



VALUE OF AN  
**ADVISOR**

YOUR VALUE IS  
IN THE NUMBERS

FOR ADVISOR USE ONLY.  
DISTRIBUTION OR DISCLOSURE  
TO INVESTORS OR POTENTIAL  
INVESTORS IS PROHIBITED.

# INTRODUCTION

What's next? That is the eternal question we can ask ourselves about life – and about the financial markets.

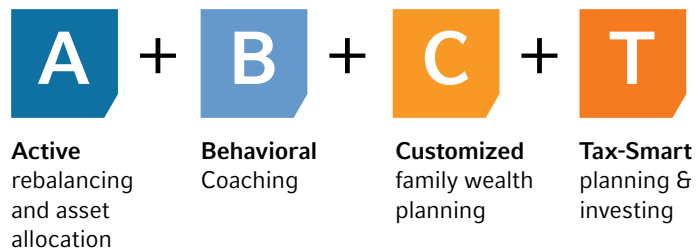
Without a crystal ball there is no way of knowing what may come next in either our lives or in the markets. That's why we should always be prepared for any potential situation. But we can generally assume that our lives will follow a certain pattern – we're most likely going to navigate careers, relationships, and major financial events (like having children or buying a home) until we get to an age where we then enjoy the fruits of our labors.

We can't make such assumptions about the markets, however. There are any number of unforeseen events that could jostle them. Just consider the past few years in which the markets have been buffeted by wars, a global pandemic, corporate bankruptcies, surging inflation, or the emergence of accessible artificial intelligence. We just can't predict what may be on the horizon. And in a year where more than half of the global population<sup>1</sup> is going to elect new leaders, the potential for volatility is significant.

That's why we at Russell Investments believe all investors should work with a financial advisor. We believe advisors are never more important than during periods of the unknown – which, frankly, is all the time! We truly can never know what may come next in our lives or the markets.

We believe that advisors play a critical role in steering investors through the various market environments they may encounter over their lives – and through the various major life events they undergo. Indeed, for a decade we have conducted an annual study into the variety of services that an advisor typically provides to their clients. We've also estimated the value that represents. And year over year, **our Value of an Advisor study has indisputably shown that an advisor who delivers holistic wealth management services provides value that far exceeds the typical fee charged.**

Our study is based on a simple formula:



*Our 2024 formula has found that the total value of the services you provide is approximately 3.52%.*

<sup>1</sup> Source: <https://www.economistgroup.com/group-news/the-economist/2024-will-put-a-spotlight-on-the-global-state-of-democracy-as-more-people>

A

## A IS FOR ACTIVE REBALANCING AND ASSET ALLOCATION

IN 2024

THE VALUE  
OF A IS 0.28%

We all know that rebalancing is a critical component of wealth management. But it's often downplayed—even by the financial professionals who ensure it's conducted on a regular basis.

Many advisors take rebalancing for granted. They say: "How can I take credit for it when it's automated and behind the scenes?" Well, the point isn't so much who is *doing* the rebalancing. The point is: would your clients actively rebalance their portfolios if left to their own devices? Would their asset allocation remain in line with their stated goals if they didn't have the guidance of a financial advisor?

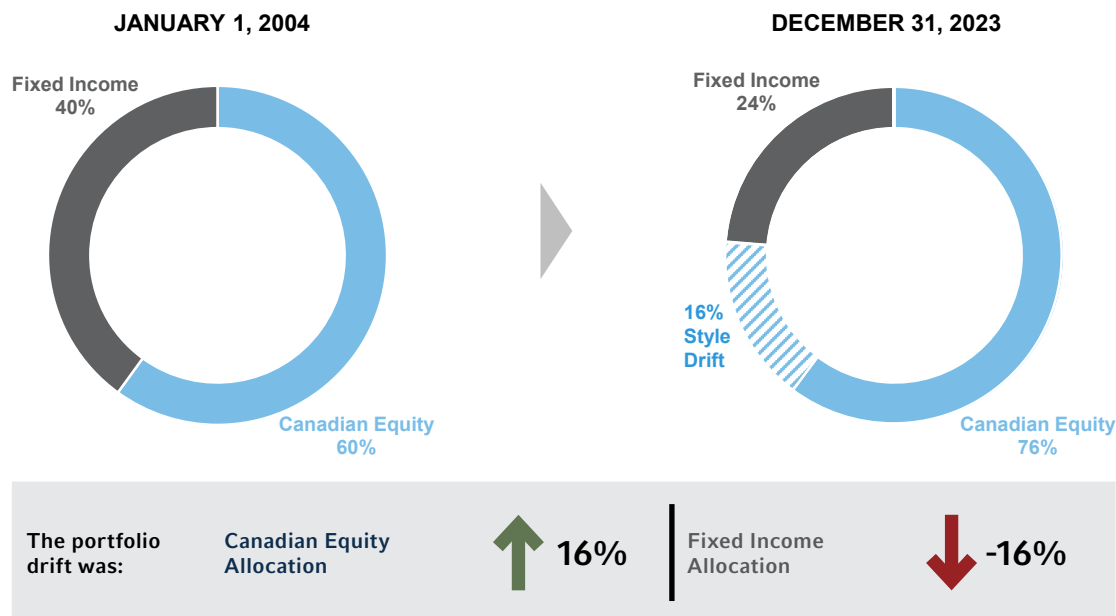
Let's think about that for a minute because what IS rebalancing? It's buying more of what has just hurt a portfolio and selling what's done well. Who has a client who embraces that sort of investment philosophy and discipline with open arms?

This is where the advisor's role is vital. By ensuring a portfolio is regularly rebalanced, it is more likely to remain close to its original asset allocation—and keep the investor within their risk comfort zone.

For example, if an investor had purchased a hypothetical balanced portfolio of 60% Canadian equities and 40% Canadian fixed income in January 2004 and the portfolio had not been actively rebalanced since then, by the end of 2023 the profile of the portfolio would have been substantially different. That original balanced portfolio would have become a growth portfolio, with approximately 76% invested in equities and only 24% in fixed income. Any downturn in equity markets would hit that lopsided portfolio particularly hard.

### WHEN BALANCED BECOMES THE NEW GROWTH

*The potential result of an un-rebalanced portfolio*



For illustrative purposes only. Not intended to represent any actual investment. Source: Russell Investments. Analysis based on data from 1/1/2004 - 12/31/2023. Initial asset allocation: 60% S&P/TSX Composite Index (Canadian equity) and 40% Bloomberg Canada Aggregate Index (Canadian fixed income). Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

**A = 0.28%****B****C****T**


While active rebalancing may not always have a large impact on returns, it goes a long way to ensuring a portfolio reflects the level of risk the investor feels comfortable with. The more risk in a portfolio, the more likely its returns will be volatile, and that is often what causes investors to get nervous and pull money out of the market.

If we look at a typical balanced portfolio held for 20 years ending December 2023, we can see that active rebalancing can significantly reduce volatility. That's why we consider the risk-adjusted return a reasonable reflection of an advisor's value. The "buy and hold" and the rebalanced portfolios had similar returns over time. But one had a much smoother ride, meaning a far more comfortable experience for the investor.

## HYPOTHETICAL REBALANCING COMPARISON OF \$500,000<sup>2</sup>

January 2004 – December 2023

	BUY AND HOLD	ACTIVE REBALANCING
<b>Annualized return %</b>	6.51%	6.51%
<b>Standard deviation %</b>	9.24%	8.43%
<b>0.28%</b> Risk adjusted return %	2.08%	2.36%

Potential reduction in portfolio volatility  
 **0.81%**

Source: Russell Investments. Portfolio: 60% S&P/TSX Composite Index (Canadian equity) and 40% Bloomberg Canada Aggregate Index (Canadian fixed income). Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Volatility is measured as standard deviation. Standard deviation is a statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. The greater the degree of dispersion, the greater the risk. Risk adjusted return measures the riskless rate of return that provides the same level of utility to the investor as the variable excess returns of a risky portfolio.

A more comfortable experience is more likely to keep your client invested. And remaining invested means the investor can participate in the market's long-term gains. Indeed, the S&P/TSX Composite Index has ended the year positively 74% of the time from 1924-2023<sup>3</sup>. That's why we believe that active rebalancing to keep an investor's asset allocation in line with their risk profile has value.

TAKE A SHARPER LOOK AT  
COMMUNICATING THE VALUE  
OF YOUR ADVICE



Do you share with your clients a written statement on:

- The potential benefits of a systematic rebalancing policy
- What your strategic rebalancing project is
- How frequently the portfolios are rebalanced
- Your approach to strategic rebalancing during periods of market volatility

### YOUR RESOURCE HUB

[Value of an Advisor brochure  
for your clients](#)

(Brochure, client-ready)

<sup>2</sup> For illustrative purposes only. Not meant to represent any actual investment.

<sup>3</sup>Source: Russell Investments, Confluence

A = 0.28%

B = 1.43%

C

T

B

# B IS FOR BEHAVIORAL COACHING

IN 2024

THE VALUE OF B IS 1.43%

We all know that investors are ruled by their emotions. How busy does your inbox get when markets are volatile? Do you ever have clients call to ask about an investment their neighbor or brother-in-law has done well with? How much time do you spend talking a client “off a cliff” when their quarterly statement shows a loss, or their favorite stock tanks?

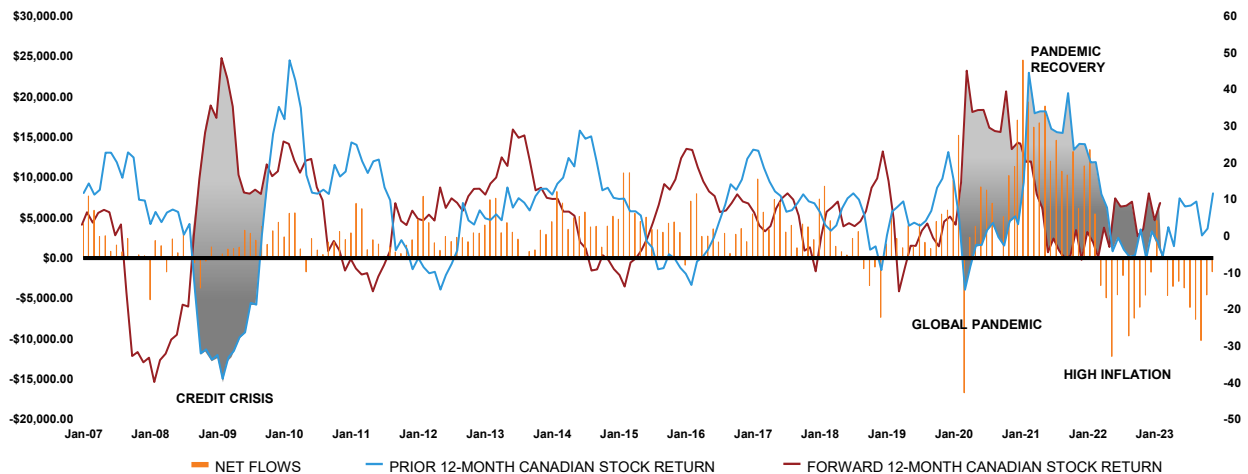
Keeping investors from following their hearts and not their heads is one of the most important roles an advisor plays. And every year, this role of behavior coach invariably provides the highest value in our formula. Without you, the advisor, your clients are more likely to pull out of markets when they become volatile, follow the herd on a popular investment, or buy at the market peak and sell at the bottom, among other well-known behavioral mistakes.

Investors who are left to their own devices are often prone to chase performance. Similarly, investors are prone to vote with their feet when markets get difficult. To illustrate the point, look at the chart below, which shows the flow of money into and out of Canadian open-ended mutual funds and passive ETFs (Exchange Traded Funds) over the 16-year period ending December 2023.

The orange bars represent the net flow of cash into mutual funds and ETFs, while the blue line represents Canadian equity returns for the 12-month trailing period from the purchase date. As the chart shows, flows into mutual funds and ETFs lagged the blue line both up and down. That means investors bought into the stock market after it had already begun to climb and sold after it had begun to fall. In other words, they bought high and sold low.

## RECENT DEMONSTRATION OF A “BUY HIGH AND SELL LOW” MENTALITY

2007-2023 Canada open ended mutual fund and ETF flows vs market



Data shown is historical and not an indicator of future results. Sources: LSEG DataStream, Russell Investments. Fund flow based on IFIC Net Sales of Domestic Equity Flows inclusive of mutual funds and ETFs; due to data limitation, prior to Jan 2007, flows represented by mutual funds only. Net flows capture cumulative cash flows during the periods when investor outflows were most extreme. For Credit Crisis = Sept 2008 – Nov 2008, Global Pandemic = March 2020, High Inflation = April 2022 – December 2022. Index performance is not indicative of the performance of any specific investment. Indexes are not managed and may not be invested in directly.

A = 0.28%

B = 1.43%

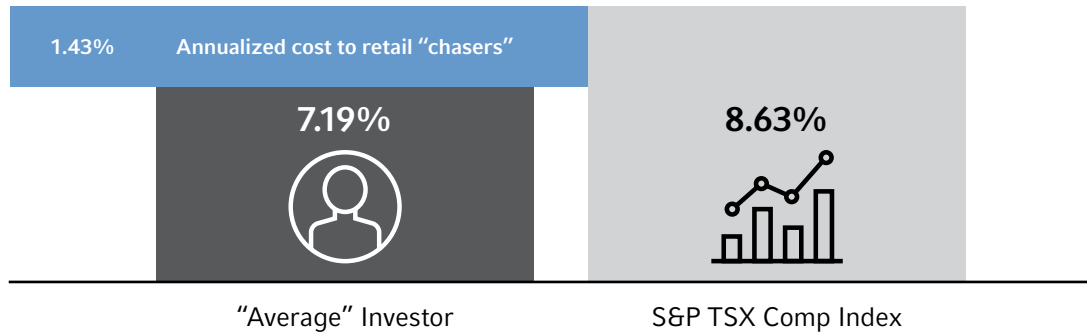
C

T

This tendency to chase performance can be hazardous to an investor’s wealth. As you no doubt have warned your clients: pulling out of the market when it’s volatile can lock in losses and could lead to missing out on any subsequent rally. As you can see from the table below, the average investor significantly underperforms the market over the long term.

## THE HIGH COST OF INVESTOR BEHAVIOR

2003–2023



Source: IFIC, LSEG DataStream, Russell Investments. Based on annualized returns from January 1, 2003 to December 31, 2023. Fund flow based on IFIC Net Sales of Domestic Equity Flows inclusive of mutual funds and ETFs; due to data limitation, prior to Jan 2007, flows represented by mutual funds only. Return was calculated by deriving the internal rate of return (IRR) based on IFIC monthly fund flow data for total long term funds which was compared to the rate of return if invested in the S&P/TSX Composite Index and held without alteration from January 1, 2003 to December 31, 2023. This seeks to illustrate how regularly increasing or decreasing equity exposure based on the current market trends can sacrifice even market-like returns. Indexes and/or benchmarks are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. "Avg" equity investor is based on IFIC cash-flow trends.

Investors who are guided by advisors—and stay invested in diversified portfolios through thick and thin—are likely to benefit.

### TAKE A SHARPER LOOK AT COMMUNICATING THE VALUE OF YOUR ADVICE



*How do you proactively incorporate coaching into every client meeting?*

- Do you have a framework for handling challenging client conversations?
- Do you have a repeatable process for client reviews?
- Have you developed a plan regarding client engagement when things go wrong?
- How consistent is your message and is it simple and concise?

### YOUR RESOURCE HUB

[Embracing Investor Behavior](#)

*(1-pager)*

[Challenging Conversations Guide](#)

*(Brochure)*

[Keep Calm & stay Invested](#)

*(Article, client-ready)*

A = 0.28%

B = 1.43%

C = 1.13%

T

## C IS FOR CUSTOMIZED EXPERIENCE AND FAMILY WEALTH PLANNING

IN 2024

THE VALUE OF C IS 1.13%

Just as you guide your clients through volatile markets, you guide them through their life changes. We can all agree that our society has become more complicated and so have our lives. This in turn has caused many advisors to broaden and deepen the services they provide.

You are now likely to offer a multitude of services, encompassing everything from insurance needs, custom requests, legacy, and charitable planning, setting up family trusts, and ensuring your clients' investments are aligned to their values.

Many advisors have set up a network of experts—estate lawyers, insurance planners, accountants, lifestyle consultants – to assist in creating plans that encompass all aspects of an investor's life. Moreover, advisors aren't just working with a client in isolation: they're often meeting with spouses and other family members to ensure a comprehensive review of their financial situation, and to ensure an orderly transfer of wealth.

### Continuous discovery for changing needs

Just as every family is different, every investment plan is different. And that means each one of us has different goals, circumstances and preferences – all of which can evolve across our lifecycle. An investment plan now requires an ongoing process of discovery to ensure it continues to align with each stage in a client's life.

The extra services and deeper discovery conversations, the expanded planning and coordinating are time-consuming. Personalized services are quite different from basic financial plans. How can you do it all and still serve your clients appropriately?

### Valuing personalized experiences

We believe leveraging model portfolio options provides increased choice and greater flexibility – for both you and your clients. They allow you to focus more on what your clients value most—the relationship. The time you would have spent researching stocks, meeting portfolio managers and analysts, tracking those stocks, documenting trades and conducting ongoing research is now available for you to spend with your top clients—giving them the personalized experience they crave.

So how much are all of the services you provide worth? Well, let's consider the original role of a financial advisor—selecting investments and developing a financial plan. This is essentially the service provided by robo-advisors. On average, robo-advisors charge 0.37% for basic asset selection for a \$500,000 account<sup>4</sup>.

Meanwhile, the average fee for providing comprehensive family wealth planning is 1.50% of assets under management.<sup>5</sup>

While these numbers are from U.S. studies and publications, the data in Canada is believed to be roughly similar.

<sup>4</sup>Source: Based on average of the fees charged for a \$500,000 account.

<sup>5</sup>Average Financial Advisor Fees in 2023 (AdvisorHQ)

A = 0.28%

B = 1.43%

C = 1.13%

T

## THE WEALTH MANAGER OF THE FUTURE



<sup>1,2</sup> Average Financial Advisor Fees in 2023 (AdvisorHQ)

- 1.50% Based on average of the fees charged for a \$500,000 account

- Typical robo-advisor fees range between 0.25% and 0.50% of your account balance per year

This means that the work you do to guide your clients through the defining moments of their lives, to ensure their investments align with their goals, to provide expertise on taxes, insurance, careers, and major purchases, to plan their retirement, long-term care needs, and legacy—among myriad other services—has value. We believe it can be worth 1.13% more in value over and above the basic asset management that an investor can get from a robo-advisor.

TAKE A SHARPER LOOK AT  
COMMUNICATING THE VALUE  
OF YOUR ADVICE



*How do you customize the client experience you deliver?*

- Do you have a repeatable discovery process?
- Do you have a written defined service model that you share with clients, based on your segmentation strategy?
- Can you articulate your Unique Value Proposition and the services you provide?
- Are you providing comprehensive Family Wealth Planning to your best clients?
- Do you provide clients with a roadmap of how you will work with them to address their specific needs?

### YOUR RESOURCE HUB

[Client Discovery Process](#)

*(1-pager)*

[Client Engagement Roadmap](#)

*(Template)*



A = 0.28%

B = 1.43%

C = 1.13%

T = 0.68%

# T IS FOR TAX-SMART PLANNING & INVESTING

IN 2024

THE VALUE OF T IS 0.68%

Taxes can be complicated and confusing, posing a challenge for even the most seasoned investors – and sometimes advisors too.

It's fairly straightforward to see the tax consequences related to capital gain distributions, dividends, and interest. These are identified in the tax forms sent out by investment firms. But it may be difficult to see how each investment and implementation decision can result in tax liabilities at the portfolio level. Activities such as asset allocation changes, fund changes, rebalancing, and trading can all have tax consequences.

Effectively managing these taxable events is crucial, as the tax consequences may adversely impact portfolio performance. That's why we believe that advisors who incorporate tax management as an integral part of the investment process can add substantial value.

## TOTAL TAX COST

*Adding it all up*



A = 0.28%

B = 1.43%

C = 1.13%

T = 0.68%

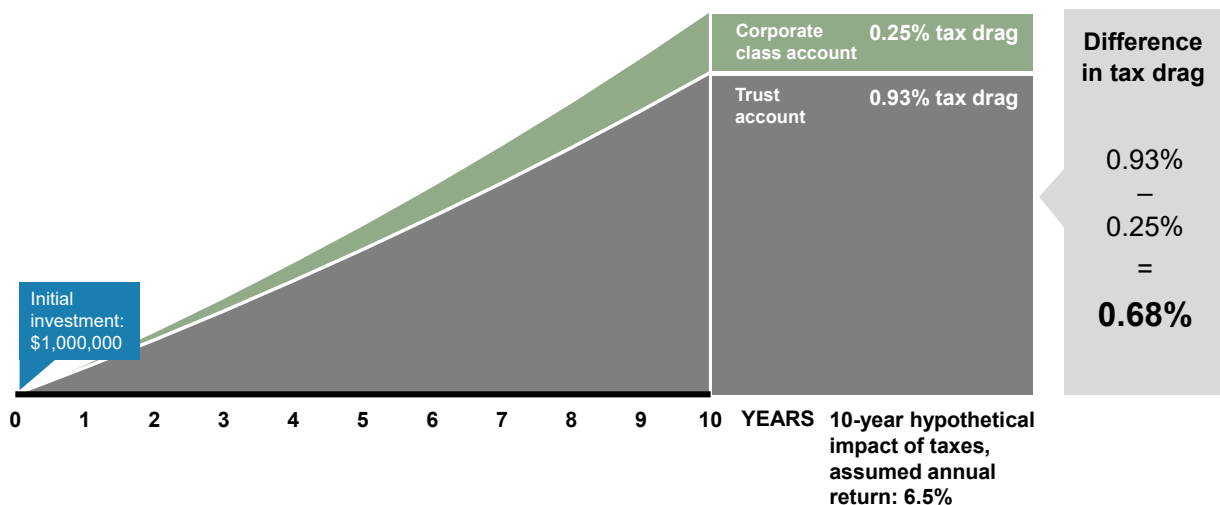
We call the tax costs that impact a portfolio's returns "tax drag." When you consider the impact of taxes throughout the entire investing process – from initial asset allocation to management of taxable and tax-deferred portfolios, to the most tax-efficient ways to withdraw funds – you can take action to reduce that tax drag.

Let's look at the graph below to see how tax drag impacts returns. Corporate class funds never pay out interest income, which is taxed at the highest **marginal tax** rate. Rather, monthly distributions are paid in the form of Return of Capital, making them a useful **tax-free income source**. However, it is important to note that ROC distributions reduce the adjusted cost base (ACB) of the investment portfolio, and when the ACB reaches zero, the remaining distributions are in the form of capital gains. A regular mutual fund, or trust account, can generally pay distributions in the form of **income, capital gains and/or Canadian eligible dividends**, creating a larger tax drag.

Advisors can also incorporate corporate class tax-managed funds, which aim to minimize **capital gain** distributions using tax-management techniques such as tax-loss harvesting, avoiding superficial losses and tax-smart yield management.

## HELPING CLIENTS KEEP MORE OF WHAT THEY EARN

*The value of T – 10 years*



Source: Russell Investments Assumptions: C\$1 million investible amount

6.05% rate of return for "Corporate Class Account", 5.37% rate of return for "Trust Account"

After-tax distributions are re-invested.

"Tax drag" is the difference between the returns on the "Trust Account" versus "Corporate Class Account".

For illustrative purposes only, Not intended to reflect any actual portfolio or Russell Investments Canada Limited product.

Percentages represent the difference in the gross return and after-tax return for trust and corporate-class mutual funds.

A = 0.28%

B = 1.43%

C = 1.13%

T = 0.68%

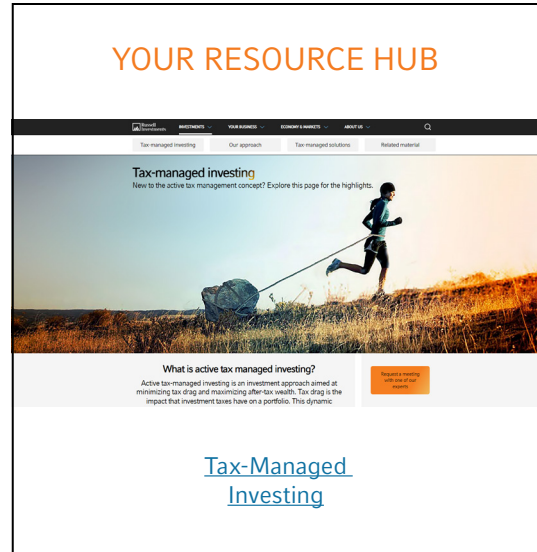
An active tax-managed investing approach has the potential to lead to a much better after-tax outcome. This can provide significant value to your clients and help you stand out from your peers.

## TAKE A SHARPER LOOK AT COMMUNICATING THE VALUE OF YOUR ADVICE



*Understanding your client's tax-sensitivity level*  
Do you...

- ...know each client's marginal tax rate?
- ...provide intentionally different investment solutions for taxable and non-taxable assets?
- ...explain to clients the potential benefits of managing taxes?
- ...have a process for partnering with local CPAs?
- ...review your client's T5, T5013 and T3 forms?



# COMMUNICATE YOUR VALUE

You may provide all of these services, but do your clients know that? They may not know all the activities you perform to keep their portfolio on track and in line with their goals, circumstances and preferences. But they should.

We have often quoted a YCharts study that found investors appreciate the personal touch and would be far more likely to refer an advisor to family and friends if they felt the advisor provided regular and valuable information<sup>6</sup>.

Letting your clients know that you are keeping them on track with their financial goals during all the phases of their lives and of the markets is not only likely to keep them engaged with their investments, but also with you. The implications could be broad: you are likely to be viewed as a valuable guide and trusted counsel. They will see the value you bring to them. And then they are likely to let others know.

We believe our simple but comprehensive formula can help you show your clients the value of your advice.

$$\begin{aligned} & \mathbf{A} \text{ for active rebalancing \& active allocation: } \mathbf{0.28\%} \\ & + \\ & \mathbf{B} \text{ for behavioral coaching: } \mathbf{1.43\%} \\ & + \\ & \mathbf{C} \text{ for customized experience and family wealth planning: } \mathbf{1.13\%} \\ & + \\ & \mathbf{T} \text{ for tax-smart planning \& investing: } \mathbf{0.68\%} \\ & = \mathbf{3.52\%} \text{ the value of your advice in 2024} \end{aligned}$$

<sup>6</sup>Source: Based on responses of individuals who currently invest >\$500k in AUM with financial advisors and wealth managers surveyed in "How can advisors better communicate with their clients", December 2019 by YCharts. Total sample size represented 650 individuals across the U.S. [https://go.ycharts.com/hubfs/YCharts\\_Client\\_Communications\\_Survey.pdf](https://go.ycharts.com/hubfs/YCharts_Client_Communications_Survey.pdf), Accessed Feb 3, 2021.

## FOCUS ON THE VALUE YOU PROVIDE

Your clients don't see most of the work you do. Our Value of an Advisor study is designed to help demonstrate the value of the services your clients may benefit from.

At Russell Investments, we believe in the value of advisors. Our annual study confirms that belief, and helps you quantify your value to your clients.

## REACH OUT TO LEARN MORE

Russell Investments provides diversified investment solutions, and through our business solutions we can help you create your unique value proposition.

Contact your Russell Investments team at **1 888-509-1792**, email us at [canada@russellinvestments.com](mailto:canada@russellinvestments.com) or visit [russellinvestments.com/ca](https://russellinvestments.com/ca).

## IMPORTANT INFORMATION AND DISCLOSURES

**THIS PUBLICATION IS INTENDED FOR INVESTMENT ADVISORS ONLY AND IS NOT INTENDED FOR, NOR CAN IT BE PROVIDED TO, INVESTORS OR POTENTIAL INVESTORS. IT DOES NOT CONSTITUTE A SALES COMMUNICATION AS DEFINED BY NATIONAL INSTRUMENT 81-102, "INVESTMENT FUNDS".**

Nothing in this publication is intended to constitute legal, tax, securities or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. This information is made available on an "as is" basis. Russell Investments Canada Limited does not make any warranty or representation regarding the information.

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

**S&P/TSX Composite Index:** The benchmark Canadian index, representing roughly 70% of the total market capitalization on the Toronto Stock Exchange.

The **Bloomberg Canada Aggregate Bond Index** measures the Canadian investment grade fixed income market and is comprised of government, government-related and corporate securities.

Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

Past performance does not guarantee future performance.

Russell Investments' ownership is composed of a majority stake held by funds managed by TA Associates Management, L.P., with a significant minority stake held by funds managed by Reverence Capital Partners L.P. Certain of Russell Investments' employees and Hamilton Lane Advisors, LLC also hold minority, non-controlling, ownership stakes.

Russell Investments is the operating name of a group of companies under common management, including Russell Investments Canada Limited.

Frank Russell Company is the owner of the Russell trademarks contained in this material and all trademark rights related to the Russell trademarks, which the members of the Russell Investments group of companies are permitted to use under license from Frank Russell Company. The members of the Russell Investments group of companies are not affiliated in any manner with Frank Russell Company or any entity operating under the "FTSE RUSSELL" brand.

Copyright © Russell Investments Canada Limited 2024. All rights reserved.

First used: June 2024. RETAIL-04146 [EXP-06/25]