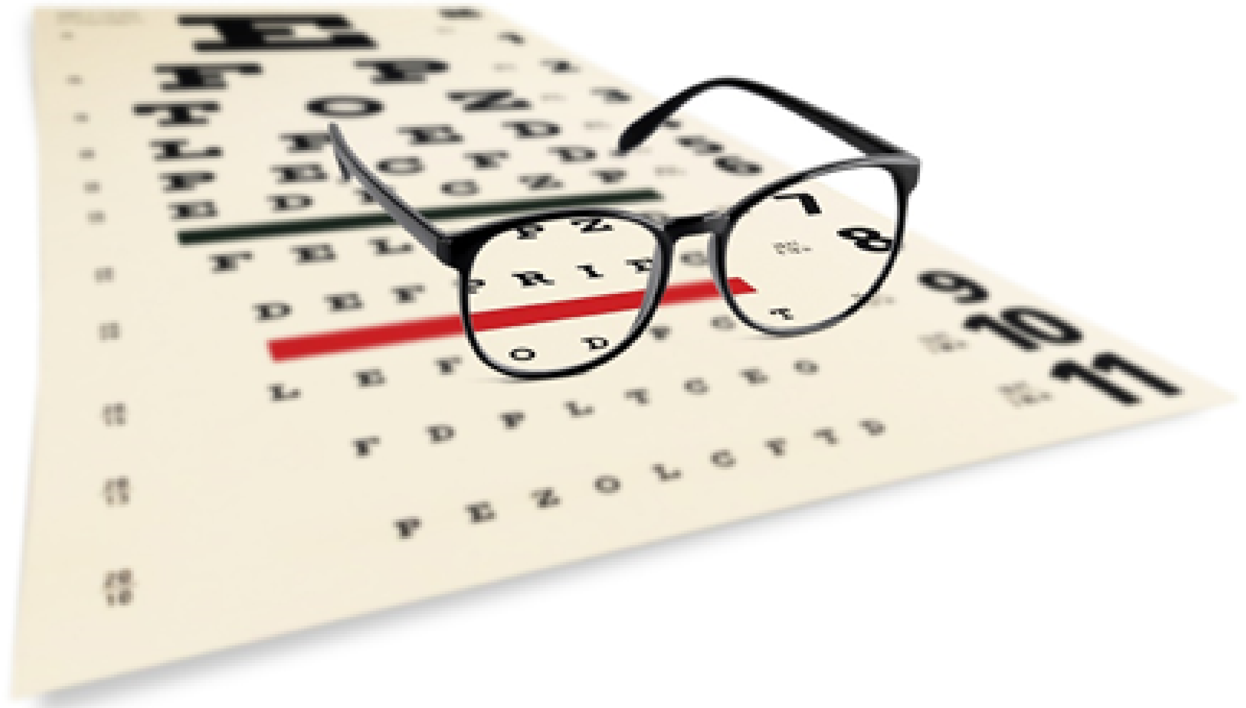
VALUE

Russell Investments

Why work with a financial advisor?

Because that relationship may be one of your best investments.



What can a financial advisor do for me?

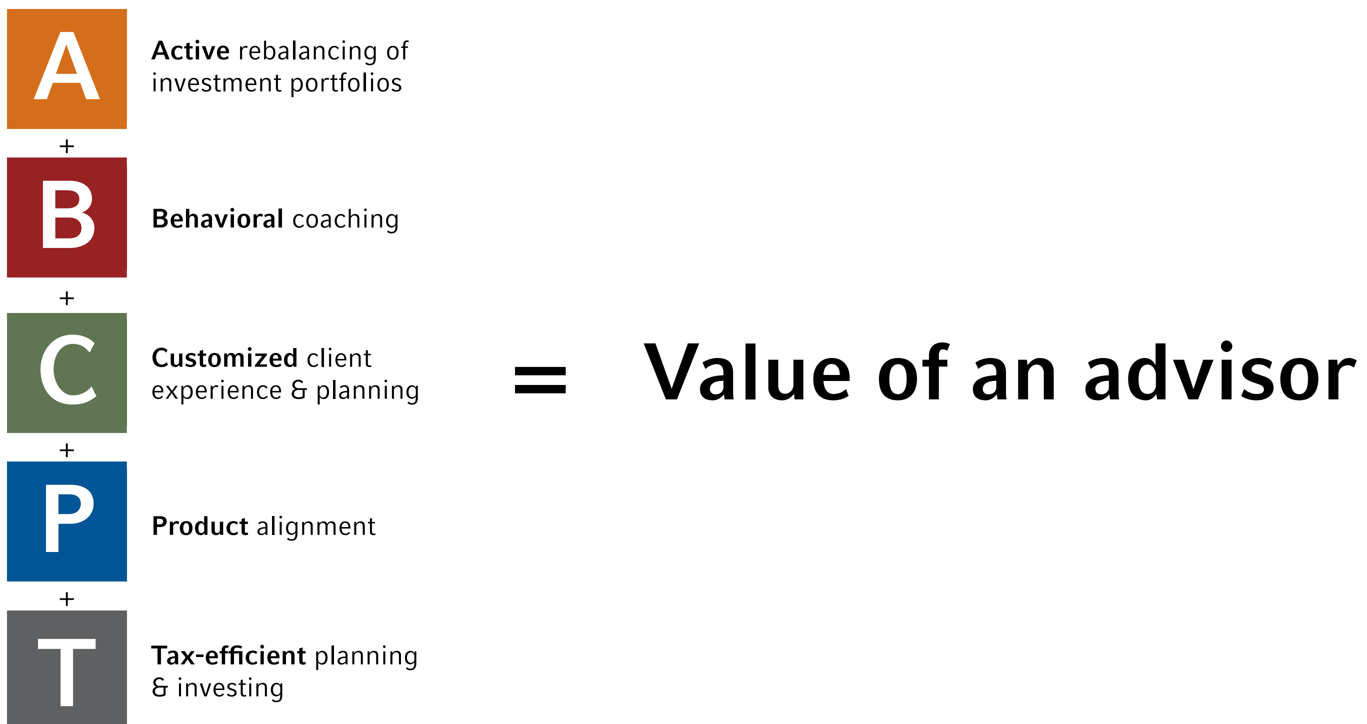
There is no doubt that 2020 tested all of us in many ways. For one thing, it was a volatile year in the markets. First, equity markets touched new highs, then fell sharply in March when the global spread of the COVID-19 virus forced lockdowns and a halt to many economic sectors. The markets recovered strongly in the final months on positive vaccine news. For another, our lifestyles changed. Many of us had to switch to a virtual environment seemingly overnight, affecting a wide array of activities: work, school, shopping, celebrations.

Through it all, many of us may have found our priorities and outlooks have changed.

That's why we think it is the perfect time for you to consider the value you receive when you work with an advisor.

Given the volatility seen in 2020, we believe that even if all your advisor did was help you stick to your investment plan, you likely received more value that the fee you paid. But most advisors do so much more—they may actively rebalance your portfolio, provide customized service, make sure your portfolio aligns with your desired outcomes, and help you maximize your after-tax returns.

All of those elements are captured in our simple and handy formula that can help you understand the value of working with an advisor.



A is for Active rebalancing of investment portfolios

Why is rebalancing important? Because it essentially works to keep the mix of investments in your portfolio in line with your desired risk and return profile. Through rebalancing, investments that have risen in price are sold while assets that are lagging are added. But not only does rebalancing fulfill that basic investing tenet of "buy low and sell high," it can also smooth out your returns—potentially helping you sleep better at night even when markets are volatile.

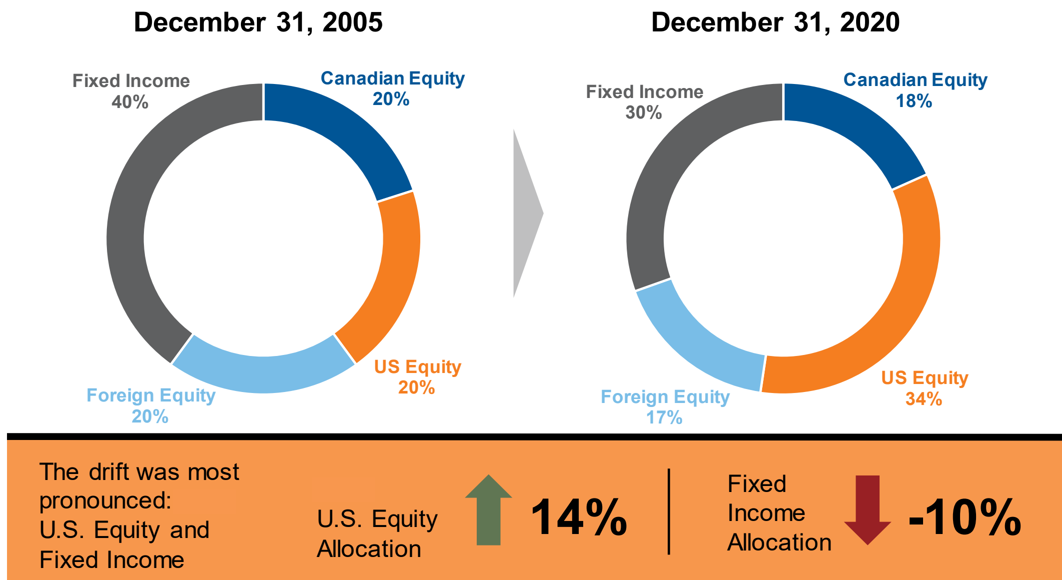
We believe many investors do not rebalance on their own, mainly because:

1. It's easy to forget to do it. Just like we know how important it is to change the batteries in our smoke alarms twice a year, sometimes what we have to do day to day takes priority over the other things we need to do, like rebalancing.
2. It goes against our human nature to buy low and sell high. When it comes to your portfolio, it means buying more of what's been underperforming and selling what's been doing well. That runs counter to our instinct to do more of what brings us pleasure and avoid what creates pain. Rebalancing not only takes time and effort, it also takes discipline. Your advisor can help deliver that discipline and help position your portfolio for long-term success.

For example, if you had started out with a balanced portfolio of 60% stocks and 40% bonds at the end of 2005 and it had not been actively rebalanced since then, by the end of 2020 the risk profile of the portfolio would have looked very different. That original balanced portfolio would have become a growth portfolio, with 70% invested in stocks and only 30% in bonds. That would have made your portfolio far more vulnerable if equity markets suddenly reversed, as we saw in early 2020.

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: Morningstar, Russell Investments. Analysis based on quarterly data from 12/31/2005 - 12/31/2020. Initial asset allocation: 20% S&P/TSX Composite Index (Canadian equity), 20% S&P 500 Index (US Equity), 20% MSCI EAFE Index (Foreign Equity), and 40% FTSE Canada Universe Bond Index (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.

Active rebalancing can not only ensure you are selling positions that have outperformed (sell high!) and reallocating cash to underperformers (buy low!), it can help reduce the volatility in your portfolio. And let's face it—it's a lot easier to stick to your plan when your investments aren't fluctuating wildly.

In summary, active rebalancing can help you capture gains, reduce volatility and keep your asset allocation within the range you initially determined would give you the outcome you desire based on your goals, circumstances and preferences.

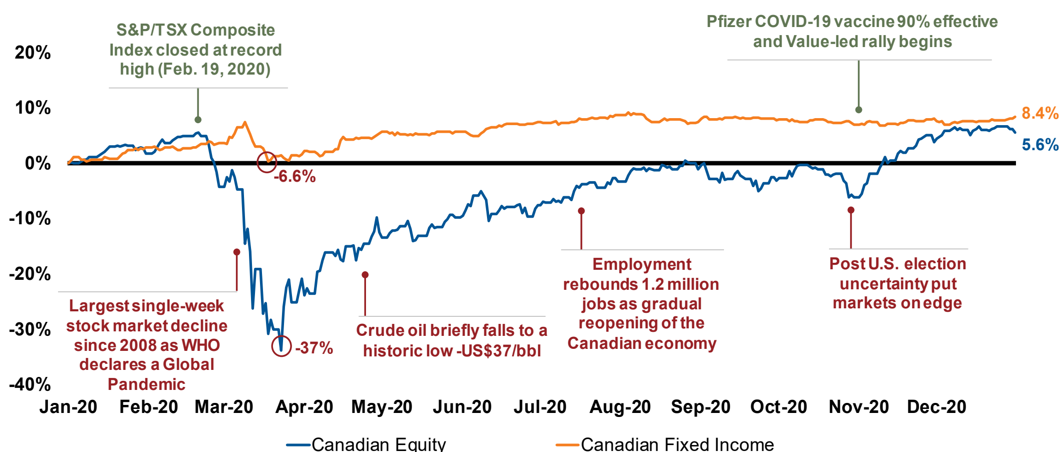
B is for Behavioral coaching

There is no question that 2020 was a wild ride. Many investors fled for the exit in mid-March when the S&P/TSX Composite Index registered the largest weekly decline since 2008. That's not surprising. After all, we're only human.

As humans, we often let our emotions influence our decision-making. While that is perfectly reasonable in most aspects of life, it can be detrimental to our financial well-being when we succumb to our "fight or flight" responses in the face of market volatility.

To be a successful investor, it's important to be objective and disciplined when making investment decisions. This means making sure decisions align with your long-term goals. This is where working with an advisor can be helpful. Their role is to keep you on track with your chosen plan so that you have the best chance to reach your financial goals.

Investors who stuck to their plans in March 2020 would have likely recovered all the ground lost—and potentially even reported a gain—by the end of the year.



Source: Russell Investments. Morningstar. Timeline of Events Related to the COVID-19 Pandemic: https://fraser.stlouisfed.org/timeline/covid-19-pandemic. Data from January 1, 2020 to December 31, 2020. Canadian Equity= S&P/TSX Composite Index; Canadian Fixed Income=FTSE Canada Universe Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly. WHO=World Health Organization. Circles represent return from market high point to low point, the other numbers represent cumulative return.

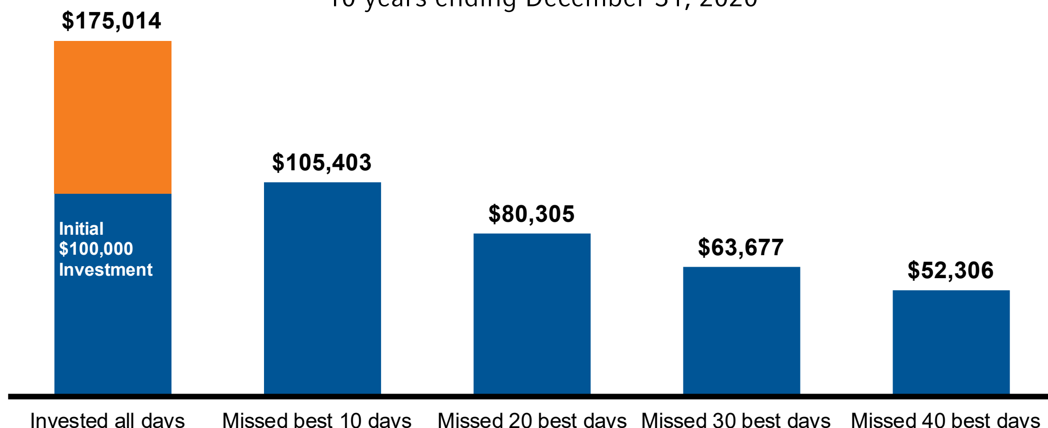
Without an advisor's guidance, many investors could have sold low in March—in fact, $15.6 billion was pulled out of long-term funds in Canada in that month[1]—and perhaps have had to buy high as the markets recovered throughout the year. Or they would have been forced to remain in cash until a better entry point appeared—which is risky and quite difficult to do without a crystal ball. Sticking to the original investment plan can often be the better choice.

[1] Source: Russell Investments, Investment Funds Institute of Canada (IFIC).

As the following graph shows, missing out on even a few days of good performance can eat into your portfolio's returns. And how do you know which days those will be? That's the catch—you don't. Markets can be unpredictable. But their long-term trend has been up. In fact, the S&P/TSX Composite Index has finished the year in positive territory 73% of the time since 1924[2]. Those are pretty good odds.

The investment impact of missing best market days

10 years ending December 31, 2020



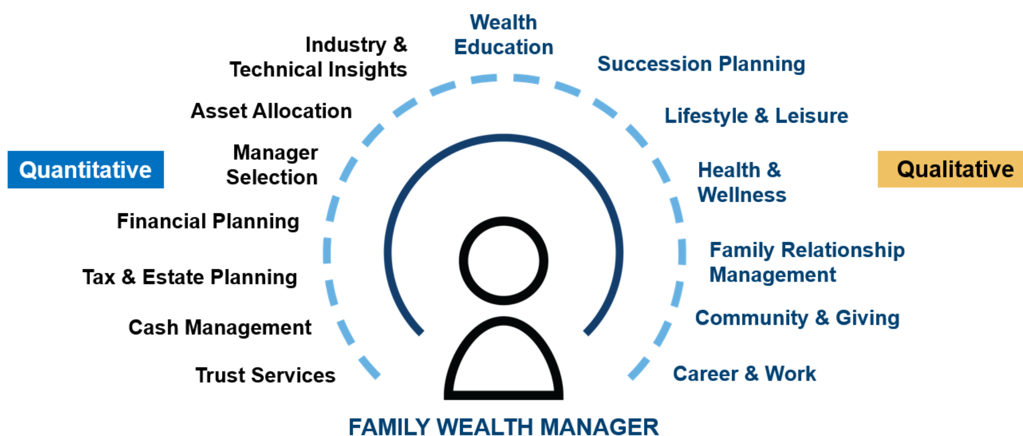
Source: Morningstar. In CAD. Returns based on S&P/TSX Composite Index, for 10-year period ending December 31, 2020. For illustrative purposes only. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

Methodology for determining "best market days": https://russellinvestments.com/ca/resources/financial-professionals/value-of-advisor/disclosures

C is for Customized client experience & planning

Robo-advisors are automated platforms that provide basic investment management. They generally don't provide a financial plan, ongoing service, or the guidance that you could get from a trusted advisor. Although their fees are quite low, in many cases you just have the option of choosing from a pre-selected list of funds, an annual statement, and a phone number to call in case of questions. We all know what it's like to call into an automated phone system that gives us a choice of which button to push depending on the question we have. Think about being in that seemingly endless cycle of telephone tag when you have concerns about the markets and what could be happening to your hard-earned money.

Your advisor, on the other hand, has discussed your goals, circumstances, and preferences with you. They consider those elements when they determine your investment plan, and they can use them as a framework to respond to your specific concerns when markets are volatile. We believe there is great value in that.



[2] Source: Canadian Institute of Actuaries, BNY Mellon, Refinitiv DataStream, Russell Investments.

Recent research[3] has shown that investors are more willing to work with advisors who have a deep understanding of their individual circumstances and financial goals. This is where human advisors have the edge over robo-advisors. Like most investors, your life is likely to become more complex over time. You may get married, buy a home, raise children, save for your children's educations, care for elderly parents, and prepare for retirement or manage your finances during retirement.

Families are reassessing priorities now more than ever, prompting questions every day that require a deeper discussion of options, potential outcomes, and financial impact.

- Who would care for and make decisions about my family and my wellbeing if I couldn't?
- Am I prepared if I find myself unemployed later in life—ahead of when I expected?
- How have my views about my lifestyle changed because of events over the past year?
- What are the things that are most important to me and my family and what should I share with my advisor to receive the best advice that I can?

Having a wise, human advisor guide you through these life-defining moments can bring tremendous value.

P is for Product alignment with goals

Since you have a unique set of goals, circumstances, and preferences, it stands to reason you will require a unique mix of investment products. Some investors choose to go it alone, and that's okay, but it takes commitment, a commitment of time and commitment to gain the required knowledge and expertise to choose the right investments for you.

GOALS	CIRCUMSTANCES			PREFERENCES	
GROWTH	Taxable	Tax-exempt	Married	Conservative	Moderate
GROWTH	Single	Divorced	Widowed	Aggressive	Fee sensitive
INCOME	Young	Not Young	Working	Return driven	Preservation
INCOME	Retired	Short Horizon	Long Horizon	Yield oriented	ESG

Hypothetical scenario for illustrative purposes only.

But there are so many choices. With nearly 3,500 open-ended mutual funds, nearly 750 Exchange-Traded Funds[4], thousands of individual stocks and bonds and many other investment choices, it becomes nearly impossible to manage it all effectively, by yourself.

[3] Survey "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, Accessed Feb 3, 2021.

[4] Source: 2019 Investment Funds Report, IFIC.

Understanding what decisions must be made in good markets and bad can become daunting, much less trying to manage personal behavioral reactions and biases toward investing. All of this is a lot to consider while at the same time, trying to create the right asset allocation and the right balance of risk for you and your future.

Your advisor helps to distill all that information and narrow it down to the things that work for you. With maturity comes complexity and having someone to work through the decisions with you along your life's journey is incredibly valuable.

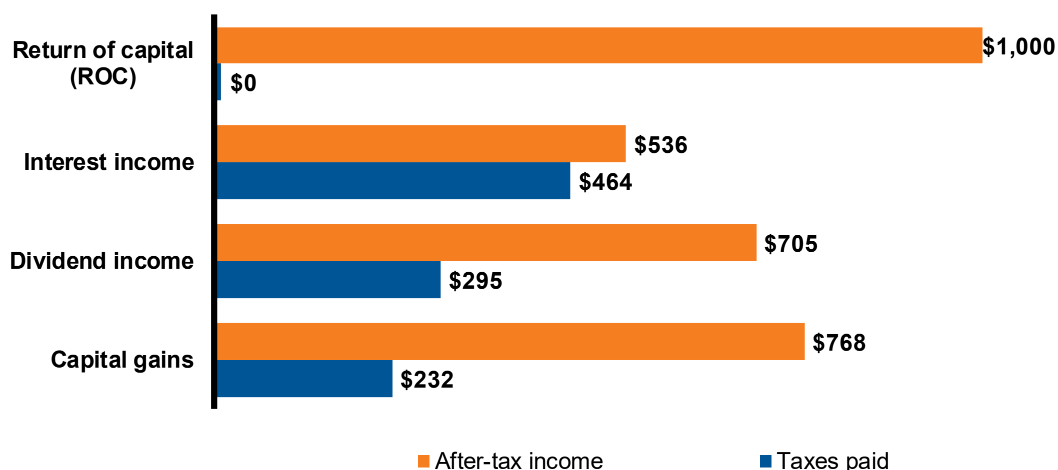
T is for Tax-efficient planning & investing

Paying taxes on hard-earned income—including investment income—is never a pleasant task. Especially if that tax bill could have been minimized by selecting investments that actively optimize to maximize your *after-tax* return. Because what matters most is not what you make; it's what you get to keep.

An advisor can help you understand the benefits of corporate class for non-registered funds, or can help you set up a trust for your loved ones, or a capital dividend account if you own a small business.

They can also help channel your investments into a Registered Retirement Savings Plan (RRSP) or Tax-Free Savings Account (TFSA) in the most optimal manner. They can be a source of information on the contribution and withdrawal rules that govern a Registered Education Savings Plan (RESP) and how to convert your RRSP to a Registered Retirement Income Fund (RRIF) in the year you turn 71. And they can help you structure the income you receive from your investment portfolio when you enter the retirement phase, to help you avoid having your Old Age Security (OAS) clawed back.

Helping you keep more of what you earn
Differences in taxation for $1,000 of distributions



For illustrative purposes only.
All examples shown are based on the following 2020 Ontario marginal tax rates for calculating the tax liabilities: interest income = 46.4%, Canadian eligible dividends = 29.5% and capital gains = 23.2%

Russell Investments

As we emerge from the global pandemic, the next issue we may have to face is how to pay for the historic government stimulus packages that kept the economy afloat in 2020. That stimulus added approximately $400 billion to our country's total debt[5]. With that in mind, it seems likely that taxes are only going to go up over time.

Your advisor can help you structure your investments so that you manage your taxes in the same way you manage your household budget—carefully and smartly.

The bottom line

This post-pandemic world could be the perfect time for you to consider the value of working with an advisor. Because that relationship may be one of your best investments.

Maybe you were lucky enough to work with an advisor who helped keep you invested throughout the market volatility in 2020. If so, then you probably already have received value above and beyond the fee you pay.

Then consider the value embedded in active rebalancing, a customized client experience, keeping your portfolio aligned with your specific goals, and the savings from a tax-managed approach, and it seems clear that there is substantial value in working with an advisor.

[5] Source: Statistics Canada https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610047701

To learn more, speak with your financial advisor.

IMPORTANT INFORMATION

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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.

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

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.

Indexes are unmanaged and cannot be invested in directly. Past performance is not indicative of future results.

Unless otherwise noted, all images are sourced from Getty Images.

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

Russell Investments' ownership is composed of a majority stake held by funds managed by TA Associates with minority stakes held by funds managed by Reverence Capital Partners, Russell Investments' management and Hamilton Lane Incorporated.

Copyright © Russell Investments Canada Limited 2021. All rights reserved.

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.

First used: June 2021.

RETAIL-03133 [EXP 05-2022]