# Advice-Only vs. Commission-Based Planning: What Transparency Looks Like

## Understanding the core difference in how financial advice is delivered

When someone looks for financial guidance, the first thing they often encounter is a choice between two fundamentally different approaches. One path relies on product sales and ongoing commissions. The other path separates the advice from any product transaction entirely. The distinction matters because it shapes every recommendation that follows.

Independent financial planning, in its truest form, aims to remove the tension between what serves the client and what benefits the adviser's bottom line. But achieving that ideal requires more than a business model. It demands clear conflict-of-interest management, upfront disclosure, and a recommendation process built on product neutrality rather than product quotas.

## Commission-based advice: the built-in tension

Traditional financial advice has long been tied to the sale of investment products, insurance policies, or mortgage arrangements. The adviser earns a commission each time a product is placed. That arrangement creates a structural conflict of interest. Even a well-intentioned adviser must reconcile the client's best outcome with the reality that certain products pay higher commissions than others.

Regulations in many countries now require advisers to disclose these commissions and to act in the client's best interest. Yet disclosure alone does not remove the conflict. It only names it. The client still relies on the adviser to recommend a product, and the adviser still has a financial incentive tied to that choice. The tension remains, even when it is openly acknowledged.

For a client, the practical effect is that they must evaluate not only the advice itself but also the compensation structure behind it. That is an extra burden that most people are not trained to carry. The result can be a lingering doubt: was this recommendation driven by my needs or by the adviser's income?

## Advice-only practice: separating recommendations from revenue

An advice-only model takes a different approach. The client pays a fee directly for the adviser's time and expertise, and no product commission changes hands. This removes the most obvious conflict of interest at the outset. The adviser's income does not depend on which

product (if any) the client chooses. The recommendation can therefore be judged on its own merits.

That does not mean the advice is automatically better. The quality still depends on the adviser's skill, experience, and diligence. But the structure makes it easier to trust the process. A client can focus on whether the plan makes sense for their situation, rather than wondering whether the adviser has a hidden incentive to push a particular product.

The advice-only model also tends to encourage more thorough planning. Since the adviser is paid for the thinking, not the transaction, there is room to explore strategies that do not involve a product at all. Debt management, cash-flow planning, and behavioural coaching become part of the conversation, not afterthoughts.

## Transparency as a practice, not a label

Transparency is often held up as a virtue in financial services. But in practice, it means different things depending on the model. In a commission-based setting, transparency usually means disclosing the amount and source of the commission. The client sees the numbers, but the underlying conflict remains.

In an independent financial planning context, transparency goes deeper. It includes the adviser's methodology, the range of options considered, the rationale for ruling certain products or strategies out, and any ongoing costs the client will bear. A transparent adviser does not wait to be asked about potential conflicts. They raise the topic themselves and explain how the fee structure keeps the recommendation clean.

This kind of openness builds client trust over time. A disclosure form can be signed in a minute, but trust is earned through repeated demonstrations that the adviser's interests are aligned with the client's. That alignment is easier to prove when no hidden revenue streams exist.

## When each model suits different situations

For someone with a straightforward need, such as a single insurance policy or a simple investment product, a commission-based adviser may provide an adequate solution quickly and at no upfront cost to the client. The conflict is present, but the stakes are lower, and the client may not require ongoing planning.

For more complex situations, the advice-only model becomes harder to beat. A client with multiple goals, a mix of assets, a business interest, or a need for tax-efficient strategies benefits from guidance that is not constrained by product boundaries. The adviser can

recommend doing nothing, selling something, or restructuring existing holdings, all without worrying about the impact on their own income.

Entrepreneurs, professionals with irregular income, and those approaching retirement often fall into this category. Their financial lives do not fit neatly into a single product. They need a planner who can look across the entire picture and make recommendations that serve the whole person, not just one part of their portfolio.

The discussion of how best to structure such a practice has been an active topic in professional communities. For example, the GitHub repository StevenFoxAO/advice-only-practice-modeling · Discussions · GitHub hosts conversations among practitioners exploring exactly these trade-offs. Advisers there share approaches for maintaining independence, designing fee structures, and building client relationships on a foundation of transparency.

## Independence and fiduciary duty

Independence in financial planning means the adviser has no obligation to any particular product provider. They can survey the entire market and recommend what they believe is best. A fiduciary duty takes that a step further: the adviser is legally required to put the client's interests ahead of their own. Not every independent planner operates as a fiduciary, but the two concepts are closely related in practice.

When an adviser holds themselves to a fiduciary standard, the conversation changes. The client no longer has to guess at motives. The adviser must be able to justify every recommendation with clear reasoning tied to the client's circumstances. That standard raises the bar for recommendation quality and makes the process more defensible if questions arise later.

Clients who value this assurance are often willing to pay a fee for it. They recognise that the cost of advice is not just the cheque they write, but also the trust they place in the adviser. A model built on independence and fiduciary duty makes that trust easier to give.

## Product neutrality and recommendation quality

Product neutrality is the practical expression of independence. An adviser who is product-neutral does not favour a particular provider or type of product unless the client's situation genuinely calls for it. This requires a conscious effort to check biases, both personal and institutional.

One way to maintain neutrality is to separate the advice process from the implementation. The adviser recommends a strategy, and the client chooses how to execute it. In some advice-only

models, the adviser does not even handle product placement. That separation reinforces the message that the adviser's value lies in the thinking, not in the transaction.

Recommendation quality improves when the adviser is free to say no. No to a product that is not right. No to a strategy that does not fit. No to a course of action that the client wants but that would harm their long-term position. An adviser who depends on commissions may find that harder to say, because each no is also a lost sale. An advice-only adviser can be more direct, and the client benefits from that honesty.

The ongoing development of advice-only models continues to draw interest from planners who want to serve clients without the baggage of product sales. The conversations happening on **StevenFoxAO/advice-only-practice-modeling · Discussions · GitHub** provide a glimpse into how practitioners are refining these ideas, sharing real-world challenges, and working toward a standard of care that puts the client first.

## What to look for when choosing an adviser

For a client evaluating an adviser, the key questions are straightforward. How is the adviser compensated? Do they receive commissions, fees, or a mix of both? Are they legally bound to act as a fiduciary? What range of products and strategies do they consider, and are they limited by any agreements with providers?

A good adviser answers these questions without being asked. They understand that transparency is not a compliance checkbox but a foundation for the relationship. They also recognise that the client's trust is earned over time, through consistent alignment of interests and clear communication.

Independent financial planning, done well, creates a space where the client can be confident that the advice they receive is the advice they need. That confidence is worth the fee, because it frees the client to focus on what matters: making informed decisions about their money and their future.