

A Simplified Comparisons Chart: Commissions vs. Fee-Based

Read more about the standard defining characteristics of commission-based accounts and fee-based accounts.

	Commission-Based Account	Fee-Based Account
Fee Structure	<ul style="list-style-type: none"> ✓ Usually incurs a client fee per trade <p>Accounts that incur a fee per buy or sell of a position are known as commission-based.</p>	<ul style="list-style-type: none"> ✓ No client fee per trade ¹ <p>However, fee-based accounts generally charge a percentage of assets under management (AUM), flat annual fees or hourly rates. May also be referred to as a wrap fee program.</p>
Management	<ul style="list-style-type: none"> ✓ No active portfolio management <p>A buy-and-hold strategy implies infrequent trading activity, client-directed trades. Commission accounts do not include advisor discretionary decision-making.</p>	<ul style="list-style-type: none"> ✓ Active portfolio management <p>An active management strategy implies more frequent trading activity, client-directed trades. Fee-based accounts can include advisor discretionary decision-making.</p>
Limitations	<ul style="list-style-type: none"> ✓ No account balance minimum ✓ No limitations on asset diversification and allocations 	<ul style="list-style-type: none"> ✓ May have account balance minimum ✓ May have limitations on asset diversification and allocations <p><i>Some programs may require participants to allocate no more than a certain percentage to one holding in an effort to mitigate risk and market exposure. Requirements vary by program.</i></p>
Standard	<ul style="list-style-type: none"> ✓ Suitability standard <p>The financial professional has a moral obligation to make recommendations in the client's best interest.</p>	<ul style="list-style-type: none"> ✓ Fiduciary standard <p>The financial professional has a moral and legal obligation to make recommendations in the client's best interest.</p>

More Details & Resources:

smithandcompanyfinancialservicesmidland.com/fee-models

¹ Additional servicing and account maintenance fees may apply

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