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## **PRESS RELEASE**

### **VANGUARD RESEARCH QUANTIFIES THE VALUE OF ADVICE**

#### **Advisors who follow best practices can add about 3% in net returns**

TORONTO (June 9, 2015)—Financial advisors can add about 3% in net returns for their clients using Vanguard Advisor’s Alpha™, a wealth management framework that focuses on portfolio construction, behavioural coaching, asset location and other relationship-oriented services, according to a research paper for financial advisors released today by Vanguard Investments Canada Inc.

Putting a Value on Your Value: Quantifying Vanguard Advisor Alpha examines the individual best practices to improve client outcomes and quantifies the value that advisors can add relative to others who are not employing such practices.

“Partly the result of the Client Relationship Model reforms being implemented in Canada, greater fee transparency will make it even more important for advisors to successfully communicate their value—a value that, while real, is much easier to describe than define,” said Atul Tiwari, managing director of Vanguard Investments Canada Inc. “This study attempts to define that value and make it more tangible.”

Calculating how much an advisor can add in net returns is based largely on the researchers’ approach to five wealth management principles. While the exact amount may vary depending on client circumstances and implementation, an advisor can add value by:

- **Being an effective behavioural coach.** Helping clients maintain a long-term perspective and a disciplined approach is arguably one of the most important elements of financial advice. (Potential value add: 1.50%.)
- **Applying an asset location strategy.** The allocation of assets between taxable and tax-advantaged accounts is one tool an advisor can employ that can add value each year. (Potential value add: from 0% to 0.42%.)
- **Employing cost-effective investments.** This critical component of every advisor’s tool kit is based on simple math: Gross return less costs equals net return. (Potential value add: 1.31%.)

- **Maintaining the proper allocation through rebalancing.** Over time, as its investments produce various returns, a portfolio will likely drift from its target allocation. An advisor can add value by ensuring the portfolio's risk/return characteristics stay consistent with a client's preferences. (Potential value add: 0.47%.)
- **Implementing a spending strategy.** As the retiree population grows, an advisor can help clients make important decisions about how to spend from their portfolios. (Potential value add: 0% to 0.41%.)

How an advisor approaches two additional principles, asset allocation and total return versus income investing, can also add value, but are too unique to each investor to quantify. Vanguard's Advisor's Alpha framework incorporates all of these principles, making it possible for advisors to add about 3% in net returns for their clients. This figure should not be viewed as an annual addition. Vanguard's research emphasizes that it is more likely to be intermittent, as some of the most significant opportunities to add value occur during periods of market duress or euphoria that tempt clients to abandon their well-thought-out investment plans.

In such circumstances, the advisor may have the opportunity to add tens of percentage points, rather than merely basis points. Although this wealth creation will not show up on any client statement, it is real and represents the difference in clients' performance if they stay invested according to their plan as opposed to abandoning it.

### **About Vanguard**

Vanguard Investments Canada Inc. is a wholly owned indirect subsidiary of The Vanguard Group, Inc. and manages \$5 billion (CAD) in assets. The Vanguard Group, Inc. is one of the world's largest investment management companies and a leading provider of company-sponsored retirement plan services. Vanguard manages more than \$3.3 trillion (USD) in global assets, including more than \$470 billion (USD) in global ETF assets. Vanguard has offices in the United States, Canada, Europe, Australia and Asia. The firm offers more than 160 funds to U.S. investors and more than 100 additional funds, including ETFs, to clients in the other markets in which the firm operates including 21 ETFs in Canada.

Vanguard operates under a unique operating structure. Unlike firms that are publicly held or owned by a small group of individuals, The Vanguard Group, Inc. is owned by Vanguard's U.S.-domiciled funds and ETFs. Those funds, in turn, are owned by Vanguard clients. This unique mutual structure aligns Vanguard interests with those of its investors and drives the culture, philosophy, and policies throughout the Vanguard organization worldwide. As a result, Canadian investors benefit from Vanguard's stability and experience, low-cost investing, and client focus. For more information, please visit [vanguardcanada.ca](http://vanguardcanada.ca).

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All asset figures are as of May 31, 2015, unless otherwise noted.

Source: Vanguard