VALUE

Russell Investments

Why work with a financial advisor?

Because that relationship may be one of your best investments.

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Like many investors considering working with a financial advisor, you probably wonder what you would get for the fee you will pay. After all, the S&P 500® Index has experienced a 10-year record-length bull market, so how hard can it be to throw together a winning portfolio?

With the wealth of information at our fingertips, you may think you understand the markets enough to invest for yourself or that getting a financial professional to manage your assets is expensive. You might feel that a robo-advisor is all you need: for a minimal fee you can select your investment portfolio and monitor it regularly.

However, investment selection and monitoring is just one part of an advisor's value.

Understanding the markets doesn't necessarily help you invest in them logically. Investing can be challenging and emotional responses in periods of volatility have the potential to undo years of past or potential gains in your portfolio.

Advisors can assist you in a full 360-degree spectrum of wealth planning, from investments, to managing your portfolio through different life changes, to retirement and estate planning, as well as guidance on potential tax implications of your investments—in order to help you work toward your financial goals. But more than that, they can act as behavior coaches: guiding you through your emotional responses to help ensure your portfolio remains on track.

We have developed a formula that can help you understand the value of working with an advisor.

A — **Annual** rebalancing of investment portfolios

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B — **Behavioral** mistakes individual investors typically make

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C — **Cost** of basic investment-only management

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P — **Planning** costs & ancillary services

\+

T — **Tax-smart** planning & investing

= **Value of an advisor**

A is for Annual rebalancing

When markets are rising, it can be easy to underestimate the importance of disciplined rebalancing.

What is rebalancing? Technically, it is the periodic buying and selling of assets in your portfolio to maintain your originally desired asset allocation—or mix of investments.

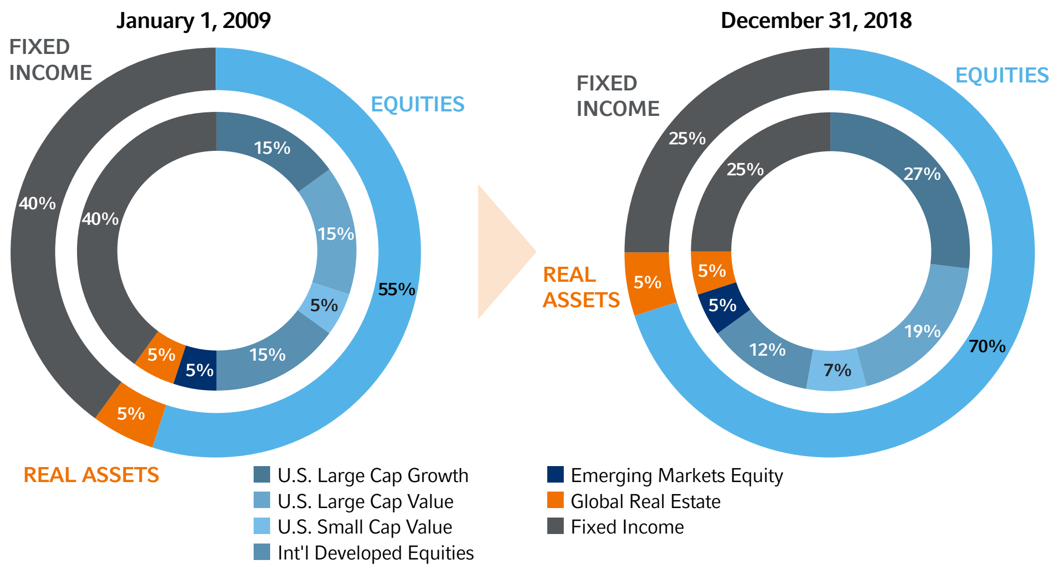
We believe there are two reasons that many investors don't rebalance if left to their own devices:

1. Because it's an easy thing to forget to do. Investors know they're supposed to do it. We also know we're *supposed* to change the batteries on our smoke alarms once a year. But do we really do it?
2. Because, in many cases, rebalancing may be the equivalent of buying more of what's been hurting my portfolio and selling what's been doing well. It may run counter to what an investor's gut feelings are telling them they need. Rebalancing takes discipline. Your advisor can help deliver that discipline and help position your portfolio for long-term success.

We believe rebalancing is a vital service, because it helps you remain on track with your plan, avoiding unnecessary risk. You may have started out with a balanced portfolio of 60% stocks and 40% bonds, but under certain market conditions that ratio can change significantly. As you can see from the illustration below, without rebalancing, over the years your balanced portfolio could end up looking like a growth portfolio—with a much larger exposure to U.S. stocks and a much-smaller exposure to bonds than you had originally determined. This leaves you with a greater exposure to the risk of any potential sharp shock in U.S. stocks.

When balanced becomes the new growth

The potential result of an un-rebalanced portfolio



Hypothetical analysis provided above for illustrative purposes. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Source: U.S. Large Cap Growth: Russell 1000 Growth; U.S. Large Cap Value: Russell 1000 Value; U.S. Small Cap: Russell 2000; International Developed: MSCI World ex USA; Emerging Markets Equity: MSCI EM; Global Real Estate: FTSE EPRA NAREIT Developed: Fixed Income: Bloomberg Barclays U.S. Aggregate Bond.

The difference may seem small, but the simple act of rebalancing can help capture gains, reduce volatility, and help your asset allocation remain in the range you initially determined was right for your desired outcome.

B is for Behavioral mistakes

We like to think we make rational and logical decisions when we are investing. But researchers in the fields of economics, psychology and neuroscience have cast doubts on that assumption. They have uncovered over 200 types of unconscious biases in humans that lead us to make decisions that can ultimately jeopardize the health of our wealth—if left unchecked.

Most people act like humans, not investors. People tend to let their emotions and other human tendencies influence their decision-making. In many parts of life, that's perfectly reasonable. But when it comes to investing, acting like a human may actually cost you money.

To be a successful investor, it is important to be objective and disciplined when making investment decisions. This means making sure decisions align with your long-term goals. While you would be forgiven if tightening U.S. monetary policy, global trade war escalation, and uncertainty over Brexit prompted you to second-guess your investment strategy, making changes off the back of these events may be detrimental to your portfolio.

Guarding against mindless investing
3 common human mistakes to watch out for

Overconfidence

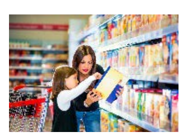
Humans tend to over-estimate or exaggerate our ability to successfully perform tasks

Herding

Humans tend to mimic the actions of the larger group

Familiarity

Humans tend to prefer what is familiar or well-known



can lead to...

Trade too often

Buy high, sell low

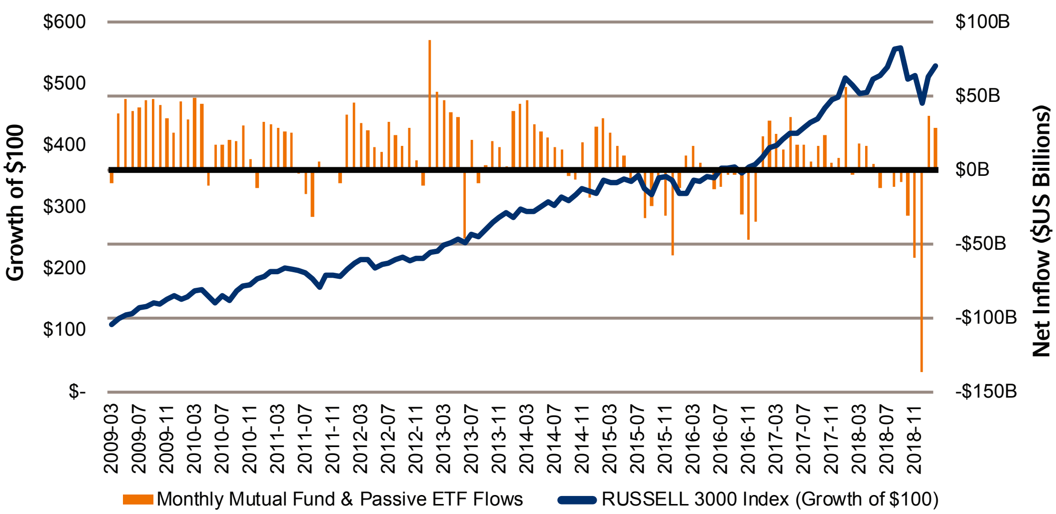
Overweight home country

You may find you become overly optimistic when markets are rising, or overly pessimistic when markets are declining. Your advisor can help you remain objective and disciplined through the cycle of market emotions. Avoiding behavioral mistakes is a significant contributor to total value. In fact, sometimes it's the decisions you choose *not* to make that count more.

Left to their own devices, many investors buy high and sell low. From December 2007 to December 2018, investors withdrew more money from U.S. stock mutual funds than they put in. All the while, $100 constantly invested in the Russell 3000® Index—shown in the blue line below—had an ending value much higher than the starting value.

Investors don't always do what they should.
Recent proof of a "buy high and sell low" mentality

U.S. open ended mutual fund and passive ETF flows vs market flows



Data shown is historical and not an indicator of future results.

Sources: Monthly mutual fund, passive ETF flows and Russell 3000® Index, Morningstar, Direct

Data as of February 28th, 2019. Index performance is not indicative of the performance of any specific investment. Indexes are not managed and may not be invested in directly.

C is for Cost of investment-only management

Robo-advisors have been springing up like mushrooms in a bog. These automated platforms provide basic investment management—taking your hard-earned money and purchasing specific funds or securities. The fee is typically minimal, but in most cases all you get in return is an annual statement, a website where you can monitor your portfolio, and a phone number to call in case of questions.

The building blocks of basic investment-only management

Asset Allocation

Security Selection

Portfolio Construction

Your advisor also purchases specific funds or securities for your portfolio—but he or she doesn't stop there.

P is for Planning costs and ancillary services

Advisors advise. That can start with building and regularly updating a financial plan that fits your needs based on your specific goals, circumstances and preferences, conducting regular portfolio reviews, and being available to answer your questions, guide you through market volatility and make recommendations when you go through one of life's big moments—such as getting married, buying a house, sending a child off to college, or entering retirement.

They can also offer additional services such as investment education, assistance with annual tax return preparation, Social Security and retirement income planning, and helping you make sure you have proper insurance coverage.

Your financial plan is a key element to help your reach your goals. A robust financial plan may incorporate coordination of your multiple financial goals, considerations for investing at different stages in your life, and implementation with a variety of financial professionals dedicated to your financial health.

Your advisor may provide:

Financial planning topics

- Savings & distribution analysis
- Investment & cashflow analysis
- 401(k) plan options review
- Tax & estate planning
- Student loans
- Stock options
- Employee benefits review
- College funding
- Regular plan updates and reviews

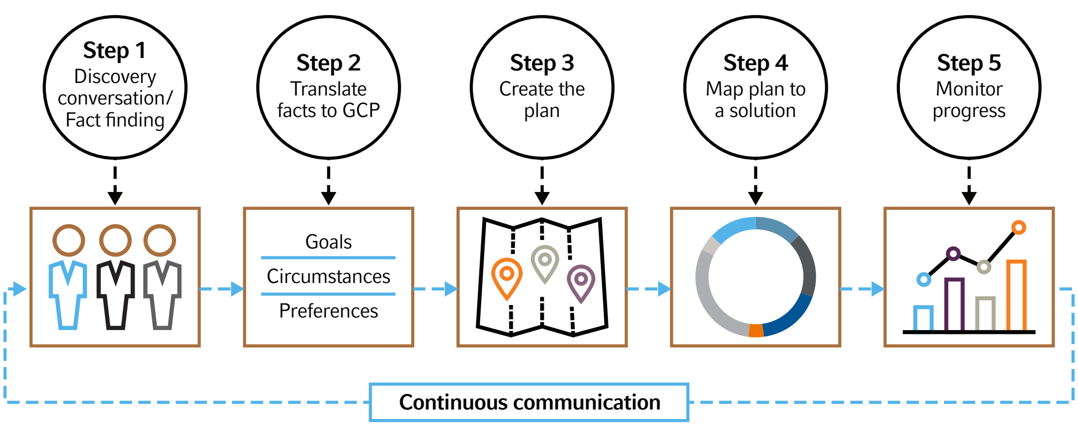
Ancillary services

- One-off requests for advice
- Investment education
- Property & casualty
- Long-term care
- Disability insurance
- Life insurance

Your advisor will likely work with you to tailor your custom financial plan and investment solutions to what matters most to you. The process begins with a deep discovery conversation. Followed by translating what is heard into goals, circumstances and preferences. And because your priorities and circumstances are likely to change over time, your advisor may choose to engage with you continuously to help you reach your desired goals.

Client-centered wealth management process

Your long-term goals are our goals



For illustrative purposes only.

T is for Tax-smart investing

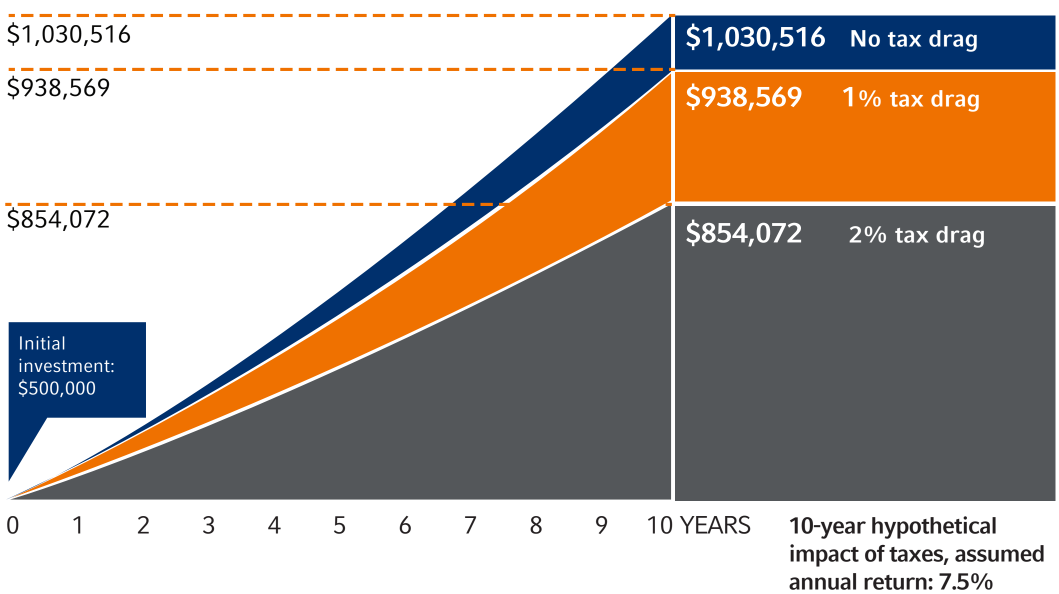
When it comes to investing, it's not what you make that counts. It's what you get to keep. Your advisor can help you navigate the complex world of tax implications of your investments—asset location across taxable and non-taxable accounts, tax-smart withdrawal strategies, taxable trusts, and more.

Taking a tax-managed approach to investing and incorporating strategies designed to help reduce the impact of taxes on investment returns may help you achieve better outcomes. We believe it's important to take a long-term view when building wealth. At the heart of this belief is the power of compounding returns. Maximizing after-tax returns can play a big role here. Since you don't pay taxes until you realize gains, deferring taxes into the future has the potential to significantly compound returns over time.

Let's take a look at a hypothetical example of an investor with $500,000 in investable assets. In the illustration below, we assume the ending wealth difference under three scenarios:

Helping investors keep more of what they earn

Hypothetical growth of $500,000 over 10 years at 7.5% per year



This is a hypothetical illustration and not meant to represent an actual investment strategy. Taxes may be due at some point in the future and tax rates may be different when they are. Investing involves risk and you may incur a profit or loss regardless of strategy selected.

Tax-drag is the difference between pre-tax and after-tax return. The smaller the tax drag number, the less you'll likely pay in taxes. The difference of a few percentage points may not seem important, but over time, reducing tax drag can make a real difference in your portfolio's ending wealth projection.

The bottom line

Your advisor charges for the service he or she provides. As we demonstrate below, your advisor can play many roles, each of which has significant value and can ultimately help you and your family reach your long-term financial goals

The value of an advisor relationship

Financial Planning	Financial Therapist	Rebalancing Strategy
Investment Advocate	Tax Coordination	Financial Quarterback

A successful relationship with your trusted financial advisor requires engagement—on both sides. We outlined above what your financial advisor typically delivers to clients. Following are some considerations for how you can be an engaged client:

- Be open with your advisor about your current situation, goals, circumstances, preferences, values, asset location and other relevant wealth management information;
- Engage in proactive, two-way communication with your advisor as your family's situation changes;
- Participate in regular face-to-face meetings with your advisor;
- Share with your advisor your annual state/federal tax return to optimize the tax implications of your investments;
- Provide feedback to your advisor about client events and educational workshops they host;
- Introduce to your advisor those people in your professional and personal networks whom you believe your advisor could help.

Notes

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To learn more, speak with your financial advisor.

IMPORTANT INFORMATION AND DISCLOSURES

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.

Bloomberg Barclays U.S. Aggregate Bond Index: An index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities, and mortgage-backed securities. (specifically: Barclays Government/Corporate Bond Index, the Asset-Backed Securities Index, and the Mortgage-Backed Securities Index).

FTSE EPRA/NAREIT Developed Index: A global market capitalization weighted index composed of listed real estate securities in the North American, European and Asian real estate markets.

MSCI Emerging Markets Index: A float-adjusted market capitalization index that consists of indices in 21 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI World ex-USA Index: The MSCI All Country (AC) World ex U.S. Index tracks global stock market performance that includes developed and emerging markets but excludes the U.S.

The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

The Russell 3000® Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The S&P 500® Index: A free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The stocks included in the S&P 500® are those of large publicly held companies that trade on either of the two largest American stock market exchanges: the New York Stock Exchange and the NASDAQ.

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.

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Forecasting represent predictions of market prices and/or volume patterns utilizing varying analytical data. It is not representative of a projection of the stock market, or of any specific investment.

End investors should consult with their financial and tax advisors before investing.

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