

To fee or not to fee: pricing models in financial counselling

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ABSTRACT*

The Markets in Financial Instruments Directive (MiFID) stresses the role of financial counselling in the investment decision process. The role of the independent financial adviser and the conflicts of interest that may arise when the adviser is also involved in the delivery process of financial products and services is catching the attention of both academics and market players together with the regulators.

In this preliminary paper, we highlight the main pricing policies used by Italian financial advisers through a survey that is carried out within the domestic context. Moreover, we provide a comparison between these policies and those that are used in other international frameworks (such as USA, UK and Australia). We find out that pricing structures for the financial counselling are quite different among the countries we analyzed. Most the cases, the pricing strongly depend upon the type of financial advisory that is provided to investors (independent or tied-agent) but it is also influenced by the dimension of the company the advisory works for together with his grounding and training.

JEL Classification: G20

Keyword: pricing, financial adviser, financial counselling.

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The paper is jointly written by both the authors. In particular, paragraphs 2,3 e 6 are to be attributed to Gianni Nicolini, while paragraphs 4 e 5 to Camilla Mazzoli.

1. Introduction

The Markets in Financial Instruments Directive (MiFID) stresses the role of financial counselling in the investment decision process. The role of the independent financial adviser and the conflicts of interest that may arise when the adviser is also involved in the delivery process of financial products and services is catching the attention of both academics and market players together with the regulators. In fact, after the introduction of the MiFID, Independent Financial Advisers (IFA) have obtained a legal appreciation and are supposed to be registered within a list that is expected to be created at the end of June 2009. This provision represents an important step in

the long debate about financial counselling in Italy that is, anyway, beyond the purpose of this study. What we are interested in, at this time, is to analyze the pricing solutions that are used among the different categories of Italian financial adviser.

Financial advisers, both independent or not, play an important role in providing investors with tools that should help them to identify their needs and plan tailored investment strategies. Most the cases, the adviser only assists the investors in his financial decisions; nevertheless, the customer could also decide to give the adviser full independence in making investment choices on his behalf and, in this last case, the selection of the financial adviser becomes crucial.

The impossibility for the investor to evaluate the quality of the adviser in advance leads him to rely on trust aspects such as: the brand of the company the adviser works for, the education and job titles and certifications and, of course, the pricing policy. The different pricing solutions that feature the financial counselling (commissions, fees, etc.) and their various combinations (e.g. flat-fees, hourly fees, etc.) are certainly a key point in the choice of the best financial adviser.

In this paper we provide the results of a survey that we carried out among a sample of Italian financial advisers about the main features of the pricing solutions for the financial counselling. Moreover, we compare the information obtained through the survey with those we collected about other countries in order to highlight similarities and differences in the international framework.

In particular, in paragraph 2 we provide a review of the literature on the topic, in paragraph 3 we analyze the main pricing structures for the financial counselling in the USA, UK and Australian context, paragraph 4 shows the data and methodology of the survey and we then provide the main findings and conclusions

2. Literature review

The literature about financial counselling is mainly focused on the relationship between the advisory and the delivery of products and services. The different combinations of these two aspects lead to the distinction between Independent Financial Advisers (IFA) and non independent financial advisers (tied-agents). According to Clark (1999), the IFA can be recognized as new professional figure only if two conditions are satisfied: 1) it represents the evolution of a well renowned profession 2) it is validated by the presence of a need in the demand side of the market for the services that are offered. As far as the first condition is concerned, the negotiation of investment services and products represents the profession that the financial counselling comes from (even if with some differences because the advisory usually precedes and not always leads to a negotiation). With reference to the second condition, the professional nature of financial counselling is evidenced by the presence of investors that apply to different professionals for the advisory and negotiation services.

From another point of view, the financial counselling is validated by the need of investors of a professional figure that is able to obtain more and better information (*access to information*), that can better use the information he collects thanks to his competence (*skills*) and that is able to develop investment plans producing lower costs compared to those the investors should bear in case of a self-made strategy (*lower costs*) (Black, Ciccotello, Skipper 2002).

All the three aspects above mentioned are deeply investigated in different papers that focus on the importance of information in the investment decision process (Durkin, Ellihausen 1990), on the risks deriving from the presence of cognitive mistakes in the information processing (Kotlikoff et al. 2001) and on the costs that are to be assumed in order to collect information (Vissing-Jorgensen 2003).

Another stream of studies is focused on the existence of the basic conditions that are necessary for a development of the demand of financial counselling. In particular, low levels of financial literacy among investors and little interest in the self-management of one's economic situation are the basis for the need of financial advisory. A low level of perceived expertise in financial management, a large amount of total financial assets, and a high opportunity cost of time enhance the perceived value of information intermediaries thus increasing the likelihood of using financial advisers (Lee e Cho 2005). Moreover, the inability of investors in selecting the relevant information from the amount of data they get highlights a "data smog" phenomenon that leads to an increase in the demand for financial counselling (Gifford 2001). Davis and Carr (1992) stress the tendency of investors to be superficial in the self-management of their financial situation. In particular, they provide evidence that investors do not make any periodic budgeting and they do not collect savings to cover eventual future expenses. Moreover, their behaviour does not change after reminders such as meetings with professionals and training courses.

Other evidences of the need for financial counselling within the investment industry are the low propensity of investors for the shopping-around (Lee, Hogart 2000; Cook, Early, Ketteringham 2002; Clark 1999; Ottaviani 2000). This last aspect plays a double role on the financial counselling. On the one hand, investors making use of financial advisory services are less in the need of shopping-around as the financial advisory enlarges the range of products and services the investors can choose among; on the other hand, there is a risk of less shopping-around in the selection of the financial adviser. The investor could travel along the shortest path asking for financial advisory from his bank or investment company without shopping around the solutions that other advisers could provide (Ravald e Grönroos 1996). The main concern is that, in these cases, the adviser likely provides the delivery of financial products, as well, thus acting in a situation of conflict of interests. This concern arises from the awareness that, most the cases, investors are not able to correctly evaluate the financial advisory they pay for because of their lack of financial competence and because of the large heterogeneity of the services. Some authors circumscribe financial counselling to money management, tax-planning, investment for goals and emergency planning (Chieffe e Rakes 1999); some others also include retirement planning and real-estate planning (Hung, Clancy, Dominitz, Talley, Berrebi, Suvankulov 2008). The inability of comparing the different financial advisory services could lead investors to heuristic decision processes where the choice only depends upon the perceived quality and pricing ratio (Graf and Mass 2008). With reference to the quality of the financial advisory, some authors demonstrate that investors often use the education and training of the adviser as a proxy of the quality (Bigel 1998), even if the opinion of the investor about the adviser is often strongly influenced by the communicative skills of this last one (Johnson and Grayson 2005). Many studies show that when choosing a financial adviser, investor often give great importance to his honesty and discretion more than to his competence and skills (Bae e Sandager 1997; Martenson 2008).

With reference to the pricing, it has to be stated that it mainly depends upon the category of financial adviser we are considering. The distinction between IFA and tied-agent previously mentioned is strongly reflected in the pricing solutions that characterize the two categories.

Independent Financial Advisers give advice to the investors without having, both directly and non directly, any kind of relationship with financial intermediaries that provide placing or delivery of financial products. Moreover, they are only paid by the investors they give advice to and are tied to the investor by a contract that only regulates the advisory service. On the contrary, tied-agents work as advisers but they are also linked to a financial intermediary that is active in the delivery and placing activity of financial products. This link creates an overlapping of roles for the advisers whose consequence is a pricing model that is a combination of the advisory and delivery

components that not always can be easily split. From the normative point of view, the clear distinction between IFA and tied-agent has evolved in intermediate solutions in other context. For example, in the UK we can find multi-tied-agent that, even though not independent, work for a multitude of financial intermediaries thus realizing a compromise between an independent adviser and a tied-agent one. Something similar can be found in the Australian market, where IFAs are set against franchised financial planners and employees (Bennett 2000). These last ones can be identified with the tied-agents, while franchised financial planner work on the basis of a relationship with an advisory company. In the USA the distinction between broker-dealer and financial planner is the key point (Hung, Clancy, Dominitz, Talley, Berrei and Suvankulov 2008). Once again, the distinction is mainly based on the pricing policy. A broker-dealer occasionally gives advice and he does not receive any “special compensation” for that.

The analysis of the single components of the pricing leads to the distinction between fees that are addressed to the advisory service and commissions due for the placement and delivery of financial products. Moreover, this division paves the way for the opposition of IFA and tied-agent that has been already deepened before. The analysis of the UK market (O’Neil 2002) shows that IFAs are more used to be paid by periodic fees, but they also apply compensation levy, pension levy and ombudsman levy. In the USA (Hung, Clancy, Dominitz, Talley, Berrei and Suvankulov 2008) the pricing structures are even more flexible and featured by asset under management based fee, subscription fee, fixed fee, hourly fee, performance based fee, transaction based fee, flat fee and minimum annual fee. In terms of the choice of the pricing model, literature focuses on the pros and cons of the different models. Liu (2005) maintains that asset-based fee represents a sub-optimal solution for investors as they push the planner to take too much risk while Das e Sundaram (2002) and Palombino and Pratt (2002) are persuaded that the performance bonus are the best solution in order to minimize monitoring cost on the quality of the service that is provided to investors.

Starting from the importance of the pricing within the financial advisory service, in this paper we analyze the main differences in the pricing policies of different countries in order to compare more mature markets, where the IFAs are well-known and widespread figures, with less mature contexts where IFAs have just appeared.

3. The pricing structures of USA, UK and Australia

The huge differences that set apart Anglo-Saxon and European financial systems can be also track down in the larger presence of independent financial advisory in the first ones. This gap leads us to consider the Anglo-Saxon markets as mature frameworks that represent a benchmark for the less mature European markets where the distinction between advisory and trading has just emerged.

As already stressed in the literature review, the range of pricing solutions that feature the financial counselling market is so large that makes impossible a full recognition of all its different solutions even if we concentrate on a particular type of advisory (Jones, Lesseig e Smythe 2005). A survey that was carried out in the USA market shows that in the 97% of the cases, financial advisers make use of asset-based fees (Hung, Clancy, Dominitz, Talley, Berrei and Suvankulov 2008), thus confirming the importance of dimension variable in the pricing policy. Moreover, in the 50% of cases fixed-fee arrangements are used and in the 44% advisers are paid through hourly fees. Minimum annual fees are taken into account and they decrease as the asset under management (AUM) gets higher. The average commission is 1.25% if the AUM are between 100,000\$ and 1Mln\$ and decrease to 0.25% in case of AUM higher than 10Mln\$. The evidence of a huge presence of independent financial advisers in the USA market is given by the low percentage (13%) of cases where the adviser is also paid by commission on the products they sell.

The Australian market is featured by the 16% of advisers whose pricing policy is only-fee based, while the 21% include the cost for the advisory in the price of the products they sell (commissions) and the 61% is paid by fees and commission (ASIC 2003). In this last case, the commission represent the 75% of the whole payment thus providing evidence of a prevalence of tied-agent over independent financial advisers.

The analyses on the UK market (O'Neil 2002) on a sample of 169 IFA¹ show a cost of financial counselling per year around 1,121£, where periodic fees are the 54.15% of the total amount while compensation levy are the 41.92% and pension & ombudsman levies are the 3.93%. Moreover, it is shown that as the dimension of the company the financial adviser works for increase, the cost of the financial counselling decreases. In particular, it is around 1,790£ per year for a single IFA, 1,313£ when the firm is made up of 2 or 3 advisers and decreases to 973£ if the advisers are more than 4.

4. Data and Methodology

We collected data through a questionnaire that was sent to a sample of 3,115 advisers working for investment firms (Società di Intermediazione Mobiliare – SIM) or banks, tied-agent and independent advisers. In the case of advisers working for investment firms or banks, the questionnaire was sent to the 100% of those that are qualified to work in Italy, for the independent advisers we referred to their main association (NAFOP – National Association of Fee Only Planners), while for tied-agent we received a sample from the Italian headquarter of the €FPA (European Financial Planning Association) of people belonging to the €FA² e €FP³ associations. The request of taking part to the study was sent to each of the 3,115 people in the sample by e-mail. Each e-mail contained a personalized username and a password that the adviser was requested to use when deciding to fulfil the questionnaire through a dedicated web page. This web page gave the adviser the guarantee of extreme privacy because once the anonymous subject filled the questionnaire, data were sent directly to a server without any possibility to be associated to the person that created them. The collection period went from the 27th of March to the 27th of April 2009. During this period we were able to collect 323 responses that represent the 10.4% of the sample we targeted.

The questionnaire was made up of 27 questions that belong to three main groups. First of all we were interested in collecting information about the main features of the adviser (such as his type, dimension of the firm he works for in terms of number of branches and employees, geographical extension of his activity, education and training in the financial sector, etc.); then we asked information about the main features of the financial advisory he provides to investors (type of advisory, products and services he eventually sells together with the advisory, internal or external origin of the products he sells, minimum threshold that is requested to customers in order to enter and/or maintain the financial advisory, etc.). Finally, we investigated the pricing structures that are used within the different types of advisers. In order to identify possible relationships between the pricing and the main features of the advisory we included questions about the training of the adviser (presence of certifications, frequency of training and refresher courses, etc.) together with other aspects such as the characteristics of the meeting with customers, the way the adviser gives reports about the investments, etc.

¹ The study, that is realized through questionnaires, involves 500 of the 4,455 IFA registered with FSA. Starting from 500 questionnaires, 169 are those that were fulfilled and considered for the study.

² The title €FA – European Financial Adviser – is given by €FPA Italia an examination that is addressed to test the good financial competences and skills of the adviser.

³ The title €FP – European Financial Planner – is given by €FPA Italia as an advanced certification after the €FA.

Moreover, some questions are on purpose similar to those already mentioned into questionnaires that are used in the USA (Hung et al., 2008), in the Australian context (ASIC, 2003) and in the UK (O’Neil, 2002). This is done to allow an international comparison of the Italian financial advisory pricing structures.

Table 1 provides some information about the type of financial advisers that belongs to the sample of 323 subjects that took part to the study. The sample is mainly made up of tied-agents (59% of respondents). Advisers working within banks (both small and big) or investment firms and advisory companies make up together the next largest proportion (26%). Independent financial advisers (fee-only) represent only the 13% of the sample. If we interpret these percentages as a proxy of the presence of each type of adviser in the Italian market, the low percentage of independent financial advisers might give a sensation about the short supply of this professional figure in Italy compared to the other categories. From now on we will split the sample into three groups based on the type of adviser. The first group is made of advisers working within banks (both small and big) or investment firms and advisory companies and cannot be independent by definition (we will refer to this group as “banks”); the second group is made of tied-agents and is more likely to be not independent but not by definition; the third group is made of independent advisers. The geographical extension of the activity (table 2) informs about a larger presence of financial advisers working in the centre and north of Italy compared to those working in the south and islands. The presence of advisers over all the areas and the high probability that the financial development is coherent with the geographical settlement of the sample lead us to consider the results as highly representative of the Italian market as a whole.

As far as the type of financial counselling that is provided to investors, table 3 shows that the majority of the sample is oriented towards the financial planning, even if the portfolio management and the pension planning are relevant, as well.

The data we collected were analyzed in order to verify some hypothesis and compare the results with those obtained in the Anglo-Saxon frame work (O’Neil 2002; ASIC 2003; Bae, Sandager 1997).

Table 1- Percentage of financial advisers by category

Category	Percentage in the sample
Big Banks (Spa)	14%
Small Banks (BCC)	5%
Investment firms (SIM)	5%
Advisory companies	2%
Independent financial adviser	13%
Tied-agents	59%
Missing	3%
Total	100%

Table 2 - Geographical division

Geographical Division	Percentage in the sample
National	41%
North-East	20%
North-West	14%
Centre	15%
South	6%
Islands (Sardinia and Sicily)	2%
Missing	4%
Total	100%

Table 3 – Type of financial counselling

Type of advisory	Percentage in the sample
Portfolio management	56.0%
Financial planning	85.8%
Pension planning	63.5%
Tax planning	17.3%

The first hypothesis deals with the relationship between the pricing and the type of financial adviser; in particular we stress the distinction between fee-only advisers (IFA) and tied agents. We assume that IFAs are featured by fee-based pricing models where the investor is the only source of compensation for the adviser. On the contrary, tied-agents should rely on more complex pricing solutions as they receive both fees for the advisory services and commissions for the products they sell to their customers. This means that we expect fee-only advisers to be associated to fixed fees and hourly fees and tied-agent together with advisers working within banks to rely on AUM fees and performance commissions.

H₁: IFAs are featured by fee-based pricing solutions while tied-agents show more complex combinations of fees and commissions.

A second hypothesis handles the connection between the pricing and the dimension of the firms the adviser works for. The presence of a multitude of employees and branches that features large advisory firms imposes the need of a clear and standardized pricing policy that does not leave much space to flexibility. On the contrary, self-employed advisers or advisers working for small firms can make use of a flexible pricing policy as a tool to increase the customer satisfaction.

H₂: The flexibility of the pricing policy is inversely related to the dimension of the advisory firm.

The last hypothesis deals with the link between the pricing and the education and training of financial advisers. We expect that advisers showing higher levels of education and financial competence tend to impose more expensive pricing policies to customers. Still, the need to overcome the absence of a precise measure of competence and education, pushed us to use proxies that are given by certifications, experience, education levels, etc.

H₃: The more skilled the advisers, the more expensive his pricing policy.

The hypotheses are tested through descriptive statistics of the sample and through cross-frequencies that are applied to the whole sample and to sub-groups as we show in the following paragraph.

5. Results

H₁: IFAs are featured by fee-based pricing structures while tied-agents show more complex combinations of fees and commissions.

The analysis of the responses that the sample gave to the questions included in the questionnaire does not allow us to confirm in the Italian market the clear distinction between fee-only advisers and tied-agents that is typical of the Anglo-Saxon framework, at least as far as the pricing models are concerned. In fact, as table 4 shows, the extreme heterogeneity of the pricing solutions that are used within each of the category of adviser makes impossible for us to create a one-way link between the type of financial adviser and the pricing model he is featured by. Table 4 shows that a large proportion of IFAs (24.5%) relies on fixed fees that are typical of independent advisory

services and another large proportion of them (30.8%) is paid by a percentage of AUM that is used within independent financial advisory contexts, as well. Still, only the 2% of the IFA relies on the hourly solution that on the contrary, seem to be more appreciated by banks (6.2%).

Table 4 – Cross tab between category of adviser and pricing model

	Fixed fees	Hourly fees	% AUM	Mix fixed+AUM	Performance commission	% number of transactions	Mix fixed+trans.	Total
Banks	12.3%	6.2%	30.8%	12.3%	24.6%	1.5%	12.3%	100%
Tied-Agents	5.4%	1.8%	57.5%	9.6%	20.4%	0.0%	5.4%	100%
IFA	24.5%	2.0%	30.6%	18.4%	0.0%	0.0%	24.5%	100%

Table 5 – Frequency of pricing model

Price components	%
Fixed fees	11%
Hourly	3%
% AUM	50%
Performance commission	19%
Number of transactions	0%
Mix fixed+trans.	3%
Mix fixed+AUM	12.5%
Total	100%

Further on, as table 5 shows, the percentage of AUM seems to be the preferred solution across all the sample (50%). This results is coherent with Horowitz (2004) who maintains that asset based pricing solutions are appreciated by advisers as they generate revenues no matter if and how frequently the investor makes investments or withdrawals. The result is also in line with what happens in the USA. Hung et al. (2008) demonstrate that 97% of the financial advisers make use of an AUM based pricing solution. The second pricing policy that seems to be appreciated the most within our sample is the performance commission (19%), followed by mixed solutions such as a combination of fixed commissions and AUM (12.5%) or a mixed solution of fixed commission and number of transactions (3%). According to Armellini et al. (2007), the hourly fee solution is rarely used across all of the sample. This could be due to the high expenses it imposes together with the impossibility of ascribing the exact cost to each of the investors the adviser works for. This is confirmed by the information about the minimum threshold that is requested to customers. In the 70% of cases, there is not any minimum threshold; as a consequence, the adviser is supposed to provide financial counselling even to retail customers whose wealth level is not suitable to bear the cost of an hourly pricing solution. This result strongly sets apart the Italian market for the USA where, as Hung et al. (2008) demonstrate, the hourly solution is quite popular (44% of adviser use it).

At first sight, even if the pricing solutions are widespread across the sample, there is a polarization around the percentage of AUM that leads us to maintain that the Italian supply side of the market is featured by independent advisory, at least as far as the pricing is concerned. Moreover, the information about where the income of the adviser comes from confirms a strong presence of fee-only paid advisers, as table 6 shows.

Table 6 – Source of income of financial advisers

Source of Income	%
Fee-only	68.0%
Monthly wage	8.4%
Monthly wage and eventual bonus	11.8%
missing	11.8%
Total	100%

Nevertheless, the results that are provided by some opened questions inform that the situation is not exactly as it appears. In fact, the commissions the adviser obtains from the intermediary when he suggests a product to his customer are not always included in the cost of financial advisory he declares and, as a consequence, the adviser could declare he belongs to the independent advisers group. For this reason, in order to clearly discriminate independent financial advisers and tied-agents we make a cross comparison between the pricing solutions with the product selling policy. This cross-table should allow us to consider independent advisers those who declare a preference for fee-based pricing solutions but also abstain from selling financial products to customers (table 7). It is interesting to notice that, both in the column associated to percentage of AUM and fixed fees together with the hourly pricing solution, that are those usually associated to independent advisory services, large percentages declare to be financial product seller as well.

Table 7– Cross tab between pricing policy and product selling policy

	Fixed fees	Hourly	% AUM	Performance commission	number of transactions	Mix fixed+trans.	Mix fixed+AUM
Financial product seller	34%	63%	83%	92%	100%	75%	73%
Not financial product seller	66%	38%	17%	8%	0%	25%	27%
Total	100%	100%	100%	100%	100%	100%	100%

In short, our results do not seem to confirm the hypothesis 1 as we cannot clearly associate fee-based pricing policies to IFA and commission based pricing policies to tied-agents. On the contrary, our sample is featured by an extreme heterogeneity of pricing solutions and quite often, pricing solutions that are typical of independent advisory services (fixed fees and hourly fees) are used by advisers that are also financial products sellers.

H₂: The flexibility of the pricing policy is inversely related to the dimension of the advisory firm.

The analysis between the pricing policy and dimension of the adviser confirms the second hypothesis of our paper. In particular, by using the number of branches as a proxy of the dimension of the adviser table 8 shows that the more branches the adviser has the more polarized the pricing policy becomes.

Table 8– Cross tab between pricing policy and dimension of adviser (branches of the company)

	Fixed fees	Hourly	% AUM	Performance commission	number of transactions	Mix (fixed+transactions)	Mix (fixed+AUM)	Total
No branches or self-employed	14%	3%	50%	17%	1%	2%	14%	100%
2-5 branches	9%	5%	55%	12%	0%	5%	14%	100%
6-10 branches	15%	0%	31%	46%	0%	8%	0%	100%
11-20 branches	10%	10%	30%	20%	0%	0%	30%	100%
21-50 branches	0%	0%	50%	33%	0%	0%	17%	100%
51-100 branches	0%	0%	45%	36%	0%	0%	18%	100%
>100 branches	6%	0%	62%	24%	0%	6%	3%	100%

In the case of self-employed and no branches advisers the huge percentage of AUM based pricing policies (50%) is sided by fixed fees (14%), performance fees (17%), and by a combination of AUM and fixed fees (14%). On the contrary, the larger the number of branches, the more the pricing policies are polarized in the AUM based solution. Moreover, while in the case of no branches or self-employed advisers the hourly solution and the transaction fee based policies survive; in the case of advisers with lots of branches they are both ignored. We can conclude that, as expected, the pricing policy is more flexible and can be tailored over the investor in the small context while companies with many branches could impose prices to their financial advisers thus creating more standardised pricing policies for financial counselling.

H₃: The more skilled the advisers, the more expensive his pricing policy.

The analysis about the link between the pricing policy and the education and training of the adviser shows a complex picture. Table 9 shows for each category of adviser the level of educations that is required to become a professional. No graduate qualification seems to be necessary to become a financial adviser whatever the type one is considering even if, especially in the case of banks and independent financial advisers, a large percentage has a college degree and even a post-degree. This is in line to what found in the US context where almost all of the sample declares that no educational requirements is due even if the majority has a college degree (RAND 2008). On the contrary, certifications seem to be quite important across all the sample (they are required in a range of 20-30% of the cases) and they are often even more important than any post-degree specialization and once again this finding is coherent with the US context.

Table 9 – Cross tab between education and category of adviser

	Degree	Post-degree specialization	Certifications	Experience
Banks	32.5%	13.3%	26.5%	37%
Tied-agent	15.8%	6.3%	20.5%	36%
Independent adviser	39.0%	14.6%	29.3%	22%

Moreover, as table 10 shows, advisers are requested to take part to refresher courses (both internal and external). This stresses the importance that is given to the continuous updating of advisers' competences and knowledge especially in the case of banks and independent financial advisers.

Table 10 – Training provisions for adviser

	No training	Internal courses	External courses
Banks	15.7%	43.4%	32.5%
Tied-agent	24.4%	9.8%	61.0%
Independent adviser	6.8%	78.9%	10.5%

As far as the link between the pricing policy and the skills (education and training) of the advisers is concerned, table 11 seems to confirm the third hypothesis of our study. In particular, if we assume that advisory as an added cost is a proxy of more expensive pricing solutions and that advisory as an implicit cost determines cheaper pricing models, we find that advisers with graduate and post-graduate qualifications (that are assumed to be more skilled) impose to customers more expensive pricing solutions respectively in the 43.1% and 48.3% of the cases. Moreover, cheaper pricing policies are typical of less educated financial advisers such as those having a high school qualification together with certifications and experience.

Table 11 – relationship between education and pricing

	High school	Certifications	Experience	Graduated	Post-graduated
Advisory as an added cost	19.0%	31.5%	20.0%	43.1%	48.3%
Advisory as implicit cost	51.8%	38.4%	56.4%	38.9%	41.4%
Basic free and specific charged	29.2%	30.1%	23.6%	18.1%	10.3%
Total	100%	100%	100%	100%	100%

6. Conclusions

The financial counselling represents an interesting topic given its changeable nature and its multiple aspects. Still, its numerous and different normative provisions and the lack of available data make difficult to realize an international comparison on the subject.

In this preliminary study, we carried out an analysis about the different pricing structures for the financial counselling in the Italian market compared to the USA, UK and Australian ones. The analysis highlighted a relevant heterogeneity and complexity in the pricing solutions that are offered and this makes hard to provide a clear description of the framework. The net distinction between independent advisers and tied-agents (that usually reflects the difference between pure-fee-based and pure-commission-based pricing solutions) is frequent within Anglo-Saxon frameworks but becomes more opaque when referred to the Italian market. In fact, this last one is featured by midway type of advisers whose pricing policies are as much complex and unclear and cannot be easily associated to particular categories of consultants.

Still, in this paper we were able to observe similarities and contrasts between the Italian supply side of the market and the Anglo-Saxon one. In particular, the relevant use of asset-based fees characterizes both the USA and our domestic market while the hourly pricing solutions that is significant in the American context is almost totally ignored in the Italian one. Similarities emerge from the comparison between the Italian and the Australian markets where tied-agents are the largest proportion among the different categories of advisers.

Moreover, our survey about the pricing solutions in the Italian supply side of the market brings up some specific considerations. Even if the development of the financial counselling, and of the independent one in particular, renders Italy a less mature context compared to the Anglo-Saxon ones, the presence of advisers with different dimensions permits a higher flexibility in the pricing solutions that are used. In particular, the smaller is the firm the adviser works for, the more tailored is the pricing policy that he is able to offer to the customer. Moreover, with reference to the skills of the adviser, we found out that the more educated the counsellors, the more expensive is the advisory he provides. In short, the features of the Italian advisory market and its differences with more mature contexts can be ascribed on the one hand to a heavy presence of tied-agents in the market and on the other hand to a maturity of the market that is lower compared to the experience of Anglo-Saxon contexts.

With reference to the improvements we already planned to make in the future, we will enlarge the perspective of analysis by inserting the paper in the huge debate that the financial counselling has been subject to in the recent years. Moreover, we will try to deepen the analysis by including other features of the financial advisory (apart from the pricing solutions) likely conducting a survey on the Italian demand side of the market, as well. Finally, we will try to build a pricing model that should allow a better understanding of the variables that could affect the different pricing solutions that are used at the moment.

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