WHY WORK WITH A FINANCIAL ADVISOR?

Because that relationship may be one of your best investments.

2023
VALUE OF AN
ADVISOR

EMBRACE THE POSS/BLE™

WHAT CAN A FINANCIAL ADVISOR DO FOR ME?

It's been 10 years since we launched the Value of an Advisor study. A lot has happened.

The financial markets have had their ups and downs, through several presidential elections, Brexit, the demise of several brands such as Toys R' Us and Sears, the rise of meme stocks, a crypto scandal, the emergence of COVID-19, the Chinese market crash, oil cuts, the Russia/ Ukraine conflict and so on. Last year was one of the most volatile, with soaring inflation leading to a sharp rise in interest rates, sparking a decline in both equities and fixed income.

The decade also saw the dominance of technology stocks, which drove equity markets higher for most of the period, until declining sharply last year. U.S. stocks outperformed all other regions for most of the period but have now begin to underperform. The U.S. dollar rose and fell in tandem.

The way we work has evolved over this time as well. Many of us started working from home when the pandemic started and a lot of us are still there. Others are slowly transitioning to a hybrid office model. Many of us changed jobs and others started their own businesses. We may now place greater value on a work/life balance, and we may also have a different view about commuting than we did before.

We've seen major demographic changes as well. Generation Z has begun to enter the workforce and Baby Boomers are leaving it. We've seen huge strides by women in the workforce and they've grown to control a larger share of wealth. It's been a tumultuous decade!

It's certainly been challenging for investors. But through it all, we believe that investors who work with advisors have benefited. The past decade has also seen an evolution in an advisor's role – from stockbroker to family wealth planner. We believe the value of an advisor has increased as the services they offer have broadened and deepened.

We also believe it's important for you to understand that value—especially in those moments where you might feel some short-term concern, confusion, or disappointment about your portfolio. That's why we update and adapt our Value of an Advisor formula every year – to illustrate the important role an advisor plays helping you pursue financial security.

Our formula consists of four key elements in an advisor's total value proposition: their **active rebalancing** of your portfolio to keep your risk profile on track, their role as a **behavior coach** to keep you invested through thick and thin, their **customized wealth planning** to guide you and your family through the many stages of your financial life, and their ta**x-smart planning and investing** to help you keep more of what you earn.

Our 2023 Value of an Advisor formula is:

A + B + C + T

Active rebalancing of investment portfolios

Behavioral coaching

Customized experience & family wealth planning

Tax-smart planning & investing

A IS FOR ACTIVE REBALANCING OF INVESTMENT PORTFOLIOS

As we have all discovered over the past decade, markets can be volatile. We also observed in 2022 that fixed income may not always play its traditional role as a counterbalance to equity. We found that inflation and higher interest rates have a different impact on different asset classes.

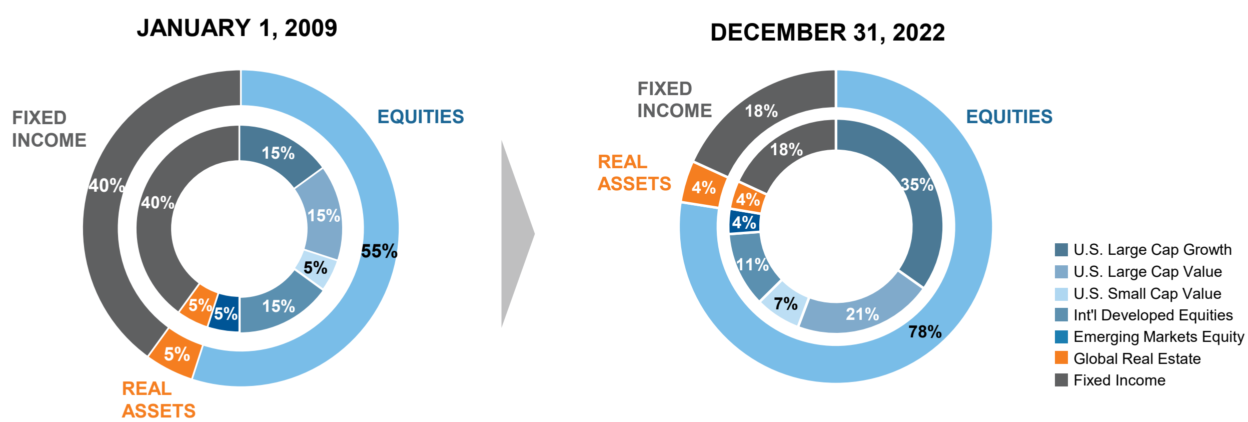
All the movement in the markets can affect the mix of assets in your portfolio. That mix was selected to fit your risk and return profile so if it changes, your portfolio may not act as you had intended.

For example, if you had purchased a hypothetical balanced portfolio of 60% equities and 40% fixed income in January 2009 and had not rebalanced it since then, by the end of 2022 the portfolio would be substantially different.

That original balanced portfolio would have become a growth portfolio, with approximately 82% invested in equities and only 18% in fixed income. But the real risk is the huge overweight in large cap growth stocks. From an initial 15% allocation, the weighting of U.S. large cap growth stocks in this hypothetical portfolio would have ballooned to 35%. While that would have propelled the portfolio higher for most of the decade as growth stocks dominated, it was detrimental in 2022 when the situation reversed. The Russell 1000 Growth Index lost more than 29% in the year while the Russell 1000 Value Index only lost 7.5%.

WHEN BALANCED BECOMES THE NEW GROWTH

The potential result of an un-rebalanced portfolio



The drift was most pronounced:	Total U.S. Equity Allocation ↑ 42%	Large Cap Growth Allocation ↑ 133%	Large Cap Value Allocation ↑ 40%	Fixed Income Allocation ↓ -55%

Hypothetical analysis provided in the chart and table above is for illustrative purposes only. Not intended to represent any actual investment.

Source for both chart & table: U.S. Large Cap Growth: Russell 1000 Growth Index, U.S. Large Cap Value: Russell 1000 Value Index, U.S. Small Cap: Russell 2000® Index, International Developed Equities: MSCI World ex USA Index, Emerging Markets Equity: MSCI Emerging Markets Index; Global Real Estate: FTSE EPRA NAREIT Developed Index, and Fixed Income: Bloomberg Barclays U.S. Aggregate Bond Index.

When you rebalance your portfolio regularly, you sell your high performers and buy low performers. Not only does this help you capture your gains, it can also help smooth out returns. And when it comes to our investment portfolio, don't we all prefer a smoother ride to a rollercoaster?

More importantly, maintaining the allocation of assets within the original guidelines keeps your portfolio aligned with your stated risk tolerance and your expectations for your money. While rebalancing can help improve returns, it doesn't always. But when you factor in the reduction in volatility that rebalancing can provide, the potential "risk-adjusted" return is crucial. This is the return you get from your portfolio while still being able to sleep at night.

Keeping you on track and reasonably comfortable is how your advisor can add value.

B IS FOR BEHAVIORAL COACHING

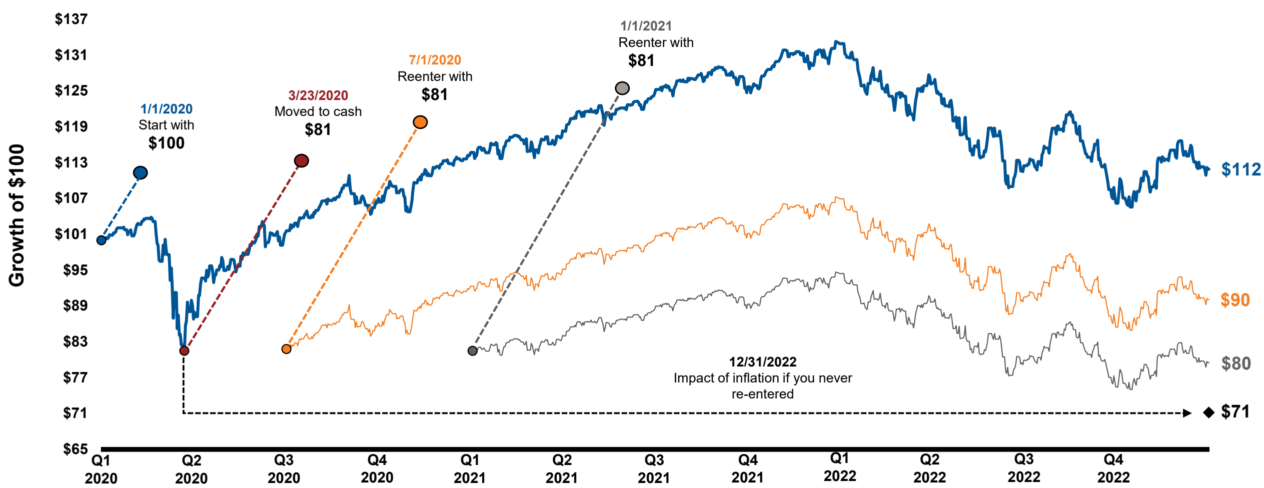
Last year was a difficult year for many investors. Not only did both equities and fixed income end the year lower, both asset classes were quite volatile throughout. You may have felt like throwing in the towel.

But pulling out of the market when it's volatile can lock in losses and could lead to missing out on any subsequent rally. Without a crystal ball, it's hard to time the perfect point to get back into the market once you have left.

The chart below shows how hard it is to re-enter the market once you leave and the potential benefit of just riding out the storm. If you had remained invested over the past two years, you would have seen your $100 investment on January 1, 2020 rise to $112 by the end of 2022. But if you had moved to cash in March 2020 when the pandemic hit, and then returned to the market a few months later at the end of the second quarter, you would only have $90 by the end of last year. Meanwhile, if you moved to cash in March 2020 and stayed in cash until January 2021, you would have only $80 at the end of 2022. And if you had moved out of the markets in March 2020 and stayed in cash for the duration, inflation would have eaten away at the value of your money, and you would have only $71 at the end of 2022.

This is where we believe an advisor can be a valuable guide. Their role as a behavioral coach can go a long way to keeping you invested, by focusing on the long term rather than letting you fall prey to your emotions when markets become volatile.

FEAR IMPACTS OPPORTUNITY



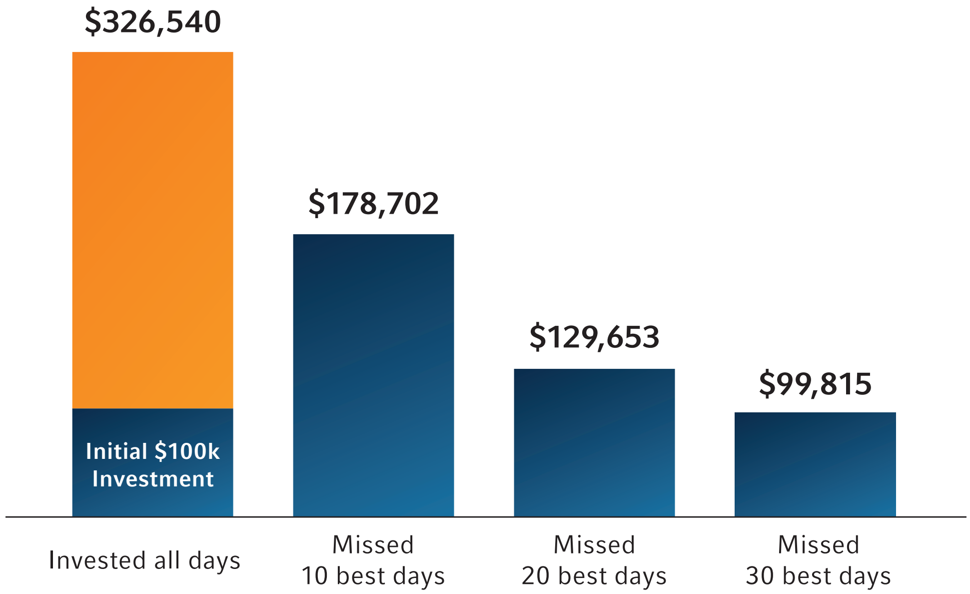
Source: Morningstar Direct and BLS.gov. Balanced Portfolio: 60% S&P 500 Index & 40% Bloomberg Aggregate Bond Index. As of Dec 31, 2022. Monthly change in CPI as of Dec 31, 2022.

Even pulling out of the market for a brief period can hurt your returns. The thing is, you never know when the market will have a good or bad day. Market performance can be affected by anything from stock-specific news to geopolitical events to newly released data (such as employment statistics) to even technical trading triggers. That's why they're so unpredictable. Nevertheless, their long-term trend has been up. In fact, the S&P 500 Index has finished the year in positive territory 73% of the time since its inception in 1926[1].

[1] Source: Russell Investments, represented by the S&P 500® Index from 1926-2021

THE INVESTMENT IMPACT OF MISSING BEST MARKET DAYS

10 years ending December 31, 2022



Source: Morningstar. Returns based on S&P 500 Index, for 10-year period ending December 31, 2022. 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.

C IS FOR CUSTOMIZED EXPERIENCE AND FAMILY WEALTH PLANNING

We all like getting things our way, and we all love the personal touch. There's something satisfying about receiving a curated list of suggested shows from our streaming service. Or hearing our name called out by the barista, knowing the coffee was made to our personal preferences. And what is more personal than our finances?

It's likely that your life will become more complex over time, as you accumulate assets and potentially raise a family. You may rely on your financial advisor to guide you through saving for a home, put money aside for your children's education, ensure you are properly insured, prepare for retirement or set up a charitable trust. The illustration below lists some of the many parts of a holistic wealth planning process many advisors now offer.

The services listed in orange are what advisors originally provided and what robo-advisors now offer at a very low price. Those in light blue are what a financial planner can provide while those in dark blue are the broader and more customized services that many advisors now offer.

DELIVERING TRUE WEALTH MANAGEMENT IS VALUABLE

Your advisor may be continually adjusting your plan and may consult with not only your spouse but also your children, depending on the nature and size of your assets. At all times, they will be aware of your needs, goals, and preferences. Your advisor may also call upon a network of experts – such as estate lawyers, accountants, or lifestyle consultants – to ensure your plan encompasses all aspects of your life.

This means your advisor will develop a deep understanding of your individual situation and what you are trying to achieve. They can spearhead the holistic wealth planning process—saving you time and effort. We believe an advisor who works with you to build financial stability for your entire family provides significant value.

T IS FOR TAX-SMART PLANNING AND INVESTING

It's one thing to pay taxes on your investment portfolio when you've enjoyed a healthy return. But when your portfolio declines – as many did in 2022 – and you still have to pay taxes on your investments, well, that can feel particularly galling.

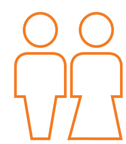
Without proper tax management, you may pay more taxes than you need to every April. There are a myriad of taxes that can be triggered by our investments: taxes on dividends, on capital gain distributions, or sale of shares, for example. There is value in working with a tax-aware advisor who can structure your portfolio and choose solutions to help manage investment taxes.

For example, based on the average 7% capital gain distribution reported in Morningstar by U.S. equity mutual funds and ETFs in 2022, if you had a portfolio worth $500,000 at the end of 2022, you would have received a Form 1099-DIV with $35,000 in capital gains distributions. Assuming a 20% tax rate (the top long-term capital gains tax rate at the federal level excluding the 3.8% net investment income tax surcharge), that translates into a tax bill of $7,000.

By comparison, if you had held tax-managed mutual funds in that portfolio, you could have entirely skirted capital gain distributions in 2022 and had a much lower tax bill this April.

THE POWER OF TAXES

How much are yearly capital gain taxes costing you?



	Average Joe & Joan Traditional Taxpayer	Uncle Sam & Aunt Betsy Tax-Aware Taxpayer
Year End Balance	**$500,000**	**$500,000**
Capital Gain Distribution	7.0%**	0.0%
1099	$35,000	$0
Assumed Tax Rate*	20%	20%
TAX DUE	**$7,000**	**$0**

The above is a hypothetical illustration only and not intended to represent any actual investment.

*20%: Represents top long term cap gains rate, excluding 3.8% Net Investment Income Tax

**7%: Represents 2022 average capital gain distribution % of Morningstar broad category 'US Equity' which includes mutual funds and ETFs.

Working with a tax-smart advisor can save you money. And we believe that holds value.

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Russell Investments

WHY WORK WITH A FINANCIAL ADVISOR?

Because it may help you increase the value of your portfolio. In this time of constant change and increased customization, our lifestyles, dreams, goals, and finances may be vastly different from what they were a decade ago – or even a year ago. But one thing likely hasn't changed: your wish for financial stability. And that's where a trusted advisor can truly provide value.

To learn more, speak with your financial advisor.

IMPORTANT RISK 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.

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 MSCI World ex U.S. Index tracks global stock market performance that includes developed and emerging markets but excludes the U.S.

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.

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.

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).

The S&P 500® Index is an index, with dividends reinvested, of 500 issues representative of leading companies in the U.S. large cap securities market.

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 represents 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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