



 Russell
Investments

THE VALUE OF AN Advisor

Depending on your situation – and on the market environment – investing can feel intimidating, confusing, frustrating, or exciting. Having a trusted advisor at your side to help navigate the markets and your emotions can be invaluable. That said, this infographic provides an estimation of the value they can provide.

“Price is what you pay. **Value** is what you get.”

- WARREN BUFFETT

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A + **B** + **C** + **P** + **T**

Annual
rebalancing
of investment
portfolios

Behavioral
mistakes
individual
investors
typically make

Cost of basic
investment-
only
management

Planning
costs &
ancillary
services

Tax-aware
planning &
investing

≈ **Value**

Annual rebalancing of investment portfolios

As the portfolio drifts away from the policy allocation, the risk and return characteristics of the portfolio are altered. Rebalancing over this horizon led to more ending wealth and a smoother ride (as measured by standard deviation).

HYPOTHETICAL REBALANCING COMPARISON OF \$500,000¹
JANUARY 1988 – DECEMBER 2017

	BUY AND HOLD	ANNUAL REBALANCING
0.10% =		
Annualized return %	8.9%	9.0%
Standard deviation %	10.2%	8.6%
Ending value \$	\$ 6.5 million	\$ 6.6 million

¹ 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.

A
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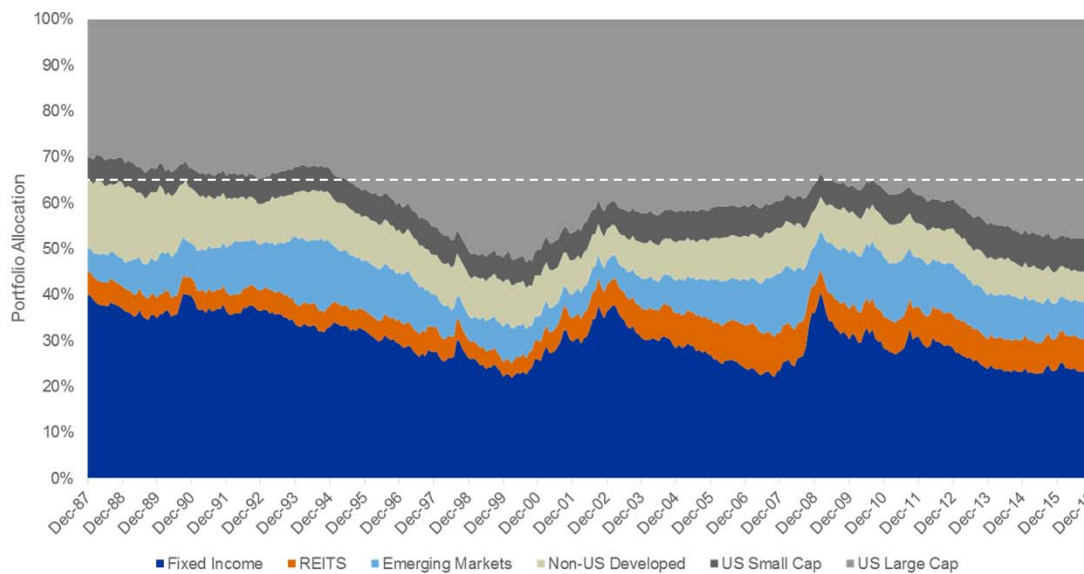


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Annual rebalancing of investment portfolios

ASSET ALLOCATION DRIFT OF A HYPOTHETICAL DIVERSIFIED PORTFOLIO*
JANUARY 1988 – DECEMBER 2017, WITH NO REBALANCING



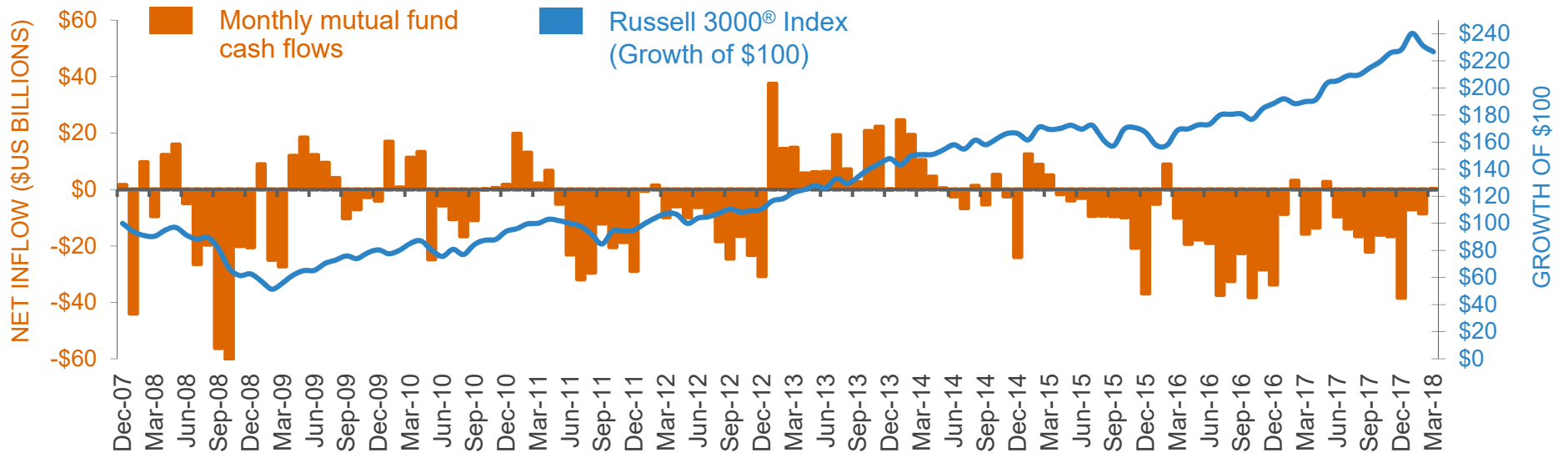
> 20% drift from original U.S. Equity allocation

*Portfolio returns throughout this paper are based on a diversified portfolio consisting of 30% U.S. large cap, 5% U.S. small cap, 15% non-U.S. developed, 5% emerging markets, 5% REITs, and 40% fixed income. Returns are based on the following indices: U.S. large cap = Russell 1000® Index; U.S. small cap = Russell 2000® Index; non-U.S. developed = MSCI EAFE Index (through June 1996), Russell Developed ex-U.S. Large Cap Index (July 1996 to present); emerging markets = MSCI Emerging Markets Gross Index (through June 1996), Russell Emerging Markets Index (July 1996 to present); REITs = FTSE NAREIT All Equity REIT Index (through February 2005), FTSE EPRA/NAREIT Developed Index (March 2005-present); and fixed income = Bloomberg Barclays U.S. Aggregate Bond Index. Longer period data analysis start dates correspond to index start dates (January 1988 is the inception of the MSCI Emerging Markets Index).

A
0.10%

Behavioral mistakes individual investors typically make

RECENT PROOF OF A “BUY HIGH AND SELL LOW” MENTALITY
INVESTMENT PATTERNS AT THE WRONG TIMES

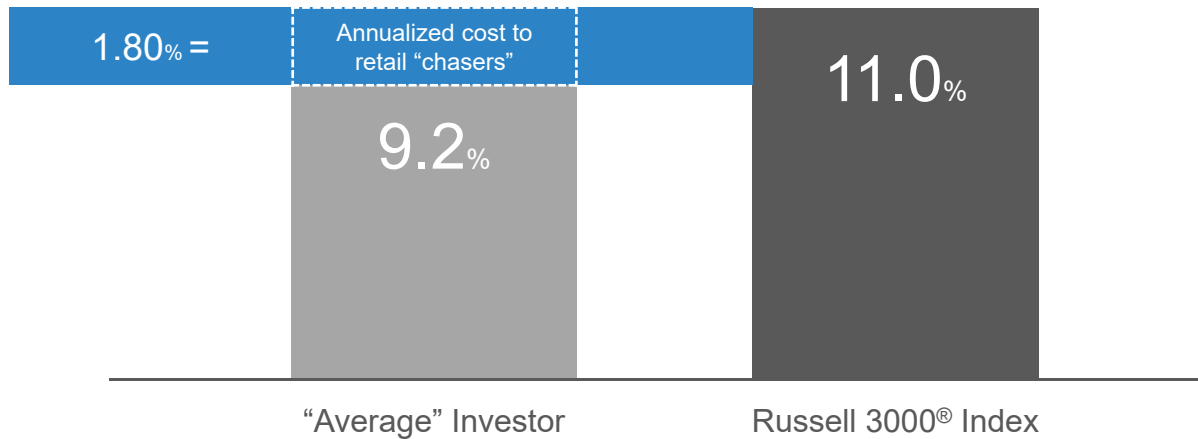


Data shown is historical and not an indicator of future results. | Sources: Industry flows into equities. www.ici.org/research/stats. Russell 3000® Index: www.ftserussell.com (“value with dividends”). | Data as of March 31, 2018. Index performance is not indicative of the performance of any specific investment. Indexes are not managed and may not be invested in directly.

A
0.10%

Behavioral mistakes individual investors typically make

THE HIGH COST OF INVESTOR BEHAVIOR
1984-2017

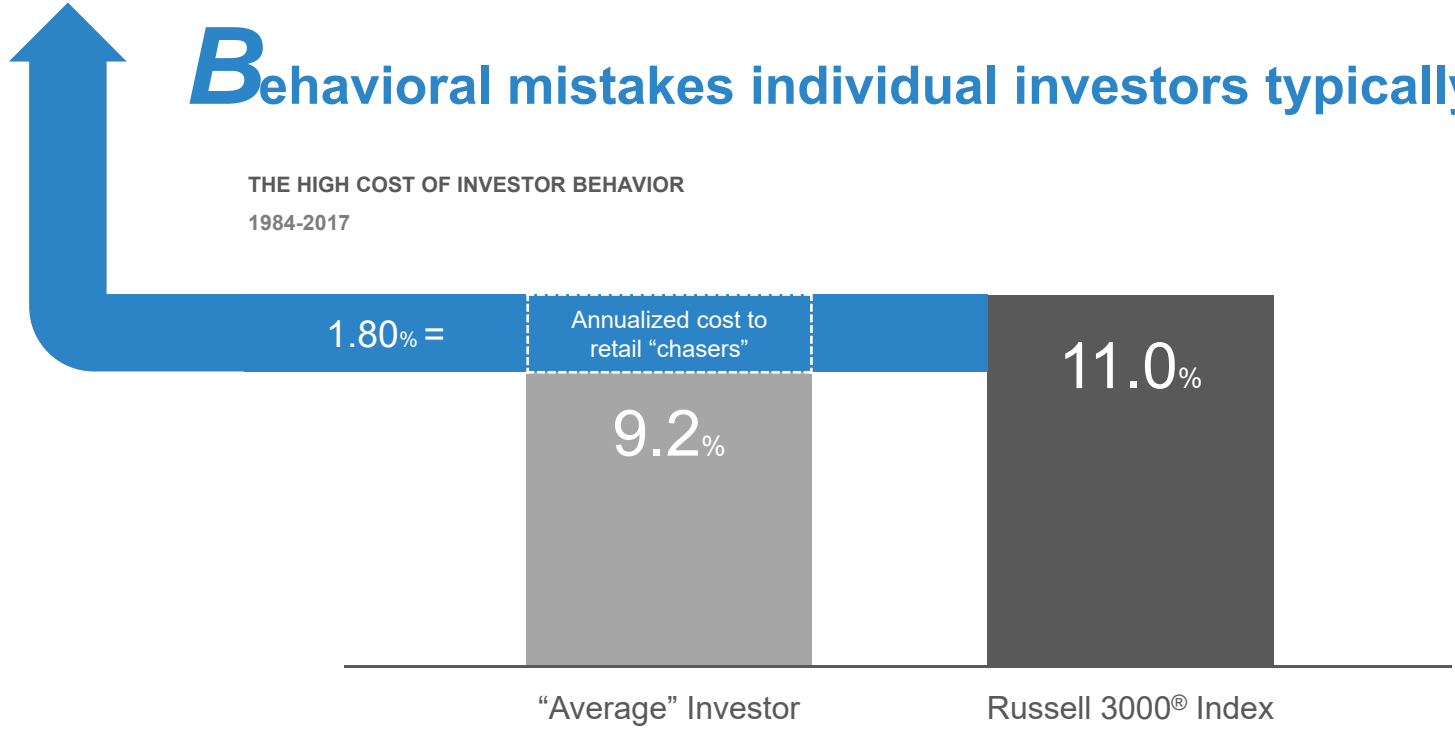


Source: "Average" Investor – Russell Investment Group & Investment Company Institute (ICI). Return was calculated by deriving the internal rate of return (IRR) based on ICI monthly fund flow data which was compared to the rate of return if invested in the Russell 3000® Index and held without alteration from January 1, 1984 to December 31, 2017. This seeks to illustrate how regularly increasing or decreasing equity exposure based on the current market trends can sacrifice even market like returns.
Source: Russell 3000® Index – BNY Mellon Analytical Services, Russell 3000® Index annualized return from January 1, 1984 to December 31, 2017.
Indexes and/or benchmarks 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.



B Behavioral mistakes individual investors typically make

THE HIGH COST OF INVESTOR BEHAVIOR
1984-2017

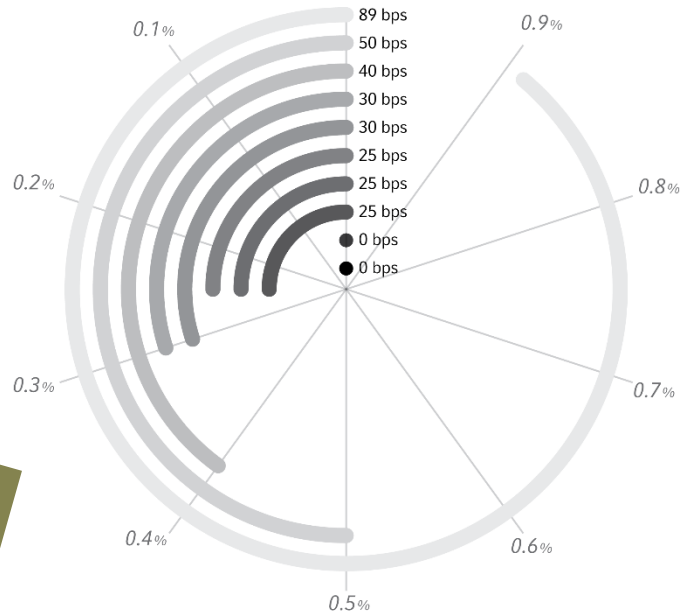


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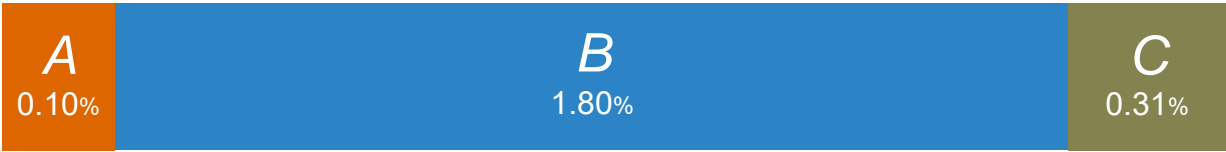
Cost of basic investment-only management

FEE CHARGED BY TEN CURRENT ROBO-ADVISORS
BASED ON \$500K PORTFOLIO



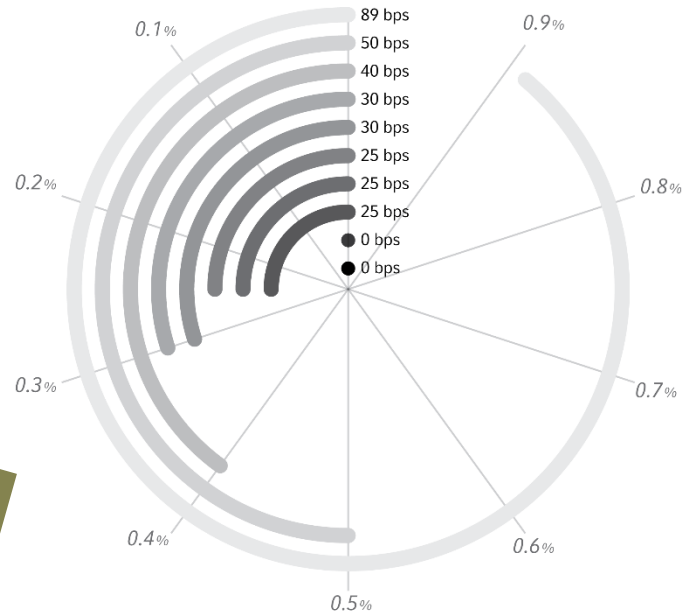
*Based on the average fee charged for investment-only management by the top 10 robo advice offerings for a client portfolio of \$500,000.

Average* = 0.31%



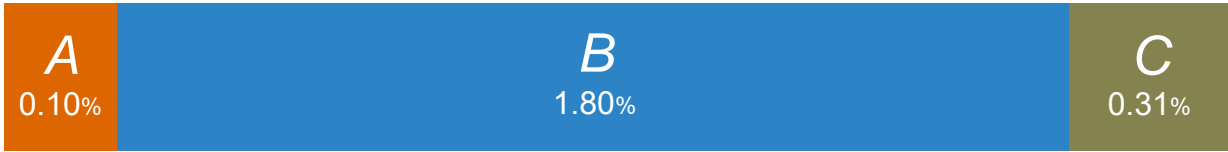
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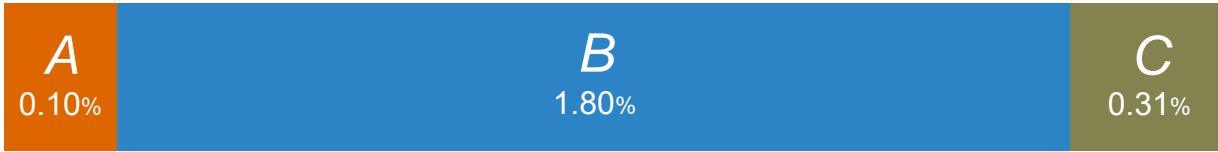
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*P*lanning costs & ancillary services

ANNUAL PLANNING





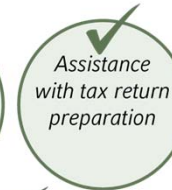
*P*lanning costs & ancillary services

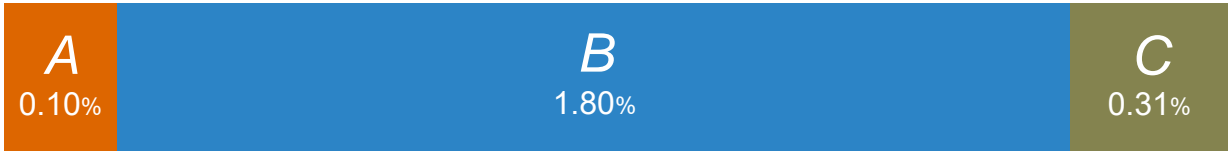
ANNUAL PLANNING



+

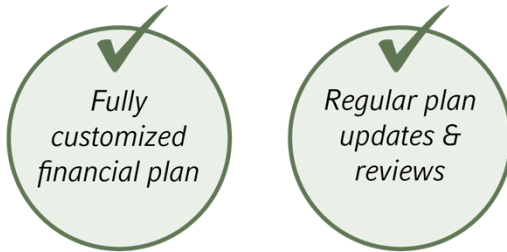
OTHER SERVICES





Planning costs & ancillary services

ANNUAL PLANNING



≈ 0.50%

On a \$500k account

+

OTHER SERVICES



≈ 0.25%

On a \$500k account

+

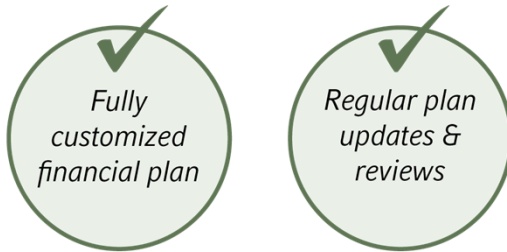
Source: Inside Information, 2017 Planning Profession Fee Survey. Average advisor charges 0.50% for financial planning for accounts up to \$1mn AUM. Additional approx. 0.25% fee for ancillary services.



P

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ANNUAL PLANNING



+

OTHER SERVICES



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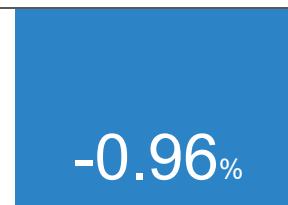
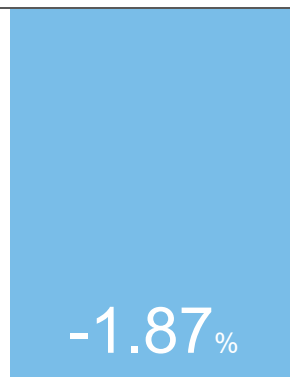


Tax-aware planning & investing

DIALING DOWN THE TAX DRAG
AVERAGE ANNUAL TAX DRAG (RETURN LOST TO THE TAX-PAYER)
FOR 5 YEARS ENDING DECEMBER 2017

U.S. Equity funds
(non tax-managed)

Tax-managed U.S.
Equity funds



Tax-managed: funds identified by Morningstar to be tax-managed.
 Universe averages*: Created table of all U.S. equity mutual funds and ETF's as reported by Morningstar. Calculated arithmetic average for pre-tax, post-tax return for all shares classes as listed by Morningstar.
 Morningstar Categories included: U.S. ETF Large Blend, U.S. ETF Large Growth, U.S. ETF Large Value, U.S. ETF Mid-Cap Blend, U.S. ETF Mid-Cap Growth, U.S. ETF Mid-Cap Value, U.S. ETF Small Blend, U.S. ETF Small Growth, U.S. ETF Small Value, U.S. OE Large Blend, U.S. OE Large Growth, U.S. OE Large Value, U.S. OE Mid-Cap Blend, U.S. OE Mid-Cap Growth, U.S. OE Mid-Cap Value, U.S. OE Small Blend, U.S. OE Small Growth, U.S. OE Small Value.

*Methodology for Universe Construction on Tax Drag chart: From Morningstar, extract U.S. equity and fixed income mutual fund and ETF's for reported period. Averages calculated on a given category. For example, average after-tax return for the large cap category reflects a simple arithmetic average of the returns for all funds that were assigned to the large cap category as of the end date run. For funds with multiple share classes, each share class is counted as a separate "fund" for the purpose of creating category averages. Morningstar category averages include every type of share class available in Morningstar's database. Large Cap/Small Cap/Municipal Bond determines based upon Morningstar Category. If fund is indicated Morningstar as passive or an ETF, the fund is considered to be passively managed. Otherwise, the fund is considered to be actively managed. Tax Drag: Pre-tax return Less After-Tax Return (pre-liquidation).



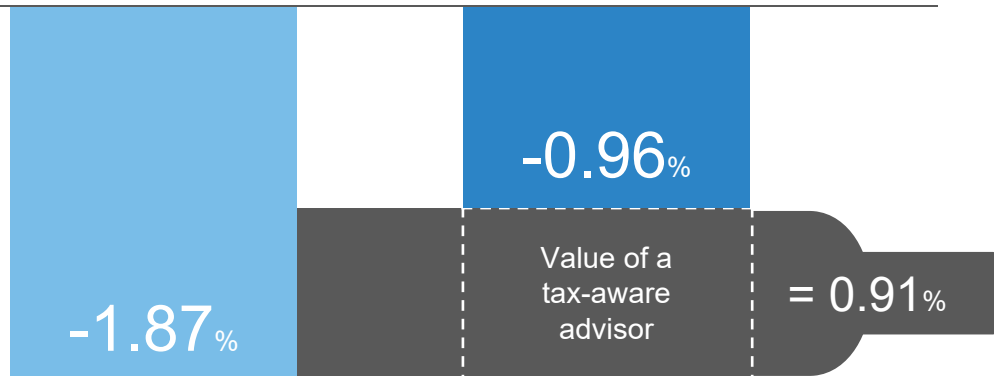
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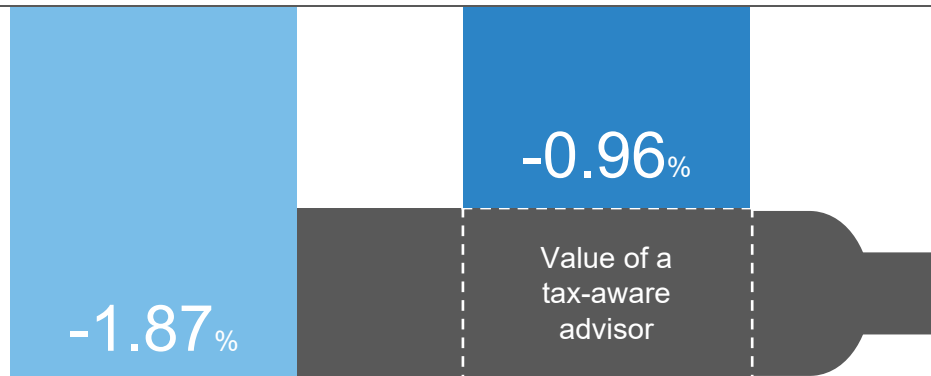


Tax-aware planning & investing

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WHAT IS THE CUMULATIVE VALUE OF THE VARIOUS
SERVICES OFFERED BY A TYPICAL ADVISOR?



WHAT IS THE CUMULATIVE VALUE OF THE VARIOUS SERVICES OFFERED BY A TYPICAL ADVISOR?

$$\begin{array}{ccccccccc} A & + & B & + & C & + & P & + & T & \approx & \textit{Value} \\ 0.10\% & & 1.80\% & & 0.31\% & & 0.75\% & & 0.91\% & & 3.87\% \end{array}$$

Price

=

?

<

Value

≈

3.87%

Appendix

Slides 4-5 Methodology for the Rebalancing Comparison, January 1988 – December 2017

Portfolio returns throughout this are based on a diversified portfolio consisting of 30% U.S. large cap, 5% U.S. small cap, 15% non-U.S. developed, 5% emerging markets, 5% REITs, and 40% fixed income.

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Slides 17-19 Methodology for Morningstar Tax Cost Ratio

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The Morningstar categories are as reported by Morningstar and have not been modified.

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The Investment Company Institute is the national trade association of U.S. investment companies, which includes mutual funds, closed-end funds, exchange-traded funds and unit investment trusts.

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