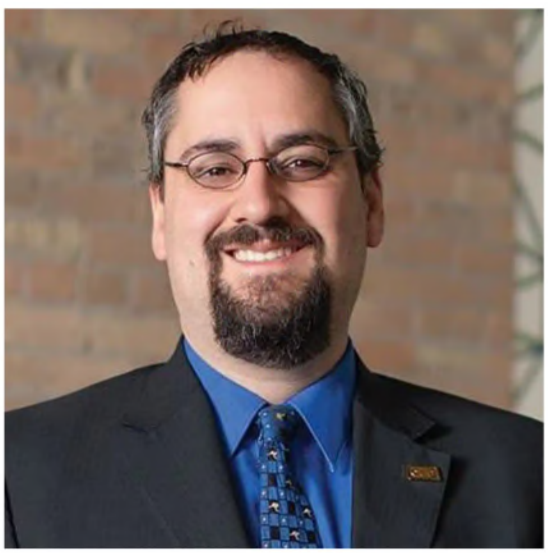
With Schwab's new $5-per-RIA-client trading fees set to activate Tuesday, Michael Kitces calls it a 'walking-back' of Chuck's 2019, zero-commission pledge. Worse, it sticks RIAs with the whole bill, he adds

The XY Planning Network co-founder's small RIAs will go unscathed by Schwab's block-trade charges, but he calls out Schwab reneging on 'zero,' which upends established client/custodian alignment.

11 min read

By Oisín Breen February 27, 2026



Michael Kitces: this feels, to me, like Schwab came up with a way to walk back their 'no trading commissions' move.

Key Points

Charles Schwab & Co. will begin charging RIAs fees on Tuesday (Mar. 2) that could range into the thousands of dollars per trade – a legal, compliant and shrewd business move – but still a flagrant "walk-back" of its zero-commission pledge, says an industry expert.

"Block trades are uniquely an RIA phenomenon – when doing a large trade across many clients' accounts at once – which means this feels, to me, like Schwab came up with a way to walk back their 'no trading commissions,'" XY Planning Network co-founder Michael Kitces explains in an email interview.

The move squarely hits RIAs with lots of clients but no retail investors, Kitces says.

Greg O'Gara: Kitces' structural argument about conflicts of interest has merit.

More narrowly, the long-time RIA advocate, blogger, and entrepreneur chafes at how the clawback of commission-style revenues singles out RIAs.

"Block trades are necessary ... for RIAs to fulfill their best execution duties, otherwise some clients get traded before others, which runs the risk that the firm systematically allows some clients to get better prices," he explains.

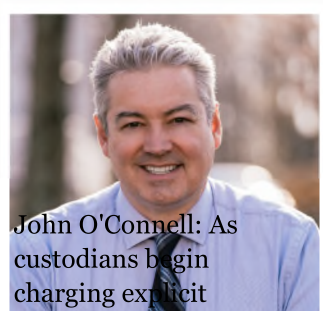
Nonetheless, the Westlake, Texas broker-dealer and RIA custodian will begin collecting $5 per-client, per block trade fee when human traders are involved in the execution.

Block-trades made through Schwab's bread-and-butter algorithms* remain zero-fee.

Schwab did not respond to a request for comment.

Preying on RIAs

RIAs are known to divvy trades across hundreds or even thousands of clients, which is why each one could be a big "ka-ching" as it closes.



John O'Connell: As custodians begin charging explicit execution costs, RIAs may need to rethink.

Yet, Schwab is hardly alone in levy such block-trade charges, says Greg O'Gara, strategic advisor at Datos Insights, in an email.

ershing and Fidelity also don't guarantee free block trading for

complex orders.

The difference is that Schwab will levy its fee across the board. Fidelity sets complex block-trading fees on a company-by-company basis, sometimes charging zero, according to a source.

“The retail versus RIA comparison [also] isn't quite apples-to-apples," O'Gara adds.

"Retail investors never had access to block trading services, so there's no parallel … Schwab is charging for operational complexity that retail workflows don't generate,” he says.

Kitces is broadly critical of the new “fees” – imposed at the close of a trade like a commission – because Schwab's zero-ing out of commissions in 2019 was rolled out with finality.

By describing Schwab's new $5 fee as a “walk-back,” Kitces is referring to Schwab founder, Charles ‘Chuck’ Schwab's “ultimate vision,” when the firm dropped its typical $4.95 trading commissions on Oct. 7, 2019.

At the time, then Schwab CEO and President Walt Bettinger also spoke of commissions like the caterpillar in your salad. “Price should never be a barrier to investing,” and that RIAs could expect “the same pricing” as retail investors.

Pounding the table

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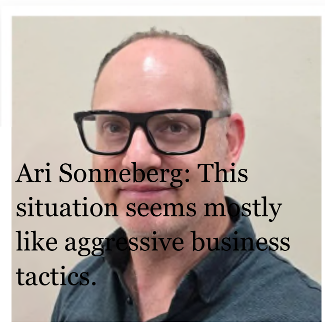
Kitces adds that the new fee underscores how the current RIA custody revenue model – transaction fees, interest yield sweep on cash management, and payment for order flow revenue– is broken, while a flat, transparent, all-inclusive custody fee would be so much better.



Ari Sonneberg: This situation seems mostly like aggressive business tactics.

“Schwab's pricing model is in conflict with its RIAs – they have to make Schwab lose for their clients to win – so now Schwab has to look for other revenue sources, creating yet more situations where its revenue model conflicts with RIAs,” Kitces explains.

This is “why we've been pounding the table for nearly a decade that a custody fee – some sort of ‘fee-for-service RIA custody’ that moves away from these shenanigans - seems inevitable,” he says.

John O'Connell, founder and CEO of Fort Mill, S.C., consultancy The Oasis Group, says he has “long questioned AUM calculations as the default fee structure in wealth management,” even though XYPN-sized, passive investing RIAs are mostly off the new fee hook*, “because their trading volume is low.”

"An AUM fee prices advisory oversight and portfolio complexity, not trade volume, yet more active strategies like quarterly rebalancing, tax-loss harvesting, or direct indexing generate materially higher trading activity than static ETF allocations.

"Schwab’s new per-account block trading fee doesn’t invalidate the AUM model, but it exposes the internal economics that have long been bundled beneath it, particularly around strategy differentiation," O'Connell explains, in an email.

Indeed, although a $5 fee sounds minor, sources pointed out that it adds up. For every ‘advanced’ block-trade made by a mid-size $2 billion of managed assets (AUM) RIA, on behalf of, say, 2,000 accounts, the fee will add $10,000 in costs.

Structural conflict

Still, O'Gara is hip to where Kitces is coming from.

Kitces’ “structural argument about conflicts of interest [also] has merit regardless of who pays," and “his advocacy seems principle-driven rather than constituency-protective, which is to his credit,” O'Gara explains.

tces is also “right on principle about the

Anatomy of a Block Trade

- Where an algorithm might just dump shares on the market and accept the bid-ask price, this is not always efficient for larger trades.
- In a bid on a $100 million order for Google shares, for example, the bid-ask will be unfavorable simply because it gives away the demand, and the seller can raise the price.
- RIAs then risk regulatory scrutiny if their

structural conflict between custodian revenue models and advisor fiduciary obligations," O'Gara says.

The fees also force larger RIAs to figure out whether the potential upside of using a trading desk – for $5 per account – will still net their clients better execution than Schwab's algorithm, Kitces says.

trading practices fail “best execution” standards, or they end up providing better on-the-day trades to one client, over another.

- Yet, if an advisor breaks a big trade into 10 orders at 10 brokers, price fluctuation is less likely to happen.
- It takes a human to manually orchestrate, however, hence Schwab wants to upcharge to pay for those ace traders.

"If advisors can really obtain materially better execution by incurring the fee ... [they] have an obligation to 'incur' the fee ... [and] Schwab wins either way - more payment for order flow, or a block trade fee to get paid anyway.

Story Timeline

Feb 6, 2026

27 days ago

Schwab discloses it's set to levy new $5-per-client, per-block-trade fees that could balloon cost for RIA custody clients by thousands of dollars

“The challenge is simply that the inception of the fee raises the cost of trading [for RIAs] as a whole [with] Schwab,” Kitces concludes.

RIA ‘rethink' needed

The fee burden could also trickle down to end-investors because Schwab custodies at least a portion of the assets of 86% of RIAs, or an estimated 16,000 of the roughly 18,550 firms in business today.

"As custodians begin charging explicit execution costs, RIAs may need to rethink whether all strategies should be priced uniformly under a single AUM rate," says O'Connell.

It “creates pressure to introduce … [a] tiered pricing model, where more trading-intensive strategies carry higher … base advisory fees and operational fees for more actively managed accounts. You already see this in SMAs and institutional fee structures,” O'Connell explains.

“The shift doesn’t undermine the RIAs or an AUM model, but it pushes firms toward clearer differentiation between low-turnover allocation models and higher-touch, higher-activity investment strategies,” he adds.

A ‘rational bet’

In Schwab’s most recent earnings call, president and CEO, Rick Wurster also made brief mention of the firm's new fees, noting a “high-touch trading service for block trades… launching in Q1.”

He framed it in terms of “delivering industry-leading trading capabilities,” rather than as a fresh source of revenue, but some traders believe Schwab's fee incentivizes RIAs to route flow through its free algorithmic block-trading systems – a route that increases its payment-for-order-flow (PFOF) revenues.

Schwab leads the industry in payments for order-flow (PFOF), revenue, netting $182 million in Q3, 2025 at rates between $0.0033 and $0.0006 per share. In contrast, PFOF poster-child, Robinhood earned $93.2 million, at rates around $0.0018 per share.

Other RIA custodian block fees

- **Pershing** declined to provide specific data on how and when it levies block-trading or trade-away fees stating only that it negotiates pricing structures with clients. One source, with knowledge of Pershing trades states that it does not always apply such fees.
- **Fidelity** states that block-trading and trade-away fees are customized to each client, but basic block-trades are free. RIAs using CAPIS to manage their trades also do not pay block-trading fees. Facet Wealth pays Fidelity $5 for block-trades.
- **Interactive Brokers** runs two pricing plans, IBKR Lite, which solely uses third-party market makers – the firm profits through PFOF – and IBKR Pro, with tiered pricing, and negotiable, commission-based block trades, starting at $0.01 a share.

“Schwab is making an economically rational bet on RIA institutional stickiness," O'Gara says.

“With six-to-18 month switching timelines, deep technology integrations, and Schwab's high RIA client retention rate, a high annual fee for a $3 billion RIA could be material but probably not attritive, when switching costs are high," he adds.

It also has the right to charge "fair" fees to handle complex trades – a process that doesn't come cheap, says O'Connell.

"Custodians are moving to streamline operations and get compensated fairly for block trades that require manual support," he explains.

O'Gara agrees, stating that "the pricing structure appropriately reflects operational costs and maintains a viable cost-free path for most RIA workflows."

Aggressive tactic

Schwab also has no legal or regulatory responsibility to make best execution frictionless for RIAs, says Ari Sonneberg, partner at Boston, Mass. law firm, Wagner Law Group, in an email exchange, earlier in February.

Alois Pirker: RIAs are quick in shifting assets.

If "fees push advisors toward routing through Schwab, and Schwab earns payment for order flow on that routed flow, then Schwab has a financial incentive … [which] could be a conflict-of-interest scenario, but it isn't necessarily illegal," he explains.

"This situation seems mostly like aggressive business tactics.

Yet "if Schwab's new fees or restrictions materially impair an RIA's ability to obtain best execution … then an RIA is obligated by its fiduciary duty … to consider alternatives, including moving assets or splitting custodians," Sonneberg adds.

RIA assets are notoriously "sticky" with custodians but that doesn't mean they are stuck, adds Alois Pirker, founder and CEO of Marblehead, Mass. Consultancy, Pirker Partners, in an email.

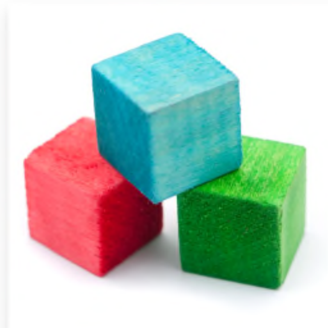
"RIAs are quick in shifting client assets to another custodian, should they feel this result in significant cost savings. As such, should Schwab really overcharge its RIA clients in a significant way here, they will see assets move to competitors."

ABiz contacted a number of non-big-three custodians and four leading TAMPs to determine how the fees impacted them, including Altruist, TradePMR-Robinhood, Envestnet, Orion, AssetMark, and Advyzon. All declined to comment.

Kitces does not claim to be looking for an alternative custodian to Schwab currently and admits that his network of RIAs are virtually all live without needing to place these expensive block trades.

Timing matters

RIABiz reported Feb. 6 that Schwab would add the new, flat, $5-per-account fee for select RIA block trades, effective Mar. 2. See: [Schwab discloses it's set to levy new $5-per-client, per-block-trade fees that could balloon cost for RIA custody clients by thousands of dollars](#).



Higher block-trading could disrupt standardized RIA pricing, according to industry analysts.

The charge will apply if orders need manual support from Schwab's staff trading desk, or trades require "complex" algorithms, specific market conditions, or quotation requests from third-party desks.

The move immediately provoked a mixture of reactions from RIAs and industry experts, both on and off record, ranging from frustration, to gall, and relief – some smaller RIAs don't deal in trades complex enough to draw the fee.

RIAs managing between $2 billion and $10 billion – 1,500 RIAs manage over $1 billion – and TAMPs will likely be the hardest hit, although trading costs for smaller firms could also rise, if TAMPs opt to pass on any increase.

Other RIAs will be able to take their case to Wurster at the IMPACT conference in Boston, beginning Oct. 27, but by then they will have cooled off, with wrinkles ironed out.

"It's a solid communications strategy on Schwab's part," says O'Gara.

It "gives advisors nine months to absorb the impact ... and develop coordinated feedback … [and] it gives Schwab time to respond to RIAs … [so] discussion will ultimately be more productive.

* *Schwab's core free, order-flow capable algorithms, include a basic time-weighted average price (TWAP), volume-weighted average price (VWAP), and percentage of volume (POV) orders.*

Oisín Breen

Dublin-native and Edinburgh-based Oisín Breen has spent seven years writing about finance, including five whirlwind years diving into the advisor world for RIABiz. A widely published and well regarded poet with two full collections under his belt, Breen is also an academic in English Literature with a deep fondness for his Scottish rabbit, Hessell.

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Brooke Southall and Keith Girard contributed to the editing of this article.

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