



More than a guide

A trusted advisor helps navigate the complexities of wealth, paving the way for generations to come.



Invest without boundaries™



The value of an advisor

2024 was a year of significant change and changing fortunes. The Canadian economy was in a fragile state, with the unemployment rate having increased sharply from its 2023 low. However, Canadian stocks still delivered double-digit returns, showing the importance of staying invested in the face of headwinds. Inflation in the U.S. slowed despite robust economic activity, but impending trade wars obscured the economic outlook. There was ongoing geopolitical upheaval in various global hotspots. There were elections in Japan, the U.K, France, and Mexico as well as in the U.S., where the new Trump administration promised a major overhaul of legislation, the budget process and government structure. Both stocks and bonds moved higher, but the big technology names known as the Magnificent 7 (Apple, Microsoft, Amazon, Alphabet (Google), Tesla, Nvidia and Meta Platforms) began to stumble after years of dominance.

Given all the uncertainty and changes in market leadership, you may have wondered if you should pull out of the markets, or change your approach, or you may have worried about the safety of your retirement portfolio. That's why we believe that even if all your advisor did last year was help you stick to your investment plan, you likely received more value than the fee you paid. But chances are, your advisor probably did more than that.

They likely reviewed your asset allocation to ensure it still aligned with your financial goals and the market environment. They may have met with you, and possibly your spouse and children to discuss any changes in your lifestyle or circumstances, helped you plan your legacy or worked to maximize your after-tax returns.

Our simple and handy formula encompasses all those services to help you understand the value of working with an advisor.



Here's what those categories mean and how they represent value to you, the investor.



is for Asset allocation

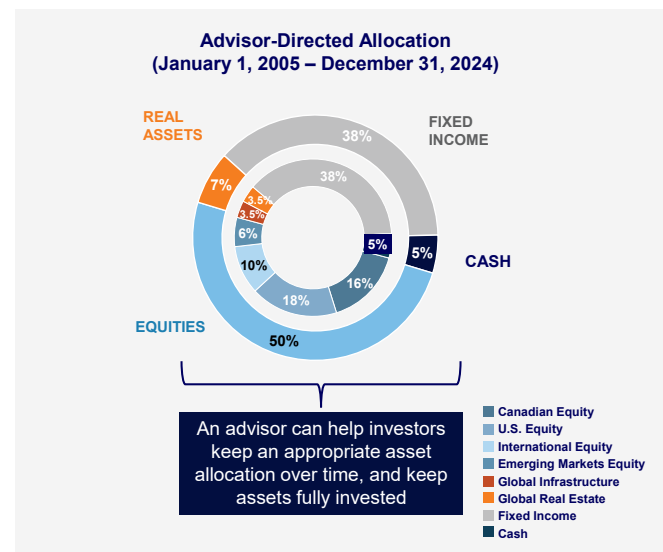
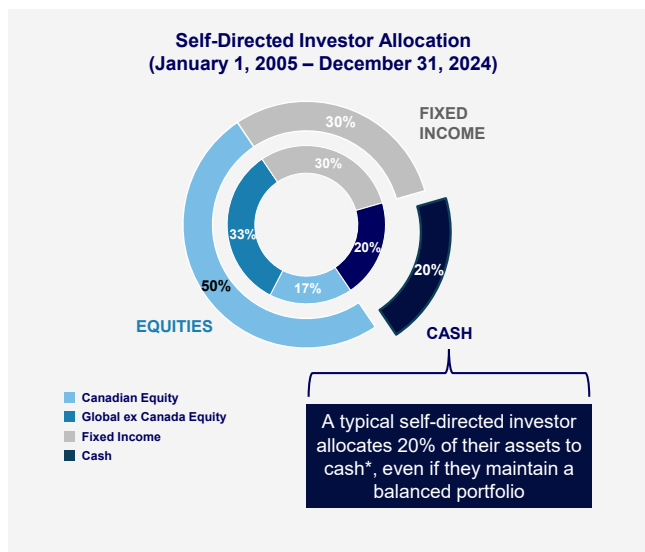
We are all most comfortable with things that are familiar to us. This is why we generally choose the same brands when we shop or have our own sense of what we consider “comfort food”.

It’s not much different when it comes to investing. Left on their own, investors will opt for the most “comfortable” allocation – choosing mainly the familiarity of large-cap Canadian, U.S. and European equities and bonds, with a fairly substantial proportion in cash. Most investors who don’t follow the guidance of an advisor will play it safe. They will keep money in cash for many reasons: they may want the flexibility to liquidate easily, they like seeing a number in their portfolio that remains stable, or they may not know what else to do with it.

According to the American Association of Individual Investors, a self-directed investor is likely to keep about 20% of a balanced portfolio in cash. While a similar study doesn’t exist in Canada, we believe

Canadian investors are likely to do the same. But your advisor knows that while a small percentage of cash in a portfolio makes sense, that large cash allocation becomes a drag on performance. A committed advisor will seek the best returns with a reasonable level of risk and is likely to recommend adding an allocation to international and emerging markets equities, as well as some exposure to real assets such as infrastructure and real estate.

The chart below shows the difference between the asset allocation an individual investor is likely to choose compared to a diversified portfolio that a seasoned advisor might design for a client. For the self-directed allocation, we allocated 50% to equities, made up of 1/3 Canadian, 1/3 U.S. and 1/3 developed market equities, 30% to fixed Income and 20% to cash. For the advisor-directed allocation, we reduced the cash holdings to 5% and increased the diversification of the equity allocation.



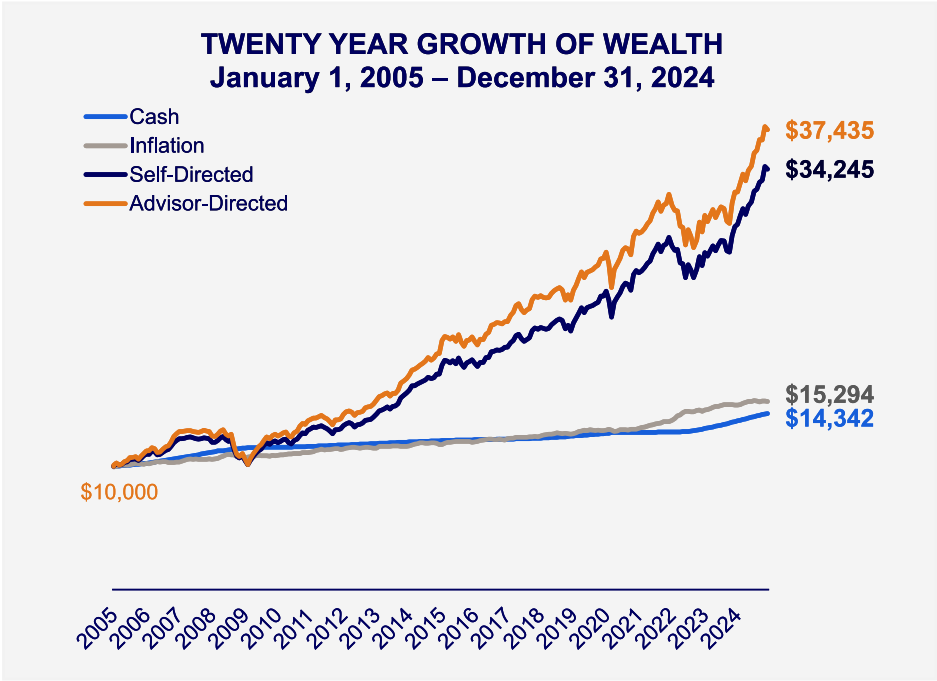
For illustrative purposes only. Not intended to represent any actual investment.

*Cash assumptions based on <https://www.aaii.com/assetallocationsurvey> average cash allocation over the last 20 years. Although similar Canadian data is not available, trends are widely considered to be generally the same in both countries (U.S. and Canada). Portfolios rebalanced annually. Self-directed investor allocation: 17% S&P/TSX Composite Index; 33% MSCI World ex CA Index; 30% FTSE Canada Universe Bond Index; 20% FTSE Canada 91-Day TBill Index. Advisor-directed allocation: 16% S&P/TSX Composite Index, 18% S&P 500 Index, 10% MSCI EAFE Index, 6% MSCI EM Index, 3.5% S&P Global Infrastructure Index, 3.5% FTSE EPRA Nareit Developed Index, 38% Fixed Income and 5% FTSE Canada 91-Day TBill Index.

While you may feel more comfortable keeping a big chunk of your money in cash and familiar household names, that may not be the best way for you to reach your financial goals. Keeping your money in the market gives you a higher probability of earning returns, and greater diversification can help smooth out the ride.

The next chart shows the difference in returns between a self-directed portfolio and an advisor-directed one.

Over a 20-year period, the advisor-directed portfolio delivered better absolute returns. As you can also see, cash returns over the period are low and below the rate of inflation. That’s why having an advisor who can design an asset allocation that fits your needs at a level of risk that you can live with, may be able to put you closer to achieving your financial goals. We think that is valuable.



For illustrative purposes only. Not meant to represent any actual investment. 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.



is for Behavioral coaching

As humans, we are ruled by our emotions and we often make decisions based on them. That's generally not a big deal when we make a frivolous purchase because we "fell in love" with it, or block someone on social media over a minor disagreement. Most of the time, you can recover from those knee-jerk reactions. But being impulsive when it comes to your investments can be detrimental to your financial well-being.

To be a successful investor, it's important to be objective and disciplined when making investment decisions. This means making sure those decisions align with your long-term goals. This is where working with an advisor can be helpful.

Advisors can assist you in a full spectrum of wealth planning, from selecting the most optimal investments, to managing your portfolio through different life changes, to retirement and estate

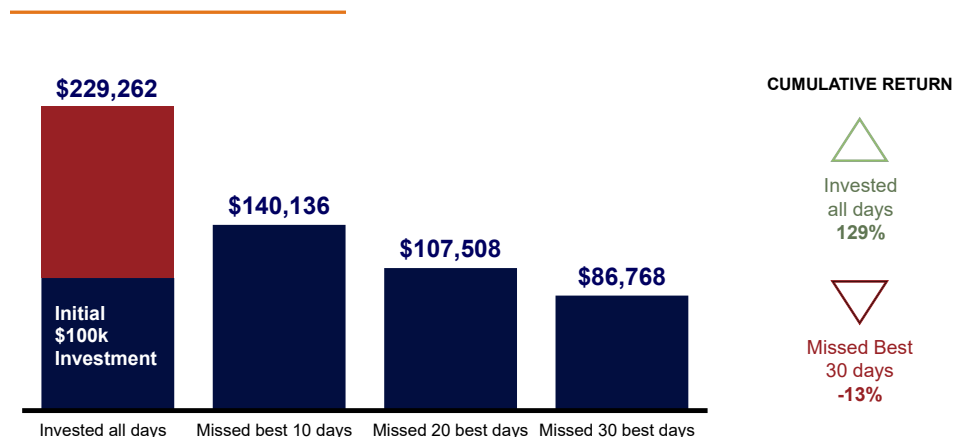
planning, as well as guidance on taxation. All can help you work toward your financial goals.

But more than that, they can act as behavioral coaches: guiding you through your emotional responses so that your portfolio remains on track.

While you would be forgiven if changes in government policy, global trade war escalation, and continued strife in Ukraine and the Middle East prompted you to second-guess your investment strategy, making changes off the back of these events may be detrimental to your portfolio. Sometimes it's the decisions you choose not to make that count more.

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. Without a crystal ball, you may choose the wrong time to leave and the wrong time to get back in.

Difficulty of market timing



Source: Morningstar. Returns based on S&P/TSX Composite Index, for 10-year period ending December 31, 2024. This hypothetical example is for illustration only and is not intended to reflect the return of any actual investment. Investments do not typically grow at an even rate of return and may experience negative growth. 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.

Generally, just remaining in the market through thick and thin is the better option. A thoughtful advisor can soothe your fears, keep you from acting on your emotional response to volatility, and help you potentially capture gains.

In fact, investors who try to "time" the markets invariably end up with a lower overall return than

investors who remain invested. We believe that if you work with an advisor, you are more likely to weather the market's turbulence. That's why we believe there is so much value to their behavioral guidance.



is for Customized family wealth planning

We all know how frustrating it is to call a bank or cellphone company looking for service and having to determine which of the available options provided by the automated system fits our particular circumstance. Now imagine being in that position when markets are volatile and you're worried about your investments.

That's why robo-advisors can play a role in investment management, but can never replace a human advisor. Robo-advisors 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 most 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. Your advisor, on the other hand, has likely 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.

Many advisors now provide customized service in the same way that your coffee shop or entertainment provider does. The "new world" of financial advice means advisors don't just build an investment plan, they regularly update it so that it continues to align

to your changing needs. They also conduct regular portfolio reviews, and make themselves 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. In addition, they don't just consider your immediate financial goals but also those of your spouse, children and potentially even the generations to follow.

For example, you and your loved ones may be considering the potential outcome and financial impact of such issues as:

- 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?
- Has my lifestyle changed recently?
- 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 an experienced human advisor guide you through these life-defining moments can bring tremendous value.



Hypothetical scenario for illustrative purposes only.



is for Tax-smart planning & investing

When it comes to investing, it's not what you make. It's what you get to keep. Your advisor can help you navigate the complex world of registered and non-registered accounts, the best way of withdrawing from your portfolio without triggering taxes, and so on.

Taking a tax-aware 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.

Taxes on your investment portfolio are varied and can be complicated to understand. If you invest in individual stocks, you will likely be taxed on the capital gains (as well as investment income) that were realized over the year. If you invest in either mutual funds or exchange-traded funds (ETFs), you will receive a tax bill on the distributions received, which often include capital gains. And it doesn't really matter what the markets did: on average, capital gains are paid every year whether markets go up or go down.

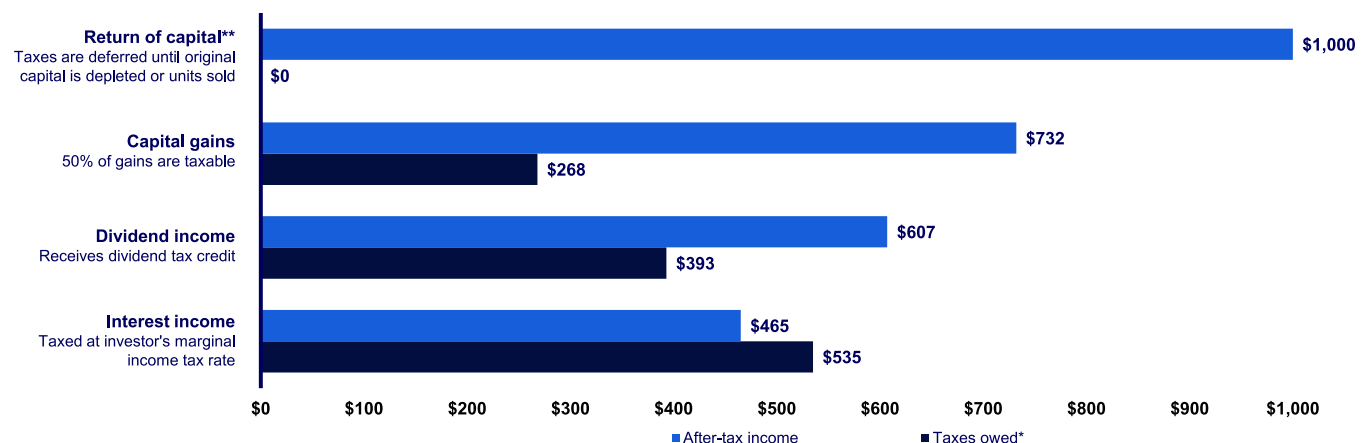
The more sophisticated your portfolio, the more likely you could face a complicated tax bill, including foreign dividends, interest income and so on. A tax-smart advisor, however, can minimize that tax bite and help you keep more of your portfolio's returns in your pocket. And that money also becomes available to reinvest and to keep growing.

An advisor can help you fully understand the difference between the various registered plans available and the best way to withdraw funds from them. Or help you understand the contribution and withdrawal rules that govern a Registered Education Savings Plan (RESP) to avoid any potential tax penalties for you or the student you are supporting.

If you are preparing to enter retirement, an advisor can provide value by helping you potentially avoid having your Old Age Security (OAS) benefits clawed back. This can be done by ensuring the income you receive from your portfolio is properly structured. For example, it may be beneficial to have the distributions you receive from your non-registered accounts composed of Return of Capital (RoC) rather than interest income.

The following chart shows the differences in taxation on different types of investment income.

Differences in taxation for \$1,000 of distributions



For illustrative purposes only.

*The following 2025 Ontario marginal tax rates are used for calculating the tax liabilities: interest income = 53.5%, Canadian eligible dividends = 39.3% and capital gains = 26.8%.

** Return of capital will adjust the cost base of your shares/units.

Why work with a financial advisor?

In an era of so much uncertainty, you may most appreciate having the peace of mind that your investments are helping you work toward your financial goals.

That peace of mind may come from knowing your assets are allocated in the most optimal manner to help you pursue your goals.

Or because you have been talked out of your natural impulse to flee the market when things got rough, and were there for the inevitable rebound.

Or perhaps because you are confident your advisor knows you and your family well enough to respect your wishes and plans.

And that you are confident your portfolio is optimized in a way that helps maximize your after-tax wealth.

No matter what you look for in an advisor, we believe the services you receive hold significant value.



Where to next?



Talk to your Financial Advisor to learn more or visit russellinvestments.com/ca.



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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.

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.

MSCI World Index, ex Canada: A broad global equity index that represents large and mid-cap equity performance across 22 developed market countries.

FTSE Canada Universe Bond Index measures the performance of marketable government and corporate bonds outstanding in the Canadian market.

The FTSE Canada 91-day Treasury Bill Index tracks the performance of three-month fixed income securities issued by the government of Canada. It is designed to reflect the performance of the relevant security for the relevant term, switching into the new Treasury bill at each auction.

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.

MSCI EAFE (Europe, Australasia, Far East) Index: A free float-adjusted market capitalization index that is

designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

MSCI Emerging Markets Index: A float-adjusted market capitalization index that consists of indices in 24 emerging economies.

S&P Global Infrastructure Index: Provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure across the global listed infrastructure market, the index has balanced weights across three distinct infrastructure clusters: Utilities, Transportation, and Energy.

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.

Past performance does not guarantee future performance.

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