

Value of the Advisor

Comprehensive advice is worth far more than just investment returns against a benchmark



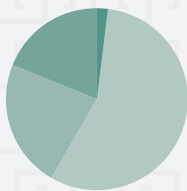
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A common challenge when working with financial advisors is the gap between client expectations and the actual services provided. Many people think the main reason to hire a financial advisor is to get better investment returns than they could on their own. While that's part of it, the real value goes much further — like helping you make smart choices, stay disciplined when markets get rocky, and keep more of what you earn after taxes. No investment strategy has consistently outperformed the market. There will be periods - days, weeks, months, or even years - when even the best investors underperform relative to broader indices.

Why? You might ask, **“Why should I pay a fee if the market goes down?”** It's true that no one can control market direction. However, a financial advisor may still add value through areas such as tax-aware planning, cash-flow management, and personalized strategies to help manage risk and align investments with long-term goals. These benefits will vary by individual circumstances and are not guaranteed, but they can play a meaningful role in supporting overall financial outcomes.

Studies That Show Advisor Value

Several major studies¹ have shown that good financial advice can add an average of nearly 5% per year to your investment results. Here's how:



- 1.1 % Custom cashflow planning that fits your life and goals
- 0.9 % Smarter tax strategies so you keep more of what you earn
- 2.8 % Helping you stay rational and avoid emotional decision-making
- 0.1 % Active Rebalancing of Investment Portfolios

Active Rebalancing

Rebalancing means adjusting your investments, so you don't end up taking on too much risk. Over time, this helps your money grow more steadily and makes it easier to stay invested. While simply buying and holding can deliver similar long-term returns, as you get closer to needing to spend your savings, having a steadier, more stable portfolio becomes even more important to protect what you've built.

¹ Studies: Morningstar's Gamma, Vanguard's Advisor Alpha, and Russell's "Value of an Advisor"

Keeping Emotions Out of Investing

One of the biggest ways an advisor adds value is by helping you stay disciplined and avoid costly mistakes when markets get rough. When headlines are overwhelmingly negative and it feels like the world is ending — as in March 2000, September 2008, or March 2020 — it's easy to panic and move everything to cash.

Likewise, getting swept up in the hype of a “hot” stock can lead to regrets — think pets.com, AOL, or the real estate boom of 2007.

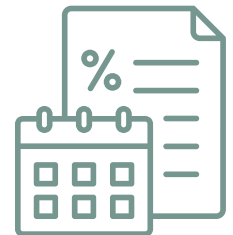
While clients with longer time horizons may not require as much behavioral coaching or risk management, a trusted advisor can still help by providing guidance to stay disciplined and keep investments aligned with long-term goals.

Tax-Smart Planning and Investing

The goal of saving all those years is to eventually turn your investments into spendable money. But taxes can eat into how much you get to keep. Smart investment tax planning can help you keep more of your returns — sometimes adding nearly an extra 1% per year.

Examples include:

- Offsetting gains by selling certain investments at a loss (called tax-loss harvesting)
- Holding tax-inefficient investments, like bonds or REITs, inside retirement accounts to lower yearly taxes (called asset location)
- Choosing funds that are designed to limit taxable distributions
- Holding investments longer to qualify for lower long-term capital gains rates
- Planning Roth conversions in lower-income years to reduce future tax bills
- Creating a withdrawal strategy in retirement that keeps your lifetime taxes as low as possible



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Note: The impact of tax planning will vary. Clients with lower taxable income may see less benefit due to the structure of the progressive tax code.

Custom Cashflow Planning

A 2023 Herbers & Company study found that among nearly 1,600 investors with at least \$250,000 in assets, the most in-demand services were Tax Planning and Retirement Planning.

How you take money out of your accounts in retirement — and when you claim Social Security — can make a big difference. Research shows that using smart withdrawal strategies can add up to 1.1% more per year to your retirement income. And according to William Reichenstein, CFA, combining withdrawal planning with Medicare and Social Security strategies **can keep taxes in retirement very low — sometimes even near zero!**

Choosing which accounts to draw from first, and when to claim benefits, could mean hundreds of thousands of dollars more over your lifetime. Our team uses specialized software to help design a plan that keeps taxes down and your savings working longer.

Note: The benefits of withdrawal sequencing may vary. Clients with smaller qualified asset bases may require less planning in this area.





Beyond the Plan: Value Unlocked

Holistic advice is more than just building a one-size-fits-all portfolio or writing a static plan. It's an ongoing process of helping you keep emotions out of investing, make tax-smart choices, and design a custom cashflow strategy so your savings last longer.

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Research shows this can add real, measurable value — sometimes around 5% a year. But the benefits go beyond numbers: in a 2023 global study by the Financial Planning Standards Board, 93% of people who work with a professional advisor said they feel more peace of mind and greater confidence in their financial decisions.

With the help of **Wealth Advisory Group**, we can combine advanced planning tools with personal guidance to help you worry less, stay focused on what matters, and enjoy life knowing your money is working for you.



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