 Institutional Background and Data

We first provide institutional background and describe the data. Section 1.1 describes the financial advisory market, and Section 1.2 describes the data and the sample we use to study fees. Section 1.3 reports the summary statistics for our sample.

1.1 Institutional Background

The focus of our paper is on registered investment advisers (RIAs), which constitute the primary channel through which households access professional investment management. Unlike broker-dealers, whose primary role is to sell products and facilitate client transactions, RIAs offer a much larger range of services spanning portfolio management, financial planning, and investment advice.[4] Throughout the paper when we refer to an adviser, we mean the advisory

Choi, Laibson, and Madrian, 2010), inattention to ongoing fees (Barber, Odean, and Zheng, 2005), and fee-insensitive clienteles and marketing (Gruber, 1996; Christoffersen and Musto, 2002; Hastings, Hortaçsu, and Syverson, 2017; Roussanov, Ruan, and Wei, 2021).

[4]The sector is also large and growing over our sample period. Figure IA.3 shows that both the number of SEC-registered advisers and their reported assets under management rose substantially from 2018 to 2024, with household-facing advisers accounting for a large share of adviser counts even though institutional-primary advisers account for most sector assets.

firm rather than an individual employee or representative.

Every SEC-registered adviser must file Form ADV annually, which generally has two parts. Part 1 contains structured data including information on assets under management, ownership structure and client types. Part 2 is a narrative "brochure" delivered to clients that describes, in free text, the adviser's services and its actual fee schedule with specific rates and breakpoints. Part 1 data have been used in prior research, but Part 2, which contains the economically most interesting information has never been systematically measured at scale. Figure IA.1 gives examples of the pricing schedules we extract from these brochures.

The timing of Part 2 is worth emphasizing. Advisers must amend the brochure at least annually, filing within 90 days of their fiscal year-end, and must update it promptly whenever its information becomes materially inaccurate. We therefore observe an adviser's fee schedule at its filing dates rather than continuously: the typical adviser refiles each year, but the interval between filings varies across advisers, and a brochure can carry the same schedule unchanged across several consecutive filings.

1.2 Data

Our data are built from Form ADV, the disclosure form that every investment adviser registered with the SEC must file and amend annually. It has two parts: Part 1, a structured questionnaire that the SEC releases as machine-readable extracts, and Part 2, a narrative "brochure" that the adviser delivers to its clients. From Part 1, we draw the structured firm-level variables that serve as covariates and screens, including variables such as regulatory assets under management (AUM) and client composition. From Part 2 we extract the fee schedule itself, which is disclosed only in the narrative brochure. We link the two parts, and link filings over time, by the adviser's Central Registration Depository (CRD) number, and work with annual observations over the time period 2011–2025.

In Form ADV Part 2, the fee schedule is disclosed as free text rather than as a structured field. Therefore, we extract it at scale with a large language model (LLM). The procedure has four broad steps: (i) convert each brochure to text; (ii) prompt a large language model to return each schedule's wealth brackets and the corresponding fee rates, along with any stated minimum investment at the account or household level, in a structured format; (iii) classify each schedule into a service category; and (iv) match schedules across years within an adviser to form a panel. Once the data is extracted, we also validate the extraction both against hand-coded brochures and a separate pipeline of LLM-enabled checks. Internet Appendix Section A describes the full pipeline and the validation in detail. Once the fee schedules are extracted,

we then compute the effective (average) fee a client pays at six wealth points, from $100K to $100M.

In constructing our sample, we focus on household-facing RIAs. We classify an adviser as household-facing if its most recently reported client-type assets (Form ADV Part 1) include positive assets from individual or high-net-worth clients.[5] Advisers that do not report household clients are excluded, even if their brochure contains an otherwise usable fee schedule. Within this household-serving universe, we keep adviser-schedules after implementing two filters. First, we keep schedules that post explicit wealth tiers, since our object is the within-schedule price menu—how the same adviser prices clients of different wealth—and our identification uses the schedule's bracket geometry. Second, we require that the posted rates be numeric: schedules that state only that their fees are negotiable are dropped.[6] The Internet Appendix reports the full sequence of screens (Section A.5).

As advisers provide a wide range of services, we focus on the category of service that primarily pertains to asset allocation and portfolio management, in which the adviser manages the client's overall portfolio on an ongoing basis. The fee for this service maps naturally into the annual cost of an ongoing delegated portfolio-management mandate and can be measured consistently across advisers and over time. It is also a repeated charge on the households' accumulated financial wealth and is thus a natural place to measure the price of financial advice. We therefore exclude schedules for single-strategy sleeves and separately managed accounts, standalone consulting, and pass-through or administrative charges such as custody, transaction, and fund fees.

The resulting panel covers 7,185 household-serving advisers, 20,938 fee schedules, and 91,705 adviser-schedule-years over 2011–2025, corresponding to 58,576 adviser-years. These advisers report $52.0 trillion in firm-wide regulatory assets under management, including $29.5 trillion attributable to individual and high-net-worth clients. Internet Appendix A describes the construction in more detail.

[5] Because Form ADV reports dollar assets by client type only after the October 2017 revision, this is an adviser-level classification that we carry backward to earlier filings for the same adviser.

[6] About 20% of extracted percentage-fee schedules contain at least one negotiable bracket. The majority of these quote no numeric rate on any bracket and are dropped; such fully negotiable schedules account for roughly 14% of extracted percentage-fee schedules. The remainder are retained: when only the top bracket is negotiable (for example, assets above $5 million) and the brackets below it carry numeric rates, we keep the schedule, compute the $1 million effective fee from the numeric brackets, and record the effective fee as missing at wealth levels that reach the negotiable bracket.

1.3 Summary Statistics

Table I reports summary statistics for the 2025 cross-section of our sample. Panel (a) describes the advisers in 2025, with one observation per adviser. The typical adviser is small relative to the industry leaders: the median firm manages $310 million, while the mean of $3.84 billion reflects a thin right tail of very large firms. Nearly every adviser charges a percentage-of-AUM fee, and most layer other arrangements on top: 68% also offer fixed fees and 52% hourly fees, while performance fees (7%) and commissions (3%) are rare. The sample is also squarely household-facing: the median adviser draws 96% of its regulatory assets from individual and high-net-worth clients.

Panel (b) describes fee schedules in the same cross-section of advisers, with one observation per adviser-schedule. The median schedule charges 100 basis points on a $1 million account, 80 basis points at $5 million, 69.4 at $10 million, and 53.1 at $50 million. Dispersion is wide at every wealth bracket: at $1 million, the 10th percentile schedule charges 50 basis points and the 90th charges 150. The typical schedule posts four wealth brackets, and about 70% apply marginal rates, i.e., each bracket's rate applies only to the assets falling within that bracket, so the effective fee blends the rates of all brackets below the account size.

2 The Anatomy of Advisory Fees

This section provides baseline facts on the advisory fees. Section 2.1 describes their level, dispersion, and variation across client wealth. Section 2.2 studies how often advisers revise these fees over time. Section 2.3 then turns to account minimums, the access margin that determines which households can access advice in the first place.

2.1 The Cross-Section of Advisory Fees

Figure 1 plots the average effective advisory fee over our sample period indexed to 2011, defined as the total annual fee a schedule charges a client of that size, expressed as a fraction of the account.[7] The level of the average advisory fee is about 107 basis points throughout

[7] For a tiered schedule, in which each rate applies only to the assets within its bracket, this is the asset-weighted average of the bracket rates up to the account size; for a schedule that applies a single rate to the entire balance, it is simply the rate of the bracket in which the account falls. For example, a schedule charging 1.00% on the first $1 million and 0.75% on assets above it implies an effective fee of 0.875% on a $2 million account—$10,000 on the first million plus $7,500 on the second—even though its marginal rate there is 0.75%. We require each schedule to have an open-ended top bracket, so the effective fee is well-defined at every account size we consider.

the sample, declining slowly towards the end of our sample. We also plot, for comparison, the prices of the products through which advised households ultimately hold their portfolios: the asset-weighted expense ratios of actively managed mutual funds, index mutual funds, and exchange-traded funds. The expense ratio of active mutual funds declines by a third, that of ETFs by nearly half, and that of index mutual funds by almost two-thirds. The average advisory fee is an exception to this trend, remaining near one percent while the fees on the underlying investment products become much cheaper.

Figure 2 examines how advisory fees vary with client wealth. Specifically, we plot, for each of six account sizes from $100,000 to $100 million, the distribution of the effective fee a household of that size would pay in 2025. The key observation is that fees decline sharply with account size. The median effective fee is 100 basis points for accounts up to $1 million, then falls to 80 basis points at $5 million, 69 at $10 million, and around 50 after $50 million. The gradient is economically large: clients at the top of the wealth bracket pay roughly half the rate paid by small accounts. Because each observation is a posted schedule, the pattern is a within-schedule gradient: the same adviser charges smaller clients more, not merely that cheaper advisers happen to serve wealthier ones.

In addition to this within-schedule heterogeneity across account sizes, there is substantial heterogeneity across schedules at any fixed account size. Figure 3 shows this dispersion directly, plotting the distribution of the effective fee a $1 million account would pay in 2025. The spread is wide: the fee ranges from 38 basis points at the 5th percentile to 188 at the 95th. As the interquartile range runs from 90 to 125 basis points, a household at the 75th percentile pays nearly 40% more than one at the 25th within the same broad portfolio-management category. The distribution also shows bunching at one percent, with almost a third of schedules post an effective fee of exactly 100 basis points. This dispersion is also not a feature of a single year: Figure IA.2 shows that the interquartile range of the $1 million fee remains wide throughout the sample period.

To understand what explains these fee differences, we estimate the following regression:

$$\text{Fee}_{jst}^{\$1M} = \gamma_t + \gamma_{\text{state}(j)} + \gamma_{\text{cohort}(j)} + X'_{jst}\beta + \varepsilon_{jst}, \tag{1}$$

where the dependent variable is the effective fee at a $1 million account, in basis points, posted in schedule s of adviser j in year t; γ_t, $\gamma_{\text{state}(j)}$, and $\gamma_{\text{cohort}(j)}$ denote year, state, and registration-cohort fixed effects. The vector X_{jst} collects three sets of observable characteristics. The first set captures client wealth and access: the adviser's average account size and exposure to individual and high-net-worth clients. The second captures adviser scale and capacity: assets under

management, number of accounts, advisory staff, and office footprint. The third captures fee-schedule design: the number of pricing brackets and whether each bracket's rate applies only to assets within that bracket (marginal) or one rate applies to the whole balance.

Table II reports the results. Column (1) shows that year fixed effects explain very little variation in fees. Adding state fixed effects (Column (2)) raises the R^2 to 0.03, and adviser-vintage fixed effects (Column (3)) add almost nothing beyond that. Thus, fee dispersion is not primarily a difference across filing years, locations, or cohorts of advisers.

Columns (4)–(6) examine how client characteristics, adviser scale, and schedule design relate to the effective fee at a $1 million account. Column (4) shows that advisers serving larger typical accounts charge significantly less, while advisers serving high-net-worth clients charge significantly more: doubling average account size is associated with a fee about 5 basis points lower, and serving high-net-worth clients with a fee about 11 basis points higher. Column (5) shows that doubling the number of accounts is associated with a 7.6-basis-point lower fee, while doubling advisory employment and assets under management is associated with fees 7.3 and 3.0 basis points higher. Column (6) shows that each additional wealth bracket is associated with a fee about 1 basis point higher, while marginal schedules are not detectably different, and the other coefficients are essentially unchanged. Despite these associations, the full specification has an R^2 of only 0.11; Table IA.2 shows similarly limited explanatory power at other account sizes.

Having examined the level of fees, we next ask whether the same characteristics explain the slope of the schedule. We thus estimate Equation (1), replacing the dependent variable with the slope of each schedule's effective fee:

$$\text{Slope}_{jst} = \frac{\text{Fee}_{jst}^{\$100\text{M}} - \text{Fee}_{jst}^{\$1\text{M}}}{\ln(\$100\text{M}) - \ln(\$1\text{M})}. \tag{2}$$

Across the schedules in our sample, the slope has a mean of -10.2 and a standard deviation of 6.8. A value of -10 means that doubling account size lowers the effective fee by about 7 basis points. In our sample, nearly every schedule features the fee that is declining in account size.

Table III reports the results. Columns (1)–(3) show that filing year, state, and adviser vintage explain little of the variation in the fee slope, similarly as in Table II. Column (4) shows that serving high-net-worth clients is associated with a significantly steeper tilt, while a larger average account size is associated with a significantly flatter tilt. Column (5) shows that adviser scale and capacity have comparatively small associations with the tilt. On the other hand, Column (6) shows that schedule design accounts for substantially more variation: each additional

wealth bracket makes the slope about 1 basis point per log point more negative, and marginal schedules are approximately 3 basis points more negative than average-rate schedules. These design coefficients are partly mechanical, since additional brackets and marginal pricing allow the schedule to vary more finely with wealth.

Overall, the evidence suggests that advisory fees are high, steeply tilted toward smaller clients, and widely dispersed across adviser-schedules. And these differences are not well explained by the adviser, client, and schedule characteristics we observe.

2.2 Persistence of Advisory Fees

Advisory fees are highly persistent: Figure 1 showed that mutual fund and ETF expense ratios fell steadily over the sample, while the average advisory fee remained roughly unchanged. We next examine whether this aggregate persistence also holds within posted fee schedules.

In Figure 4, we measure this within-schedule persistence, subsetting to adviser-schedules observed in at least 10 filed years. We first plot the share whose posted marginal rate at a given account size never changes over that history. The shares are large at every account size: roughly two-thirds of schedules never change the applicable marginal rate, from 73% at $100,000 to 64% at $100 million. Advisers rarely revise their posted rates, and no part of the schedule is revised more often than any other. We then plot the same share for the effective fee. At larger account sizes, the share falls to 52% at $1 million and 35–39% beyond. This discrepancy between the marginal rate and the effective fee indicates that when advisers do revise their fees, they do not change the entire schedule at once: revisions arrive one bracket at a time.

To examine the factors associated with changes in fees, we estimate the following model:

$$\mathbb{1}\{\Delta \text{Fee}_{jst}^{\$1M} \neq 0\} = \gamma_t + \gamma_{\text{state}(j)} + \gamma_{\text{cohort}(j)} + X'_{jst}\beta + \varepsilon_{jst}, \tag{3}$$

where $\Delta \text{Fee}_{jst}^{\$1M}$ is the change in the effective fee at a $1 million account from the schedule's previous filed year, and the fixed effects and characteristics are those of Equation (1). The sample is consecutive filed schedule-years, and standard errors are clustered by adviser.

Table IV presents the results. In a given filed schedule-year, only about 13% of schedules change the $1 million fee. Columns (1)–(3) show that year, state, and adviser-vintage fixed effects explain essentially none of the variation in whether a fee changes. Column (4) shows that advisers serving larger typical accounts are significantly less likely to change it: doubling average account size lowers the probability of a change by about 2.5 percentage points, and

advisers that serve high-net-worth clients are about 6 percentage points less likely to change their fee. On the other hand, Column (5) shows that adviser scale and capacity add little explanatory power. Column (6) shows that schedule design matters most: each additional wealth bracket raises the probability of a change by 2.1 percentage points, consistent with more brackets providing more margins to adjust, whereas marginal schedules are about 11 percentage points less likely to change than average-rate schedules. Estimating Equation (3) at other account sizes yields similar results, and the share of schedules that change their fee rises with account size (Table IA.3).

Overall, advisory fees are rarely revised, and thus the dispersion documented in Section 2.1 does not close over time. We next document one more pricing margin: the minimum account size required to access the adviser.

2.3 Minimum Investments

Many advisers also state a minimum account size below which they will not take on a client. This minimum is economically distinct from the AUM fee: it does not raise the rate paid by a small account, but instead determines whether the account can be served at all. Section 2.1 showed that smaller accounts pay the highest fees conditional on being served. The existence of minimum account sizes potentially adds a second disadvantage, as households below the minimum are excluded from the service altogether.

Figure 5 plots the 2025 cross-section of stated minimums for adviser-schedules in our sample. Notably, 65% of adviser-schedules state no minimum. Among the 35% that do, the required minimum is large: the median is $300,000, the interquartile range runs from $100,000 to $500,000, and 21% require $1 million or more. These thresholds are high relative to household balance sheets: in the 2022 Survey of Consumer Finances, only 17% of households hold at least $500,000 in financial assets, and only 9% hold at least $1 million (SCF, 2022). Figure IA.4 shows that the average stated minimum is stable over time, ranging between $370,000 and $450,000 across the sample years.

These thresholds raise the question of why advisers turn away the accounts that pay the highest percentage fees. A natural explanation is that serving an account involves a fixed cost. Onboarding, monitoring, and relationship management require adviser time regardless of account size. An account below a break-even size is therefore unprofitable even at a high percentage fee, and a minimum investment excludes such accounts.

This fixed cost likely differs across advisers. For example, an adviser that provides financial

planning, tax advice, and frequent client meetings spends more time on each account than an adviser that offers model portfolios with little personal contact. Taking the stated minimums as break-even points, the annual fee an adviser collects from an account at its minimum implies a fixed cost of roughly $3,750 per account for the median adviser-schedule in 2025, ranging from $373 at the 10th percentile to $10,000 at the 90th percentile. These magnitudes are also consistent with industry estimates (Kitces, 2017).

3 A Model of Advisory Pricing

The facts above show that advisory fees are dispersed across advisers, tilted against smaller accounts, and slow to adjust. This section develops a structural model of advisory demand and pricing in the spirit of Berry, Levinsohn, and Pakes (1995). We allow fee sensitivity to differ between low- and high-wealth clients, and use the posted fee schedule to recover the markup and marginal cost embedded in each adviser's price. Section 3.1 specifies demand, Section 3.2 describes advisers' pricing problem, and Section 3.3 explains the instruments and estimation.

3.1 Demand

A market is a year. In each year, clients choose among the advisers in the sample and an outside option, which can include self management or other alternatives. The model features two wealth groups of clients, $g \in \{L, H\}$. The low-wealth group is priced at the effective fee charged to a $100,000 account in our data, and the high-wealth group is priced at the effective fee charged to a $50 million account in our data. These two endpoints span the range over which most posted AUM schedules vary and allow the model to use the wealth gradient in each schedule directly. Client i in group g receives indirect utility

$$u_{ijt}^{g} = \delta_{jt} - \alpha^{g} f_{jt}^{g} + \varepsilon_{ijt}^{g}, \tag{4}$$

where f_{jt}^{g} is the effective advisory fee, measured in percentage points, that adviser j charges group g in year t. The fee-sensitivity parameters α^{L} and α^{H} are positive if utility falls with the fee. Allowing them to differ across groups lets the model ask whether small and large clients respond differently to the same price variation. The mean utility term is

$$\delta_{jt} = \gamma_{t} + \beta_{1} \log(\text{NumEmployees}_{jt}) + \beta_{2} \log(\text{NumAccounts}_{jt}) + \xi_{jt}, \tag{5}$$

where γ_t are year fixed effects. The two observable characteristics are drawn from Item 5 of Form ADV Part 1: NumEmployees_{jt} is the number of the adviser's employees who perform investment advisory functions, and NumAccounts_{jt} is the total number of advisory accounts, discretionary and non-discretionary. Together they proxy for the adviser's scale and its capacity to serve clients. The remaining term ξ_{jt} is adviser quality observed by clients but not in the data, which can include reputation, trust, service scope, and other persistent adviser attributes.

The non-price term δ_{jt} captures the relationship value that makes advisers imperfect substitutes. Advice is therefore not a homogeneous product: a household may remain with an adviser it could replace more cheaply because the advisory relationship itself has value. Price competition is weak when α^g is small relative to these non-price components.

With Type-I extreme-value taste shocks and the outside option normalized to zero, group-specific shares are

$$s_{jt}^g = \frac{\exp\left(\delta_{jt} - \alpha^g f_{jt}^g\right)}{1 + \sum_k \exp\left(\delta_{kt} - \alpha^g f_{kt}^g\right)}. \tag{6}$$

The model aggregates these segment shares using wealth weights from the 2019 Survey of Consumer Finances—the low-wealth group holds share $\omega^L = 0.344$ of advised financial assets and the high-wealth group holds $\omega^H = 0.656$. The model-implied overall adviser share is

$$s_{jt} = \omega^L s_{jt}^L + \omega^H s_{jt}^H, \tag{7}$$

and estimation matches it to the adviser's share of total sampled AUM in that year, A_{jt}/A_t.

The own-fee semi-elasticity implied by (6) is

$$\frac{\partial \ln s_{jt}^g}{\partial f_{jt}^g} = -\alpha^g \left(1 - s_{jt}^g\right). \tag{8}$$

Because individual advisers have small shares, the own-fee response is governed largely by α^g.

3.2 Supply

Each adviser chooses the fees charged to the two wealth groups. Suppressing year subscripts, adviser j solves

$$\max_{f_j^L, f_j^H} \pi_j = \sum_{g \in \{L,H\}} \omega^g s_j^g \left(f_j^g - c_j^g\right), \tag{9}$$

where c_j^g is the marginal cost, per dollar of assets, of serving group g. We do not impose a parametric cost function. Instead, after estimating demand, we use the adviser's first-order condition to recover the cost that rationalizes its posted fee.

Because group g faces only fee f_j^g, the two pricing decisions separate in the baseline. Combining (8) with the profit-maximization problem gives

$$f_j^g - c_j^g = \frac{1}{\alpha^g \left(1 - s_j^g\right)}. \tag{10}$$

The markup is large when clients are fee-insensitive or when the adviser has a large market share. Given the estimated α^g and the model-implied share, (10) splits each posted fee into a recovered marginal cost and a markup. When recovering costs, we impose non-negativity by setting any non-positive marginal cost to a value arbitrarily close to zero before solving counterfactuals.

The wealth gradient in fees can therefore come from two sources. Less wealthy clients may be costlier to serve per dollar of assets, or their demand may be less fee-sensitive, permitting larger markups. The estimated demand parameters and recovered costs determine how much of the gradient reflects each channel.

3.3 Identification and Estimation

Estimating the demand equation faces the standard simultaneity problem: fees may be correlated with unobserved adviser quality. Advisers with high relationship value can attract more clients and charge more, so fee variation alone cannot identify the causal price response. We therefore use instruments based on the geometry of the posted fee schedule.

We construct separate instruments for the two groups, which we also describe in Figure 6. For the low-wealth group, the instrument is the number of thresholds in the schedule, $z_{jt}^L = N_{jt}$. For the high-wealth group, define $b_{jt}(50\text{M})$ as the relevant threshold around \$50 million: the largest threshold below \$50 million when one exists, and otherwise the smallest threshold above it. Let $N_{jt}(50\text{M})$ be the number of thresholds below \$50 million plus one. The instrument is

$$z_{jt}^H = N_{jt}(50\text{M}) + \frac{50\text{M} - b_{jt}(50\text{M})}{50\text{M}}. \tag{11}$$

These variables summarize the extent of differentiation by account size and the high-wealth account's position within the schedule. For the low-wealth group, more thresholds allow advisers to differentiate fees more finely across wealth levels. More extensive segmentation can

reflect greater use of wealth-based price discrimination, allowing advisers to offer discounts to larger accounts while maintaining higher rates on smaller accounts. This pricing mechanism suggests a positive association between the number of thresholds and the low-wealth fee.

For the high-wealth group, relevance also reflects the mechanics of marginal fee schedules. Under a declining marginal-rate schedule, lowering the last threshold below a fixed account size, while holding rates and other thresholds constant, increases the fraction of assets charged at the current bracket's lower rate instead of the preceding bracket's higher rate. The effective fee therefore falls as the normalized distance from that threshold increases. When the account lies above the highest threshold, a greater distance increases the fraction of assets charged at the terminal marginal rate. Together, bracket position and distance capture which rates apply and the asset weights used to compute the high-wealth fee. In first-stage regressions that control for log AUM, log NumEmployees, and log NumAccounts, the F-statistics in 2025 are 41.0 for the low-wealth fee and 16.9 for the high-wealth fee, confirming relevance for both groups.

The exclusion restriction is that, conditional on the effective fee and adviser controls, the geometry of the schedule does not directly enter client utility. Economically, clients respond to the fee they pay and to the adviser's service quality, not to the number of breakpoints or to where their account happens to sit between them. Furthermore, bracket geometry is an administrative structure, set by convention and rarely revised while the rate *levels* are the active strategic choice. Under that separation, the geometry of the fee schedule shifts the effective fee a client faces without itself responding to demand.

We estimate the model by one-step GMM using PyBLP (Conlon and Gortmaker, 2020). Product data are adviser-years, market identifiers are years, and agent data contain two representative wealth types in each market with SCF wealth weights. The linear product characteristics are year fixed effects, log employees, and log accounts. The nonlinear component loads the group-specific negative fees, so the estimated parameters are α^L and α^H. The estimation delivers the implied mean utilities, group shares, semi-elasticities, consumer surplus, marginal costs, and markups.

The counterfactuals hold fixed the recovered costs and adviser mean utilities. For a change in fee sensitivity or the introduction of a low-fee alternative, each group-specific fee solves the pricing condition in (10). For a common-fee restriction, advisers choose a single fee that maximizes the weighted profit from both groups. For fee caps, we solve the constrained pricing problem with the cap as an upper bound and remove adviser-segment observations whose capped fee would not cover recovered marginal cost. These exercises are therefore equilibrium repricing exercises built directly from the estimated structural model.

4 Results and Counterfactuals

This section reports the estimates and the results of the counterfactuals. Section 4.1 reports demand estimates and the cost-markup decomposition. In Section 4.2 through Section 4.4, we use the model to study a series of counterfactuals that are informative about the welfare implications of advisory-market structure.

4.1 Parameter Estimates

The estimation uses two representative account sizes, $100,000 and $50 million. We choose these numbers as their geometric mean, at approximately $2.24 million, is close to the SEC qualified-client net-worth threshold applied at the end of our 2011–2025 sample.[8] The final model sample contains 27,064 adviser-year observations after keeping each adviser's longest observed schedule and requiring non-missing fees, thresholds, and adviser characteristics.

Table V reports the demand estimates. We estimate $\alpha^L = 2.522$ and $\alpha^H = 5.000$, both precisely estimated, so the high-wealth group is roughly twice as fee-sensitive as the low-wealth group.[9] The share-weighted own-fee semi-elasticities in 2025 are -2.413 for low-wealth clients and -4.868 for high-wealth clients. Smaller clients are therefore more captive, and advisers can sustain larger markups on the part of the schedule that applies to them.

The estimates for the non-price controls are also economically sensible. Log employees and log accounts both enter positively, with coefficients of 0.791 and 0.201. Larger adviser organizations and advisers serving more accounts attract higher market shares, holding fees and year effects fixed. These controls absorb some observable scale and capacity, while the recovered mean utility continues to capture the remaining relationship value of the adviser.

The implied price elasticities are reasonable in magnitude. Panel (b) of Table V reports that the own-fee elasticities, $\varepsilon_j^g = -\alpha^g f_j^g (1 - s_j^g)$, average 2.90 for low-wealth clients and 3.29 for high-wealth clients. Figure 7 shows that these are similar to own-price elasticities of household demand for other financial products, which range from 1.1 for auto insurance (Honka, 2014) to 5.9 for UK mortgages (Benetton, 2021). In other words, households respond to advisory fees much as they respond to prices in other financial markets. Markups of 30 to 35 percent of

[8] The geometric mean is $\sqrt{100{,}000 \times 50{,}000{,}000} = 2.236$ million dollars. Rule 205-3 under the Investment Advisers Act uses dollar thresholds to define a qualified client for performance-fee eligibility. The net-worth test was $2.2 million under the SEC's 2021 inflation adjustment and remained at that level through the 2025 sample period. The SEC raised it to $2.7 million effective June 29, 2026, after our sample period. See SEC Release No. IA-6961.

[9] The table reports the utility coefficient on the fee, which is negative by construction: -2.522 and -5.000.

the fee therefore arise at ordinary levels of fee sensitivity, consistent with households valuing differentiated advisory relationships.

Panel (b) of Table V decomposes 2025 fees into marginal costs and markups. For low-wealth clients, the average effective fee is 120.1 basis points, the recovered marginal cost is 78.5 basis points, and the markup is 41.6 basis points. For high-wealth clients, the corresponding values are 67.5, 47.0, and 20.6 basis points. The fee gradient is therefore partly a cost gradient and partly a markup gradient. Smaller accounts appear more expensive to serve per dollar of assets, but they also face lower fee sensitivity, which lets advisers charge a larger markup. The incidence of advisory pricing is regressive on both margins.

Using the estimated model, we next proceed to run a series of counterfactuals. The goal is to establish which policy measure, if any, can help improve households' welfare. In each counterfactual, we recompute equilibrium fees while allowing non-profitable advisers to optimally exit the market.

4.2 Counterfactual: Fee Awareness

The first counterfactual asks what happens if clients become more responsive to fees, the channel through which disclosure, financial-literacy initiatives, and fee-comparison tools are often expected to operate. We implement this as a doubling of both fee sensitivities, α^L and α^H, while holding recovered costs, adviser mean utilities, and the set of advisers fixed. Advisers then reoptimize fees against the steeper demand system.

Table VI, column (1) reports the changes in consumer surplus relative to the 2025 baseline, in the model's inclusive-value units. Doubling fee sensitivity lowers measured surplus for both groups: -0.362 for low-wealth clients and -0.151 for high-wealth clients, or -0.223 in total using the SCF wealth weights.

The result reflects two opposing effects of greater fee sensitivity. On the one hand, households place more weight on fees relative to the non-pecuniary attributes that differentiate advisers. This strengthens advisers' incentives to compete on fees, compressing markups and benefiting households through lower equilibrium prices. This channel is consistent with experimental evidence that making investment fees more salient shifts demand toward lower-fee funds (Choi, Laibson, and Madrian, 2010). On the other hand, making fees more salient raises the disutility of the fees that households continue to pay for the advisers they value. Households therefore pay less for advice but attach a greater utility cost to the remaining payments. Our counterfactual indicates that this second effect dominates the gains from lower fees for

both groups. The decline in consumer surplus is particularly pronounced among low-wealth households, who are less fee-sensitive and face higher fees in the baseline.

This finding speaks to the role of financial literacy in improving households' financial decisions, particularly among less-wealthy households (Lusardi and Mitchell, 2014). In our model, increasing fee awareness alone does not generate sufficiently strong price competition to offset the greater disutility of paying for advice. Financial-literacy initiatives operating through this channel may therefore be insufficient to improve welfare for either group, especially the less wealthy households whose limited responsiveness to fees initially appears to offer the greatest scope for intervention.

4.3 Counterfactual: Low-Fee Entry

The second counterfactual examines whether entry by a low-fee provider strengthens price competition and improves household welfare. We introduce an additional adviser, available to both wealth groups, whose fee in each segment equals the minimum recovered marginal cost among incumbent advisers. This experiment represents the introduction of an inexpensive alternative, such as a robo-adviser or scaled platform (D'Acunto, Prabhala, and Rossi, 2019; Reher and Sokolinski, 2024). We hold incumbent advisers' recovered costs and non-price attributes fixed and allow them to reoptimize their fees. The exercise therefore evaluates how much households benefit from access to cheaper advice when the non-pecuniary attributes of advisory relationships remain valued.

Column (2) of Table VI reports the results. Low-fee entry increases consumer surplus by 0.102 for low-wealth clients and 0.067 for high-wealth clients, yielding an aggregate gain of 0.079 using the SCF wealth weights. The larger gain among low-wealth clients is consistent with their higher baseline fees and markups, which give an inexpensive alternative greater scope to improve their available choices.

The gains are limited by differentiation across advisers. Households evaluate the entrant's fee advantage alongside the non-pecuniary attributes of the advisory relationship, including trust, reputation, and personalized service. A lower fee must compensate for any loss of these valued attributes. Consequently, an inexpensive entrant does not become a close substitute for every incumbent, limiting substitution across advisers and the resulting pressure on incumbent markups. This mechanism is consistent with theories in which trust sustains fees above costs in delegated portfolio management (Gennaioli, Shleifer, and Vishny, 2015), and with evidence that advisers providing services that build client relationships experience fewer withdrawals following a shock to trust (Gurun, Stoffman, and Yonker, 2018).

Despite these limits, low-fee entry delivers the largest consumer-surplus gain for each wealth group among the counterfactuals we consider. Entry expands households' choices while preserving access to advisers whose non-pecuniary attributes they value. Households can select the cheaper alternative when its fee advantage is sufficiently attractive and retain a higher-fee adviser when the relationship justifies the additional cost. Thus, although differentiation limits the competitive pressure generated by entry, expanding access to low-fee alternatives provides the strongest welfare improvement for both groups among the interventions studied.

4.4 Counterfactual: Pricing Restrictions

The final counterfactuals restrict the fee schedule directly, in two ways. The first restricts its shape: a common-fee rule requires each adviser to charge the same effective fee to low- and high-wealth clients, which bans wealth-based price discrimination. The second restricts its level: we cap the effective fee at 2.0%, 1.5%, and 1.0%. Unlike the counterfactuals in Sections 4.2 and 4.3, these policies act on prices rather than on demand, so they target the markup more directly.

We begin with the first restriction. The common-fee rule requires each adviser to charge the same effective fee to low- and high-wealth clients, $f_j^L = f_j^H$. This experiment relates to the literature on third-degree price discrimination, which studies how pricing across identifiable consumer groups affects competition and the distribution of surplus (Holmes, 1989; Stole, 2007). To compute the new equilibrium fees, we solve the adviser's first-order condition subject to the common-fee constraint. Column (3) of Table VI shows that the restriction redistributes surplus across groups: low-wealth clients gain 0.094, while high-wealth clients lose 0.094. The wealth-weighted change in consumer surplus is −0.030.

This result is consistent with the baseline decomposition of fees into marginal costs and markups. The observed wealth gradient reflects both differences in recovered costs and differences in markups supported by heterogeneous fee sensitivities. A common-fee rule prevents advisers from adjusting prices to either source of heterogeneity and instead requires them to balance profitability across both groups when setting a single fee. In the estimated equilibrium, removing the gradient benefits small accounts, but these gains are offset by losses among high-wealth clients. Because the latter receive greater weight in the SCF aggregation, aggregate consumer surplus falls slightly.

The cap counterfactuals impose upper bounds on fees and re-solve the constrained pricing problem for each adviser. Results are in columns (4) through (6). A loose 2.0% cap raises low-wealth surplus by 0.044, has essentially no effect on high-wealth surplus, and raises total

surplus by 0.014. Tighter caps reduce total surplus: −0.034 under a 1.5% cap and −0.048 under a 1.0% cap. The low-wealth group drives the reversal, gaining under the loose cap but losing under tighter caps.

The interpretation is that a cap can remove extreme prices when it binds only in the upper tail. Related evidence from the credit card market shows that regulatory limits on fees can lower borrowing costs without detectable increases in interest charges or reductions in credit volume (Agarwal et al., 2015). However, sufficiently tight caps make serving some clients unprofitable, causing advisers to exit the affected segment. This exit reduces competition and allows the remaining advisers to charge higher markups. Fees can therefore rise at advisers for whom the cap remains nonbinding, offsetting some of the savings at advisers whose fees are capped. A tighter cap can consequently reduce consumer surplus both by removing valued advisory options and by weakening competition among the advisers that remain.

Taken together, we find that low-fee entry produces the largest consumer-surplus gains for both wealth groups, especially less wealthy households. However, a cheaper alternative does not eliminate incumbents' ability to charge markups: households remain willing to pay for the non-pecuniary attributes of their advisers. Increasing fee awareness puts additional pressure on fees, but the resulting savings do not offset the greater disutility of paying for advice in our counterfactual. Requiring a common fee helps smaller accounts by removing the discounts enjoyed by larger accounts, while tight caps make some adviser-client relationships unprofitable.

5 Conclusion

Households increasingly access financial markets through financial advisers, yet the price of those relationships has remained difficult to measure. In this paper, we assemble a new panel of advisory fee schedules and use it to study the price households pay for financial advice.

We establish three facts. First, the price of advice is high and, unlike product fees, has not fallen over time: the average fee for portfolio management remains near one percent, and most schedules are rarely revised. Second, fees decline sharply with client wealth. The same adviser typically charges smaller accounts a higher percentage fee, and advisers that state a minimum usually set it above most households' financial assets. Third, fees are widely dispersed, observables explain little of that dispersion, and the dispersion does not close over time. A structural model of household demand and adviser pricing attributes these patterns to low fee sensitivity, especially among smaller accounts, which allows advisers to sustain substantial markups.

Using the model, we evaluate three sets of counterfactual policies motivated by current policy debates. Among these, we find that low-fee entry is the most effective: it raises consumer surplus for both wealth groups, although the gains are modest because few households switch to the entrant. Pricing restrictions lower fees more directly, but tight caps reduce surplus by reducing adviser participation. Greater fee awareness, by contrast, lowers consumer surplus, because advisers remain differentiated and cut their fees only modestly.

These findings have broader implications for how we measure the cost of household financial intermediation. The decline in product fees is real, but it is incomplete as a measure of what households pay to invest. For households that delegate portfolio management, the advisory relationship adds a recurring fee on accumulated wealth, and that fee is highest, least flexible, and least likely to be competed down for smaller accounts. The central friction is therefore not only that advisory fees are hard to observe, but also that even when cheaper options exist, many households do not appear to substitute strongly toward them. Overall, our findings suggest that financial advisers face limited price competition: households value advisory relationships and other non-price attributes, which gives advisers room to sustain high markups.

References

Agarwal, Sumit, Souphala Chomsisengphet, Neale Mahoney, and Johannes Stroebel, "Regulating consumer financial products: Evidence from credit cards," *Quarterly Journal of Economics*, 2015, *130* (1), 111–164.

An, Yu, Matteo Benetton, and Yang Song, "Index Providers: Whales Behind the Scenes of ETFs," *Journal of Financial Economics*, 2023, *149* (3), 407–433.

Barber, Brad M., Terrance Odean, and Lu Zheng, "Out of Sight, Out of Mind: The Effects of Expenses on Mutual Fund Flows," *Journal of Business*, 2005, *78* (6), 2095–2120.

Benetton, Matteo, "Leverage Regulation and Market Structure: A Structural Model of the U.K. Mortgage Market," *Journal of Finance*, 2021, *76* (6), 2997–3053.

Bergstresser, Daniel, John M. R. Chalmers, and Peter Tufano, "Assessing the Costs and Benefits of Brokers in the Mutual Fund Industry," *Review of Financial Studies*, 2009, *22* (10), 4129–4156.

Berry, Steven, James Levinsohn, and Ariel Pakes, "Automobile Prices in Market Equilibrium," *Econometrica*, 1995, *63* (4), 841–890.

Bhattacharya, Vivek, Gastón Illanes, and Manisha Padi, "Fiduciary Duty and the Market for Financial Advice," *Econometrica*, 2025, *93* (4), 1449–1480.

Brown, Zach, Mark Egan, Jihye Jeon, Chuqing Jin, and Alex Wu, "Why Do Index Funds Have Market Power? Quantifying Frictions in the Index Fund Market," NBER Working Paper 31778, National Bureau of Economic Research 2023.

Calvet, Laurent E., John Y. Campbell, and Paolo Sodini, "Measuring the Financial Sophistication of Households," *American Economic Review: Papers and Proceedings*, 2009, *99* (2), 393–398.

Campbell, John Y., "Household Finance," *Journal of Finance*, 2006, *61* (4), 1553–1604.

Campbell, John Y. and Tarun Ramadorai, *Fixed: Why Personal Finance Is Broken and How to Make It Work for Everyone*, Princeton, NJ: Princeton University Press, 2025.

Chalmers, John and Jonathan Reuter, "Is Conflicted Investment Advice Better Than No Advice?," *Journal of Financial Economics*, 2020, *138* (2), 366–387.

Choi, James J, David Laibson, and Brigitte C Madrian, "Why does the law of one price fail? An experiment on index mutual funds," *Review of Financial Studies*, 2010, *23* (4), 1405–1432.

Christoffersen, Susan E. K. and David K. Musto, "Demand Curves and the Pricing of Money Management," *Review of Financial Studies*, 2002, *15* (5), 1499–1524.

Conlon, Christopher and Jeff Gortmaker, "Best Practices for Differentiated Products Demand Estimation with PyBLP," *RAND Journal of Economics*, 2020, *51* (4), 1108–1161.

D'Acunto, Francesco, Nagpurnanand Prabhala, and Alberto G. Rossi, "The Promises and Pitfalls of Robo-Advising," *Review of Financial Studies*, 2019, *32* (5), 1983–2020.

Egan, Mark, Ali Hortaçsu, and Gregor Matvos, "Deposit Competition and Financial Fragility: Evidence from the US Banking Sector," *American Economic Review*, 2017, *107* (1), 169–216.

Egan, Mark, Gregor Matvos, and Amit Seru, "The Market for Financial Adviser Misconduct," *Journal of Political Economy*, 2019, *127* (1), 233–295.

Elton, Edwin J., Martin J. Gruber, and Jeffrey A. Busse, "Are Investors Rational? Choices among Index Funds," *Journal of Finance*, 2004, *59* (1), 261–288.

Foerster, Stephen, Juhani T. Linnainmaa, Brian T. Melzer, and Alessandro Previtero, "Retail Financial Advice: Does One Size Fit All?," *Journal of Finance*, 2017, *72* (4), 1441–1482.

French, Kenneth R., "Presidential Address: The Cost of Active Investing," *Journal of Finance*, 2008, *63* (4), 1537–1573.

Gennaioli, Nicola, Andrei Shleifer, and Robert Vishny, "Money Doctors," *Journal of Finance*, 2015, *70* (1), 91–114.

Gomes, Francisco, Michael Haliassos, and Tarun Ramadorai, "Household Finance," *Journal of Economic Literature*, 2021, *59* (3), 919–1000.

Gruber, Martin J., "Another Puzzle: The Growth in Actively Managed Mutual Funds," *Journal of Finance*, 1996, *51* (3), 783–810.

Gurun, Umit G, Noah Stoffman, and Scott E Yonker, "Trust busting: The effect of fraud on investor behavior," *Review of Financial Studies*, 2018, *31* (4), 1341–1376.

Hackethal, Andreas, Michael Haliassos, and Tullio Jappelli, "Financial Advisors: A Case of Babysitters?," *Journal of Banking and Finance*, 2012, *36* (2), 509–524.

Hastings, Justine, Ali Hortaçsu, and Chad Syverson, "Sales Force and Competition in Financial Product Markets: The Case of Mexico's Social Security Privatization," *Econometrica*, 2017, *85* (6), 1723–1761.

Holmes, Thomas J, "The effects of third-degree price discrimination in oligopoly," *American Economic Review*, 1989, *79* (1), 244–250.

Honka, Elisabeth, "Quantifying Search and Switching Costs in the US Auto Insurance Industry," *RAND Journal of Economics*, 2014, *45* (4), 847–884.

Hortaçsu, Ali and Chad Syverson, "Product Differentiation, Search Costs, and Competition in the Mutual Fund Industry: A Case Study of S&P 500 Index Funds," *Quarterly Journal of Economics*, 2004, *119* (2), 403–456.

Kitces, Michael, "Setting Proper Client Minimums: AUM Account vs. Retainer Fee Minimums for Advisors," Nerd's Eye View, Kitces.com 2017. September 21, 2017.

Koijen, Ralph S. J. and Motohiro Yogo, "Shadow Insurance," *Econometrica*, 2016, *84* (3), 1265–1287.

Linnainmaa, Juhani T., Brian T. Melzer, and Alessandro Previtero, "The Misguided Beliefs of Financial Advisors," *Journal of Finance*, 2021, *76* (2), 587–621.

Lusardi, Annamaria and Olivia S. Mitchell, "The Economic Importance of Financial Literacy: Theory and Evidence," *Journal of Economic Literature*, 2014, *52* (1), 5–44.

Mullainathan, Sendhil, Markus Noeth, and Antoinette Schoar, "The Market for Financial Advice: An Audit Study," NBER Working Paper 17929, National Bureau of Economic Research 2012.

Reher, Michael and Stanislav Sokolinski, "Robo Advisors and Access to Wealth Management," *Journal of Financial Economics*, 2024, *155*, 103829.

Reuter, Jonathan and Antoinette Schoar, "Demand-Side and Supply-Side Constraints in the Market for Financial Advice," *Annual Review of Financial Economics*, 2024, *16* (1), 391–411.

Robles-Garcia, Claudia, "Competition and Incentives in Mortgage Markets: The Role of Brokers," 2019. Working paper.

Roussanov, Nikolai, Hongxun Ruan, and Yanhao Wei, "Marketing Mutual Funds," *Review of Financial Studies*, 2021, *34* (6), 3045–3094.

SCF, "Survey of Consumer Finances, 2022," Public use data 2022. Released October 2023.

Sirri, Erik R. and Peter Tufano, "Costly Search and Mutual Fund Flows," *Journal of Finance*, 1998, *53* (5), 1589–1622.

Stole, Lars A., "Price Discrimination and Competition," in Mark Armstrong and Robert H. Porter, eds., *Handbook of Industrial Organization*, Vol. 3, Elsevier, 2007, chapter 34, pp. 2221–2299.

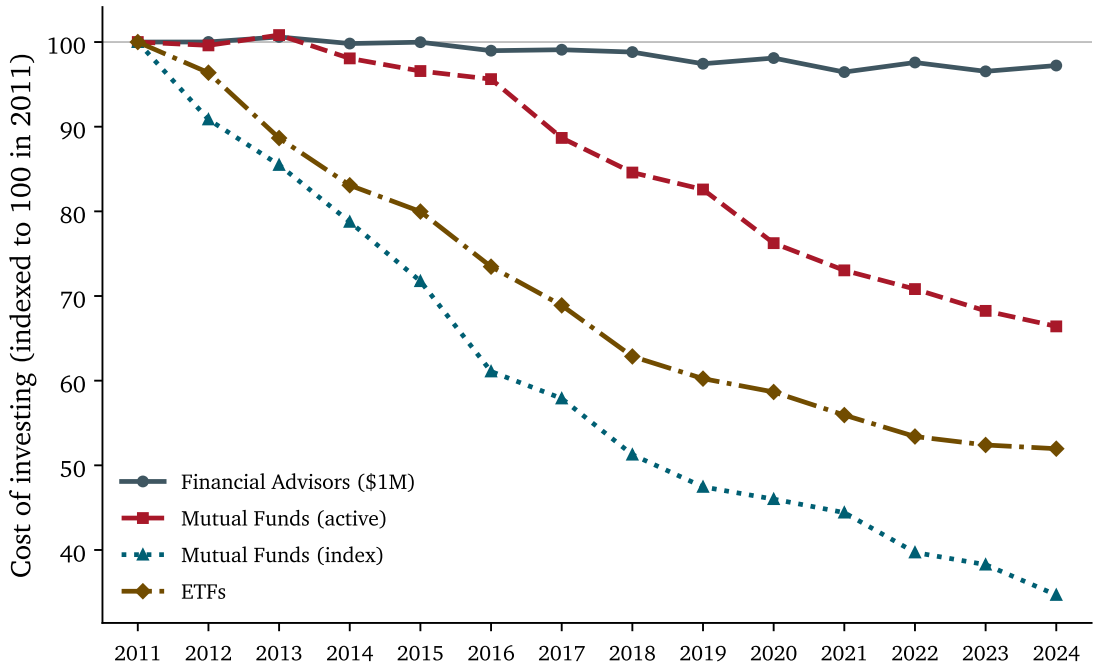


Figure 1. **The Cost of Investing.** This figure plots, by year, four cost-of-investing series, each rebased to 100 in 2011. The advisory line is the mean effective fee charged to a $1 million client by advisers offering asset allocation and portfolio management, measured from filed (non-forward-filled) fee schedules. The remaining three lines are constructed from the CRSP Mutual Fund Database at the share-class level. Each is the asset-weighted average expense ratio in a year, weighting share classes by their total net assets, after winsorizing expense ratios at the 1st and 99th percentiles within year and group. The groups are mutually exclusive and defined as follows. *Exchange-traded funds* are share classes carrying the CRSP ETF flag. *Index mutual funds* are the remaining (non-ETF) share classes flagged as pure index funds (CRSP `index_fund_flag` equal to D); index-based and enhanced-index funds, which are not purely passive and carry materially higher fees, are excluded from this group. *Active mutual funds* are all other non-ETF share classes, including the excluded index-based and enhanced-index funds.

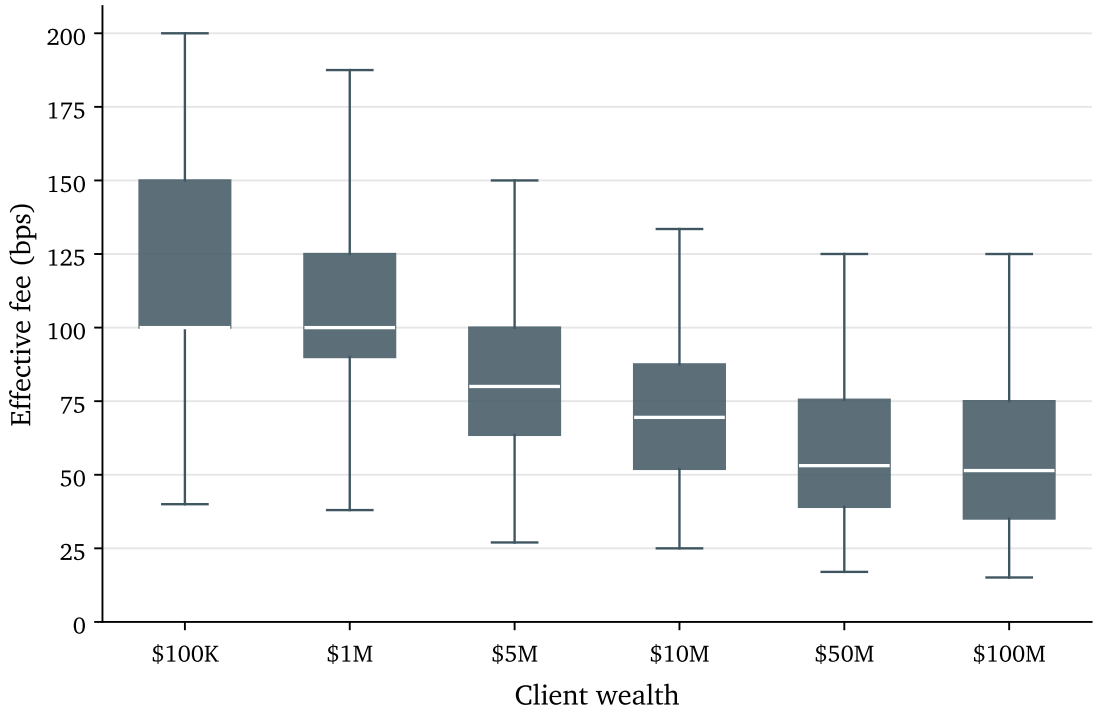


Figure 2. **Fees Across Wealth.** This figure plots the distribution of the effective advisory fee at each of six client-wealth points, for adviser-schedules offering asset allocation and portfolio management in 2025. Each box spans the interquartile range with the median marked, and the whiskers extend to the 5th and 95th percentiles.

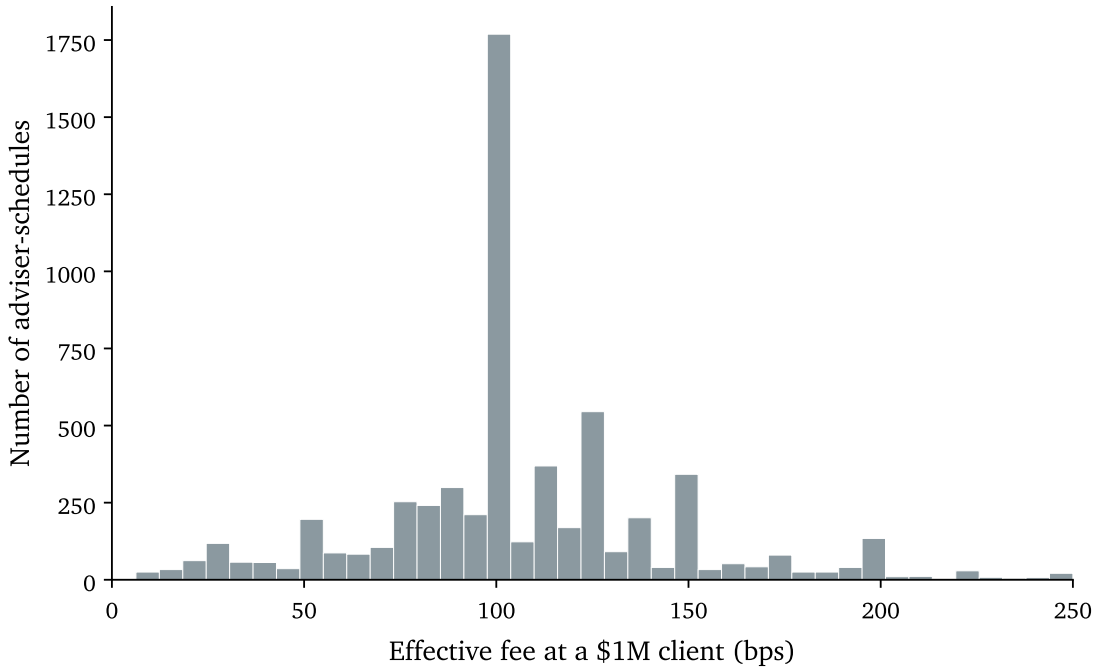


Figure 3. **Dispersion in Advisory Fees.** This figure plots the distribution of the effective fee at a $1 million client across adviser-schedules offering asset allocation and portfolio management services in 2025. A small number of extreme values above 250 basis points are omitted from the display.

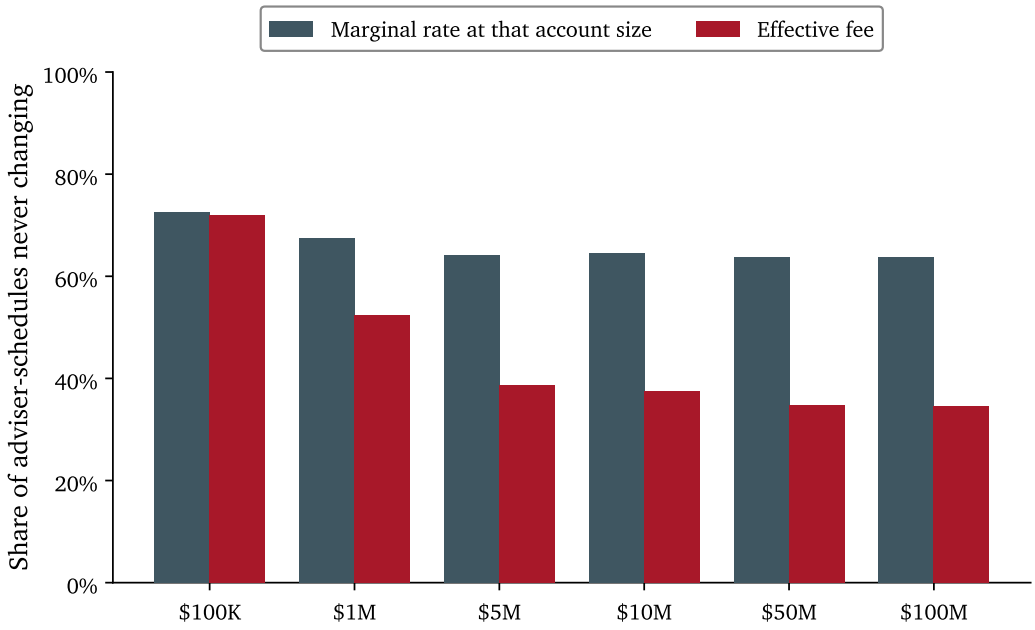


Figure 4. **Fee Rigidity by Client Wealth.** This figure plots, separately at each of six account sizes, the share of adviser-schedules whose fee never changes across their filed years, among adviser-schedules observed in at least ten filed years and offering asset allocation and portfolio management. The left bars use the posted marginal rate applicable at that account size (the rate of the bracket containing it); the right bars use the effective fee.

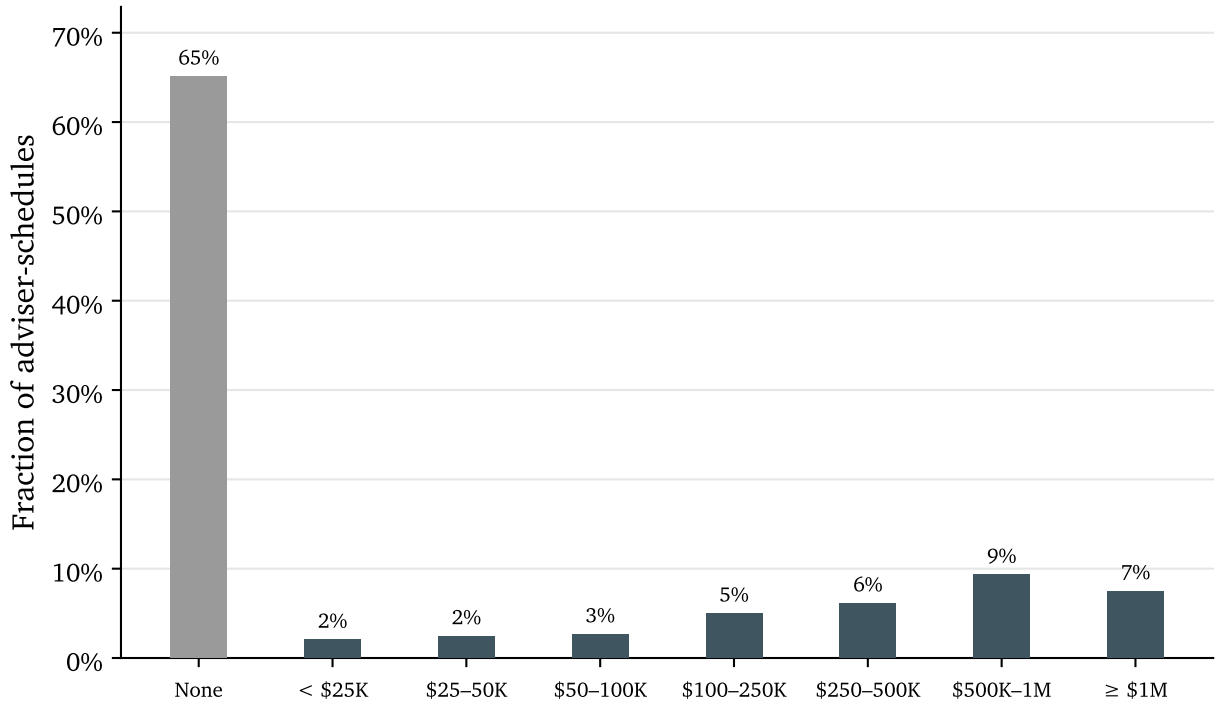


Figure 5. **Account Minimums.** This figure plots the cross-sectional distribution of the minimum account size required by adviser-schedules offering asset allocation and portfolio management in 2025. The first bar, in gray, reports the share of adviser-schedules that state no minimum; the remaining bars report the distribution of positive minimums. The vertical axis is the fraction of all adviser-schedules in the year, so the bars sum to one. The minimum is the account-level figure disclosed in the adviser's Form ADV Part 2 brochure.

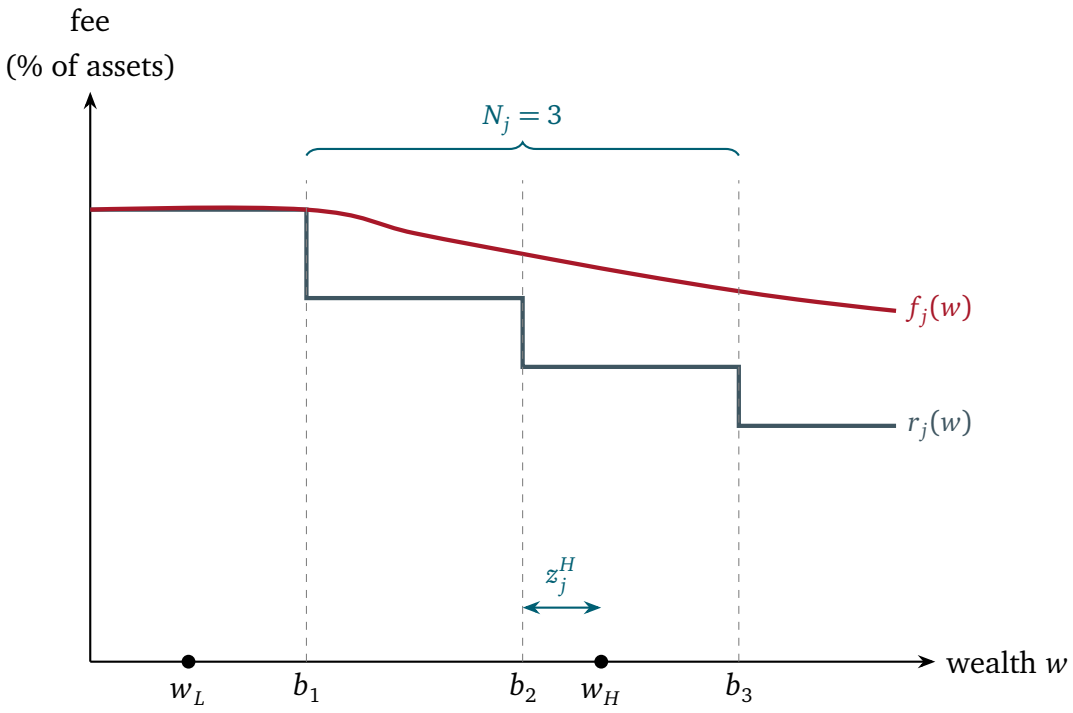


Figure 6. **Schedule Geometry Instruments.** This figure illustrates how we construct the instruments from the geometry of a posted fee schedule. The step function is the adviser's posted marginal-rate schedule, $r_j(w)$: each step is the rate charged on the assets within one bracket, and the thresholds b_1, b_2, and b_3 mark where one bracket ends and the next begins. The smooth curve is the effective fee, $f_j(w)$, the total annual fee as a share of an account of size w, which averages the marginal rates on all assets up to w. For the low-wealth group, whose account size is w_L, the instrument is the number of thresholds in the schedule, N_j. The brace spans these thresholds, so $N_j = 3$ in this example. For the high-wealth group, whose account size is w_H, the instrument combines two pieces: the number of brackets the account passes through, and the distance between the account and the last threshold below it, $w_H - b_2$, marked by the arrow and expressed as a share of the account size (Equation (11)).

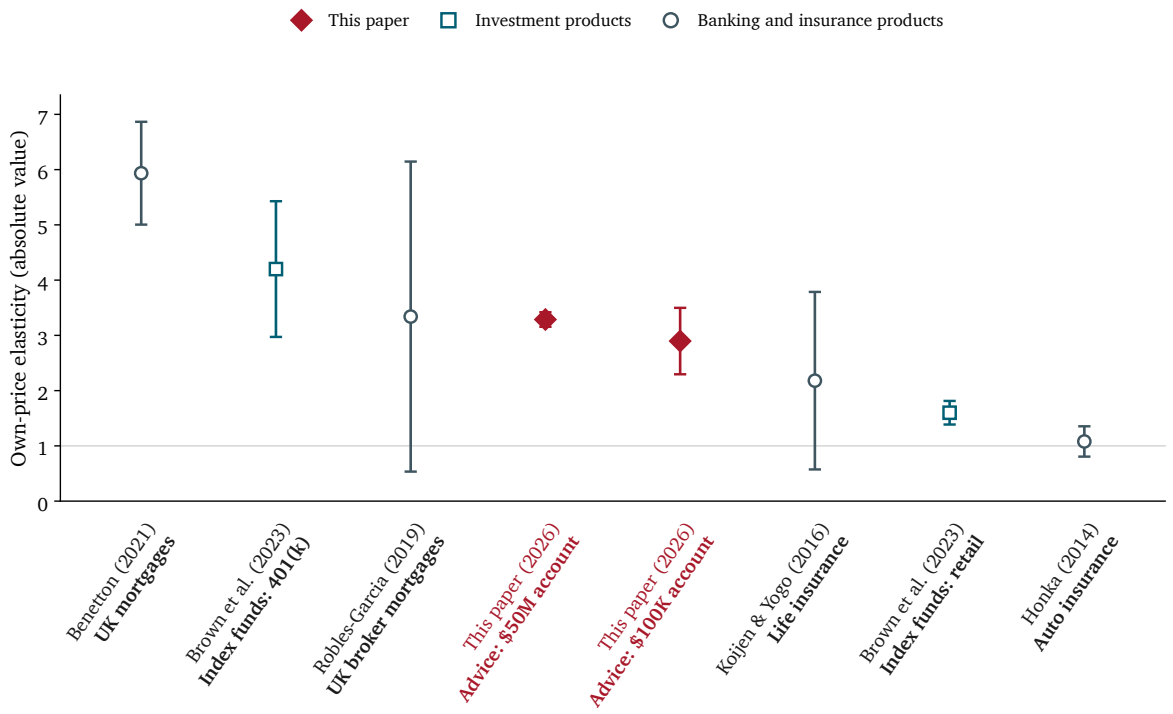


Figure 7. **Demand Elasticities in Household Financial Products.** This figure plots own-price demand elasticities, in absolute value, for household financial products, sorted from largest to smallest. Each point is one estimate from the cited study. The two points labeled "This paper" are the average own-fee elasticities for the low- and high-wealth groups from Table V. Bars show approximate 95% confidence intervals, constructed as described in Internet Appendix Section B. The horizontal line marks unit elasticity.

Table I
Summary Statistics

This table reports summary statistics for the sample as of 2025. Panel (a) provides statistics on advisers, with one observation per adviser with non-missing reported AUM. Household Share of AUM is the share of regulatory AUM attributable to individual and high-net-worth clients. Panel (b) provides statistics on fee schedules, with one observation per adviser-schedule with a computable, nonnegative effective fee at all four displayed wealth points. Effective fees are reported in basis points.

	Mean	SD	P10	P25	Median	P75	P90	N
Panel (a): Adviser Characteristics, 2025 Cross-Section								
AUM ($B)	3.84	42.65	0.12	0.17	0.31	0.70	1.98	4,225
N Fee Schedules per Firm	2.98	6.84	1.00	1.00	2.00	3.00	5.00	4,225
Pct. Percentage	1.00	0.05	1.00	1.00	1.00	1.00	1.00	4,225
Pct. Hourly	0.52	0.50	0.00	0.00	1.00	1.00	1.00	4,225
Pct. Subscription	0.01	0.10	0.00	0.00	0.00	0.00	0.00	4,225
Pct. Fixed	0.68	0.47	0.00	0.00	1.00	1.00	1.00	4,225
Pct. Commission	0.03	0.16	0.00	0.00	0.00	0.00	0.00	4,225
Pct. Performance	0.07	0.25	0.00	0.00	0.00	0.00	0.00	4,225
Household Share of AUM	0.87	0.22	0.63	0.87	0.96	1.00	1.00	4,225
Panel (b): Fee Schedule Characteristics, 2025 Cross-Section								
Effective Fee at $1M (bps)	106.8	44.6	50	90.0	100	125	150	5,097
Effective Fee at $5M (bps)	83.5	38.6	42.5	62.5	80	100	125	5,097
Effective Fee at $10M (bps)	73.5	37.3	35	52.4	69.4	87.5	110.0	5,097
Effective Fee at $50M (bps)	61.0	37.7	25	39.1	53.1	75.5	100.9	5,097
N Wealth Brackets	4.5	1.8	3.0	3.0	4.0	5.0	7.0	5,097
Pct. Marginal	0.7	0.4	0.0	0.0	1.0	1.0	1.0	5,097

Table II
Determinants of Advisory Fees

This table reports regressions of the effective fee at a $1 million client, in basis points, on three sets of economically motivated predictors: client wealth and access, adviser scale and capacity, and fee-schedule design. Column (1) includes year fixed effects; Column (2) adds state fixed effects; Column (3) adds adviser-vintage fixed effects, defined from the first observed Form ADV filing year; and Columns (4)–(6) add the three predictor blocks sequentially. The sample consists of adviser-schedules offering asset allocation and portfolio management, at the adviser-schedule-year level. Standard errors clustered by adviser are in parentheses; ***, **, and * denote significance at the 1%, 5%, and 10% levels.

	(1)	(2)	(3)	(4)	(5)	(6)
Log average account size				-7.49***	-14.64***	-14.62***
				(0.61)	(1.75)	(1.74)
I{Serves HNW}				11.07***	14.34***	14.23***
				(2.97)	(2.91)	(2.90)
I{Serves individuals}				-5.40	-3.58	-3.74
				(3.38)	(3.48)	(3.47)
Log AUM					4.26***	4.26***
					(1.41)	(1.38)
Log accounts					-10.92***	-10.97***
					(2.20)	(2.19)
Log IA employees					10.54***	10.52***
					(1.43)	(1.44)
N brackets						0.92**
						(0.41)
I{Marginal schedule}						1.52
						(1.64)
Dep. Var Mean	107.36	107.36	107.36	107.36	107.36	107.36
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
State FE	No	Yes	Yes	Yes	Yes	Yes
Adviser vintage FE	No	No	Yes	Yes	Yes	Yes
Wealth/access variables	No	No	No	Yes	Yes	Yes
Scale/capacity variables	No	No	No	No	Yes	Yes
Schedule-design variables	No	No	No	No	No	Yes
Observations	76,033	76,033	76,033	76,033	76,033	76,033
R^2	0.001	0.026	0.027	0.063	0.104	0.105

Table III
Determinants of the Fee Slope

This table reports regressions of the fee schedule's wealth slope on the same three predictor blocks as Table II. The dependent variable is the change in the effective fee, in basis points, for a one-unit increase in log account size. Column (1) includes year fixed effects; Column (2) adds state fixed effects; Column (3) adds adviser-vintage fixed effects; and Columns (4)–(6) add client wealth and access, adviser scale and capacity, and fee-schedule design sequentially. The sample consists of adviser-schedules offering asset allocation and portfolio management, at the adviser-schedule-year level. Standard errors clustered by adviser are in parentheses; ***, **, and * denote significance at the 1%, 5%, and 10% levels.

	(1)	(2)	(3)	(4)	(5)	(6)
Log average account size				0.38***	0.98***	1.03***
				(0.09)	(0.23)	(0.20)
I{Serves HNW}				-2.42***	-2.68***	-2.55***
				(0.47)	(0.47)	(0.41)
I{Serves individuals}				0.04	-0.11	0.07
				(0.56)	(0.57)	(0.56)
Log AUM					-0.42**	-0.42***
					(0.19)	(0.15)
Log accounts					0.79***	0.88***
					(0.27)	(0.26)
Log IA employees					-0.32*	-0.35*
					(0.19)	(0.19)
N brackets						-1.01***
						(0.08)
I{Marginal schedule}						-3.20***
						(0.21)
Dep. Var Mean	-10.17	-10.17	-10.17	-10.17	-10.17	-10.17
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
State FE	No	Yes	Yes	Yes	Yes	Yes
Adviser vintage FE	No	No	Yes	Yes	Yes	Yes
Wealth/access variables	No	No	No	Yes	Yes	Yes
Scale/capacity variables	No	No	No	No	Yes	Yes
Schedule-design variables	No	No	No	No	No	Yes
Observations	76,033	76,033	76,033	76,033	76,033	76,033
R^2	0.001	0.018	0.018	0.026	0.028	0.127

Table IV
Determinants of Fee Changes

This table reports regressions of an indicator for whether an adviser-schedule's effective fee at a $1 million client changes from one filing to the next. The dependent variable equals 100 if the fee changes and 0 otherwise, so coefficients are in percentage points. Column (1) includes year fixed effects; Column (2) adds state fixed effects; Column (3) adds adviser-vintage fixed effects; and Columns (4)–(6) add client wealth and access, adviser scale and capacity, and fee-schedule design sequentially. The sample consists of adviser-schedules offering asset allocation and portfolio management, at the adviser-schedule-year level. Standard errors clustered by adviser are in parentheses; ***, **, and * denote significance at the 1%, 5%, and 10% levels.

	(1)	(2)	(3)	(4)	(5)	(6)
Log average account size				-3.60***	-5.16***	-4.30***
				(0.27)	(0.70)	(0.64)
I{Serves HNW}				-5.92***	-4.75**	-4.58**
				(2.29)	(2.26)	(2.24)
I{Serves individuals}				-1.33	-0.72	-1.11
				(1.31)	(1.31)	(1.27)
Log AUM					0.69	0.65
					(0.58)	(0.52)
Log accounts					-2.41***	-2.00***
					(0.77)	(0.70)
Log IA employees					2.13***	1.56***
					(0.52)	(0.48)
N brackets						2.07***
						(0.17)
I{Marginal schedule}						-10.56***
						(0.63)
Dep. Var Mean	13.42	13.42	13.42	13.42	13.42	13.42
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
State FE	No	Yes	Yes	Yes	Yes	Yes
Adviser vintage FE	No	No	Yes	Yes	Yes	Yes
Wealth/access variables	No	No	No	Yes	Yes	Yes
Scale/capacity variables	No	No	No	No	Yes	Yes
Schedule-design variables	No	No	No	No	No	Yes
Observations	40,665	40,665	40,665	40,665	40,665	40,665
R^2	0.001	0.007	0.008	0.022	0.024	0.054

Table V
Structural Parameters and Recovered Markups and Costs

Panel (a) reports the structural demand estimates. The fee variable is the effective advisory fee, measured in percentage points, and is allowed to have separate coefficients for low- and high-wealth clients. Adviser controls are log number of employees and log number of accounts, and the demand system includes year fixed effects. Standard errors are in parentheses. Panel (b) reports share-weighted semi-elasticities, consumer surplus, and markups and marginal costs recovered from advisers' first-order conditions in the 2025 baseline equilibrium. Fees, marginal costs, and markups are reported in basis points.

Variable	Low Wealth	High Wealth
Panel (a): Demand Estimates		
Fee	-2.522***	-5.000***
	(0.267)	(0.102)
Log Number of Employees	0.791***	0.791***
	(0.016)	(0.016)
Log Number of Accounts	0.201***	0.201***
	(0.014)	(0.014)
Panel (b): Recovered Pricing Objects, 2025		
Average Effective Fee (bps)	120.1	67.5
Average Marginal Cost (bps)	78.5	47.0
Average Markup (bps)	41.6	20.6
Average Semi-elasticity	-2.413	-4.868
Average Elasticity	-2.897	-3.287
Consumer Surplus	0.474	0.185

Table VI
Counterfactual Outcomes

This table reports changes in consumer surplus relative to the 2025 estimated baseline. Column (1) doubles both low- and high-wealth fee sensitivities (Section 4.2); Column (2) adds a low-fee alternative priced at the minimum recovered marginal cost (Section 4.3); Column (3) imposes a common-fee constraint within adviser, $f_j^H = f_j^L$ (Section 4.4); and Columns (4)–(6) impose caps on the effective fee (Section 4.4). Consumer surplus is computed from the logit inclusive value and reported separately for low- and high-wealth households, with the total using the SCF wealth weights. Recovered marginal costs and non-price adviser quality are held fixed throughout.

	Change in consumer surplus					
	Double fee sensitivity	Low-fee entrant	Common fee	Fee cap		
				2.0%	1.5%	1.0%
	(1)	(2)	(3)	(4)	(5)	(6)
Low wealth	-0.362	0.102	0.094	0.044	-0.095	-0.102
High wealth	-0.151	0.067	-0.094	-0.001	-0.001	-0.019
Total	-0.223	0.079	-0.030	0.014	-0.034	-0.048

Internet Appendix for The Price of Financial Advice

Federico Mainardi
Columbia Business School

Sangmin S. Oh
Columbia Business School

October 2026

Contents

A. Data 41
B. Demand Elasticities in Household Financial Products 46
C. Additional Figures and Tables 49

A Data

This appendix describes how we build the data from the raw Form ADV filings to the estimation sample. Section A.1 describes the two parts of Form ADV. Section A.2 describes the language-model extraction of fee schedules from the Part 2 brochures. Section A.3 describes how we link schedules across years into a panel. Section A.4 defines the effective fee. Section A.5 lists the sample-construction screens, and Section A.6 describes how we validate the extraction.

A.1 Form ADV data

Every investment adviser registered with the SEC files Form ADV. The form has two parts. Part 1 is a structured questionnaire. The SEC releases it as machine-readable quarterly extracts. From Part 1 we draw, for each adviser-filing, the firm's name, its Central Registration Depository (CRD) number, its regulatory assets under management, the composition of its client base by type (Item 5.D), and indicators for its compensation arrangements (Item 5.E). The CRD number links the two parts of the form and links filings over time. The Item 5.D format changed in October 2017, from ranges of client counts to dollar assets by client type. We harmonize the two regimes and retain the assets attributable to individual and high-net-worth households. These assets define the household-serving screen below.

Part 2 is the adviser's brochure. It is a narrative PDF that discloses the adviser's services, conflicts, and fee schedule. The fee schedule appears only as free text, so it must be machine-read. The brochure's filename encodes the adviser's CRD number and the filing date. We use these to key each extracted schedule to an adviser and a year. Figure IA.1 shows an example of a fee schedule as it appears in a brochure.

A.2 Extracting fee schedules

We convert each Part 2 brochure into a structured fee table in four steps. First, we extract the brochure's text with a combination of a PDF parser and a Tesseract OCR engine.

Second, we pass the text and a fixed extraction prompt to a large language model, Google's Gemini 2.5 Flash.[10] The model returns one row per fee schedule and wealth bracket. Each row records the schedule's name, the bracket's upper dollar bound, the percentage-of-assets fee or, where applicable, the dollar fee, the quoting and billing frequency, any stated account

[10]For overviews of text as data and of language models in economic research, see Gentzkow, Kelly, and Taddy (2019) and Korinek (2023).

or household investment minimum, and a flag for whether rates are marginal or average. An open-ended top bracket is flagged. We use this flag to compute the effective fee (Section A.4).

Third, we classify each schedule into a service category and an asset class against a fixed taxonomy. This step again uses a language model (OpenAI's GPT-5.2, at temperature zero), given the adviser's own brochures as context, so that labels are comparable across advisers and years. The service category we analyze is the generic whole-portfolio service, "asset allocation and portfolio management."

Fourth, we validate each extracted table mechanically. Every expected field must be present, the marginal/average flag must be well-formed, and the source filename must match on every row. We then group the per-brochure tables by adviser. We apply no magnitude or monotonicity check at this stage. Implausible extractions are screened later at the adviser level (Section A.5), so that the screening logic is transparent and does not censor the fee distribution.

A.3 Building the schedule panel

We link schedules across years within an adviser by name. The extraction assigns each schedule a canonical name within the adviser's brochures, and we hand-correct a small number of variants identified in the audit, such as labels that add a revision date. An adviser-schedule is the pair of a CRD number and a canonical schedule name. When an adviser files more than one brochure in a calendar year, we keep the latest filing as that year's schedule.

We then form an annual panel for each adviser-schedule between its first and last filed year. In years without a filing, we carry forward the most recent prior schedule and flag the year as imputed. We never carry a schedule backward or beyond its last filing. All statistics on fee changes and persistence use filed years only, because carrying a schedule forward holds its fee constant by construction.

A.4 Measuring the effective fee

For each schedule-year we compute the effective fee at six account sizes: \$100K, \$1M, \$5M, \$10M, \$50M, and \$100M. The effective fee is the total annual fee a client pays as a fraction of the account. For a marginal schedule, it is the asset-weighted average of the bracket rates up to the account size. For an average schedule, it is the rate of the bracket in which the account falls.

As an example, consider a schedule that charges 1.00% on the first \$1 million and 0.75%

on assets above it. Its effective fee on a $2 million account is 0.875%, even though its marginal rate there is 0.75%. If a schedule states an account or household minimum above the target size, its effective fee at that size is set to missing. If any bracket rate needed for the average is missing, the effective fee is missing. We require an open-ended top bracket so that the effective fee is well defined at the largest sizes without extrapolation. When only the top bracket of a schedule is negotiable and the brackets below it carry numeric rates, we keep the schedule and set the effective fee to missing at account sizes that reach the negotiable bracket.

A.5 Sample construction

We construct the estimation sample as a sequence of cumulative screens. We start from all SEC-registered advisers. We keep advisers with at least one parsed brochure. We keep those that post a percentage-of-assets fee. We keep those whose schedule is wealth-tiered, has an open-ended top bracket, and has at least two parsed account-size brackets. We keep those with complete and plausibly extracted rates, and drop schedules that state only that fees are negotiable, without a numeric rate. We keep those that serve households, defined as a latest non-missing Part 1 client-type filing with positive assets from individual or high-net-worth clients. We keep those that offer an investment-advisory schedule. Finally, we keep those offering the whole-portfolio advisory service.

The two-bracket screen removes schedules that do not identify a fee gradient. Some of these are true flat percentage fees. Others are negotiated or range-based prices, performance-fee arrangements, or tiered schedules with missing rows. We exclude them rather than infer omitted brackets from the surrounding text.

Dollar assets by client type are available only after the October 2017 Form ADV revision. The household-facing screen is therefore an adviser-level classification that we carry backward to earlier filings for the same adviser. The result is an adviser-schedule-year panel rather than a one-schedule-per-adviser cross section. The primary-schedule flag is retained as a descriptor but is not imposed as a restriction. Longitudinal restrictions, such as requiring a schedule to appear in at least five or ten filed years, apply only in the persistence analyses.

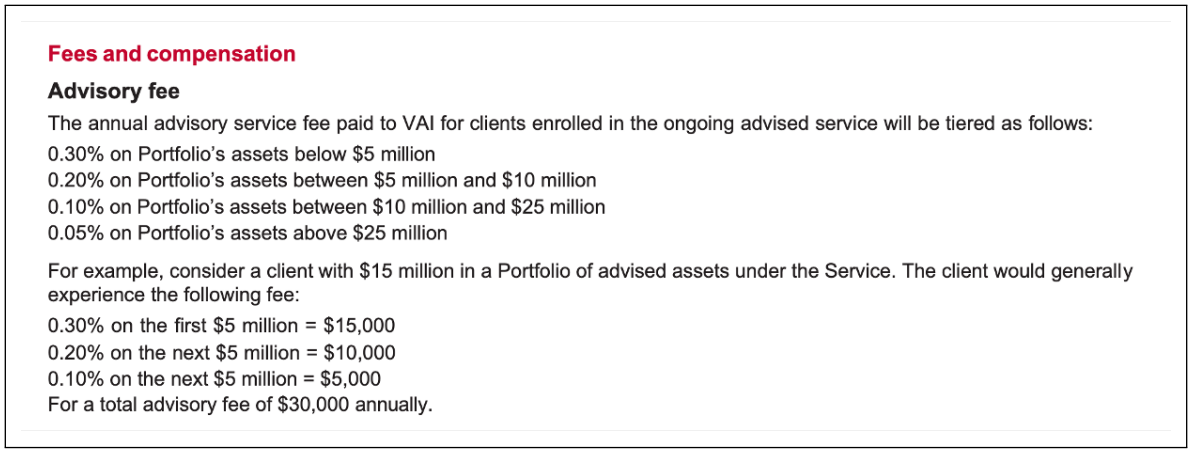
We remove magnitude errors at the adviser level rather than by capping individual fees. We drop an adviser entirely if any of its effective fees exceeds 2,000 basis points (20%) or if any parsed bracket rate is at least 20%. A 20% advisory fee is implausible and signals a mis-extraction. Because the paper documents the magnitude and dispersion of advisory fees, we impose no ceiling that would censor the genuine right tail. We discard only advisers whose extractions are demonstrably corrupted. Non-monotonic fee curves are retained as diagnostic

flags and are not used as an exclusion. This screen removes 38 advisers.

A.6 Validation

We validate the extraction with an audit of 1,500 brochures from 1,397 advisers, which together contain 5,412 extracted fee schedules. For each schedule, three language models (Claude, Codex, and Gemini) and a human (one of the authors) independently compare the extracted fields with the brochure and record whether each field is correct. The comparison covers fee rates, bracket thresholds, the number of brackets, missing schedules, whether rates are marginal or average, stated minimums, and the service category. We accept a schedule when all four judge it correct, and the authors review the remaining schedules ourselves against the brochure, including every schedule on which the four disagree and every schedule they flag as incorrect. We count an error only when it changes a number that enters the analysis.

About 8 percent of the audited schedules that enter our sample contain at least one such error. The errors concentrate in how a schedule applies rather than in its posted rates. The most common errors are a misclassified marginal or average schedule or service category (5 percent of schedules), an omitted account minimum (2 percent), and an omitted minimum annual fee (2 percent), whereas a misread fee rate is rare (0.6 percent). We correct every confirmed error in the audited brochures and apply rules for errors that recur across brochures, such as variants of the same schedule name, to the full sample.



Fees and compensation

Advisory fee

The annual advisory service fee paid to VAI for clients enrolled in the ongoing advised service will be tiered as follows:

0.30% on Portfolio's assets below $5 million
0.20% on Portfolio's assets between $5 million and $10 million
0.10% on Portfolio's assets between $10 million and $25 million
0.05% on Portfolio's assets above $25 million

For example, consider a client with $15 million in a Portfolio of advised assets under the Service. The client would generally experience the following fee:

0.30% on the first $5 million = $15,000
0.20% on the next $5 million = $10,000
0.10% on the next $5 million = $5,000
For a total advisory fee of $30,000 annually.

Figure IA.1. **Example of a Form ADV Part 2 Pricing Schedule.** This figure shows an example of a fee schedule disclosed in an adviser's Form ADV Part 2 brochure. The schedule reports asset brackets and annual advisory fees, the raw text objects from which we extract bracket thresholds, fee rates, and whether rates are applied on an average or marginal basis.

B Demand Elasticities in Household Financial Products

This section describes the studies that we compare with our estimates in Figure 7. Each study measures how strongly households respond to the price of a financial product. We use only estimates for households. The price differs across products. It is the fee for advice and index funds, the interest rate for mortgages, and the premium for insurance, so the comparison is approximate. Table IA.1 lists the estimates, and the studies below appear in the same order as in Figure 7.

For every estimate, including ours, we build an approximate 95% confidence interval in two steps. First, we compute the usual 95% confidence interval for the coefficient on price in the demand model, $\beta \pm 1.96\,\mathrm{SE}(\beta)$. Second, because the elasticity is proportional to this coefficient, we convert both ends of the interval into elasticities by multiplying them by ε/β, the ratio of the elasticity to the coefficient. Because this ignores uncertainty in the other inputs to the elasticity, the intervals may understate the true uncertainty. For our estimates, β is the fee coefficient α^g in Table V, with intervals $2.522 \pm 1.96 \times 0.267$ for low-wealth clients and $5.000 \pm 1.96 \times 0.102$ for high-wealth clients.

B.1 Benetton (2021)

Benetton (2021) develops a structural model of mortgage demand and lender competition in the U.K. mortgage market and uses it to study how risk-weighted capital requirements affect lenders' costs and market structure. Households choose among mortgage products that differ in lender, loan-to-value band, and interest rate.

We use the average elasticity of mortgage demand with respect to the interest rate across all products, 5.9 in absolute value (Table III of the paper). Because the paper does not report a standard error for this mean, we build the interval from the average interest-rate coefficient across markets, -0.025 with a standard error of 0.002 (Table II of the paper).

B.2 Brown et al. (2023)

Brown et al. (2023) estimate a dynamic model of demand for and supply of S&P 500 index funds that accounts for investor inertia, information frictions, and heterogeneous preferences. We use two of their estimates of how demand for a fund responds to its expense ratio. For retail investors, the elasticity is 1.6, with an expense-ratio coefficient of -283.5 and a standard error of 19.3 (Table 3, column (2), of the paper). For participants in 401(k) plans, who choose from

a fixed menu with few information frictions, the elasticity is 4.2, with a coefficient of −743.3 and a standard error of 110.9 (Table 4, column (2), of the paper).

B.3 Robles-Garcia (2019)

Robles-Garcia (2019) studies how mortgage brokers, who advise households and receive commissions from lenders, affect competition and welfare in the U.K. mortgage market. Her structural model features household demand for mortgage products and broker services together with lenders' pricing decisions. We use the average elasticity of mortgage demand with respect to the interest rate, 3.34 (Section 6.1 of the paper). We build the interval from the average interest-rate coefficient, −0.91 with a bootstrapped standard error of 0.39 (Table 5, Panel A, of the paper).

B.4 Koijen and Yogo (2016)

Koijen and Yogo (2016) study how U.S. life insurers use reinsurance to shadow reinsurers to relax capital requirements, and they estimate how household demand for life insurance and annuity policies responds to price. The price of a policy is its premium relative to its actuarial value. We use their demand elasticity of 2.18 for the average company in 2012 and build the interval from the mean price coefficient, −1.33 with a standard error of 0.50 (Appendix D of the paper).

B.5 Honka (2014)

Honka (2014) estimates a model of consumer search and switching costs in the U.S. auto insurance market. We use the average elasticity of demand with respect to the premium, 1.08 in absolute value (Table 10 of the paper). Because the paper reports the standard error of this elasticity, 0.14, we use it directly, so the interval is $1.08 \pm 1.96 \times 0.14$.

Table IA.1
Demand Elasticities in Household Financial Products

This table lists the estimates plotted in Figure 7. Estimate reports the own-price elasticity in absolute value, with its approximate 95% confidence interval in brackets. All intervals convert the 95% confidence interval of the price coefficient into elasticities, as described in Section B, except for Honka (2014), which reports the standard error of the elasticity directly. Price is the fee for advice and index funds, the interest rate for mortgages, and the premium for insurance.

Study	Market	Group	Price	Estimate [95% CI]
Benetton (2021)	UK mortgages	Banking and insurance products	Interest rate	5.935 [5.004, 6.866]
Brown et al. (2023)	Index funds: 401(k)	Investment products	Fee	4.200 [2.972, 5.428]
Robles-Garcia (2019)	UK broker mortgages	Banking and insurance products	Interest rate	3.340 [0.534, 6.146]
This paper (2026)	Advice: $50M account	This paper	Fee	3.287 [3.156, 3.418]
This paper (2026)	Advice: $100K account	This paper	Fee	2.897 [2.296, 3.498]
Koijen & Yogo (2016)	Life insurance	Banking and insurance products	Premium	2.180 [0.574, 3.786]
Brown et al. (2023)	Index funds: retail	Investment products	Fee	1.600 [1.387, 1.813]
Honka (2014)	Auto insurance	Banking and insurance products	Premium	1.080 [0.806, 1.354]

C Additional Figures and Tables

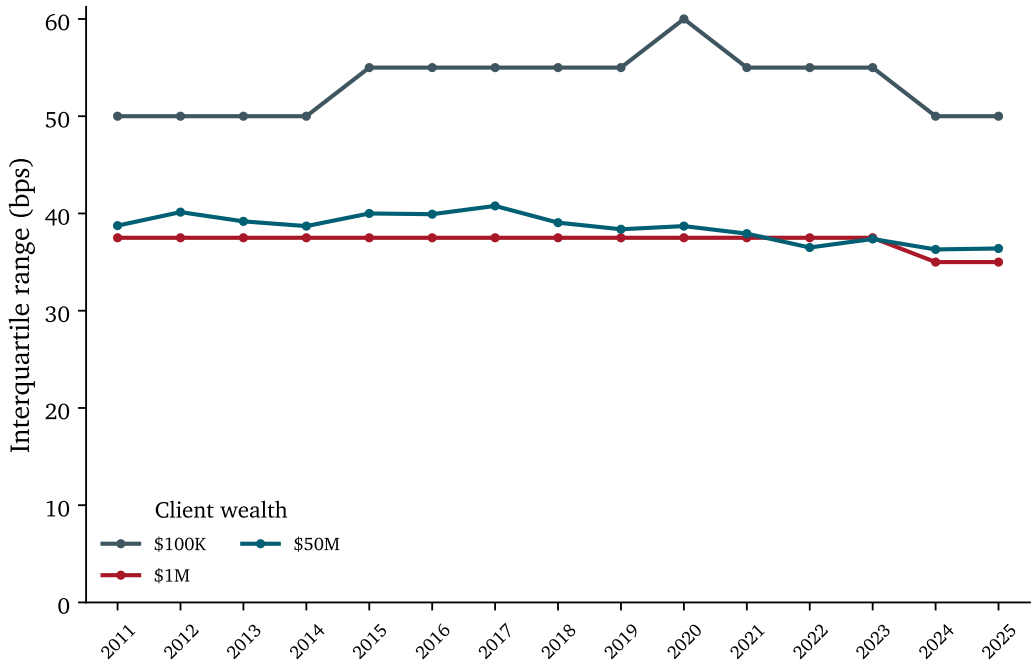


Figure IA.2. **Dispersion Persistence.** This figure plots the interquartile range of the effective fee over time at three client-wealth points—$100,000, $1 million, and $50 million—for adviser-schedules offering asset allocation and portfolio management. Each adviser-schedule contributes one observation per year.

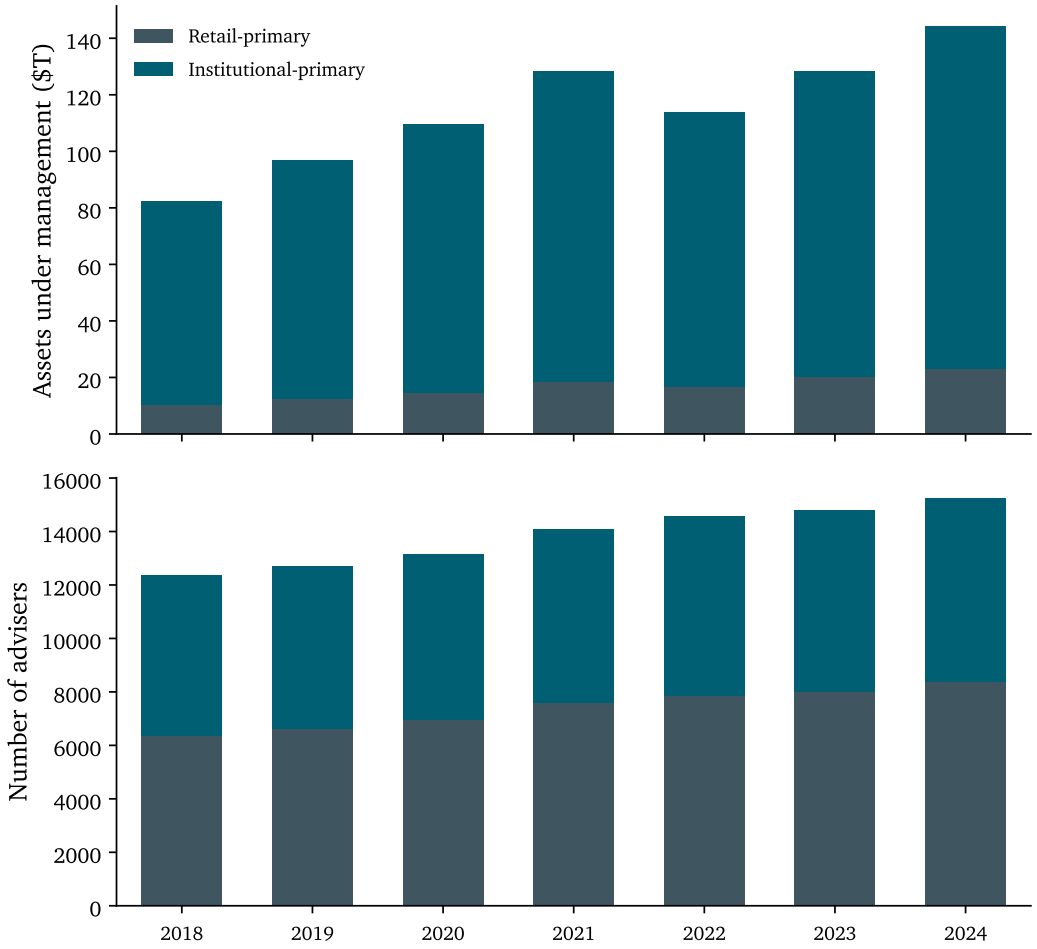


Figure IA.3. **Growth of the Advisory Sector.** This figure plots the size of the SEC-registered investment-advisory sector from 2018 to 2024, split into retail-primary and institutional-primary advisers; an adviser-year is retail-primary if individual and high-net-worth clients supply at least half of its client-reported assets under management, and institutional-primary otherwise. The top panel plots total regulatory assets under management, in trillions of dollars, summed within each group; the bottom panel plots the number of advisers in each group. Client-type assets are reported in dollars on Form ADV Part 1 only from the October 2017 revision, so the series begins in 2018.

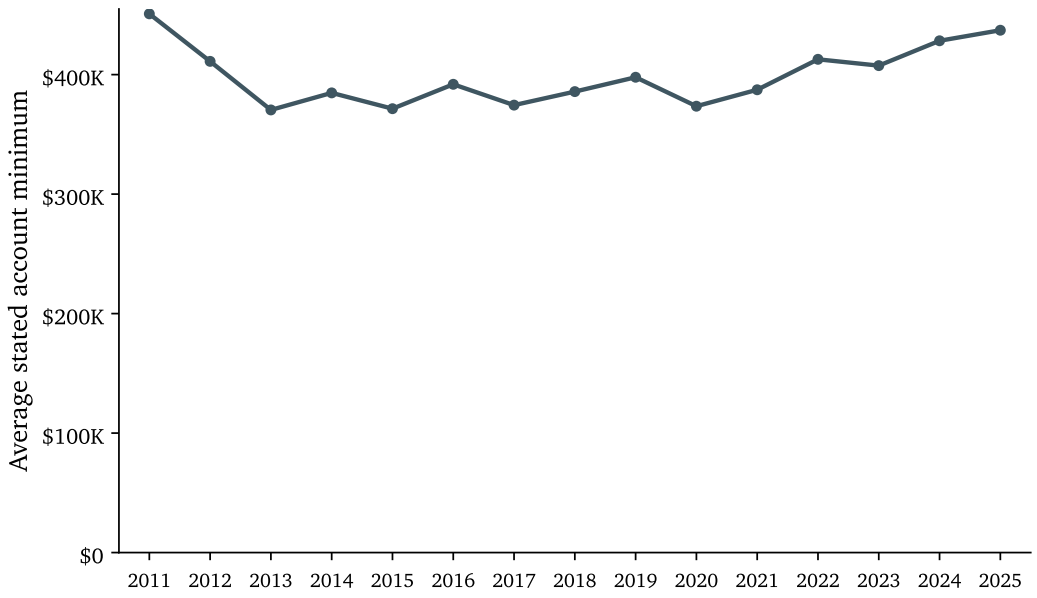


Figure IA.4. **Account Minimums over Time.** This figure plots the average stated minimum account size required by adviser-schedules offering asset allocation and portfolio management, with one observation per adviser-schedule-year. The series is constructed from filed schedule-years, as in Figure 1. The minimum is the account-level figure reported on Form ADV, or the household figure where the account minimum is missing; reported values below $1,000 are treated as filing errors and excluded.

Table IA.2
Determinants of Advisory Fees by Client Wealth

This table repeats the full specification from Table II using the effective fee at four client-wealth points: $100K, $1M, $10M, and $100M. All columns include year, state, and adviser-vintage fixed effects and the three predictor blocks from Table II. The sample consists of adviser-schedules offering asset allocation and portfolio management, at the adviser-schedule-year level. Standard errors clustered by adviser are in parentheses; ***, **, and * denote significance at the 1%, 5%, and 10% levels.

	$100K	$1M	$10M	$100M
	(1)	(2)	(3)	(4)
Log average account size	-19.28***	-14.43***	-7.77***	-9.99***
	(2.36)	(1.91)	(1.45)	(1.40)
I{Serves HNW}	11.25***	14.35***	7.95***	1.78
	(3.86)	(3.27)	(2.82)	(2.66)
I{Serves individuals}	-4.40	-4.01	-8.09**	-3.58
	(4.45)	(4.25)	(3.97)	(2.54)
Log AUM	4.64**	3.82**	1.88	2.28**
	(2.02)	(1.57)	(1.15)	(1.10)
Log accounts	-12.78***	-10.36***	-6.26***	-6.73***
	(3.01)	(2.41)	(1.91)	(1.87)
Log IA employees	12.60***	10.43***	8.62***	8.93***
	(1.78)	(1.52)	(1.32)	(1.37)
N brackets	3.13***	1.09**	-1.45***	-3.52***
	(0.59)	(0.49)	(0.42)	(0.45)
I{Marginal schedule}	-10.52***	1.45	-4.32**	-13.74***
	(2.16)	(1.98)	(1.68)	(1.68)
Dep. Var Mean	120.21	107.45	74.73	61.65
Year FE	Yes	Yes	Yes	Yes
State FE	Yes	Yes	Yes	Yes
Adviser vintage FE	Yes	Yes	Yes	Yes
Wealth/access variables	Yes	Yes	Yes	Yes
Scale/capacity variables	Yes	Yes	Yes	Yes
Schedule-design variables	Yes	Yes	Yes	Yes
Observations	57,485	57,485	57,485	57,485
R^2	0.163	0.111	0.092	0.145

Table IA.3
Predicting Fee Changes by Client Wealth

This table repeats the full specification from Table IV using the effective fee at four client-wealth points: $100K, $1M, $10M, and $100M. The dependent variable is an indicator, scaled by 100, for whether the effective fee at the stated wealth point changes from one filed schedule-year to the next, so coefficients are in percentage points. Forward-filled years are excluded. All columns include year, state, and adviser-vintage fixed effects and the three predictor blocks from Table IV. Standard errors clustered by adviser are in parentheses; ***, **, and * denote significance at the 1%, 5%, and 10% levels.

	$100K	$1M	$10M	$100M
	(1)	(2)	(3)	(4)
Log average account size	-0.98***	-4.11***	-4.10***	-3.50***
	(0.32)	(0.66)	(0.74)	(0.71)
I{Serves HNW}	-3.34	-5.38**	-3.00	-3.08
	(2.03)	(2.61)	(2.83)	(2.82)
I{Serves individuals}	-1.61	-1.12	4.21**	1.15
	(1.10)	(1.53)	(1.65)	(1.86)
Log AUM	0.19	0.56	1.06*	1.09*
	(0.14)	(0.52)	(0.60)	(0.56)
Log accounts	-0.10	-1.82**	-2.05**	-1.99**
	(0.40)	(0.74)	(0.82)	(0.79)
Log IA employees	0.36	1.45***	0.63	0.55
	(0.36)	(0.54)	(0.52)	(0.52)
N brackets	0.77***	2.15***	1.32***	1.40***
	(0.16)	(0.22)	(0.23)	(0.23)
I{Marginal schedule}	-1.33***	-11.45***	-17.59***	-18.10***
	(0.46)	(0.79)	(0.94)	(0.94)
Dep. Var Mean	6.11	14.55	21.01	21.93
Year FE	Yes	Yes	Yes	Yes
State FE	Yes	Yes	Yes	Yes
Adviser vintage FE	Yes	Yes	Yes	Yes
Wealth/access variables	Yes	Yes	Yes	Yes
Scale/capacity variables	Yes	Yes	Yes	Yes
Schedule-design variables	Yes	Yes	Yes	Yes
Observations	26,710	26,710	26,710	26,710
R^2	0.017	0.060	0.059	0.056

References

Benetton, Matteo, "Leverage Regulation and Market Structure: A Structural Model of the U.K. Mortgage Market," *Journal of Finance*, 2021, *76* (6), 2997–3053.

Brown, Zach, Mark Egan, Jihye Jeon, Chuqing Jin, and Alex Wu, "Why Do Index Funds Have Market Power? Quantifying Frictions in the Index Fund Market," NBER Working Paper 31778, National Bureau of Economic Research 2023.

Gentzkow, Matthew, Bryan Kelly, and Matt Taddy, "Text as Data," *Journal of Economic Literature*, 2019, *57* (3), 535–574.

Honka, Elisabeth, "Quantifying Search and Switching Costs in the US Auto Insurance Industry," *RAND Journal of Economics*, 2014, *45* (4), 847–884.

Koijen, Ralph S. J. and Motohiro Yogo, "Shadow Insurance," *Econometrica*, 2016, *84* (3), 1265–1287.

Korinek, Anton, "Generative AI for Economic Research: Use Cases and Implications for Economists," *Journal of Economic Literature*, 2023, *61* (4), 1281–1317.

Robles-Garcia, Claudia, "Competition and Incentives in Mortgage Markets: The Role of Brokers," 2019. Working paper.