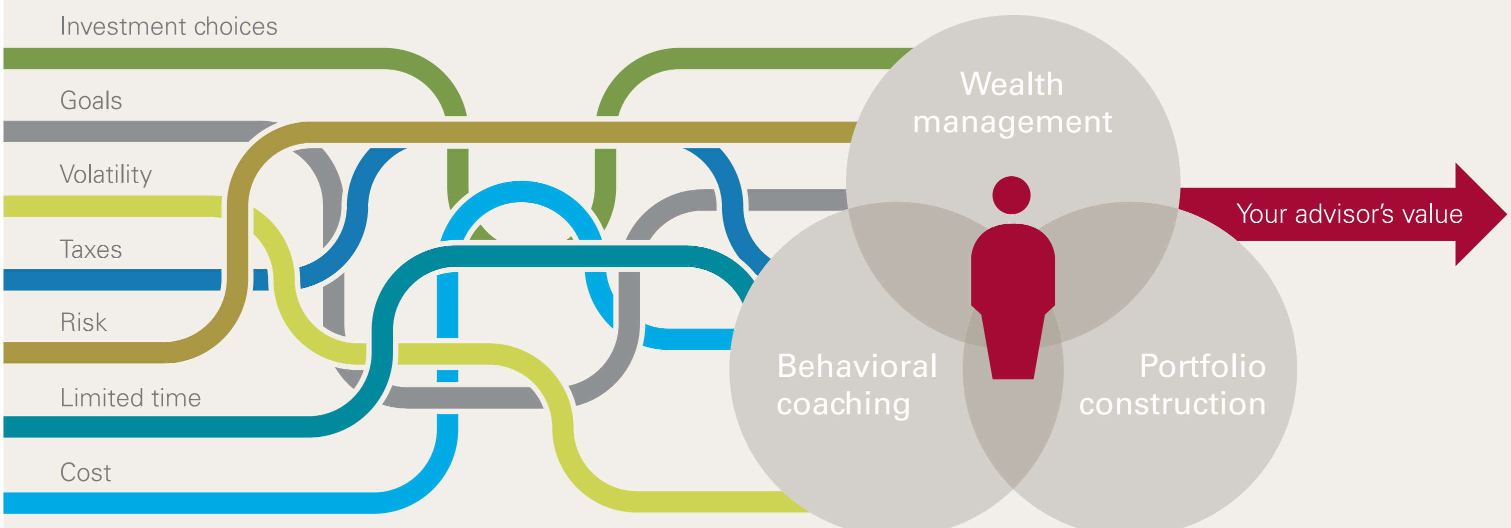
YOUR FINANCIAL ADVISOR

Bringing value through advice

Investor note

Your investment goals are personal

They're about taking care of your family, feeling secure, and being comfortable. And whether your goals include retirement planning, charitable giving, or transitioning wealth, selecting a professional advisor to help you is a critical decision for your financial future. You want to make sure you're getting real value. But how do you define the value of advice?



The benefits of professional advice

Vanguard research shows that an advisor who employs all the wealth management practices described in this investor note can add meaningful value compared with the average investor experience.[1]

For the average investor, capturing the real value from these practices has proved challenging and oftentimes counterintuitive. In many cases, you would require expert tax and financial planning experience. However, a professional advisor, using some or all the following strategies, can help capture a far greater share of the market's potential than you most likely could on your own.

1 Francis M. Kinniry Jr., Colleen M. Jaconetti, Michael A. DiJoseph, Yan Zilbering, and Donald G. Bennyhoff, 2016. *Putting a value on your value: Quantifying Vanguard Advisor's Alpha*®. Valley Forge, Pa.: The Vanguard Group.

Here are **3** areas in which an advisor can add meaningful value

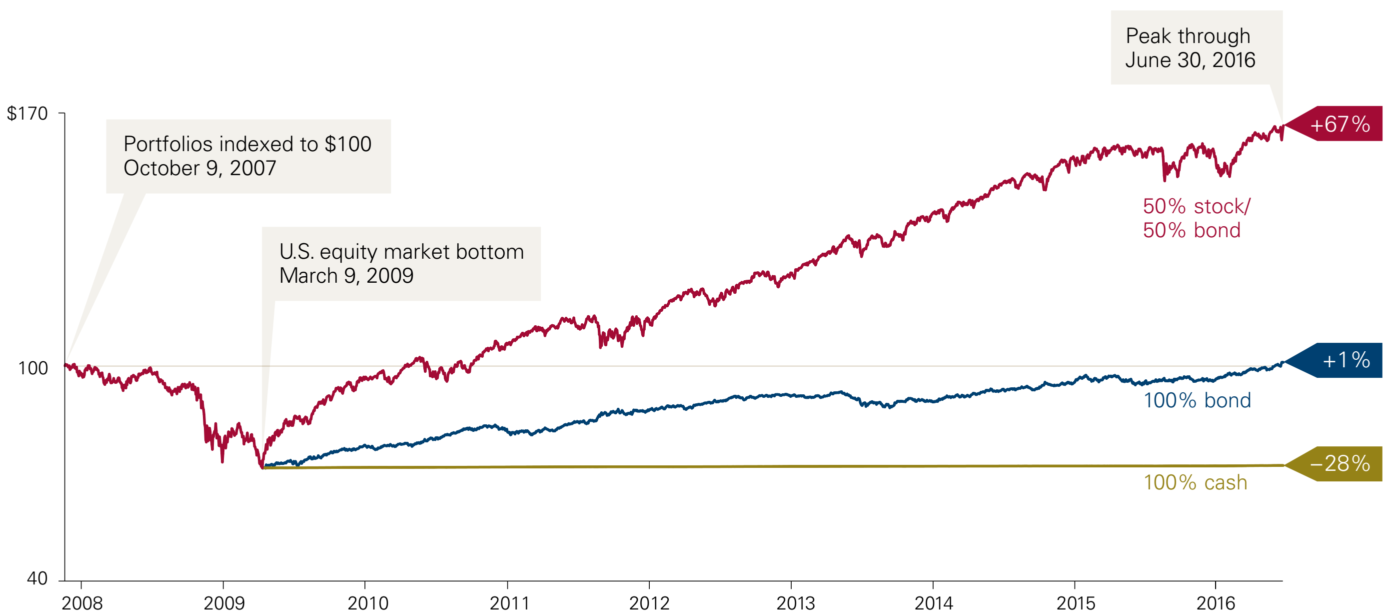
Although every advisor has the ability to add value, the extent of the benefit you'll receive depends on your particular financial situation and how many of these practices are employed.

1 Behavioral coaching

Investing evokes emotion, but your advisor can help you maintain a long-term perspective and a disciplined approach based on your investment plan. This practice alone is how your advisor can more than earn his or her advisory fee.

For example, consider three hypothetical investors, who took three different paths. As shown in the chart below, each had a 50% stock/50% bond portfolio during the downturn that ended in March 2009. One held tight and maintained the same portfolio, recouping the unrecognized losses in about a year and a half and enjoying the subsequent rebound in stocks. The other two radically revamped their portfolios, one moving all to bonds and the other all to cash. Roughly five years later, both of the latter portfolios continued to suffer the consequences, with their values remaining below their peaks.

Your financial advisor can help you avoid the pitfalls of trying to time the markets[1] by providing long-term perspective in periods of market volatility.



Source: FactSet.

Notes: The 50% stock/50% bond portfolio is represented by the Standard & Poor's 500 Index and the Bloomberg Barclays U.S. Aggregate Bond Index (rebalanced monthly). The 100% bond portfolio is represented by the Bloomberg Barclays U.S. Aggregate Bond Index. The 100% cash portfolio is represented by 3-month Treasury bills.

Past performance is no guarantee of future results. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

This is a hypothetical illustration.

1 Francis M. Kinniry Jr., Colleen M. Jaconetti, Michael A. DiJoseph, Yan Zilbering, and Donald G. Bennyhoff, 2016. *Putting a value on your value: Quantifying Vanguard Advisor's Alpha®*. Valley Forge, Pa.: The Vanguard Group.

2 Portfolio construction

Your financial advisor can help you build and maintain a portfolio with a suitable mix of broadly diversified stock and bond funds, as well as cash investments. How those assets are allocated is based on your goals, investment time horizon, and tolerance for risk, among other factors. Your asset mix is the most important decision you'll make.[2]

Your advisor also can help your portfolio by structuring it in ways that are:

- **Cost-effective.** The selection of cost-effective investments is a critical component of every advisor's tool kit and is based on simple math: Every dollar paid for management fees, trading costs, and taxes is a dollar less of potential return for you.
- **Tax-efficient.** If you have both taxable and tax-advantaged accounts, your advisor can add value for you annually—with benefits that compound over longer periods—by strategically allocating your assets between the two account types.
- **Total-return-oriented.** A total-return approach to investing, which considers both income and capital appreciation, offers the potential benefits of less risk, better tax efficiency, and a longer portfolio life span than that of an income-centric approach.

3 Wealth management

Given the importance of selecting a suitable asset allocation, it's also vital to maintain that allocation. As your investments produce unequal returns over time, your portfolio can drift from its target allocation, acquiring risk-and-return traits that may be inconsistent with your circumstances. Your advisor can help you by periodically rebalancing your portfolio.

Tax considerations once again come into play when the time comes to start spending from your portfolio. Your advisor can implement tax-smart strategies for withdrawing funds from taxable, tax-deferred, and/or tax-exempt accounts. Doing so can help minimize the total taxes you pay over the course of your retirement, potentially increasing your wealth and the longevity of your portfolio.

The bottom line

With the sound strategies and tactics outlined in this investor note, your financial advisor can give you confidence that you're doing all you can to reach your goals. Your advisor can also potentially boost the performance of your portfolio compared with the average investor experience.

Get the complete research paper

Since 2001, Vanguard has been researching advisors' ability to create value for investors through relationship-oriented services, rather than by trying to outperform the market. Our Investment Strategy Group has quantified that value for each of seven distinct strategies. To get our complete research paper, simply contact your financial advisor or visit **advisors.vanguard.com/qadvisorvalue.**

2 *Vanguard's Principles for Investing Success,* 2017. Valley Forge, Pa.: The Vanguard Group.

For more information about Vanguard funds or Vanguard ETFs, contact your financial advisor to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus; read and consider it carefully before investing.

Financial advisors: Visit advisors.vanguard.com or call 800-997-2798.

All investing is subject to risk, including possible loss of principal.

Diversification does not ensure a profit or protect against a loss.

There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income.

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