



**Advice-only, Flat Fee Advisors  
A New Model to  
Help DIY Investors**



## Passive Investing, Active Planning

DIY investors often pride themselves on managing their own portfolios, using low-cost **passive investments** like index funds to match market returns. Indeed, **passive investing** has a strong track record: year after year, most professional stock pickers (active fund managers) fail to beat the market. According to S&P's SPIVA Scorecard, roughly *80–90% of active stock funds underperform their benchmarks over long periods*. In one analysis of U.S. large-cap funds, nearly 90% lagged the S&P 500 over 15 years, meaning barely 1 in 10 active funds succeeded in outperforming the index in that timeframe. The evidence is clear that simply **buying and holding diversified index funds** can yield returns as good as or better than most expensive actively-managed strategies. So if you're a DIY investor already using passive index strategies, you're likely on the right track – you're avoiding high fund fees and performance chasing that hurt many investors.

However, investing is **only one piece of the puzzle**. This is where a **financial advisor** can add significant value – not by picking hot stocks or timing the market (which research shows is a losing game), but by providing *holistic financial planning, discipline, and cost-efficient strategies* that complement your DIY investing. In particular, **flat-fee, advice-only advisors** offer a compelling model for DIY investors. They deliver professional guidance on **financial planning, taxes, and investment strategy** for a transparent flat fee, **without taking a percentage of your assets** or selling commissioned products. This approach can benefit a broad range of investors – from those just starting out to those in retirement – by **scaling advice** to the client's needs while keeping costs low. Below, we break down the unique value a flat-fee advisor can provide to a DIY investor, and why **lower fees and sound planning can supercharge your returns** over time.

## The Case for Low-Cost, Passive Investing

It's important to understand **why passive investing is favored** by many DIY investors and consumer-centric advisors. Passive strategies (e.g. using index funds or ETFs that mirror market indexes) generally **outperform the majority of active managers after costs**. The SPIVA research mentioned above demonstrates that most active funds lag their benchmarks, especially over longer horizons. In fact, as the time period lengthens, the odds of an active fund beating the market approach zero – S&P found that over a 15-year period, **there were no fund categories in which the majority of active managers outperformed their index**. High fees and trading costs act as headwinds for active funds, creating a “**fee drag**” that the average manager fails to overcome.

For DIY investors, the takeaway is that **you don't need expensive fund managers to achieve market returns**. A portfolio of broadly diversified index funds can capture market performance at very low cost. Numerous studies (and legendary investors like John Bogle) have pointed out that *keeping investment costs minimal* and staying invested for the long run leads to better outcomes for most people. The appeal of doing it yourself is clear: by avoiding the typical 1%–2% annual expense ratios of many active funds (and the additional 1% AUM fee a traditional advisor might charge), **you keep more of your money working for you**.

But does going passive and DIY mean you're completely on your own? Not necessarily. Even savvy investors can benefit from **expert advice on financial planning** – the key is obtaining that advice in a cost-effective way that doesn't negate the cost savings of passive investing. This is where **flat-fee, advice-only financial advisors** enter the picture as valuable partners for DIY investors.



## How Advisors Add Value for DIY Investors

A good financial advisor's value extends far beyond picking investments. Vanguard research has conceptualized this as **"Advisor's Alpha"** – the extra return (or value) an advisor can add through smart planning and investor coaching rather than market timing. Vanguard's analysis found that *advisors can add around 3% in net annual returns for clients* by focusing on areas like **behavioral coaching, tax planning, and cost-efficient investing**. In other words, professional advice can potentially boost your **effective** returns by several percentage points, not by beating the market, but by helping you **avoid mistakes** and **make the most of what the market offers**.

According to Vanguard's framework, here are some of the **biggest sources of advisor value-add**:

- **Behavioral coaching (up to ~2% per year)** – Perhaps the most important benefit. Advisors help prevent costly mistakes driven by emotion, such as panic-selling during downturns or chasing fads. This *behavioral guidance* keeps DIY investors disciplined and "staying the course," which studies show leads to higher long-term returns than the average self-directed investor achieves.
- **Optimal spending/withdrawal strategies (up to ~1.2% per year)** – For those nearing retirement or withdrawing income, advisors provide planning to **maximize sustainable withdrawals**. This includes tax-efficient withdrawal sequences (e.g. which accounts to draw from first), Social Security timing, and ensuring your portfolio mix supports your income needs.
- **Tax-efficient investing ("asset location," ~0.6% per year)** – Advisors help ensure you're holding investments in the right accounts (taxable vs. tax-advantaged) to **minimize taxes** on interest, dividends, and capital gains. For example, holding tax-efficient index funds in a taxable account and reserving tax-deferred accounts for income-generating assets can boost your *after-tax returns*. This kind of tax optimization is an often-overlooked way to improve performance without taking more risk.
- **Cost-effective implementation (~0.3% per year)** – A flat-fee advisor will typically recommend **low-cost funds** (like Vanguard or iShares index funds) and avoid high expense ratios or unnecessary trading. Simply using *cheaper investment products* can save tens of basis points in performance annually. Over time those savings compound.
- **Regular rebalancing (~0.1–0.2% per year)** – Keeping your portfolio aligned with your target mix (e.g. 60% stocks/40% bonds) through periodic rebalancing adds a small boost to returns and controls risk. An advisor can automate or guide your rebalancing process so you maintain your desired risk level efficiently.

These contributions may sound small in isolation, but together they can easily sum to a few **percentage points of improved outcomes each year**. That is **real money**: for instance, Vanguard notes that applying a roughly 3% improvement per year could translate to **75% more wealth over 20 years** compared to going it completely alone.

In plain English: **a financial planner can "supercharge" a DIY investor's results not by outperforming the market, but by making sure you don't underperform yourself**. They provide a steady hand, a second set of eyes, and a depth of planning expertise that helps you **optimize every aspect of your financial life** – from ensuring you're saving enough, to fine-tuning your asset allocation, to planning for college or retirement, to protecting your family with the right insurance and estate documents. All of these elements come together to improve your **financial outcome**. For a DIY investor who already knows the importance of low-cost investing, partnering with an advisor who respects that philosophy can take you to the next level.



## The Flat-Fee, Advice-Only Model – Putting the Investor First

Not all financial advisors are the same. Traditional financial advisors often charge a fee based on **assets under management (AUM)** – commonly around 1% of your portfolio each year – or earn commissions by selling investment products. In contrast, **flat-fee, advice-only advisors** charge a **transparent fixed fee** (for example, a flat annual or monthly retainer, or an hourly/project-based fee) for providing advice. They typically *do not take custody of your investments or charge based on your asset size*, and they **don't earn commissions** for selling any financial products. This model offers several unique advantages for DIY investors:

- **Cost Savings – Keep More of Your Returns:** With a flat fee, the cost to you *does not automatically balloon as your portfolio grows*. Traditional 1%-of-assets fees can become **very expensive over time**, eating into your returns. For example, a 1% AUM fee on a \$1 million portfolio is \$10,000 per year. If your portfolio earns, say, 6% (\$60k) that year, a 1% advisor would take **one-sixth of your returns** right off the bat. Over decades, that drag is enormous. By contrast, a flat-fee advisor might charge a set \$250–\$2,500 per year (regardless of portfolio size), which is a **fraction of the cost** of legacy advisor models for larger portfolios. Even for smaller portfolios, flat or hourly fees often work out to less than the traditional percentage model – and you **pay only for the advice** you need. This means **more of your investment growth stays in your pocket** to compound for the future.
- **No Percentage Fee = No “Tax” on Withdrawals:** High fees are especially painful in **retirement**. Imagine you plan to withdraw about 4% of your nest egg each year to live on (a common rule of thumb for sustainable withdrawals). If you're paying a 1% AUM fee, that's *on top of* your 4% withdrawal – effectively you're taking out 5% annually, but **20% of that (1/5th)** goes directly to your advisor. In fact, one analysis showed that on a \$1 million portfolio, a 4% (\$40k) withdrawal coupled with a 1% (\$10k) advisor fee means **25% of the retiree's income is consumed by the advisor's fee**. That leaves the retiree with only \$0.75 of every potential \$1.00 of withdrawal to actually spend. **Flat fees** dramatically reduce this problem: you might pay a fixed \$3k per year for advice, whether you have \$500k or \$5M invested. In percentage terms, the fee becomes *smaller* relative to larger asset bases (and as a share of withdrawals). Keeping fees low in retirement can significantly extend the life of a portfolio and **allow retirees to keep more of their hard-earned money for themselves**.
- **No Conflicts of Interest:** An **advice-only, fiduciary** advisor has **no incentive to push products** or make changes to your investments just to “justify” a higher fee. Because they don't earn commissions and their compensation doesn't depend on selling you anything or gathering your assets, their only goal is to give you *objective advice* that's in your best interest. For example, if you're a DIY investor comfortable managing your brokerage account, an advice-only planner can review your strategy and suggest improvements without trying to take control of the account. If paying off your mortgage or investing in a business is the best move for you, they will recommend it freely – even if that means *they* won't get to manage those dollars (an advisor paid by AUM might be biased against anything that removes assets from the portfolio they bill on). **Flat-fee advisors align their success with yours**, rather than profiting from specific financial products or from accumulating assets under their management.
- **Accessibility for All Portfolio Sizes:** Many traditional advisors enforce **investment minimums** (often \$250k, \$500k or more) because the AUM model only becomes lucrative above a certain asset level. This leaves a lot of **newer investors** or those with modest portfolios without access to quality advice. Flat-fee advice-only firms, on the other hand, often work with clients at any wealth level – even young professionals just starting to invest – because they charge simply for the planning service. Whether you have \$50,000 or \$5 million, you can typically engage a flat-fee planner to get a financial roadmap in place. This scalability means **advice is available when you need it most** (arguably early in your journey, to set good habits) and continues to be valuable as your wealth grows.



In short, the flat-fee, advice-only model is designed to **deliver maximum value per dollar of fee**. By minimizing the drag of fees, it preserves the low-cost advantage that DIY investors seek, while still providing the **guidance and personalization** that DIY investors may lack on their own. It marries well with the passive investing philosophy: you stick to low-cost index funds and ETFs, and your advisor focuses on optimizing everything around that – *your savings rate, your risk level, your tax strategy, your retirement plan* – for a flat fee that doesn't creep higher just because your investments grew.

## The Impact of Fees Over Time: Why Lower Costs Matter So Much

It's often said that in investing, **you can't control the markets, but you can control your costs**. Seemingly small percentage fees can have an **eye-opening impact on long-term wealth** due to compounding.

The cumulative effect of investment fees (fee drag) on a \$100,000 portfolio over 30 years is significant. This example assumes a 6% annual market return before fees. With no fees, \$100k would grow to about \$574,000 after 30 years. With a **1% annual fee**, the net growth is 5% yearly, resulting in about \$432,000 – **roughly 25% less wealth due to fees**. With a 2% fee, the portfolio grows at 4% to about \$324,000 – over 40% less than the no-fee scenario. A 1–2% yearly fee might sound small, but over decades it can cost hundreds of thousands of dollars in lost accumulation. This “fee drag” is why keeping fees low is crucial for investors.

The difference in outcomes is striking. Independent research echoes this point: the U.S. Department of Labor notes that paying **1% higher in fees can reduce your ending nest egg by around 28%** over a 35-year career. Every dollar paid in fees is a dollar *not* compounding on your behalf. This is why **cost-efficient investing and advice** makes such a difference, especially for long-term goals like retirement. By using low-cost index funds and engaging an advisor with a **low, fixed fee**, you ensure that the **lion's share of your investment growth stays working for you**.

For retirees or those drawing income, lower fees also translate to *more income you can withdraw*. As discussed, a hefty AUM fee siphons off part of the yield or cash flow your portfolio produces. Retirees can feel this in their monthly budget. Reducing fees from, say, 1% of assets to a flat annual amount could mean **thousands more dollars available each year for your expenses**, without having to take on more investment risk. Over a multi-decade retirement, that could fund additional years of spending or leave a larger legacy for your heirs.

## From Starting Out to Retirement: Scalable Advice for Every Stage

One of the great benefits of a **flat-fee advice model** is that it can scale to fit **different life stages** of an investor:

- **New Investors (Getting Started):** If you're just beginning your investment journey, you might have a smaller portfolio but face big decisions – how to budget and save, how to invest your 401(k) contributions, prioritizing paying off debt vs. investing, etc. A traditional advisor might not take you on due to a low asset balance, but a flat-fee planner can offer a *starter financial plan* or hourly sessions to get you on the right track. Setting up good habits early (like consistent saving, proper asset allocation, and insurance coverage) can yield outsized benefits later. The advisor's fee at this stage could be relatively modest (some even offer one-time planning packages), and **the value in avoiding early mistakes** – such as under-saving or buying unsuitable insurance – can far outweigh the cost. Essentially, you're **investing in your financial education and strategy**, which pays dividends for decades.



- **Mid-Career Accumulators:** As your portfolio grows and life events multiply (career progression, maybe buying a home or having children), an advice-only advisor can assist with more complex planning – for example, optimizing contributions across 401(k)s, IRAs, HSAs; tax planning each year; college savings plans; and ensuring your investment mix remains appropriate as markets move. Because the advisor’s fee isn’t tied to your now-larger portfolio, you continue to get **objective advice on managing your wealth holistically**. This is also when the *behavioral coaching* aspect is vital: during bull markets an advisor can remind you not to overextend on risk, and during bear markets they’ll help you stay calm and perhaps rebalance or tax-loss harvest. Maintaining a long-term perspective through these years can significantly improve your end results – for example, *not* selling during the 2008 or 2020 market crashes and instead staying invested would preserve the huge rebound gains that followed. A good advisor makes sure you execute these disciplined moves.
- **Pre-Retirees and Retirees:** In the years approaching retirement, the focus shifts to **preservation and income planning**. There are critical decisions about Social Security, Medicare, pension or 401(k) rollovers, and how to **draw down investments tax-efficiently**. Advisors add tremendous value here by constructing a **retirement income plan**: deciding an optimal withdrawal rate, mapping out which accounts to tap first, planning for required minimum distributions (RMDs), and managing investment risk to avoid large losses just before or early in retirement. An advice-only planner will do this in a **comprehensive, product-agnostic way** – for instance, helping you evaluate if long-term care insurance makes sense, rather than pushing anything proprietary. Once in retirement, the advisor can help with ongoing budgeting, portfolio monitoring, and adjustments to your plan as needed (for example, revising withdrawal amounts or asset allocation if the market has a major change). And as discussed, using a flat-fee advisor at this stage keeps more of your *nest egg generating income for you*. If you’ve accumulated, say, \$2 million by retirement, paying a traditional 1% advisor \$20k a year could take a **big bite out of your cash flow**. Switching to a flat-fee advisor who charges, e.g., \$1-3k/year might save you \$17k-19K annually – money that directly supports your lifestyle or healthcare needs in retirement. Those savings can be the difference in affording travel or home upgrades, or simply provide peace of mind that your money will last. **Every dollar not paid in fees is a dollar available for you to live on or to grow for your heirs.**

Throughout all these stages, an important thread is *education*. The best flat-fee advisors often emphasize **client education and empowerment**. Since they are not managing assets behind a curtain, they typically involve you in the process: you remain the driver of your financial life, with the advisor as a navigator and coach. Over time, you become a more knowledgeable investor. This aligns perfectly with the DIY ethos – you maintain **control and understanding** of your investments, while leveraging the advisor’s expertise to avoid pitfalls and seize opportunities you might not have been aware of. It’s a true partnership that can elevate a do-it-yourself investor into a “do-it-yourself with coaching” investor, which often proves to be a winning combination.

## Match DIY Investing with Pro Advice for Maximum Benefit

Being a DIY investor doesn’t mean you have to go it alone on every aspect of your finances. **Passive investing** has shown that capturing market returns at low cost is a smart strategy. **Financial planning** ensures that those returns are put to best use for your personal goals. A **flat-fee, advice-only financial advisor** can bridge that gap, providing expert guidance *without undermining your cost advantage*. They help you craft and stick to a plan, optimize taxes and cash flows, and act as a fiduciary sounding board for any financial decisions – all for a transparent fee that **leaves the vast majority of your investment gains in your hands**.



For DIY investors disillusioned with the legacy model of high-percent-of-assets fees or salesy advisors, the flat-fee approach is a breath of fresh air. It proves that quality advice **doesn't have to come with conflicts or egregious costs**. By avoiding the fee drag of traditional advisors and by embracing low-cost investments, you set yourself up for far better compounding over time. It's not an exaggeration to say this could **save you hundreds of thousands of dollars** in the long run – money that stays in your portfolio and bank account.

In summary, the **value of a financial advisor to a DIY investor** lies in *guidance, efficiency, and peace of mind*. With the right advisor – especially one who is flat-fee and advice-only – you get to **invest smarter, avoid costly mistakes, and keep more of your money**, all while retaining control over your financial journey. It's truly the best of both worlds: *do-it-yourself* where you excel, and **“do-it-together”** with an expert where their value is highest.

**Finding the Right Advisor:** If you're looking for this kind of partnership, seek out advisors who explicitly market themselves as *fee-only and advice-only fiduciaries*. For instance, **Los Gatos Financial** is a local flat-fee, advice-only firm that integrates financial education with planning. They don't manage money or charge AUM fees; instead, they provide guidance and tools so that clients can confidently manage their own investments – **saving potentially tens or even hundreds of thousands of dollars in fees** over the long term by avoiding the typical AUM model. Working with such an advisor means you can continue to invest in low-cost index funds as a DIY investor, *while having a professional in your corner*. The result is a powerful alignment of strategy and advice: **lower fees, market-level returns, and a tailored financial plan** to reach your goals. That is the true value of advice for a DIY investor – **helping you achieve better outcomes without sacrificing what makes DIY investing great**.

#### Sources:

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6. S&P Dow Jones Indices – *SPIVA Scorecard, Year-End 2023*. Finding that no majority of active managers beat the index over 15-year periods.