MOMENTOUS
WEALTH ADVISORS

The Value of Advice.

The Value of Having a Financial Advisor

The Value of Advice

In my over 25 years as a financial advisor, I firmly believe in the value that I bring to my client's financial journeys. I have helped clients navigate through good and bad markets, the Financial Crisis in 2008-2009, The Great Recession, and many more difficult times.

It is reassuring to know that my conviction is backed by extensive research, such as the landmark study conducted by Vanguard in 2016 called *"Putting a Value on Your Value: Quantifying Vanguard Advisor's Alpha" which highlights the tangible benefits of working with a financial advisor. In their research, they concluded that the value of financial advice could add up to 3% in potential net returns for investors using an advisor. Vanguard's research demonstrates that financial advisors significantly influence investment outcomes. The study concludes that a financial advisor's impact on a client's portfolio is derived from several key factors.

Behavioral Coaching:

One of the most crucial roles a financial advisor plays is acting as a behavioral coach. Investing can be an emotional rollercoaster, especially during times of market volatility. Advisors provide guidance and support to help clients stay focused on their long-term goals, assisting them in making rational decisions and avoiding costly mistakes driven by panic or exuberance.

Vanguard's findings reveal that behavioral coaching alone can add up to **1.5%** in net returns. By keeping clients on track, advisors help them navigate market fluctuations and prevent knee-jerk reactions that could derail their financial plans.

Asset Allocation:

The study also highlights the importance of strategic asset allocation. Financial advisors work with clients to create customized investment portfolios based on their risk tolerance, time horizon, and financial goals. Vanguard's research indicates that asset allocation decisions alone can contribute up to **0.75%** in net returns.

Through diversification across various asset classes, advisors help clients achieve a balanced risk-reward profile that aligns with their unique circumstances. Advisors also constantly monitor and rebalance portfolios to maintain the desired asset allocation, ensuring that clients stay on track even as market dynamics change.

Cost Management:

Vanguard's study emphasizes the role of cost management in investment success. Financial advisors assist clients in selecting cost-effective investments, such as low-cost mutual funds and ETFs. By reducing transactional costs and minimizing unnecessary fees, advisors can add up to **0.45%** in net returns, as per Vanguard's findings.

Disciplined Investing:

Advisors help clients stay disciplined by discouraging frequent trading, which can lead to excessive trading costs and lower long-term returns. By encouraging a long-term investment perspective, advisors contribute to overall portfolio performance.

Financial Planning Benefits:

Beyond investments, a financial advisor provides comprehensive financial planning services, addressing key areas like retirement planning, tax optimization, estate planning, and risk management. Vanguard's research indicates that these financial planning services can add up to **1.0%** in net returns.

By considering the broader financial picture, advisors ensure that investment decisions align with clients' overall goals and aspirations. Through regular reviews and adjustments, advisors keep pace with changing circumstances and assist clients in adapting their financial plans accordingly.

In conclusion, according to the Vanguard Study, the value of prudent financial advice can be up to **3%** depending on each client's particular situation. The Vanguard study underscores the vital role that financial advisors play in investment success. Through behavioral coaching, asset allocation, cost management, and comprehensive financial planning, advisors bring significant value to clients' portfolios. These findings reassure both advisors and clients that the decision to work with a financial professional can yield meaningful benefits to long-term investment outcomes.

Staying Invested

Part of an advisor's job is to keep clients invested during difficult times and help clients navigate market volatility. In February of 2023, Hartford Mutual Funds put out a report called "Timing The Market is Impossible." **The report looked at missing the market's best days from 1993-2022 versus staying fully invested. If you invested $10,000 in 1993, your $10,000 would be worth over $158,000 by the end of 2022 invested in the S&P 500. If you missed the 10 best days, it would be worth less than $73,000 (54% less) and if you missed the 50 best days it would be worth less than $27,000 (83% less).

But what was most interesting about this report, was when the best 50 days occurred. The study concluded that:

- 52% of the best 50 days happened during a bear market(or bad market)
- 26% of the best 50 days happened during the first 2 months of a bull market (When not many think we are in a good market yet).
- 22% of the best 50 days happened during the rest of the bull market (or good market).

So over 78% of the best days in the market over the past 29 years happened during what are perceived to be the worst of times. A good advisor can coach you during those difficult periods to make sure you don't succumb to fear or panic and sell during the worst of times. I believe this is the true value of a financial advisor.

At Momentous Wealth Advisors, we remain dedicated to providing our clients with the highest level of service. The Vanguard study and the Hartford Report on Market timing serve as a reminder of the importance of our role in maximizing the potential for financial success and helping clients secure their futures.

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*The Vanguard Study source: https://advisors.vanguard.com/insights/article/putting-a-value-on-your-value-quantifying-advisors-alpha

**Timing The Market is Impossible" Data Sources: Ned Davis Research, Morningstar, and Hartford Funds, 2/23.

Disclosure:

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