



Paying for Financial Advice: Delegating to Advisors You Trust

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

– Benjamin Graham

Time is a limited, non-renewable resource. You can't make more of it, but you can make the most of it. If you've built wealth, odds are you made the most of your time by investing in your particular skill set and outsourcing as much as you could. That freed you up to devote more attention to your family and profession.

But now you are at a crossroad. After spending much of your life tackling your financial strategy on your own, you're wondering if hiring an advisor is actually worth it. Don't lie, we know you've done the math and rationalized with yourself that those dollars just don't make sense and you're better off just continuing to do it yourself.

We're here to change your mindset. Don't just look at the amount of money that goes out the door. Instead, look at the value you get in return. For some people, the value of being able to pass the reins and not spend personal time on their wealth management is value enough. But for those of you that have been very good managing your wealth and even plan to continue doing it on your own well into retirement, *we're here to tell you that there is likely substantial value in the advice of a paid professional.* And that value extends beyond the time and peace of mind that is unlocked when you can rely on someone else to devote full-time attention to all the intricacies of successful wealth management.

What we are saying is that there are tangible and measurable benefits to having a knowledgeable advisor work with you to execute your long-term wealth strategy. We're not the only one with this opinion. Vanguard's "The Advisor's Alpha" research has reset the perspective for what an advisor should be doing for their clients. Spoiler alert: *advisors* provide additional value outside of just trying to "beat the market." If your current advisor is not singing from this hymnal, it's time for you to start researching who *can* help you.

We reference the Vanguard work because they have been at the forefront of helping individual investors be successful and learn the virtues of low-cost investing (i.e., not overpaying for mutual funds that don't outperform over time). But Vanguard does not say that an advisor who helps you with your overall wealth strategy is not worthwhile. In fact:

Vanguard's research uncovered that the value of a skilled advisor could result in an average of 3% per year in additional net returns¹.

Three percent. Let's face it, future returns seem likely to be lower than they have been in the past. Unlocking 3% could make the difference between having a successful retirement that provides for you and your family or ending up in a challenging spot when it's too late to make it up.

None of this has to do with an advisor outperforming the market. That's a completely separate consideration, but if your advisor is skilled and can also accomplish this, it

will be icing on the cake. What Vanguard’s research reinforces is our belief that there’s no such thing as “truly passive” investing – you are faced with constant decisions along the way, along with the mental rigor of sticking to a strategy when faced with challenges.

The bottom line here is that there are strategies your advisor can help you put in place that will help unlock a range of benefits and make sure you are not leaving money on the table. Paying someone to provide you this advice is not giving up control; it is taking back control in a world where so much is still so uncertain.

According to Vanguard, the following elements are what drive additional value for a client’s end result:

Strategy ²	Potential Annualized Value (basis points)
Suitable asset allocation	>0*
Cost-effective implementation	34
Rebalancing	26
Behavioral coaching	150
Asset location	0 to 75
Spending strategy (withdrawal order)	0 to 110
Total-return versus income investing	>0*
Range of potential value added (basis points)	About 3% in net returns

*Value is significant but too unique to each investor to quantify.

This is a lot of technical jargon, but the takeaway here is that finding and hiring an advisor who is skilled in executing on these different strategies can result in meaningful value above and beyond the cost. Through NPF’s wealth planning process, we not only help build the plan, we also help execute on the investment and planning recommendations, and coordinate with your outside tax and legal advisors when appropriate.

In the upcoming pieces, we will be taking a look at each of these separate strategies to unpack a little bit of what goes into the thought process and why it may be important to you. If you are unsure if you are getting counsel on these items, please give us a call. We’re always happy to talk about this.

¹Francis M. Kinniry Jr., CFA; Colleen M. Jaconetti, CPA, CFP®; Michael A. DiJoseph, CFA; Yan Zilbering; and Donald G. Bennyhoff, CFA, “*Putting a Value on Your Value: Quantifying Vanguard Advisor’s Alpha*®” Vanguard is not affiliated with NPF, and NPF neither participated in this study nor compensated Vanguard for its work. The actual amount of value added is a hypothetical estimate, does not reflect actual investment results, and is not a guarantee of future results. An individual investor’s results may vary significantly, depending on their circumstances. We do not measure or report additional sources of value to our clients, and your results will vary significantly from year to year.

²Ibid, 4



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