

2020 The Value of an Adviser

Adviser value is real. Amplify it.



“Value” is a tricky word

Many meanings

Overused

Based on perception

In the eye of the beholder



“Valuable”

You’ve been Banksy’d



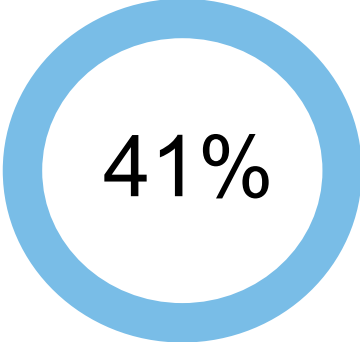
Image source: www.alamy.com, image ID: R978T1.jpg

“Value” meal



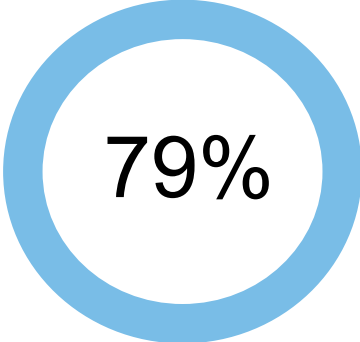
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Value of an adviser – why is it important?



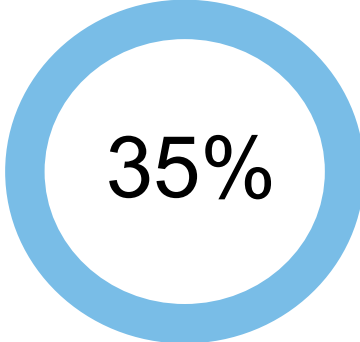
41%

of Australians
intend to get
financial advice



79%

Identified that
Financial
Advisers have
expertise that
they don't have



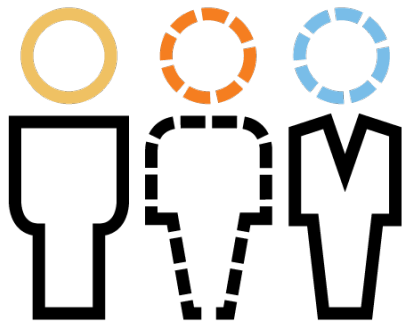
35%

Identify Financial
Advice as too
expensive

Source: ASIC Financial Advice: What consumers really think Aug 2019

The value communication gap

Often a disconnect between advisers and clients



What do your clients value in you and your team?



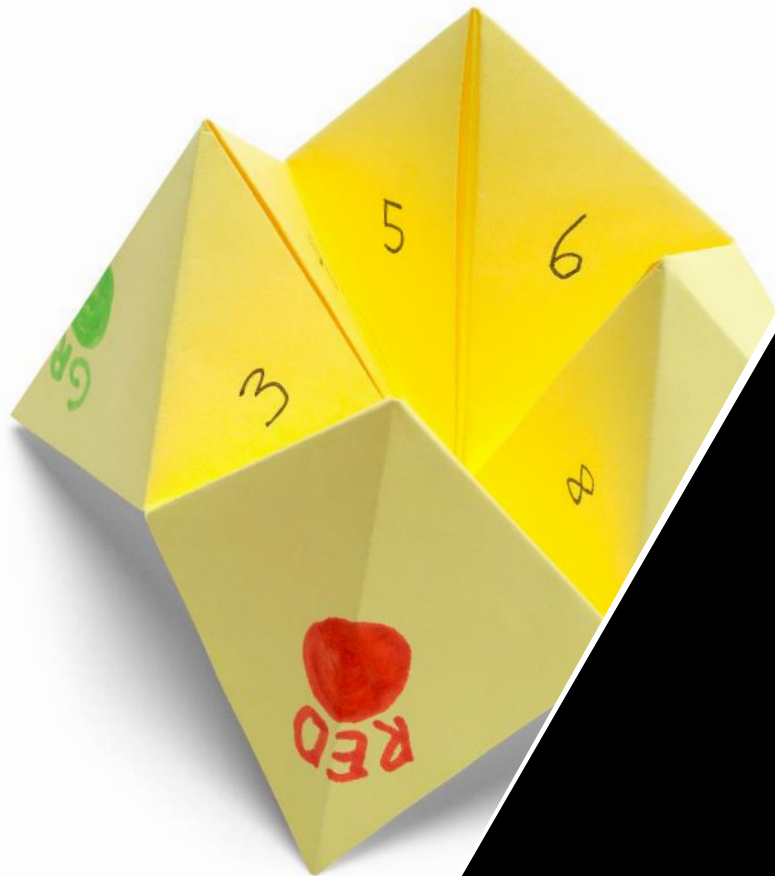
What do your best clients tell others about you?



What more can you be doing?

Do you, your team and every one of your clients have a mutual definition of the value that you deliver?

2020 Value Formula



Quantifying and
communicating
adviser value

A

B

C

E

T



+



+



+



+



Appropriate
**Asset
Allocation**

**Behavioural
mistakes**

Cost of cash

Expertise in
additional
wealth
management
services

**Tax-effective
investing**

≈ **VALUE**

A

B

C

E

T



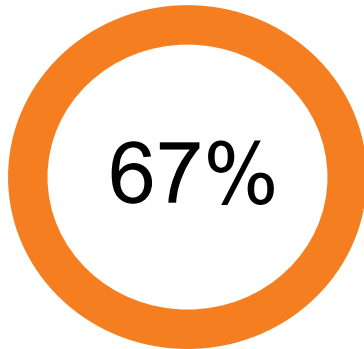
Appropriate **Asset Allocation**

A

The value of A is 0.90%

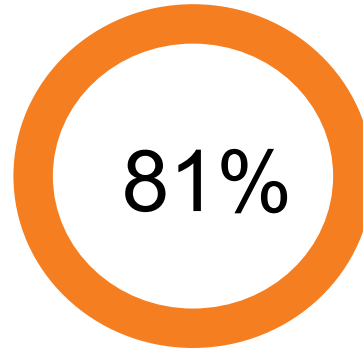
0.90%

3000 non-advised
superannuation
members *



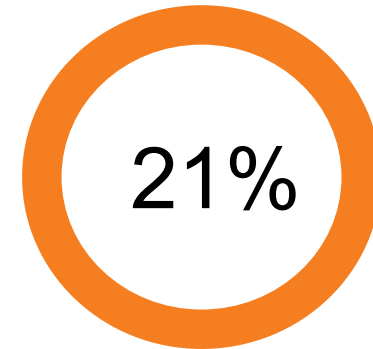
Unaware of
where their funds
were invested

Under 35 year old
non-advised
investors **



Were seeking
stable or
guaranteed returns

Most risk averse
non-advised
investors **



Were expecting of
investment returns
over 10%

Source:

* Russell Investments – Member research 2020

** Deloitte, Access Economics ASX Investor Study 2017

Average returns of Australian equity and bond portfolios over a 20-year period.

	AVERAGE 10 YEARS OF ROLLING 20 YEAR RETURN (MAY 2011-MAY2020)	RETURN ON \$100,000 INVESTED OVER 20 YRS
Australian Equities	9.7%	
Australian Bonds	7.4%	
30/70 Portfolio	8.1%	\$472,689.62
70/30 Portfolio	9.0%	\$558,500.10
Difference	0.9%	\$85,810.48

Source: Russell Investments

A

B

C

E

T

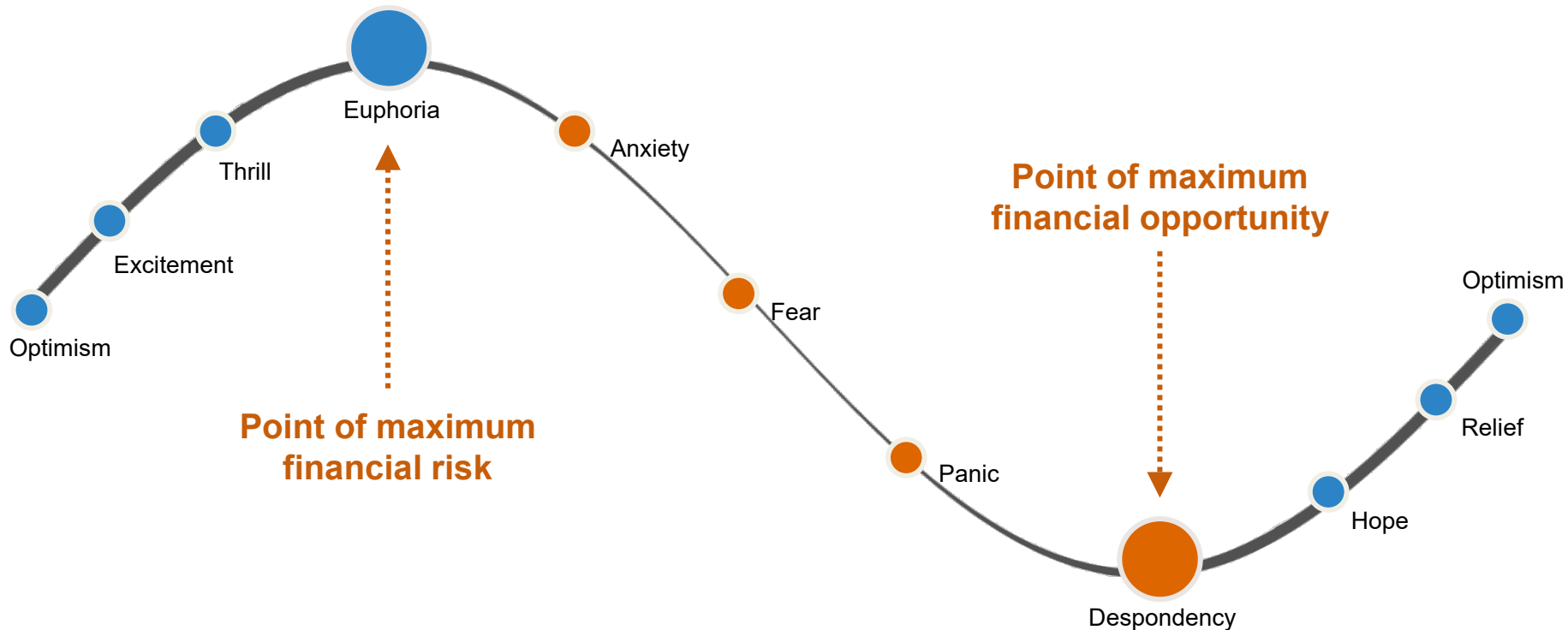


Behavioural mistakes

Investors don't always do what they should

2.20%

Because investing can be emotional



For illustrative purposes only.

Two types of investor behaviour emerged

Loss Averse



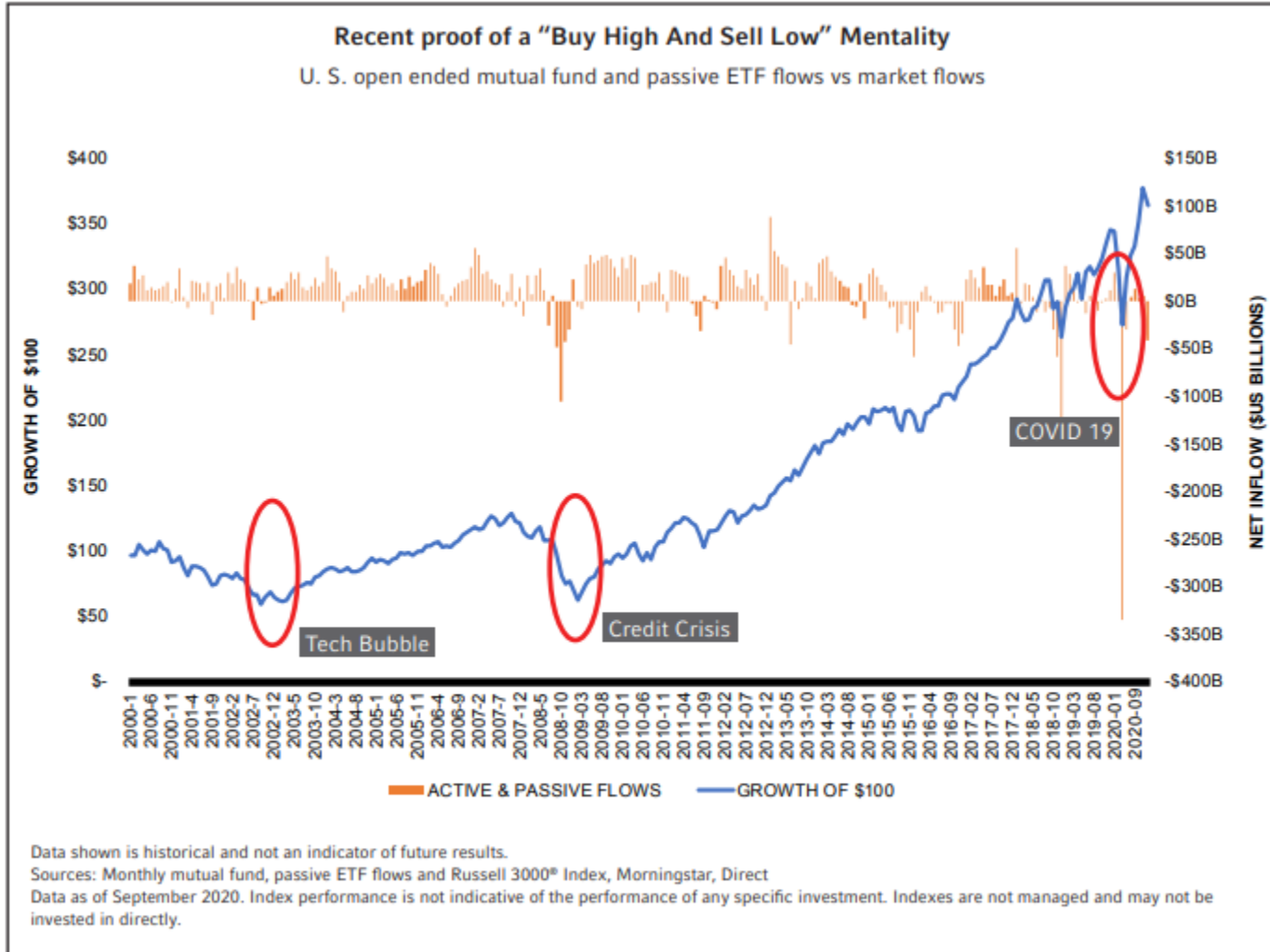
When investors are so fearful of loss that they will focus on trying to avoid a loss rather than focusing on making gains

Overconfident

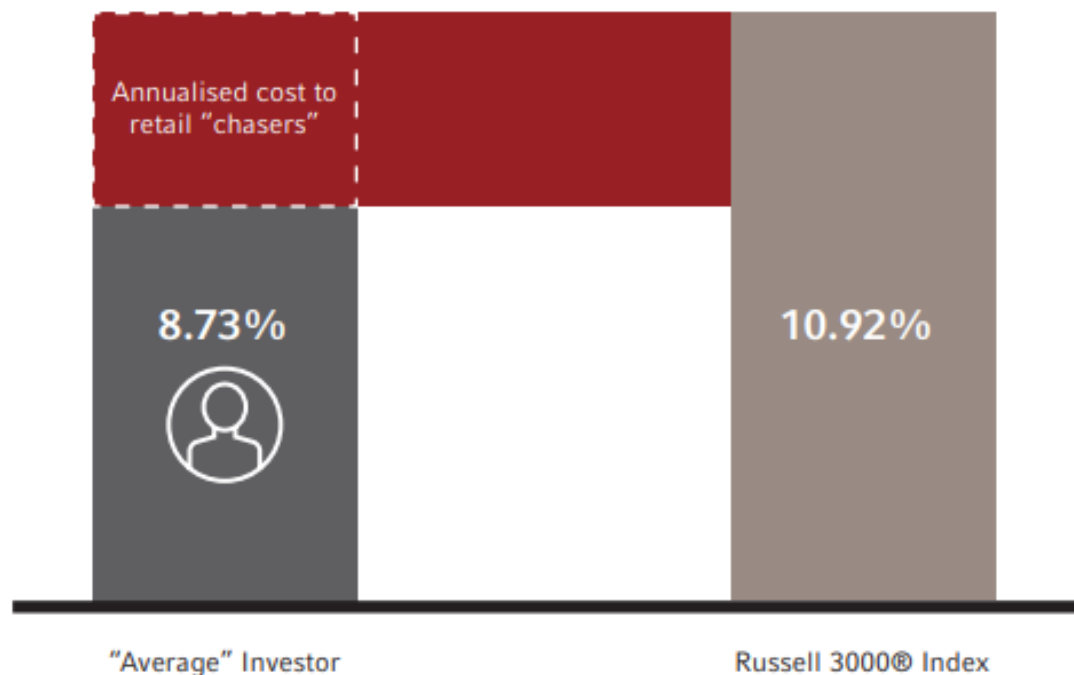


When investors have high conviction in their decisions despite taking into account the actual risk, return or impact

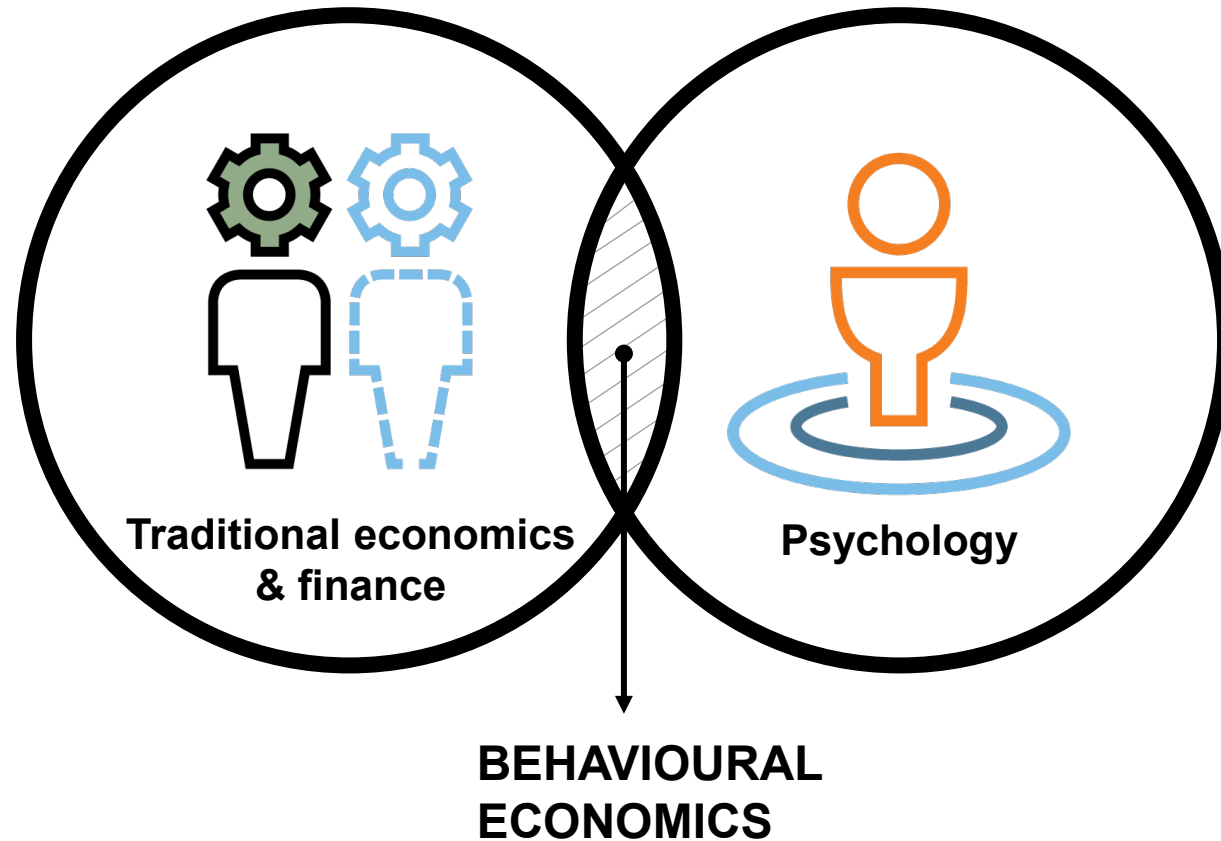
What drives investors to select one response over another?



The high cost of investor behaviour 1984 - 2020



Source: "Average" Investor – Russell Investment Group, Thomson Reuters DataStream. 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 July 2020. This seeks to illustrate how regularly increasing or decreasing equity exposure based on the current market trends can sacrifice even market-like returns. 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.



Manage the conversation

2.20%

Using behavioural finance to help investors manage their human biases

Loss aversion

Humans tend to prefer avoiding losses than acquiring equivalent gains



Over-confidence

Humans tend to over-estimate or exaggerate our ability to successfully perform tasks



Herding

Humans tend to mimic the actions of the larger group



Familiarity

Humans tend to prefer what is familiar or well-known



Mental accounting

Humans tend to attach different values to money based on its source or location



can lead to...

Sell winners too early, hold onto losers too long

Trade too often

Buy high, sell low

Overweight home country

Naïve diversification

For illustrative purposes only.

A

B

C

E

T



Cost of cash

C

The preference for cash

0.60%



Image Source: Reserve Bank of Australia Bank Notes

Scenario 1



Holds all the defensive allocation (30%) of their portfolio in cash.

Scenario 2



Invests their defensive allocation in a Diversified Fixed Income Portfolio
10% Cash
10% Australian Bonds
10% International Bonds

A

B

C

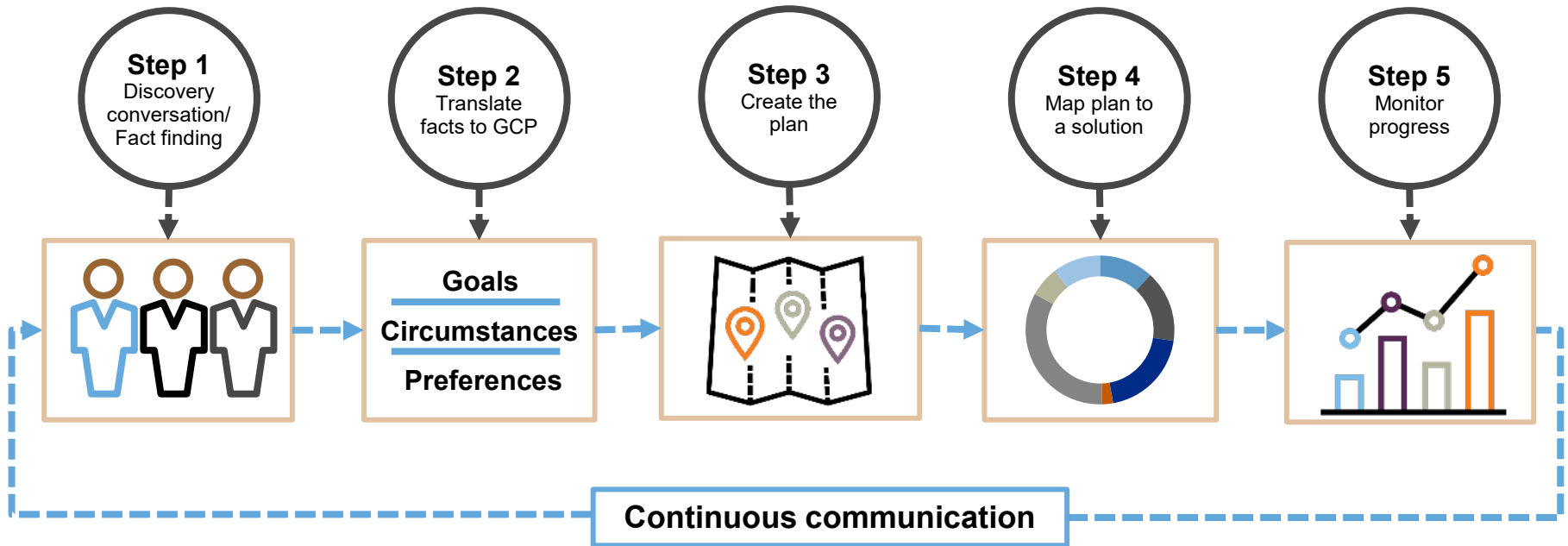
E

T



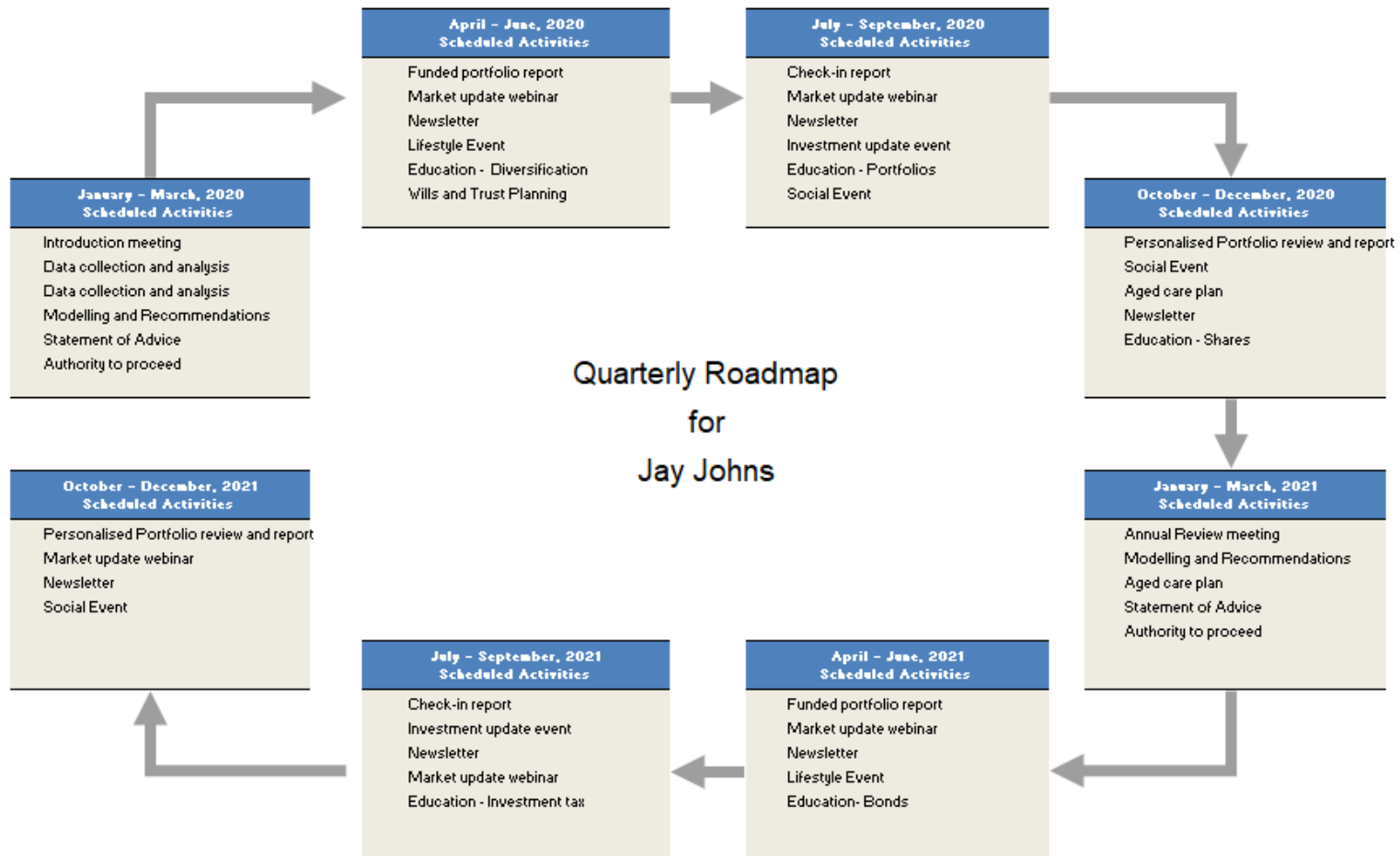
Expertise in
additional wealth
management services

Elevate your value through client engagement



For illustrative purposes only

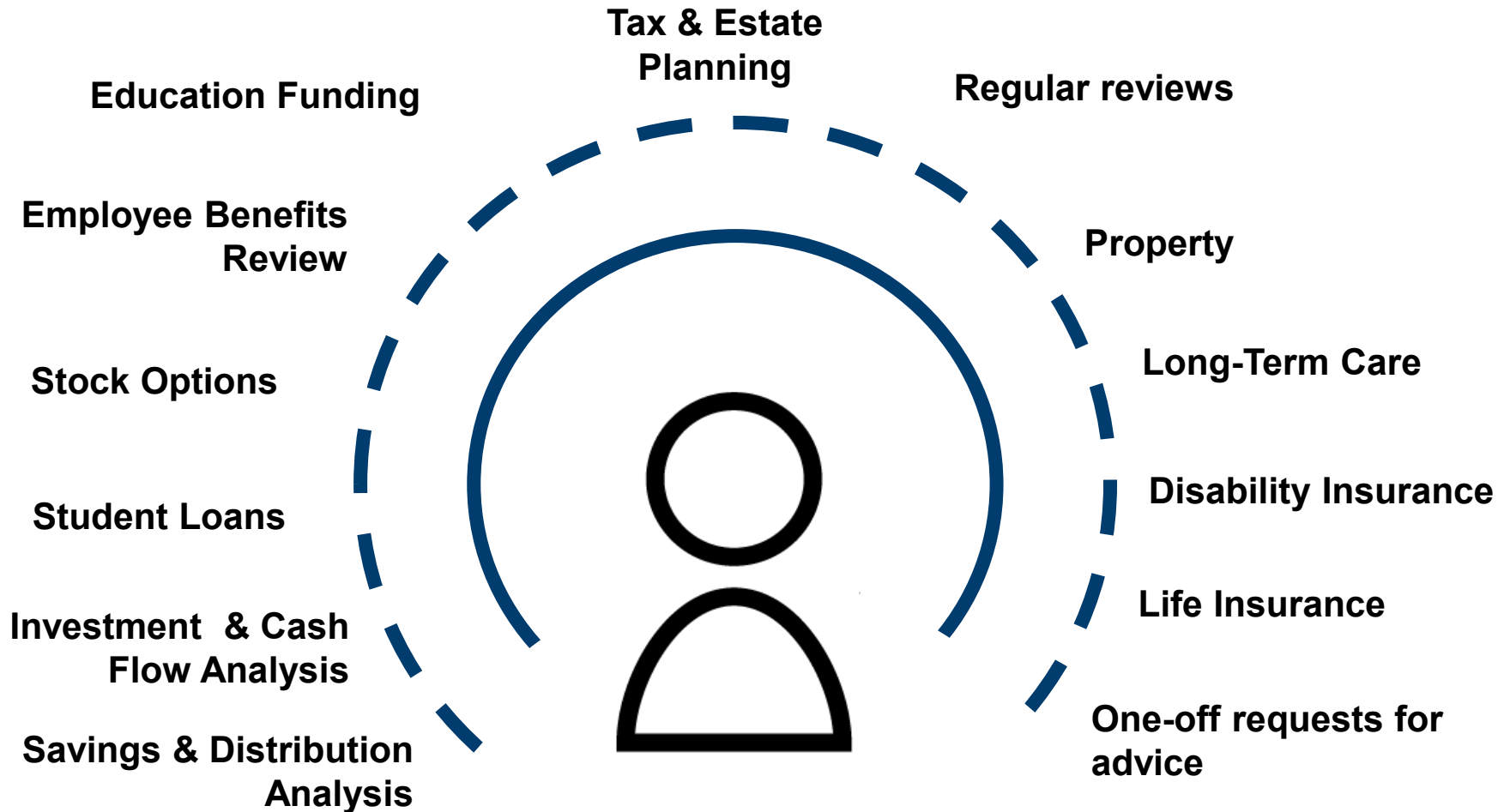
Your Future Financials Pty Ltd



Expertise through education and experience



Image Source: [medicalexpress.com](https://www.medicalexpress.com)



For illustrative purposes only.

Expertise through efficiency

Personal outsourcing economy – the value of our time



Childcare



House cleaning



Personal training



Garden maintenance



Food delivery



Meal kit service



Laundry service

Opportunity to outsource financial matters
to save time effort & mental load

A

B

C

E

T



Tax-effective investing



**STRUCTURAL TAX
STRATEGIES**



**TAX EFFECTIVE PORTFOLIO
STRATEGIES**



Optimising tax for non-superannuation assets

Managing 'tax surprises'

Salary sacrifice

Transition to retirement strategies

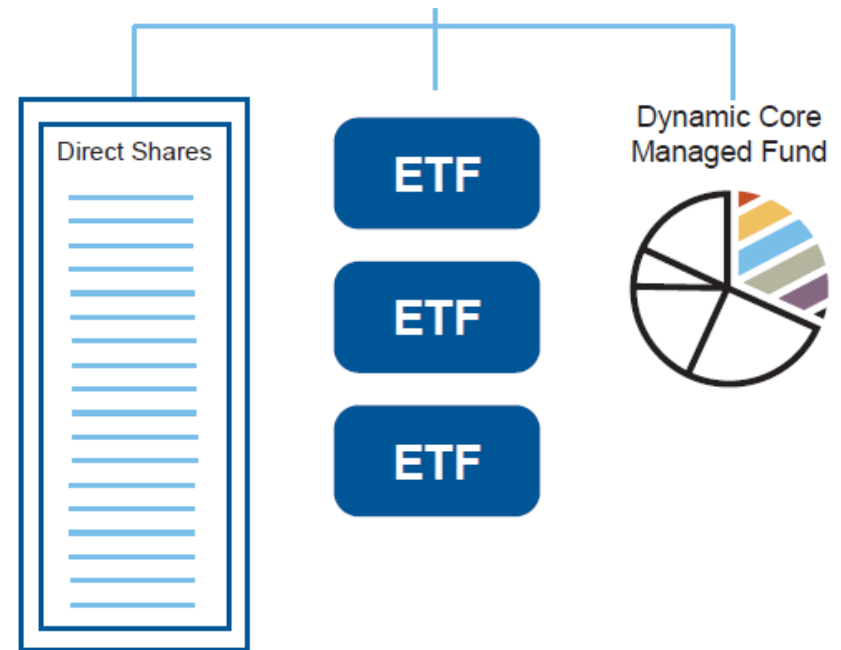
Reinvesting tax savings

Platform level trading



1

Underlying portfolio trading



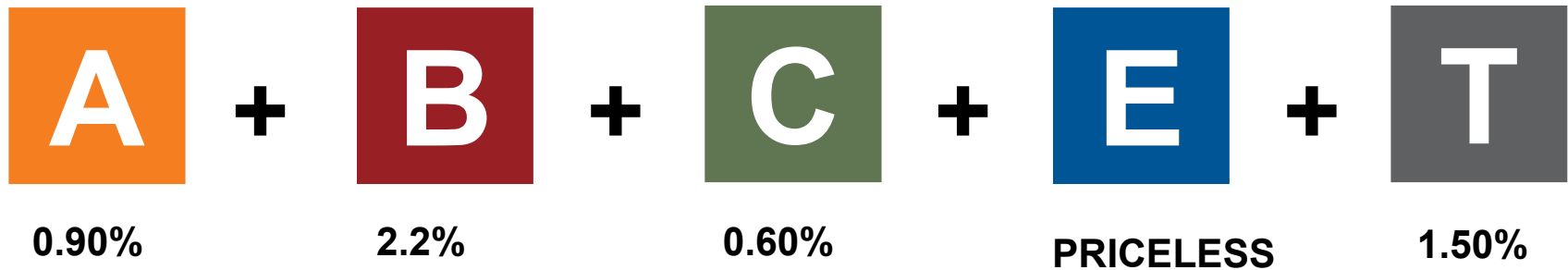
2

3

3

Highlighting specific tax smart decisions

WHAT IS THE CUMULATIVE VALUE OF THE VARIOUS SERVICES OFFERED BY AN ADVISER?



≈ **VALUE**
5.20%

Adviser value is real. Amplify it.

A

B

C

E

T



Client: Jennifer
Advice needs: Super and insurance strategy
Balance: \$250,000
Cost of advice: \$3,250

Value of advice: \$13,250

Excess value created: \$10,000



Client: Robert
Advice needs: TTR strategy, small business needs, complex insurance
Balance: \$500,000
Cost of advice: \$5,000

Value of advice: \$26,500

Excess value created: \$21,500

Adviser value is real. Amplify it.

Your value is only as good as the
client **experience** that you are
reliably delivering,
clearly communicating,
and constantly elevating

Close the communication gap with your clients













Russell Investments can help



Request your Amplify your value Toolkit

- > Client Report “Value of Adviser”
- > Client Discovery Tool
- > Client Engagement Roadmap
- > Time Capacity Analyser
- > Client Conversation Centre
- > Investment Solutions

Supporting you and your clients

 <p>SECTOR FUNDS</p>	 <p>MULTI-ASSET FUNDS</p>	<p>Premium investment solutions + Premium business solutions</p> <p>Delivering real value, managing risk and gaining new sources of return—the best ideas from around the globe.</p> <p>By focussing on what truly matters to your clients, we can help you transform and grow your business.</p>	 <p>PORTFOLIO STRATEGY DESK</p>	 <p>PRACTICE MANAGEMENT</p>
 <p>EXCHANGE TRADED FUNDS</p>	 <p>REAL RETURN FUNDS</p>		 <p>INVESTMENT INSIGHTS</p>	 <p>INTERACTIVE TOOLS</p>
 <p>MANAGED ACCOUNTS</p>	 <p>WEALTH & SUPER SERIES</p>		 <p>BUSINESS RESOURCES</p>	 <p>CLIENT MATERIALS</p>

How we can help

Russell Investments Managed Portfolios

Diversification and dynamism are key in our managed portfolios



Leading active strategies

(where it matters)



Real-time adaptability

(35% of the portfolio)



Compelling price

(as low as 64.5bps)

ACROSS FOUR RISK ADJUSTED PORTFOLIOS



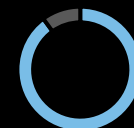
Conservative
30/70



Diversified
50/50



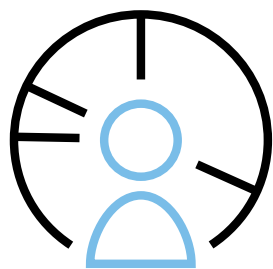
Balanced
70/30



Growth
90/10

Core ingredients

Drawing from our complete toolkit of active, factor and passive strategies



Real return dynamic core

Dynamic real return multi-asset strategies



Direct ownership of Australian stocks

Australian equity managed portfolios



Passive ETFs

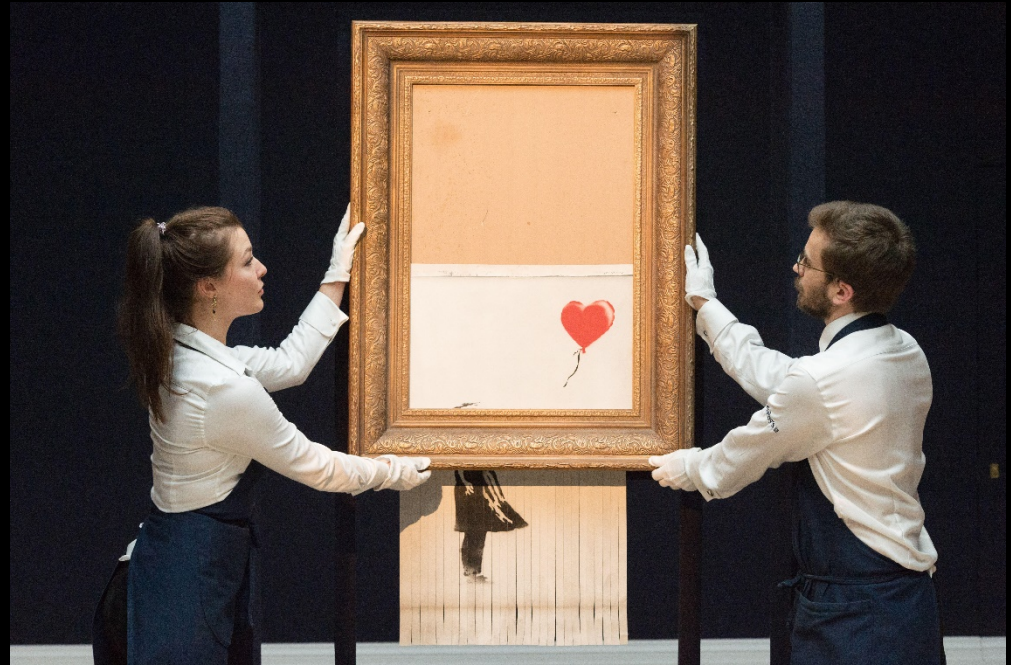
equity and fixed income exchange traded funds

Memorable experience can add value

What will you do to amplify your value?



Auction Value: **US\$1.4M**



Estimated post-auction value: **US\$2.8M**

Source: Pre-auction photo www.independent.ie/world-news/banksy-artwork-shreds-itself-after-1m-sale-at-auction-37390701.html / Post-auction photo: www.alamy.com, image ID: PW5WH9.jpg
<https://www.google.com/url?sa=i&source=images&cd=&cad=rja&uact=8&ved=2ahUKewj14SXm5XhAhVUqp4KHQI5Cx8QjRx6BAGBEAU&url=https%3A%2F%2Fwww.nbcnews.com%2Fthink%2Fopinion%2Fbanksy-s-shredded-painting-stunt-was-viral-performance-art-who-ncna921426&psig=AOvVaw3HilHxd9QH-3etfg1KdBZI&ust=1553325668011155> accessed on March 22, 2019; Post-auction estimated value: CNN Money.

Thank you.

Any questions?



We are here to help

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