



The Radical (at the Time) Concept That Led to Client-First Financial Planning

The earliest leaders of financial planning believed compensation structure matters to ensure objective advice that puts the client's needs first.

BY DAVID BROMELKAMP, PUBLISHED APRIL 23, 2026

In the early 1980s, a small group of financial planners believed the profession could be built on a different foundation. They envisioned an advisory model in which the advisor was compensated directly by the client rather than by product providers. Their solution was simple but powerful: Fee-only compensation.

These pioneers helped establish the National Association of Personal Financial Advisors (NAPFA), an organization built around the idea that financial planners should provide comprehensive financial planning advice without accepting commissions for selling financial products.

Their goal was to remove the conflicts of interest inherent in product-based compensation and elevate financial planning as a true profession centered on the client.

A profession built on objectivity

One of the earliest advocates for this approach was Gary Pittsford, the first president of NAPFA.

Reflecting on the development of the profession, Pittsford emphasized that investor expectations have remained remarkably consistent over time.

"Financial planning has come a long way since 1969, but the core issue hasn't changed: Clients want objective advice. In my experience speaking to business owners across the country, they consistently prefer advisors who are compensated directly by their clients - not by product commissions. Fee-only compensation removes the conflict and strengthens the fiduciary relationship. That's essential for the future of this profession."

At the heart of this philosophy is a simple idea: When clients pay their advisor directly, the advisor's economic incentive is aligned with the client rather than with a product manufacturer. This alignment may sound obvious today, but in the early years of the profession, it was a radical concept. Financial advisors had historically been compensated primarily through commissions tied to product sales.

Removing the product incentive

John Sestina, one of the co-founders of NAPFA and its second president, viewed the fee-only model as a straightforward way to resolve this issue.

"In the early years, we were simply trying to do the right thing. Fee-only compensation is a logical concept for anyone who stops to think about it. Would you rather have your financial advisor focused on their personal compensation, or on your well-being as an investor? Fee-only financial planning is straightforward. It removes the product incentive and keeps the focus where it belongs - on the client."

Sestina's point highlights a key distinction in the financial advice marketplace. When advisors earn commissions from financial products, compensation may vary, depending on what they recommend. A particular mutual fund, insurance policy or annuity might pay a higher commission than another alternative.

Fee-only advisors operate differently. They're compensated directly by their clients through transparent fees for advice and services, rather than through commissions embedded in financial products.

For many investors, this structure helps clarify the relationship. The client hires the advisor for advice - much like hiring an attorney, accountant or physician.

A professional identity

Mike Leonetti, NAPFA's third president, believes that the fee-only model represents more than just a compensation structure. It's a defining statement about the profession itself.

"For clients, fee-only compensation provides confidence that their advisor isn't operating with a hidden sales agenda. For advisors, it's a defining professional statement - we are here to advise, not to sell. That distinction creates trust at the outset, and it obligates us to continually earn that trust through objective, client-first advice."

Leonetti's comment points to a broader theme: The evolution of financial planning from a product-driven industry toward a client-centered profession.

By separating advice from product sales, the early fee-only financial planners sought to position themselves as independent advisors whose primary responsibility was helping clients make informed financial decisions.

Today, investors encounter several different compensation models when choosing a financial advisor. Some advisors are paid through commissions tied to product sales. Others operate under a hybrid structure that blends fees and commissions. Some advisors follow the fee-only model championed by the early pioneers of financial planning. Understanding these differences can help investors make more informed choices about the kind of advisory relationship they want.

The early leaders of the fee-only movement believed that compensation transparency was essential for trust. By eliminating commissions, they sought to remove incentives that could influence recommendations and to build a profession focused on objective financial guidance. More than 40 years later, their core insight remains relevant: How an advisor is paid can influence how advice is delivered.

For investors seeking advice that prioritizes their interests, the pioneers of fee-only financial planning left a simple message that still resonates today: When advisors are paid directly by their clients, the relationship starts with clarity, transparency, alignment and trust.

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David Bromelkamp is an investor advocate and the founder of AdvisorSmart®, established in 2018 to provide investors with the education they need to access better financial advice. Sometimes referred to as the "Jerry Maguire of Financial Advice," he is passionate about objective financial advice and is leading the charge to educate investors about the best approach to finding objective, fee-only fiduciary financial advisors. His first book, *AdvisorSmart for the Individual Investor: Your Guide to Selecting a Financial Advisor to Get Better Financial Advice* (2025), arms consumers with the knowledge they need to succeed. He is also the author of the Mister Fiduciary blog, which explores what it means for advisors to deliver *great financial advice* by upholding the *highest fiduciary standards*.

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