

Two Words: Financial Planning

Seven reasons why financial planning has a bright future.

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During this time of year, seeing all the big keynotes with celebrities giving advice to new graduates as they enter the real world got me thinking. In the 1967 movie classic *The Graduate*, there's a famous scene in which Dustin Hoffman's character, Benjamin, returns home from college to a party at his parents' house celebrating his graduation. Mr. McGuire, a friend of the family, pulls him aside to give some career advice:

I feel a bit like Mr. McGuire writing this. Except instead of one word, I've got two, and I'm pointing at the place I see the most durable future in our business: financial planning. Not the watered-down version of planning that's become shorthand for slapping a 1% fee on a managed account and chasing the next pile of assets. I mean the real work—a complete inventory of assets, liabilities, insurance, employee benefits, retirement plans, equity comp, business interests, tax returns and cash flow; identifying client goals; building and implementing a plan; and monitoring it over time to keep it honest. That kind of planning has gone from a nice-to-have to the single most defensible part of an advisor's value proposition. Here's why:

1. **Investment management is a commodity now.** The cost of investing has been falling for 40 years — discount brokerage in the '80s, no-load funds in the '90s, online brokerage in the 2000s, robos in the 2010s, zero-commission trades and fractional shares in the 2020s. Robo advisors didn't take over the world the way some predicted, but they didn't have to. They reset the floor. They forced every advisor charging an AUM fee to answer the question, "What am I paying for above and beyond what a robot does for 25 basis points?" The honest answer, for the advisors who are winning,

isn't asset allocation. It's planning. The typical advisor now allocates roughly half of their bundled AUM fee to financial planning services. The 1% didn't shrink. Its composition changed. Advisors who can't articulate what the planning half of the fee covers are competing with a robot and losing. And as artificial intelligence continues to evolve, this will become an imperative.

2. **Fiduciary won the cultural argument, regardless of where the rules land.** The fiduciary saga has been going on for the better part of two decades. The 2016 DOL rule was vacated in 2018. Reg BI took effect in 2020 as a middle-ground best-interest standard. The DOL's Retirement Security Rule has just recently been vacated. The regulatory pendulum keeps swinging. It almost doesn't matter. Clients have already absorbed the language. Charging fees was once unique and a differentiator ... not anymore. Simply charging a fee for constructing a portfolio will not be enough value added to justify above-market fees in the future. What will? ... Financial planning.
3. **Compensation transparency is here, and it's only going one direction.** Form CRS, Reg BI disclosures, fee benchmarking tools and a steady drumbeat of media coverage have dragged advisor compensation into the open. Clients increasingly know what they're paying, how their advisor gets paid, and what the alternatives cost. The next wave of disclosure—whether it comes from regulators, fintech comparison tools, or AI-driven shopping—will accelerate this further. Sunlight pushes the business toward two structural outcomes. First, away from commissions and toward fees. Second, toward unbundling: separating investment management from planning, project work, and ongoing advice, and charging for each in the way that fits the work. About 72% of advisory firms now use more than one charging method. Pure AUM-only practices are becoming the minority, not the default. The advisors who thrive in a transparent world are the ones who can stand in front of a client, list what they actually do, and price each component with confidence. That requires a planning-first operating model. It requires being able to say, "Here's the

planning work. Here's what it costs. Here's the investment management. Here's what that costs. Here's the ongoing advice." Fee confidence flows from value clarity, and value clarity flows from planning.

4. **Compensation mismatch: the gap between what advisors claim and what clients receive.** Most advisors say financial planning is core to their practice. Surveys of affluent clients consistently show a far smaller percentage feel they've received an actual plan. The gap has persisted for years and reflects a simple economic truth: advisors do what they're paid to do. If the compensation model rewards asset gathering, the work skews toward asset gathering. If the comp model rewards planning, the work skews toward planning. This mismatch is becoming harder to sustain. Clients are getting better at evaluating advice. AI tools will accelerate that further. Advisors who claim to offer planning but deliver portfolio reports with a cover page won't survive the next decade of scrutiny. Advisors whose compensation model and service model are actually aligned around planning will pull ahead — and increasingly, will charge for planning explicitly rather than burying it in an AUM fee that's getting harder to defend on its own.
5. **Planning technology has stopped being the bottleneck.** Years ago, building a planning practice meant operating big mainframes, mailing client data to centralized planning centers, and delivering bound binders for "thud" value. Today, eMoney, RightCapital, MoneyGuide, Holistiplan, Asset-Map and a growing roster of specialized tools have compressed the time and cost of producing sophisticated plans by an order of magnitude. Account aggregation is table stakes. Tax-aware planning is built into modern software. Estate visualization tools are accessible to any advisor with a subscription. The next leap is AI. Document parsing, scenario modeling, meeting note synthesis, client communication drafting, anomaly detection in tax returns—all of it is being collapsed into workflows that didn't exist two years ago. Advisors who use AI to deliver more planning at a higher quality will pull away. Advisors who try to use AI to deliver the same work

cheaper will get caught in a race to the bottom they can't win. The technology removes the historic excuse—"planning is too time-consuming"—that kept a generation of advisors from doing the deep work.

6. **The succession crisis is here, and planning is the answer.** Cerulli now reports that roughly 106,000 advisors—about 37% of industry headcount and 41% of total assets—plan to retire within the next decade. The rookie failure rate sits around 72%. Industry advisor headcount has been essentially flat for the past 10 years. More than a quarter of advisors planning to retire don't have a clear succession plan. This is a crisis that doesn't get solved by lateral recruiting alone. There aren't enough experienced advisors to go around, and the bidding war for the ones who exist is unsustainable. The math forces the industry back to a question it's avoided for years: how do we develop new advisors from scratch? Planning is the answer. It's the work that newer advisors can actually do—gathering data, building cash flow analyses, running scenarios, drafting recommendations—under the supervision of a senior advisor. It's the natural training ground. It's also the work that benefits most from a structured, process-driven approach, which is exactly what a development program needs. The independent broker/dealers, RIAs and integrated platforms that build serious planning-led career paths over the next five years will be the ones still standing in 15. The ones that don't will sell to someone who did.
7. **Channel lines are blurring; planning is the connective tissue.** The industry's old channel architecture—wirehouse, regional, IBD, RIA, insurance—was built for a regulatory and distribution world that no longer exists. Wirehouse share is eroding. The independent RIA channel increased its share of the asset market from 12% to 16% over the past decade, the largest gain of any channel. Hybrids, breakaways, tuck-ins and PE-backed roll-ups have made it harder to draw clean lines between what kind of firm is what. Clients don't care about the lines. They care about whether the advice covers their whole life—investments, insurance, estate, tax,

business, retirement and the next generation. The firms that win the coming decade will be the ones that can deliver integrated planning across what used to be siloed disciplines: RIA, broker/dealer, and BGA capabilities operating as one platform rather than three referral relationships. Call it integrated wealth management. Call it the Tribrid model. Whatever the label, planning is the connective tissue that makes it work.

There is every indication that we're at an inflection point. AUM fees are under pressure to justify themselves. Transparency is forcing alignment between value and price. Technology has removed the tedium that used to keep advisors out of planning. AI is about to do it again. A generational handoff is underway with no clear successor pipeline. And client expectations have shifted from "manage my money" to "help me run my financial life." In every direction, the answer to "what will differentiate the advisors and firms that thrive over the next decade?" comes back to the same two words. Today, instead of "plastics," Mr. Maguire would be saying, "There's a great future in financial planning. Think about it. Will you think about it?"