VALUE OF AN ADVISOR

2026 / 11th EDITION

90 YEARS AND CLIMBING

Russell Investments

More than a guide

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

The human advantage: The value of advice in the age of AI

In a world where information is easier to access than ever and new technologies like artificial intelligence can deliver answers at the touch of a button, it may be easy to underestimate the value of a financial advisor. We believe the true benefit goes far beyond access to information. It lies in the ability to apply that information with judgment, context and discipline. That's the human advantage.

Advisor roles have evolved over time, requiring a broader and more sophisticated level of expertise and personalized engagement to meet changing client needs. This includes designing an investment strategy that can help navigate the market's fluctuations, while seeking to align with your comfort level for risk. It's about taking enough risk to support your long-term goals, including keeping pace with rising living costs, without losing sight of potential short-term needs. At the same time, it involves being intentional about taxes, helping you avoid unnecessary costs so your money can work as hard as possible for you.

Allocating assets appropriately, gaining market insights and feeling confident in the decisions you make about your investment plan are foundational. But working with a financial advisor has become much more than that. Advisors help bridge the gap between information and understanding, connecting what matters most to you, your family and your life with the financial plan you build together. In life's most important and often most challenging moments, having a trusted partner to guide you through each step has become increasingly central to who investors choose to trust with their wealth today.

Our simple formula is intended to help illustrate situations —often at critical moments in an investor's life—where working with a trusted advisor can make a meaningful difference. As you will see in this study, the role of an advisor goes beyond what can be measured. Their guidance, especially during periods of uncertainty, can have an impact that extends well beyond investment results.

Asset allocation

Behavioral coaching

Customized Family Wealth Planning

Tax-smart planning & investing

A is for Asset allocation

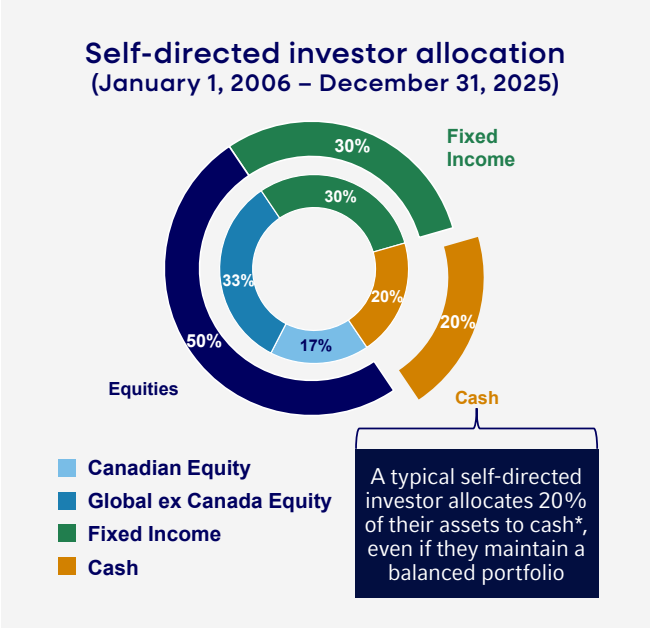
We are all most comfortable with things that are familiar to us. This is why we generally choose the same brands when we shop or have our own sense of what we consider "comfort food".

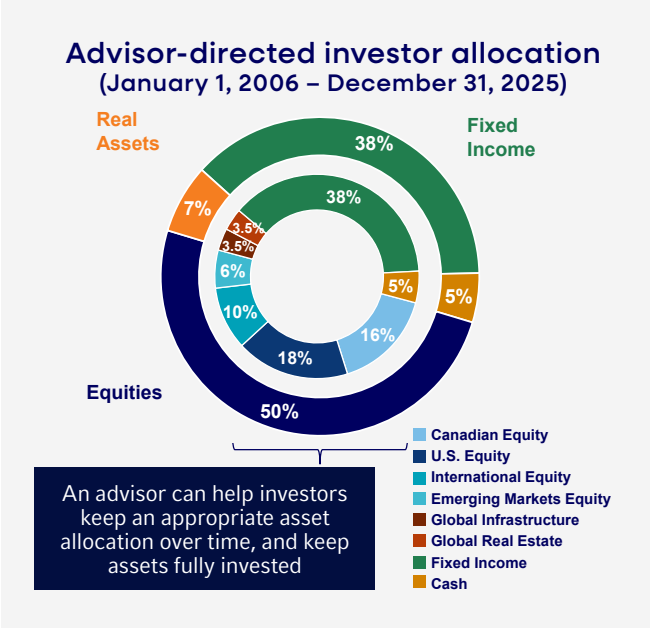
It's not much different when it comes to investing. Studies show that when left on their own, investors typically opt for the most "comfortable" allocation – choosing mainly the familiarity of North American large-cap equities and bonds, with a fairly substantial proportion in cash. Investors who don't follow the guidance of an advisor typically choose to keep an average of 20% of their investment portfolio in cash.

While a small percentage of cash in a portfolio can make sense, such a large cash allocation may become a drag on performance over time. An advisor might offer other options to help align your investments to your long-term goals and tolerance for risk.

This could mean adding smaller value names in more diverse sectors, perhaps an allocation to international and emerging markets equities and potentially a small exposure to real assets as a potential hedge against inflation.

The chart below shows the difference between the asset allocation a self-directed investor typically chooses compared to a diversified portfolio that a seasoned advisor might design for a client. For the advisor-directed allocation we reduced the cash holdings to 5% and increased the diversification of the equity allocation.



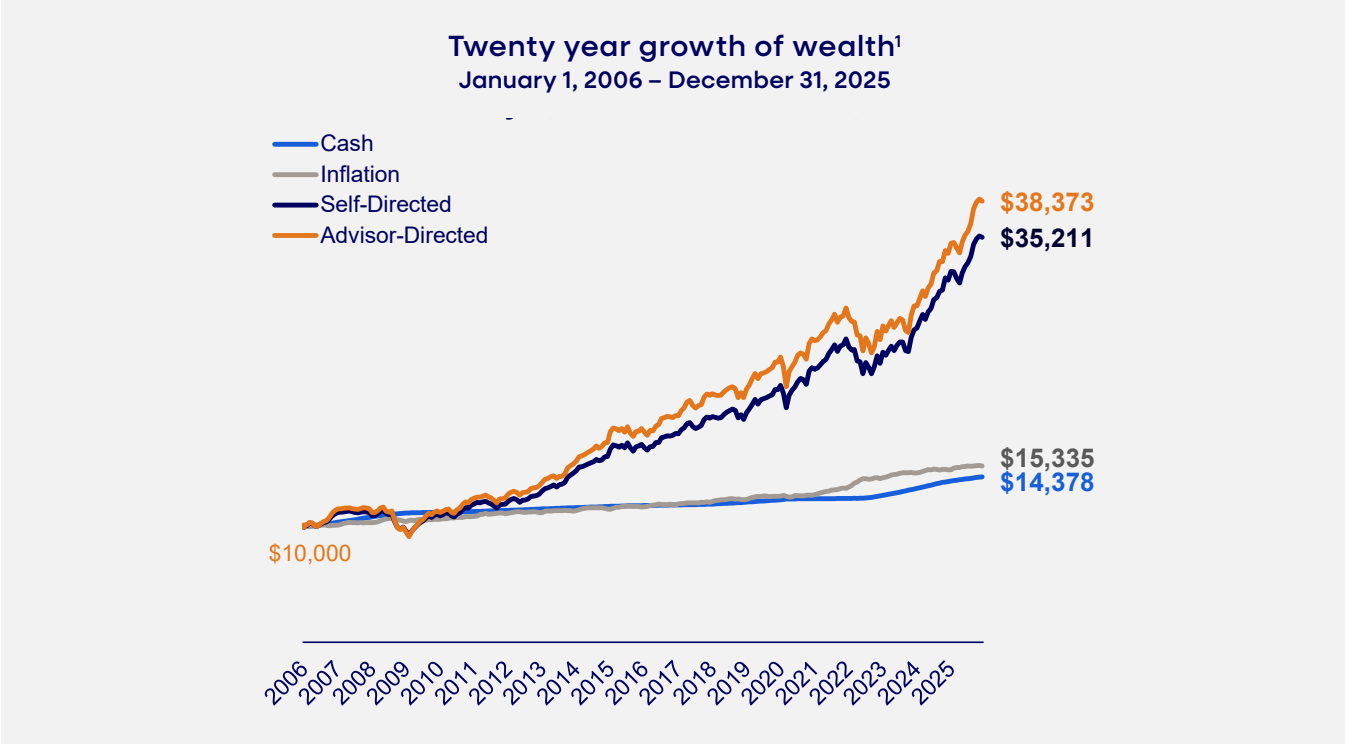


For illustrative purposes only. Not intended to represent any actual investment. *Cash assumptions based on https://www.aaii.com/assetallocationsurvey average cash allocation over the last 20 years. Although similar Canadian data is not available, trends are widely considered to be generally the same in both countries (US 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% FTSE Canada Universe Bond Index 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, a more diversified approach may give you a better chance of achieving your long term objectives.

The next chart shows the difference in the growth of a self-directed portfolio versus an advisor-directed one.

Over the 20 year period, the illustrative advisor-directed portfolio would have delivered a better outcome. As you can also see, cash returns over the period are low and below the rate of inflation. An advisor can help design an asset allocation that fits your needs, goals and desired risk level. We see real value in that.



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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% FTSE Canada Universe Bond Index and 5% FTSE Canada 91 Day TBill Index. Cash = FTSE Canada 91 Day TBill Index; Inflation = Canada Total CPI. Portfolios rebalanced annually.

B is for Behavioral coaching

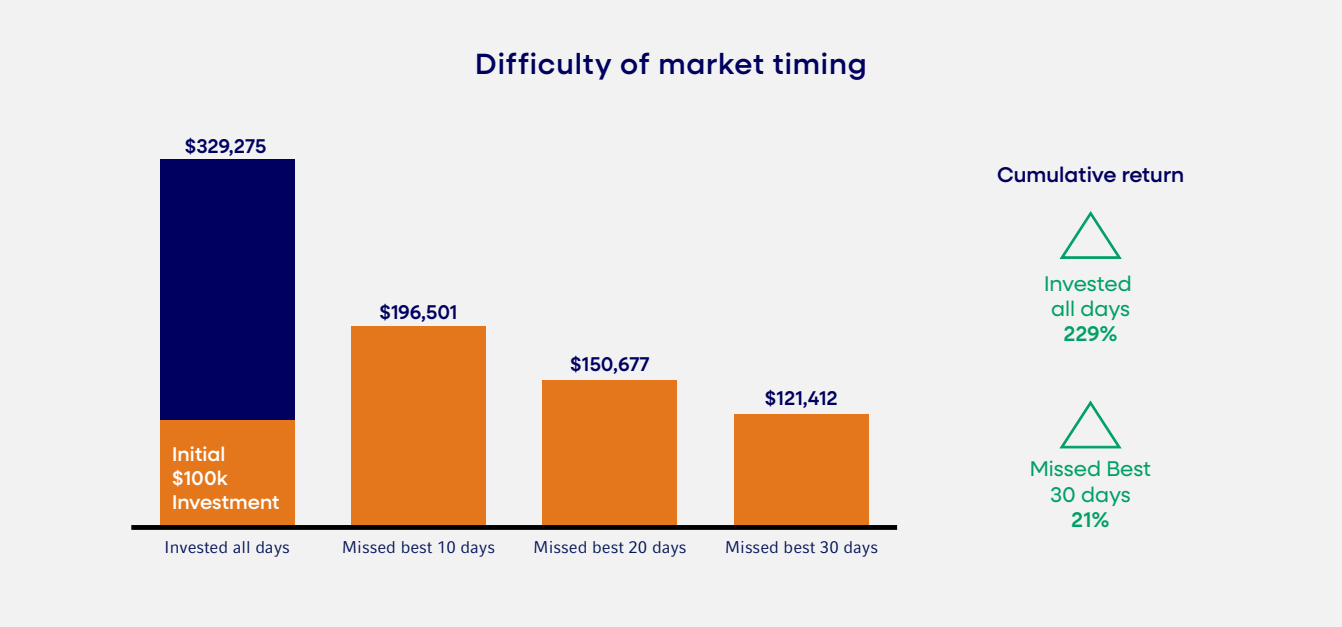
As humans, we are ruled by our emotions and they play a powerful role in the decisions we make. That's generally not a big deal when we make a frivolous purchase because we "fell in love" with it, or block someone on social media over a minor disagreement. Most of the time, you can recover from those 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 decisions align with your long-term goals. This is where working with an advisor can be helpful.

An advisor can act as a behavior coach: guiding you through the market's ups and downs and helping you avoid emotional decisions that could take your portfolio off track.

Understandably, a global event or a domestic policy change can prompt an investor to second-guess their investment strategy. But making changes purely off the back of such events could be detrimental to their portfolio. Sometimes it's the decisions you choose not to make that make the difference.

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.



Source: Morningstar. Returns based on S&P/TSX Composite Index, for 10-year period ending December 31, 2025. 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 may be a better option. A thoughtful advisor can keep you from acting on your emotional response to volatility, and help you potentially capture gains as markets recover.

We believe that working with a trusted advisor can help you weather market turbulence and maintain discipline in your investment decisions, helping to keep you on a solid path towards your goals.

C is for Customized family wealth planning

We all know how frustrating it is to call a bank or phone company and encounter an automated system with a long list of options, none of which 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.

Just as your coffee shop or entertainment provider has evolved to deliver a more personalized experience, many advisors now provide a more customized service. The "new world" of financial advice means advisors don't just build an investment plan, they conduct regular portfolio reviews, and make themselves available to answer your questions, guide you through market volatility and make recommendations when you go through life events — such as getting married, buying a house, sending a child off to college, or entering retirement. Often, 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.

New world: More wealth, more complexity

Tax management	Values-based investing	Individual security ownership	Diversify concentrated positions
Factor tilts	Faith-based preferences	Security restrictions	Tax-efficient transitions
Income	Theme-based restrictions	Automated customizations	Province specific tax considerations
Accommodate changing needs	Charitable giving	Coordination across portfolios	Personalized transition planning

For illustrative purposes only.

T 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 taxable and non-taxable 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 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 invested 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 invested 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: capital gains are generally paid out 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.

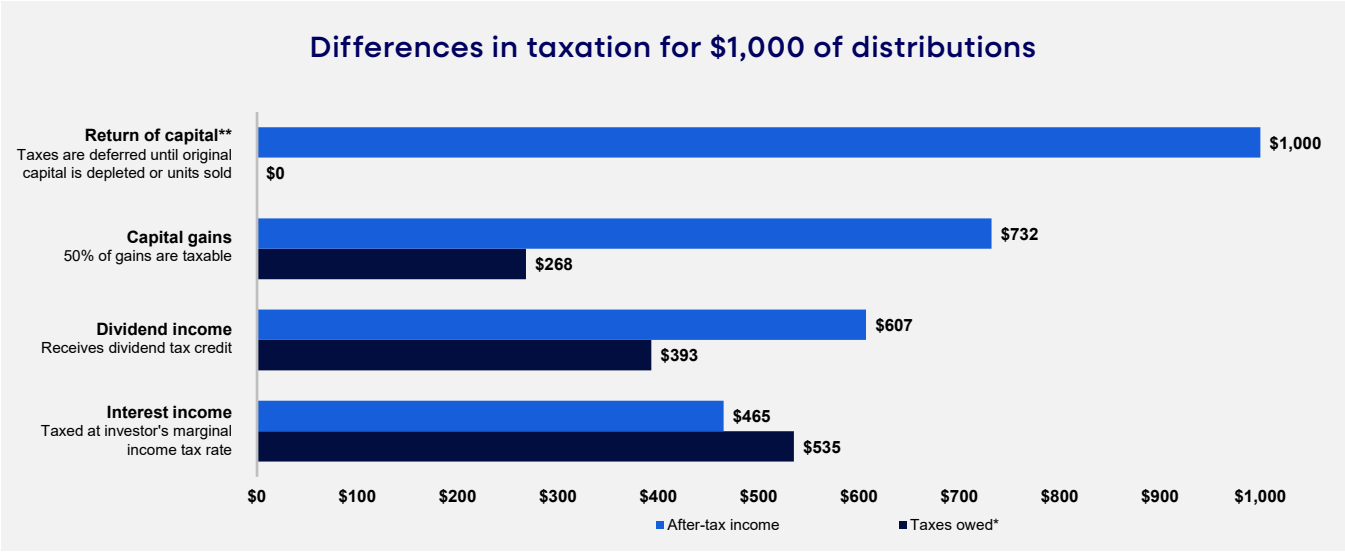
A tax-smart advisor, however, can help manage that tax bite and help you keep more of your portfolio's returns. That money then becomes available to reinvest and to keep growing.

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 hacking 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.

The power of taxes



For illustrative purposes only.
*The following 2026 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 periods of uncertainty, major events, or life changes, information alone isn't enough. What matters is judgment and perspective. Having someone who understands not just the markets, but you, your priorities, your concerns and what's at stake. This is what you may most appreciate in the guidance of a financial advisor.

Beyond managing investments, advisors help provide perspective during during periods of uncertainty and help keep your financial plan aligned to your needs.

No matter what you look for in an advisor, we believe the guidance and support they provide can play an important role in supporting investor outcomes.

A for Asset allocation

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B for Behavior coaching

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C for Customized family wealth planning

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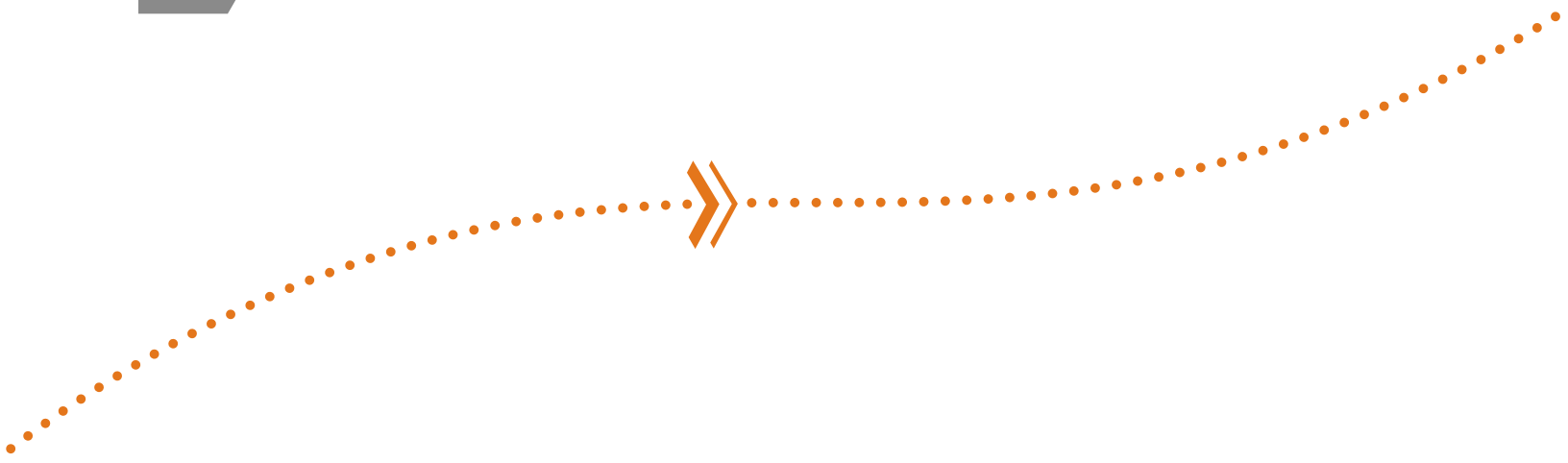
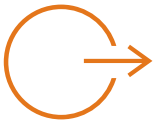
T for Tax-smart planning & investing



Where to next?



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

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Important information and disclosures

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.

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.

Past performance does not guarantee future performance.

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

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.

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.

MSCI World Ex-US Index: A broad global equity index that represents large and mid-cap equity performance across 23 developed market countries.

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

Bloomberg Global High Yield Index: An index which provides a broad-based measure of the global high-yield fixed income markets. The Global High-Yield Index represents the union of the U.S. High-Yield, Pan-European High-Yield, U.S. Emerging Markets High-Yield, CMBS High-Yield, and Pan-European Emerging Markets High-Yield Indices.

The 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.

S&P Goldman Sachs Commodities Index: A composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

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