



AI, Fees, and the Future of Advice

Why the traditional advice charging model
will not survive the next 24 months, and
what to do about it



Inside this guide

A hard look at what AI cost deflation, agentic capability, and FCA Fair Value mean for the economics of financial advice in the UK. The window for adaptation is narrower than most assume.

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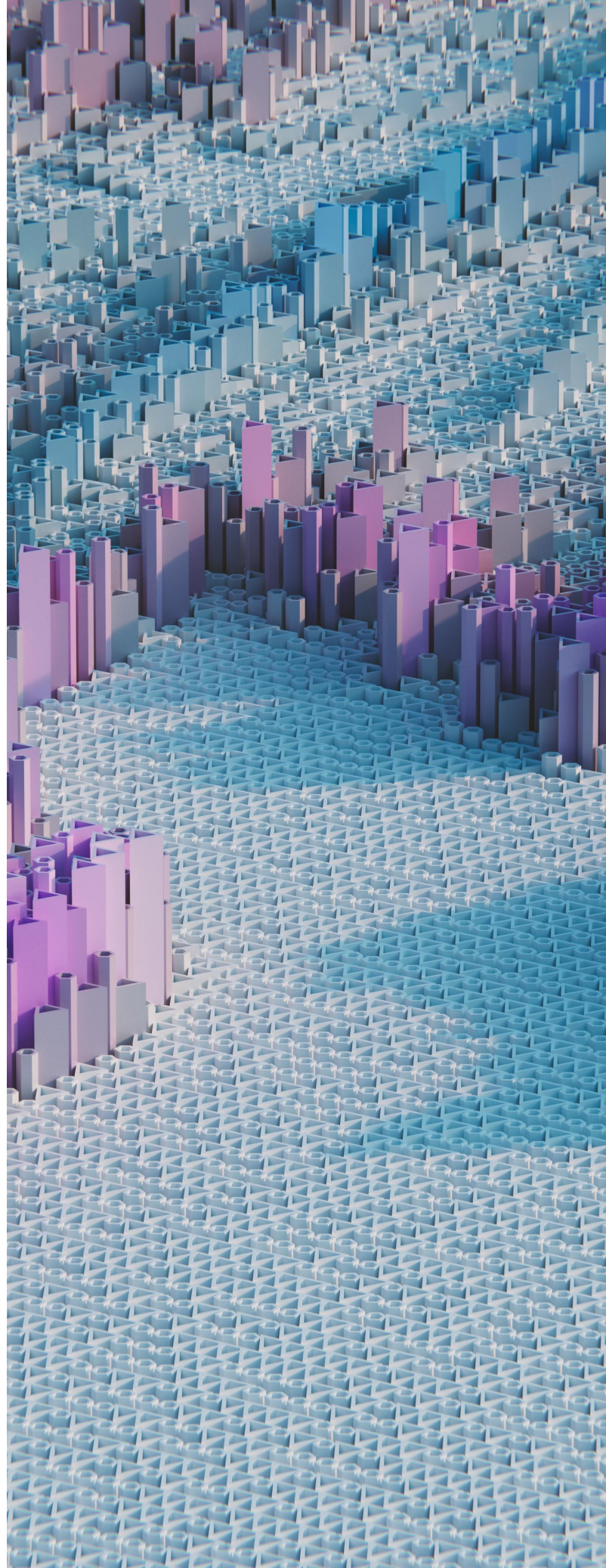
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About 8MDs

The Cost Curve: AI Deflation at Scale

The cost of AI capability is falling faster than anything the technology sector has seen before. **10x every 12 months**, according to OpenAI's CEO Sam Altman, a pace he describes as "unbelievably stronger" than Moore's Law.

For financial advice, this is an economics problem, not a technology curiosity. The services that currently justify percentage-based fees (planning, coordination, monitoring, rebalancing) are becoming available at near-zero marginal cost.



The Numbers: How Fast Costs Are Falling

Multiple independent sources point in the same direction. The data is clear and the pace is picking up.

280X

Cost reduction in 18 months

Stanford HAI 2025 AI Index: GPT-3.5-equivalent queries fell from ~£16 to ~£0.06 per million tokens

10X

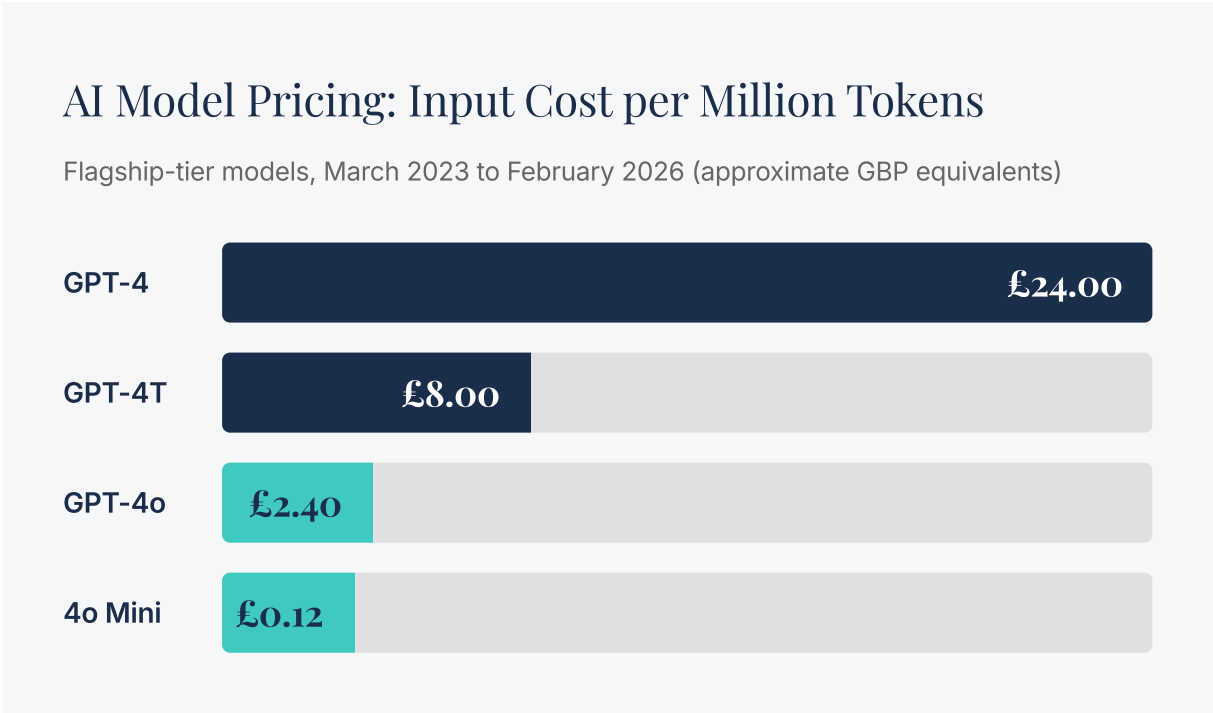
Annual cost deflation

Sam Altman: "The cost to use a given level of AI falls about 10x every 12 months"

27X

Cheaper reasoning

DeepSeek R1 delivers comparable reasoning to OpenAI o1 at 3.6% of the cost



GPT-4o Mini: ~£0.12/million tokens, a 99.5% reduction from GPT-4. Source: OpenAI API pricing

What Agentic AI Does Now

Forget five-year forecasts. Agentic AI (systems that plan, execute, and adapt without constant human input) is operational **today**.

Already Live

- **Origin (US, SEC-regulated):** The first SEC-regulated AI financial adviser. Multi-agent architecture scores 98.3% on CFP-style exam questions, outperforming top human CFPs (~85%). Launched at approximately £1 for the first year.
- **Cleo (UK-founded):** AI financial coach with voice interaction and long-term memory. Nearly 1 million paid subscribers. Approximately £220 million annual recurring revenue.
- **Visa Intelligent Commerce:** Hundreds of secure, agent-initiated transactions completed. AI agents will complete purchases autonomously in 2026.
- **Mastercard Agent Pay:** US rollout completed November 2025. AI-initiated purchases authenticated and settled through existing card rails.

The Capability That Matters

These systems go well beyond answering questions. They **coordinate across domains** (tax, investment, insurance, estate planning), access real-time market data, execute transactions, and monitor portfolios continuously. Not at annual review intervals. All day, every day.

The real question is whether clients will keep paying 1% of assets for services that AI delivers at near-zero marginal cost. KPMG projects AI will reduce advisory costs by **25-35%** and cut portfolio management operational costs by **40-50%**.

The FCA's Fair Value Trap

Even if no client leaves your practice, the FCA may still determine that your pricing is unfair compared with market alternatives. Most advisers are underestimating this risk.

What the FCA Has Found

More than 80% of charges cluster at just three price points: 0.5%, 0.75%, and 1.0%. Services at 1.0% had no noticeably different features from those at 0.5%. The same applied to initial charges: 3% was indistinguishable from 2% or less.

The regulator put it bluntly: *"Competition does not appear to be operating effectively in the interests of consumers."*

The Direction of Travel

- **90% of new clients** placed into ongoing advice arrangements
- Ongoing advice revenue: **60% (2016) to 80% (2023)** of total
- FCA consulting on **changes to COBS 9/9A** in Q1 2026
- New **targeted support regime** launches April 2026

Why Client Loyalty Won't Save You

The FCA has said explicitly that charges are not fair value just because they have been disclosed and agreed. Inertia, loyalty, and ignorance of alternatives are not defences. The regulator is actively looking for "sludge practices" designed to discourage switching.

Key FCA Figures

80%+

of ongoing charges at just 3 price points

96%

of ongoing charges are percentage-based

22%

of firms now use subscription fees (up from 1% in 2023)

From Advice to Automation

This is already happening. Client-side AI agents are coordinating financial lives. Fund managers are deploying AI-enabled systems. The infrastructure for AI-to-AI coordination (where a client's agent talks directly to a fund manager's agent) is being built now.

The traditional adviser sits between client and product. That position is becoming optional.



Traditional vs AI-Enabled Advice

This is not about whether AI is "better" than a human adviser. It is about what a client gets for the fee they pay, and whether that fee holds up under scrutiny.


Capability	Traditional Adviser	AI-Enabled Service
Availability	Business hours, by appointment	24/7, instant response
Review frequency	Annual or semi-annual	Continuous monitoring
Cross-domain coordination	Limited by individual expertise	Tax, investment, insurance, estate: all at once
Consistency	Variable by adviser	Standardised, auditable
Scalability	~100 clients per adviser	Unlimited
Typical ongoing cost	0.5%-1.0% of AUM	£1 flat fee or free
Emotional intelligence	High (human empathy)	Developing (voice, memory)
Regulatory accountability	Individual, SM&CR	Firm-level (evolving)

Does the gap justify a fee 10x to 100x higher?

AI will not match every human capability. But for most services in the ongoing advice bundle, the answer is already no.

Case Study: The Fee Arithmetic

Consider a typical advice practice and what happens when AI alternatives become mainstream.



Henderson & Partners

Mid-size IFA, 4 advisers, 380 ongoing clients.
Average portfolio size: £370,000. Ongoing charge: 0.85%.

Revenue model: Ongoing fees Annual reviews AUM-based

Total AUM	£140m
Annual revenue	£1.19m
Per client	£3,132

CURRENT MODEL (2026)

Average portfolio	£370,000
Ongoing charge	0.85%
Platform fee	0.35%
Fund charges	0.50%
Total client cost	1.70%

= £6,290 per year per client



AI-ENABLED ALTERNATIVE

Average portfolio	£370,000
AI advisory fee	0.00%
Platform fee	0.25%
Fund charges	0.15%
Total client cost	0.40%

= £1,480 per year per client

THE EXPOSURE

The client saves **£4,810 per year**, or **£96,200 over 20 years** (before compounding). When even 20% of your highest-value clients make this comparison, the revenue model breaks. And the FCA's Fair Value framework means you cannot rely on the remaining 80% not noticing.

Defend or Adapt?

The industry faces a binary choice. Defending existing fee models is natural, but the numbers no longer support it.

Defend Current Fees

- ✓ Maintains short-term revenue
- ✓ Familiar business model
- ✗ Fails FCA Fair Value scrutiny
- ✗ Vulnerable to client comparison
- ✗ Relies on client inertia
- ✗ Increasing regulatory risk

LIKELY OUTCOME
Managed decline over 2-5 years as attrition speeds up and regulation tightens

STRATEGIC CHOICE

Adapt the Model

- ✓ Subscription or fixed-fee revenue
- ✓ AI-augmented service delivery
- ✓ Passes Fair Value assessment
- ✓ Scalable client base
- ✓ Value from human expertise, not gatekeeping
- ✗ Requires investment and change

LIKELY OUTCOME
Sustainable practice built on real value and defensible pricing

Defending existing fees on the basis of "value", "human judgement", or "relationship" no longer stands up when you look at what AI can already do and what it costs.

Your 12-Month Action Plan

Sitting still over the next 12-24 months is a real business risk. You do not need to become an AI company. You do need a commercial model that survives what is coming.

1 Audit your fee justification

Run an activity-based cost analysis. Can you demonstrate that the service delivered to a £500,000 client is worth £5,000 per year? What about £1 million at £10,000?

2 Test subscription pricing

22% of firms now use subscription models, up from 1% in 2023. Trial flat-fee or tiered subscription structures with a segment of your client base.

3 Deploy AI in your practice

AI tools can cut admin load by 60-80%. Start with client onboarding, review preparation, and compliance documentation. Free up adviser time for work that actually justifies a fee.

4 Identify your irreplaceable value

What do you provide that AI simply cannot? Complex behavioural coaching, family dynamics, intergenerational planning. Build your service around that.

5 Prepare for the FCA consultation

Changes to COBS 9/9A are coming in Q1 2026. The targeted support regime launches April 2026. Ensure your service proposition and pricing can withstand scrutiny.

6 Stress-test your client retention

What happens when your top 50 clients can access comparable coordination at 0.25% total cost? Model the revenue impact and develop contingency plans.

7 Review your platform stack

Platform fees are compressing (HL: 0.45% to 0.35%). Ensure your technology stack is cost-competitive and AI-ready. Consider API-enabled platforms.

8 Engage with peers

This is a sector-wide structural challenge. Join adviser communities exploring new commercial models. Isolation increases risk; collaboration accelerates adaptation.

What To Do Now

The time to act is short. Here are the immediate priorities for firm principals and decision-makers.

1

Commission a Fair Value review

THIS QUARTER

Do not wait for the FCA to ask. Run an honest, activity-based fair value assessment of every ongoing service tier. Include AI alternatives in the comparison. The FCA is watching.

2

Pilot a new fee model

NEXT 6 MONTHS

Choose a client segment and test subscription, fixed-fee, or hybrid pricing. Measure client satisfaction, retention, and revenue impact. The firms that move first will define the new standard.

3

Integrate AI into service delivery

NEXT 6 MONTHS

Use AI for portfolio analysis, tax optimisation scenarios, and client communication. Firms using AI report 60–80% less admin. Put that time into work clients will actually pay for.

4

Redefine your proposition

NEXT 12 MONTHS

If AI handles coordination, planning logic, and portfolio oversight, what is left? Behavioural coaching, complex family situations, accountability, trust. Build and price around those.

Join the conversation

The **8MDs adviser community** brings together firm principals and senior advisers who are working out what comes next. Share strategies, test ideas, and prepare together. This is too big a problem to solve on your own.



The firms that survive will not be those that defended their fees the longest. They will be those that found a new reason to be paid.

The traditional model is ending. The question is what replaces it.

AI costs are collapsing. Agentic capability is live. The FCA is tightening its grip on fee justification. The "value-based defence" of current charges does not hold up any more. Advisers who wait will find the market has moved without them.

Join the 8MDs Community

Connect with fellow adviser firm principals exploring new commercial models. Share what works, challenge assumptions, and build the practice of the future together.

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