What does an advice-only planner really earn per hour?

When a client pays a flat monthly retainer or a project fee, it looks like the planner keeps every dollar of that amount. In reality, what lands in the owner's pocket after all the work is done can be far less than the headline fee suggests. The question that many planners and prospective planners ask is: what is the true hourly return from this work?

The direct answer is that the "effective hourly rate" is the planner's net profit divided by total hours spent on client work, client-related preparation, and follow-up. This number is almost always lower than the planner's nominal billing rate, sometimes by a wide margin. Understanding that gap is what separates a practice that feels busy from one that is genuinely profitable.

Why the headline fee is misleading

A planner who charges a $2,000 annual retainer for a comprehensive plan might assume that each hour of client time is worth something close to the stated fee. But the fee covers far more than the time spent in meetings. Before a single meeting takes place, the planner reviews intake forms, gathers data, runs financial models, and prepares notes. After the meeting, there are follow-up emails, document revisions, phone calls, and sometimes additional research. All of that time is part of the service, but it is not billed separately. The result is that the planner's realized rate per hour of total effort is lower than the rate per hour of face-to-face time.

Even the most efficient planner experiences this dilution. The question is how much. Once you account for all the invisible hours, the effective hourly rate becomes a more honest measure of what the practice actually earns for its owner's time.

What goes into the calculation

The core math is straightforward. Take the total revenue from a client over a given period, subtract all direct costs that are specific to that client (software subscriptions, compliance fees, third-party report costs, and so on), and then divide by the total hours the planner and any directly involved staff spent on that client. The result is the contribution margin per hour for that client relationship. Aggregate that across all clients, and you have the practice's effective hourly rate.

The devil is in the details of what counts as "total hours worked." Many planners only track time they spend in meetings or writing a plan. But the list of activities that should be included is longer:

- Client intake and data collection, including reviewing documents and questionnaires
- Preparing financial models, cash flow projections, and Monte Carlo simulations
- Drafting and revising the plan document or summary report
- Meeting time, including travel if applicable
- Follow-up calls, emails, and ad hoc questions between scheduled reviews
- Annual review preparation and the review meeting itself

Each of these items adds to the total hours that a client consumes from the practice. If you only count the meeting hours, you are getting an inflated picture of your per-hour return.

Where the hidden hours live

The most common blind spot is client preparation and follow-up time. A one-hour annual review might require two hours of prep work and another hour of post-meeting tasks. That single hour of face time actually consumes four hours of staff or owner time. The planner who bills $300 for that meeting is really earning $75 per hour of total effort before any other costs.

Another source of hidden hours is the "small question" that arrives by email. A client asks a brief question about a tax form or a beneficiary designation. It seems like a five-minute answer, but by the time the planner reads the question, looks up the client's file, formulates a response, and writes the email, fifteen or twenty minutes have passed. Over the course of a year, these small interactions can add up to dozens of hours that are never captured in the billing system.

Then there is the time spent on non-client work that still affects the practice's economics: marketing, billing, compliance, professional development, and office administration. Some planners include these in their effective hourly rate calculation as an overhead burden, while others treat them separately. Either way, they reduce the net return per hour of owner time.

How an advice-only model changes the picture

Advice-only planners do not sell products or earn commissions, so their revenue comes entirely from fees. That makes the effective hourly rate a particularly important metric for them. Without product revenue to subsidize low-fee hours, every hour must earn its keep. The advice-only model forces a planner to be disciplined about what they charge and how they spend their time.

In a commission-based practice, a planner might spend twenty hours on a client who generates a large insurance commission, and the effective hourly rate can look very attractive. In an advice-only practice, the revenue per client is typically lower and more predictable, so the

margin for inefficiency is thinner. That is why advice-only planners often focus on standardization and client preparation routines that reduce non-billable hours.

Practical ways to improve your effective hourly rate

Once you know the number, you can take steps to improve it. The goal is not necessarily to charge more per meeting, but to reduce the total hours required to serve a client well. Some approaches that work:

- Use structured intake forms and checklists so that data collection happens before the first meeting, not during it
- Set a clear scope of work in the engagement letter, with defined boundaries for follow-up questions
- Batch client communications into a weekly or biweekly email rather than handling them in real time
- Build reusable financial models and plan templates that reduce custom work for each client
- Review your client list annually and consider whether low-revenue, high-time clients are worth keeping

Each of these tactics pushes the effective hourly rate higher without raising fees. For a planner who is already charging a fair market rate, the biggest lever is often time efficiency, not price.

When the number matters most

Understanding your effective hourly rate is especially valuable when you are thinking about capacity. A planner who works fifty hours a week and feels constantly behind may be surprised to learn that their effective hourly rate is lower than what an associate could earn doing a similar role. That realization can trigger a decision to raise fees, reduce scope, or hire support staff to free up owner time for higher-value work.

The number also matters when evaluating whether to take on a new client. A prospective client who looks profitable on paper may turn out to be a time sink once you factor in their communication style, their need for hand-holding, or the complexity of their situation. Running a quick estimate of the expected effective hourly rate before saying yes can prevent a costly mistake.

Finally, the metric is useful for benchmarking. Comparing your effective hourly rate to industry averages or to your own past performance gives you a sense of whether your practice is becoming more efficient or less so over time. A steadily rising number is a sign that your processes are working.

Putting it together

The effective hourly rate is not just a theoretical number. It is a practical tool that helps a planner decide how to price, how to manage time, and how to grow. The difference between a planner who earns a healthy living from advice-only work and one who feels trapped in a low-margin grind often comes down to how well they understand and manage this number. The first step is to calculate it honestly. The second is to use it as a guide for every decision about which clients to serve, what to charge, and how to structure the work.