

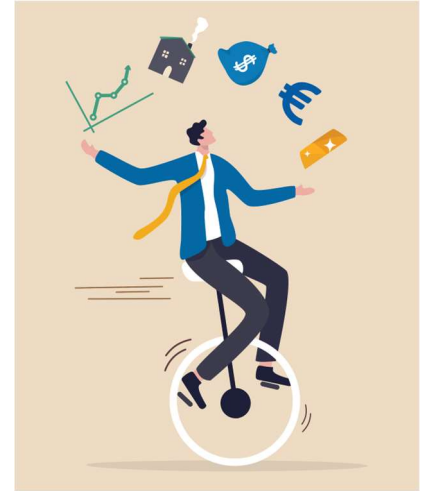


# The Value of an Advisor

As advisors, we've found that the best way to have a great professional relationship is to make sure we understand your needs and goals clearly. It's also crucial that our clients understand what value we're expected to provide (and what's out of our control, too!).

## Advisor Alpha

A few years ago, Vanguard did a study that took a very in-depth look at whether having an advisor is likely to have a positive impact on investors' results. They called this measurement "Advisor Alpha" (As you may know, "Alpha" is an investment term referring to the amount of 'excess return' or improved performance compared to a benchmark, or baseline). While the real value of a financial advisor isn't necessarily reflected on each monthly statement, they thought it would be helpful to try to quantify the benefits of professional advice and see if the benefit to your 'bottom line' over time justifies the expense.



Here's a brief summary of the ways that we try to add 'alpha' for our clients:

## Investment vs. Investor Returns

Historically, individual investors are their own worst enemies. If we look at returns for the broad categories of investments and their returns over 20 years, every single category is higher than the average individual's returns in the same period.

How is this possible? This dramatic difference is largely the result of individual investors' emotional reactions. Left to their own devices, investors tend to make irrational financial decisions – maybe not all the time, but enough of the time that they can seriously damage their ability to reach their goals. Without advisors, investors may be compelled to try to chase performance or safety, which often leads to buying high and selling low - which is the exact opposite of what they'd hoped for.

Of course, no one starts down the D.I.Y. road expecting to make bad decisions....it may seem relatively simple, but investing your hard-earned money is just too fraught with emotion for most people to manage successfully on their own. It can be far too easy for investors to get overly frightened when markets go down and overly optimistic when markets go up. The objective counsel of a professional advisor is especially valuable at these key points in an investor's life.....The guidance and perspective your advisor provides at times like these can easily pay for years of fees and make a real difference in helping you achieve your goals - even if "mistakes avoided" isn't a line item on your statement!

## Expenses

While good advice isn't free, with thousands and thousands of choices available, the experience and insight of an advisor can also benefit 'alpha' by bringing an understanding of the fees and expenses that impact actual results.

## Asset Allocation

It is widely accepted that a portfolio's asset allocation is the most important factor for long term performance.... An advisor's ability to create and monitor the appropriate allocation for your goals can also make an important difference. Additionally, over time, the difference in market performance in the various sectors and styles can result in your portfolio drifting out of the agreed upon strategy/allocation.

Advisors add value here by periodically “rebalancing your plan” - reviewing your portfolio to make sure that it is staying in ‘balance’ (within the range agreed to for each part of the plan).

### **Asset Location**

In some ways similar to asset allocation, this refers to strategically utilizing tax advantaged accounts (also known as Tax Sensitive Investing) to take maximum advantage of the spreads between taxable and municipal bonds. Taking advantage of ‘tax loss harvesting’ when appropriate is another way your advisor can add value.

### **Spending Strategy**

When you need to access your investment dollars, an experienced advisor can help determine which accounts to use and in what order to use them to help minimize the impact of taxes. Executed properly, these strategies can also make a significant difference.

### **Time is Money**

For all of us, time is really the most valuable asset we have. Investing successfully is complicated and requires a significant amount of time to understand and to stay well informed.

The vast majority of investors just can’t (or ultimately won’t) dedicate adequate time and effort. Even if you take out the dedicated expertise, training, licensing and continuing education that’s required for financial advisors, and just look at the time savings, that alone is a huge advantage to working with an advisor.

### **Mistakes Can Hurt**

For a simple example, if your house needs painting, you have the ability to use a paint brush (just like you have the ability to sign up for your own online investment account), but the time, tools and experience the painter usually makes it an easy decision - you can spend more time with your family or at work with the confidence and peace of mind that your house will look a lot nicer when they’re done! Also, just as one mistake like kicking over a paint can on that nice rug can dramatically increase the cost of your DIY paint job, one simple mistake with your investments due to lack of knowledge and experience can also dramatically increase the cost of DIY investing.

### **Give Us a Call**

Hopefully, this helps you understand how having a trusted, caring financial advisor by your side can add meaningful value for your investments and your quality of life. If you’d like to get started or need more information, please call or email. We look forward to hearing from you!



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