2024 / 7TH EDITION

2024 VALUE OF AN ADVISER

MAXIMISE YOUR VALUE

EXECUTIVE SUMMARY

Advisers continue to provide clients with advice that enables them to achieve long-term financial goals in a constantly changing and complex world.

In 2024, that has meant balancing the competing emotions triggered by strong investment returns and a cost of living crisis. Advisers have encouraged clients to stick to their long-term goals in this environment by providing both practical and emotional guidance that allows them to navigate the highs and lows of wealth generation.

Advisers' counsel helped people adhere to principles such as asset allocation by reweighting portfolios as stock markets reached new highs. Equally, it has encouraged clients to retain dollar cost averaging even as household budgets are squeezed by rising prices.

For younger generations, it has helped them make the multitude of decisions required to enter the housing market, start families and pay off HECS debts. Older people have been better able to plan for retirement and their own parents' aged care by engaging advisers.

Of course, this counsel encompasses much more than investing. It requires in-depth knowledge of taxation, superannuation and social security, plus the understanding of human behaviour required to support people making life decisions.

Advisers continue to prove up to this challenge. Russell Investments' annual analysis shows the total value of an adviser in Australia is approximately **5.7% in 2024.**

This is substantially higher than the typical fee charged by advisers and a validation of the holistic service they provide to clients. It is a function of their ability to help clients adapt as markets, regulations, and their own circumstances change.

Our 2024 Value of an Adviser formula:

A + B + C + E + T

Appropriate asset allocation

Behavioural coaching

Choices and tradeoffs

Expertise

Tax savvy planning and investing

A IS FOR APPROPRIATE ASSET ALLOCATION

IN 2024 / THE VALUE OF A IS 1.1%

Asset allocation is the biggest weapon in an investor's arsenal as it accounts for more than 85% of their ultimate outcome. It far outweighs the impact of individual security selection.[1]

This is becoming even more apparent as investment opportunities increase, encompassing asset classes that weren't previously available to retail investors. This includes rejuvenated cryptocurrencies, which are now more accessible through spot exchange traded funds, and the growing private debt market.

The latter's recent boom has driven a proliferation of providers with sophisticated marketing, though the average investor's understanding of private debt remains limited and good advice is critical to achieving desired outcomes.

Nonetheless, the importance of asset allocation is underestimated by the general public. Retail investors are more inclined to remember the returns of individual securities than how asset allocation laid the foundation for overall risk-adjusted returns.

The thrill of stocks reaching new peaks in 2024 – including AI giants like Nvidia and local stalwarts like Commonwealth Bank – may have proved sufficient for many investors to abandon caution in the belief that "it's different this time" and resist portfolio rebalancing.

But these are the very investors most likely to panic in rapid market retreats. It may seem counterintuitive, but the guidance of an experienced adviser is just as critical in rising markets as down times.

Asset allocation in action

There are generally two types of non-advised superannuation investor who can benefit from professional asset allocation advice.

The first are disengaged investors who consciously or unconsciously opt for the one-size-fits-all default options offered by their super funds for simplicity's sake. By definition, these default options take limited – if any – account of the personal circumstances or needs of an individual.

The second category is made up of engaged investors who build their own portfolios but sometimes fail to consider all the potential risks – or even all the opportunities available to them.

In both cases, professional advice can help prevent investors from generating lower gains that place them behind others in their retirement planning.

[1]Russell Investments Making Super Personal White Paper 2020

The disengaged super member

The majority of Australians hold their super in default options which take no account of their own age, super balance or retirement goals. More than 62% of the $1 trillion in MySuper investments is allocated to these single strategy options.[2]

This high level of disengagement means investors often miss out on the opportunity to improve their financial position with personalised strategies.

Let's take Louise as a hypothetical example. Her retirement plans received a boost after an adviser recommended she allocate 80% of her super to growth assets. This recommendation was based on an analysis which considered her age, investment goals, superannuation balance and other preferences.

Her new portfolio could deliver an annualised return of 7.4% over a 10-year period. By contrast, her previous default super option, which had 60% in growth assets, might return a lower gain of 6%.

Louise's potential extra gain of 1.4% could translate into $204,956 after 10 years – nearly $26,000 more than if she stayed in the default portfolio.

Advised portfolio	Alternative: default portfolio
80% growth assets	60% growth assets
7.4% p.a.	6% p.a.
$204,956	$179,085
Louise's advised portfolio delivers a 1.4% p.a. higher return from an appropriate asset allocation; nearly $26,000 over a 10 year period	

Example shown for illustrative purposes only.

[2]APRA, Quarterly MySuper Statistics Report, 31 March 2024

The DIY asset allocator

A DIY approach to asset allocation has potential pitfalls if an investor lacks the know-how or discipline to keep their strategy on track over the long term.

This is truer than ever in a world in which market complexity is amplified by geopolitics and economic uncertainty. Advisers can fill any gap in clients' knowledge by sharing both market insights and an in-depth understanding of all the assets that can be included in portfolios.

Self-managed super fund (SMSF) investors are one group that may benefit from such advice. The lack of diversity in their portfolios is reflected in Australian Taxation Office statistics which consistently show SMSFs have a relatively high allocation to cash. As at March 2024, figures show SMSFs have invested 16% of their capital in cash.[3]

Such a conservative asset allocation may prevent individuals from reaching their retirement goals as it limits their ability to generate significant capital gains over the long term.

For example, Lee has a SMSF he manages without professional guidance. It holds over 70% of his capital in cash and other defensive assets, with just 30% in growth assets.

An adviser would instead likely recommend that over half his portfolio should be in growth assets given his circumstances and objectives.

The potential difference in outcomes from the two strategies could make a real difference to Lee's retirement.

His hypothetical DIY portfolio might return just 4.1% over 10 years due to its defensive make-up. A portfolio split equally between growth and defensive investments could generate substantially more – or 5.5% – to set him up for a better lifestyle.[4]

The significant difference of 1.4% is a real indication of the benefits that financial advice can bring to an investor.

Based on an initial $100,000 balance, after 10 years Lee might have $149,310 in the more conservative portfolio versus a balance of $171,463 for the advised portfolio.

In other words, Lee's DIY strategy could leave him $22,000 worse off after a decade.

Of course, asset allocation isn't just a set and forget strategy. In periods of steadily rising markets, it can be easy for people to ignore the need to reweight a portfolio and instead let it drift from its initial position.

By ensuring portfolios are regularly rebalanced, advisers help clients remain close to their original asset allocations – and within their risk comfort zone.

DIY portfolio	Alternative: Advised portfolio
30% growth assets	50% growth assets
4.1% p.a.	5.5% p.a.
$149,310	$171,463
Lee's DIY portfolio delivers a 1.4% lower return, which leaves him almost $22,000 worse off over a 10 year period	

Example shown for illustrative purposes only.

ACTIONS YOU CAN TAKE TO MAXIMISE YOUR VALUE

- ☐ Spend time articulating why getting the right asset allocation can be a key driver of achieving goals and the consequences of getting it wrong.
- ☐ Remind clients of the art and science of understanding true risk preferences.
- ☐ Use your investment philosophy to demonstrate how you select and implement an appropriate asset allocation to achieve their goals.

[3] ATO, SMSF quarterly statistical report March 2024

[4] Example shown for illustrative purposes only.

B IS FOR BEHAVIOURAL COACHING

IN 2024 / THE VALUE OF B IS 3.3%

Advisers are much more than investment experts – they have an equal role to play in helping clients navigate the emotions that can cloud financial decision-making.

Today, these emotional challenges are the reverse of just a few years ago.

Early this decade, COVID-19, global conflict and surging interest rates all triggered bouts of volatility that tested peoples' fortitude as markets fell temporarily lower.

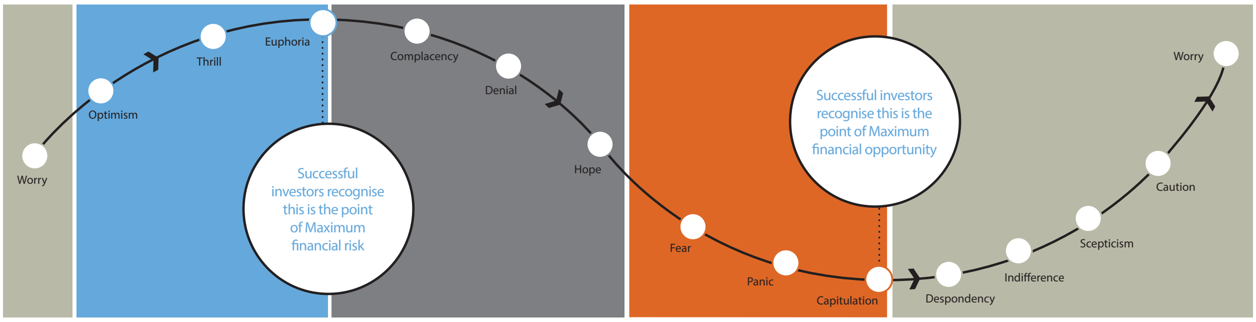
Advisers played a crucial role in ensuring clients understood that a properly constructed portfolio could weather such extreme swings in the value of investments.

The challenge in 2024 has been curbing investors' enthusiasm as the AI boom and anticipated interest rate cuts pushed markets to record highs. There is always a risk of investors falling into the trap of buying while markets are bullish and selling when sentiment turns bearish, as history shows it does.

This is where the adviser's expertise in reweighting portfolios at regular intervals to maintain long-term financial plans is vital. Investors are more likely to grasp the benefits of that process when presented with the historical advantages of maintaining a steady investment strategy instead of chasing quick wins, then bailing when markets turn sour.

Successful investors recognise that the risk of loss is highest when markets are driven by euphoria – and, conversely, that market capitulation may present an opportunity.

The cycle of market emotions



Source: Russell Investments. For illustrative purposes only.

Time in the market

The journey of four hypothetical investors who each invested $100 in January 2020 may help sway their behaviour.[5] Each reacted differently to the market downturn in March that year, recording different outcomes as result.

- Fiona remained in the market and witnessed her $100 investment rise to $140 by June 2024 (blue line in the chart below).
- Muhammad instead moved to cash in March 2020 after his $100 fell to $87, re-entering the market three months later. His ultimate investment was worth $125 in June 2024 (orange line in the chart below).
- Palima also moved to cash in March 2020 but waited until the following New Year to re-enter the market. Her investment was worth $113 in June 2024 (grey line in the chart below).
- Craig was worse off still – he also bailed into cash in March 2020 and has never re-entered it. The $87 he initially moved to cash is now worth just $74 in real terms due to the impact of inflation (red line in the chart below).

[5] Examples shown for illustrative purposes only.

- Staying invested through pandemic lows was rewarded
- If an investor exited the market near the bottom and re-entered later, they would have missed a narrow window to recoup any losses
- Adding insult to injury, inflation would have eroded $87 to $74 if they never re-entered the market

Bloomerg. Balanced Portfolio: 35% ASX300 TR Index, 35% S&P 500 TR Index (Half Hedged), 15% Bloomberg AusBond Composite 0+ Yr Index & 15% Bloomberg Aggregate Bond Index.
As of 31 May 2024.

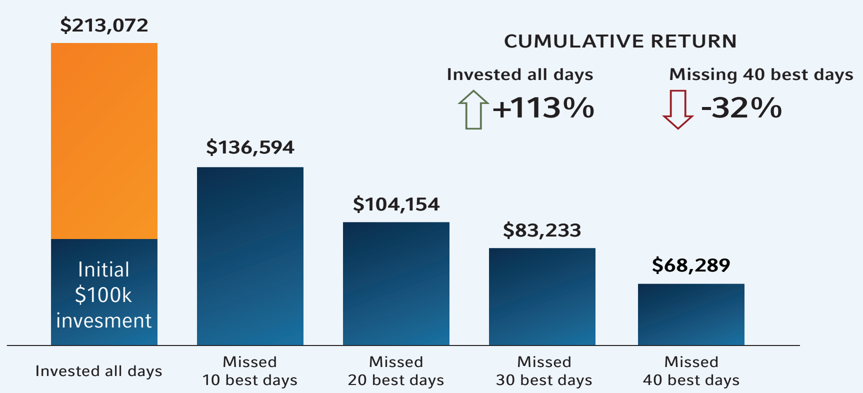
Their experience highlights the fact that investors who jump in and out of markets can mistime their entry and exit points.

As the graph below shows, missing out on even a handful of the market's best days can have a real impact on the amount of capital that someone can accumulate over time. This counterintuitive result occurs because markets, while unpredictable, have a history of rising over the long term.[6]

In fact, investors who remained invested in the S&P/ASX300 Total Return Index throughout the past 10 years built significantly more capital than those who missed just the 10 best days' performance of the index in that period.

And those who missed the best 20 days wound up more than 50% worse off than if they had remained invested for the full decade.

THE INVESTMENT IMPACT OF MISSING BEST MARKET DAYS



Source: Morningstar. Returns based on S&P/ASX 300 Index, for 10-year period ending May 31,2024. For illustrative purposes only. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly

[6] https://russellinvestments.com/us/blog/bulls-vs-bears-2

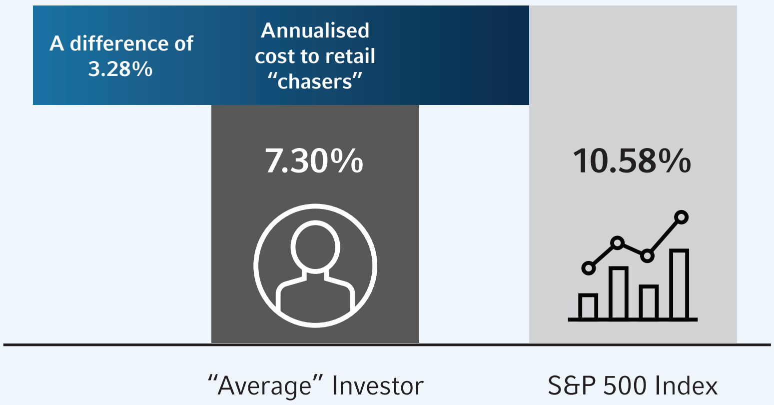
A = 1.1%	B = 3.3%	C	E	T

In another example, calculations show that regularly increasing or decreasing exposure to the US S&P500 Index might have cost investors as much as 3.28% in returns in the 21 years to May 2024, as shown in the graph below.

Advisers who forge solid relationships with clients are best placed to convince them of the merits of maintaining the positions that underpin the financial strategies they formulate on their behalf. These conversations can be more difficult to instigate in good years – but prepare investors for the inevitable cyclical nature of markets.

ANNUALISED RETURN

21 years ending May 2024



Source: "Average" Investor - Russell Investment Group, Refinitiv 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 S&P 500 Index and held without alteration from 1 July 2003 to 31 May 2024. 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. Example provided for illustrative purposes only. Returns represent past performance, and are not a guarantee of future performance, and are not indicative of any specific investment.

ACTIONS YOU CAN TAKE TO MAXIMISE YOUR VALUE

- ☐ Do you have a framework for handling challenging client conversations?
- ☐ Do you have a repeatable process for client reviews?
- ☐ Have you developed a plan regarding client engagement when things go wrong?
- ☐ How consistent is your message and is it simple and concise?

C IS FOR CHOICES AND TRADE-OFFS

Not everyone understands the extent to which advisers act as financial coaches for clients, guiding them to the best decisions as regulation, social security and their own situations change over time.

Advisers are there for clients from early adulthood (when they are accumulating assets) to late middle age (when they are planning retirement) and to older age when care requirements may be significant.

The number of people entering the latter category dominates headlines with the number of Australians aged 65 and over forecast to more than double over the next 40 years.[7]

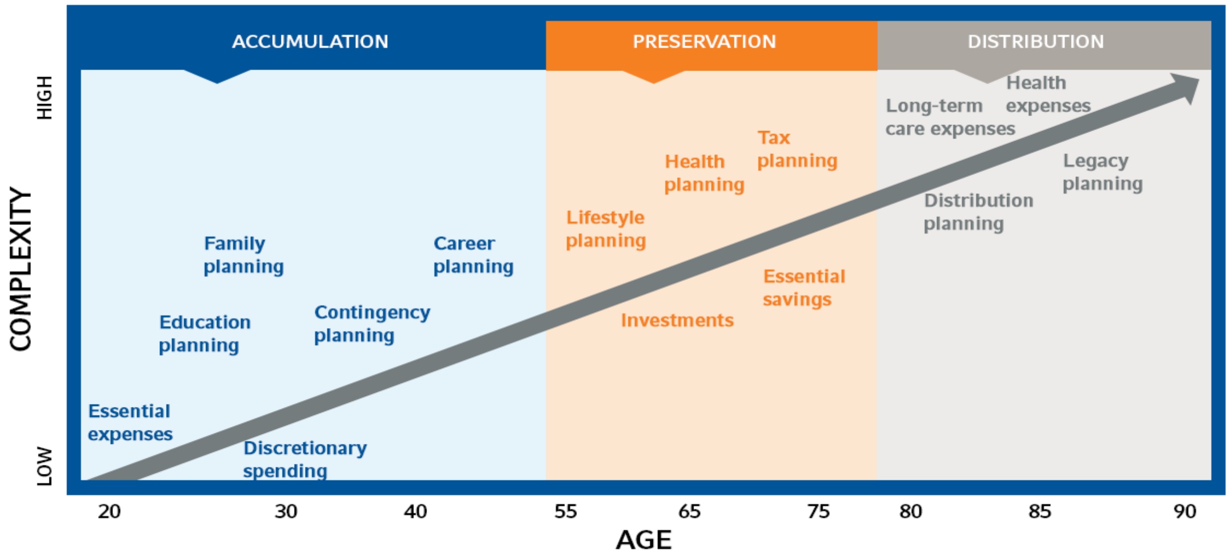
But, of course, it's not just older people who must juggle difficult life decisions. Younger generations are increasingly faced with trade-offs that may be necessary to achieve their long-term goals, given the rising cost of living and housing.

Quarterly increases in living costs for employee households – those whose primary source of income is salary or wages – have been higher than the Consumer Price Index since September 2022, according to the Australian Bureau of Statistics.[8]

Rising mortgage interest hit them hardest, jumping by 7% in the March quarter as more people rolled over from fixed to variable mortgages and following a Reserve Bank of Australia rate hike in November last year.[9]

In such a difficult environment, advisers can reinforce the benefits of implementing financial plans early in life and then identify opportunities or compromises to achieve the desired outcome.

In 2024, this might include advice to invest tax cuts – either in superannuation or elsewhere – or to use cash freed up by the Federal government's energy bill relief to maintain dollar cost averaging into investments.



Source: https://russellinvestments.com/us/blog/customized-experience

Such decisions are indicative of the choices and Trade-offs that a broad cross section of the community today faces. For example:

- Single retirees, particularly women, can be significantly underfunded for retirement and at risk of losing their homes at a later age.
- Younger generations have the advantage of higher compulsory super payments than their parents but must grapple with the increased difficulty of buying a home and other costs such as HECS repayments.

[7] Intergenerational Report Factsheet
[8] Living cost increase highest for Employee households | Australian Bureau of Statistics
[9] ibid

- The so-called sandwich generation must juggle the needs of elderly parents with those of their own children – including sometimes paying for a parent's aged care costs or forgoing an inheritance to do so.
- Older parents can be faced with "impatient inheritors" – adult children or grandchildren who want a bequest early.
- The so-called "bank of mum and dad" has grown rapidly as adult children ask parents to fund mortgage deposits. Alternatively, parents are allowing their offspring to live at home longer to save more or just to meet living expenses.
- Grandparents are more often pitching in to support grandchildren, by either providing childcare or funding private education.
- Second marriages can cause family disputes unless there is an extra layer of estate planning that caters for two sets of children.
- Downsizers, couples or singles, have a range of options to consider – including downsizer contributions to super.

Each of these scenarios can require detailed arrangements to achieve an optimal outcome and ensure family relationships aren't fractured.

Couples, for example, can be encouraged to adopt strategies that give them a degree of financial independence within a relationship – so that neither is left without assets if their partnership ultimately breaks down.

Or advisers can assist in striking loan agreements for parents providing mortgage deposits to adult children. By working closely with other specialists such as lawyers and accountants, they can develop solutions which protect the interests of clients. This process includes explaining implications which a lay person may not contemplate, helping to avoid situations in which important decisions are put aside or made incorrectly.

Even if the above scenarios are not applicable, each client has their own unique **circumstances**, **preferences** and **considerations** which require countless decisions over a lifetime.

PERSONAL CIRCUMSTANCES

When young and accumulating assets, people tend to focus on the big picture by establishing a career, buying a home or raising a family. These priorities change as they near retirement and enter the preservation stage, with their own health and that of their parents becoming another priority. Finally, the distribution phase can involve decisions related not just to estate planning but also long-term care.

PERSONAL PREFERENCES

Each individual has personal preferences that must be reflected in a financial plan. These may include an appetite for exchange traded funds, an interest in alternative assets or a desire to invest in ESG products. Advisers can suggest appropriate options and explain any trade-offs required to implement those decisions. For example, they can explain the risks of alternative investments or help price-conscious investors understand that passive investments may be in conflict with ESG principles – and, of course, suggest other ways to achieve their objectives.

EXTERNAL CONSIDERATIONS

External considerations can have as much impact on financial affairs as personal preference. In 2024, this is clearly seen in the higher interest rates and high inflation that is forcing people to reconsider their financial situations. It is also evident in the ageing population – in terms of both social security for the elderly and in bequests received by younger generations. For the former, advisers can ensure elderly clients take advantage of available benefits such as the Commonwealth Seniors Health Card. And for those who inherit assets, an adviser's role is to craft a strategy that considers both short-term tax impacts and long-term wealth goals.

E IS FOR EXPERTISE (PRICELESS)

IN 2024 / THE VALUE OF E IS PRICELESS

Advisers' expertise extends beyond financial matters to human behaviour. This latter skill allows them to forge the trusted client relationships that are necessary to deliver on their recommendations.

In good times, this is an easier task. Advisers help clients attain the goals that matter most and celebrate their successes with them.

But they support clients in difficult times too – providing counsel as people negotiate challenges such as redundancy, relationship breakdowns, ill-health and death.

This unique combination of technical skill and emotional expertise provides a priceless form of value to clients.

In terms of technical expertise, advisers are at the frontline of the regulatory change and product innovation that are a constant in the Australian market. They interpret change to ensure clients both meet their regulatory requirements and seize opportunities as they arise.

The complex superannuation system is an obvious example where professional advice can make a real difference. The 1 July 2024 increase in compulsory super to 11.5% and another hike in concessional and non-concessional super caps are compelling reasons for people still working to revisit their retirement strategies.

Advisers can also reinforce the benefits of super to people who remain sceptical about its benefits by explaining other forms of contributions, such as catch-up contributions, spouse contributions and small business sale contributions.

Additionally, the Melbourne Institute has found that only approximately half of all Australians think their superannuation works well for them. Those most likely to think it worked well were married and outright homeowners. Renters were more likely to think the system doesn't work well for them.[10]

Post-retirement planning is another example where professional advice can add considerable value and comfort to clients. The impending retirement of most of the Baby Boomer generation means more people than ever need help establishing income streams, making aged care decisions and undertaking robust estate planning.

All this requires much more active decision-making than many people ever applied to their default superannuation while working. The decisions involved are not always technical in nature either – it can be scary for people to contemplate a life beyond work.

The same applies to Australia's complex social security system. The available benefits are not just financial as they also offer the emotional security of a government safety net. By ensuring clients access legitimate entitlements such as childcare rebates and the age pension, advisers are helping people when they are most vulnerable.

17%

of Australians are not very confident or not confident at all about their ability to hit a financial goal

45%

Less than half of Australians agree or strongly agree they have a financial plan for retirement

33%

of Australians find dealing with money stressful or overwhelming

Source: Australian government national financial capability survey 2021

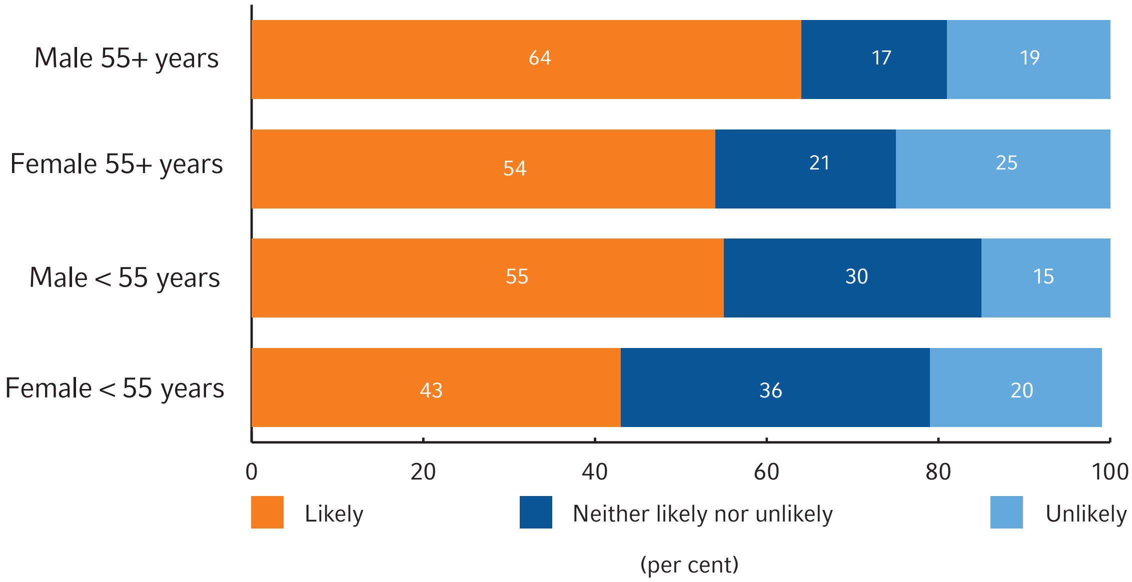
[10] Melbourne Institute, critical gaps in household attitudes and support for superannuation

It is clear that technical skills only get part of an adviser's job done – the ability to gain the trust of a client is critical to a successful relationship and achieving the best outcomes. This is where advisers draw on their essential interpersonal skills like empathy, caring and genuine curiosity.

Elsewhere, understanding financial markets and portfolio construction is key to advisers' training and experience. Advice teams are consistently researching investment solutions by decoding technical terminology to determine what is appropriate for different clients.

The value of working with an experienced adviser is about tapping into the accumulated expertise they've developed over their career. Together with ongoing education, this insight grants them problem-solving skills that can be leveraged by clients at all stages of their lives.

Number of Australians who expect to reach a retirement savings goal



Source: https://behaviouraleconomics.pmc.gov.au/sites/default/files/projects/retirement-planning-saving-attitudes.pdf

A = 1.1% | B = 3.3% | C = Variable | E = Priceless | T

The three "Gs"

Standing back, it's clear that advisers play many different roles over the course of a client's life.

Guide

Advisers can shoulder the practical and emotional burden of decision-making for clients in different ways, depending on individual needs. Clients who are overwhelmed by their financial affairs may rely almost entirely on their advisers. Others may opt for more control and instead use advisers as a coach or sounding board.

One example may be a situation in which a couple with $1.2 million in superannuation wanted to gift $100,000 each to their three children on retirement. The gesture, while generous, would reduce their own capital to $900,000 – or even lower if it coincided with a market downturn. An adviser can brainstorm the implications of such a move, balancing the parents' intentions with the impact on their own standard of living.

Guru

In some situations, advisers stand tall as both an expert and voice of reason. This includes imparting technical knowledge that can sway clients' decisions or simply using their judgement built over a career to foresee potential consequences of certain actions.

This is perhaps most evident in tax planning and structuring of financial affairs to reach the most optimal outcomes. Alternative retirement savings vehicles to superannuation such as investment bonds and company structures, for example, are worth considering as the proposed implementation of an additional tax on earnings on super balances above $3 million draws closer.

Gladiator

Advisers are well equipped to advocate on a client's behalf if the need arises. This could mean challenging a refused insurance claim, solving social security hiccups, or managing administration of finances. In all instances, it allows a client and their family to focus on themselves during periods of stress.

Elder financial abuse is another example in which advisers can stand up for clients, preventing the most difficult impatient inheritors or others from controlling an aged person's money and assets. Six in 10 Australians are worried that someone they know will fall victim to this abuse, and in absolute numbers the figure could grow significantly as the population ages.[11]

[11] https://www.ausbanking.org.au/wp-content/uploads/2019/07/Elder-Abuse-Fact-Sheet.pdf

ACTIONS YOU CAN TAKE TO MAXIMISE YOUR VALUE

- ☐ Have a clear value proposition, advice philosophy and service model that helps illustrate the service you provide.
- ☐ Have existing client case studies that highlight how elements of your expertise helped them and the outcome you delivered. Share these with new clients to understand some of the intangible value you deliver.
- ☐ Understand the different motivations for seeking advice and have examples to use with new clients on how you deliver sometimes intangible yet appreciated value.

T IS FOR TAX SAVVY PLANNING AND INVESTING

IN 2024 THE VALUE OF T IS 1.3%

Tax expertise sits alongside market knowledge and estate planning as among the central pillars of financial advice.

It is required to deliver on all aspects of the services that advisers offer – from superannuation advice to investment strategies and social security assistance.

Russell Investments believes the value of tax savvy advice is at the least the sum of:

- **Asset allocation:** optimising assets across superannuation, investment bonds and other tax structures.
- **Asset implementation:** delivering tax-effective investment strategies and maximising tax benefits.

According to our calculations, the total tax benefit that advisers can deliver is around 1.3% per annum.

Super power

Superannuation salary sacrifice is one of the most potent tax-effective investment strategies advisers can use for working age clients

A hypothetical investor, Rashmi, provides a good example of its benefits. Her salary is $120,000 and if she sacrifices $16,200 to super[12], she will pay $2,430 in contributions tax instead of $5,184 in income tax.[13]

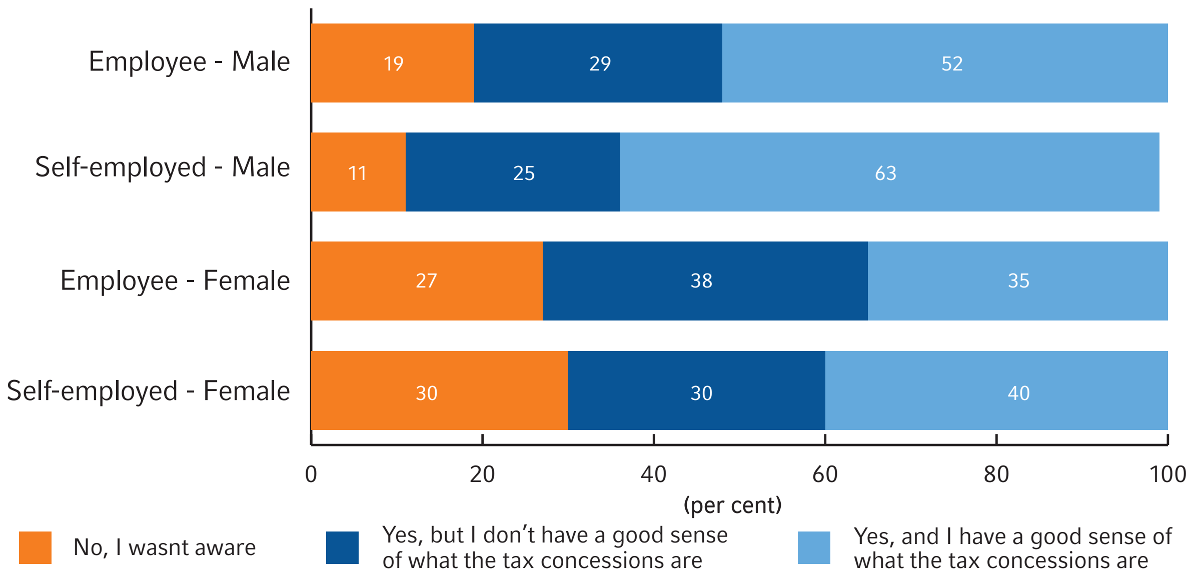
This means an additional $2,754 is invested in her superannuation fund, providing an initial boost that will increase the power of compounding too.

Voluntary contributions to super appear to have increased over time but a survey in advance of the Federal Government's 2020 Retirement Income Review showed there was still mixed awareness of these benefits. Roughly similar proportions of the self-employed (52%) and employees (43%) stated they were aware of the tax concessions and understood them.

Transition to retirement strategies can deliver similar benefits when clients get older. These popular – but sometimes misunderstood strategies – allow people to add extra to super without reducing their take-home pay. This is not just beneficial for anyone who wants to work part-time but can also help people to boost their savings while the cost of living remains high.

But such strategies can prove complicated to arrange without the help of an adviser who can explain the pros and cons – and then implement a chosen course of action.

Awareness of superannuation tax concessions



Source: https://behaviouraleconomics.pmc.gov.au/sites/default/files/projects/retirement-planning-saving-attitudes.pdf

[12] Assume $0 administration costs and insurance premiums, maximum concessional contribution $30,000 for FY24-25.
[13] Example shown for illustrative purposes only.

More than super

Advisers can provide expert guidance on many tax issues outside superannuation. These include:

- Investment solutions which optimise results for clients, such as low turnover strategies that minimise capital gains tax, tax minimisation overlays or centralised portfolio management that mitigates inefficient after-tax outcomes.
- Insurance strategies which allow clients to hold policies in superannuation, generating tax benefits that can be reinvested into super or elsewhere.
- Entitlement to social security payments such as childcare rebates, family tax benefits and other concessions that can make a real difference to a household balance sheet.
- Eligibility for small business grants and incentive payments that time-poor proprietors might miss.

High cost of error

Individuals can easily be caught out by tax rules by misinterpreting requirements or pushing boundaries without properly understanding the consequences. There can be onerous penalties in both cases – penalties that astute advisers would foresee and then prevent.

The potential for such errors is evident in research for the Australian Taxation Office which found most people recognised the benefits of the tax system – but it was "not top of mind and did not prevent them from being inactive, avoiding or leaving it all with the 'experts'."[14]

The fact that only 12% of people consider overall tax effectiveness as among the top three considerations when making investments[15] further highlights a lack of understanding, and the important role advisers play in helping resolve this.

By no means is tax just the realm of the accounting profession. Neither is it limited to the typical items included in an individual's tax return.

By showcasing these skills, advisers can really enhance their credentials as invaluable service providers across the entire spectrum of the financial affairs of their clients.

ACTIONS YOU CAN TAKE TO MAXIMISE YOUR VALUE

- ☐ Know each client's marginal tax rate, tax sensitivities and opportunities.
- ☐ Provide access to solutions that have tax-savvy strategies for your clients.
- ☐ Explain the different tax-smart decisions you include in your advice and ongoing implementation.

[14] ATO, Shaping community beliefs, attitudes and norms

[15] ASX Australian Investor Study 2023

COMMUNICATE YOUR VALUE

You may provide all the above services, but do your clients know that? They may not understand all the activities you perform to keep their portfolio on track and in line with their goals, circumstances and preferences. But they should.

Russell Investments' simple but comprehensive formula can help advisers show clients the real value of the advice they give.

It shows that even if advisers were only able to help people avoid common behavioural mistakes, they have likely provided value above and beyond their fees. But once their other services are included – asset allocation, expertise, and tax planning – the total value of advice is clearly significant.

Russell Investments' easy-to-understand equation is calculated as follows:

A is for appropriate asset allocation: **1.1%**

\+

B is for behavioural coaching: **3.3%**

\+

C is for choices and trade-offs: **variable**

\+

E is for expertise: **priceless**

\+

T is for tax savvy planning and investing: **1.3%**

= **at least 5.7% – the value of your advice in 2024**

FOCUS ON THE VALUE YOU PROVIDE

At Russell Investments, we believe in the value of advisers. And the numbers back up our belief. We see the potential advantages you create for your clients. We know the commitment you bring to your relationships. This annual Value of an Adviser Report quantifies that dedication and the resulting benefit.

Visit our website to see our range of tools and resources designed to help you engage and build trust with your clients, including a client version of this report.

Scan the QR code or visit russellinvestments.com.au/clientresources

REACH OUT TO LEARN MORE

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ADDITIONAL DISCLOSURES

The value of Appropriate Asset allocation is based on 5 portfolios with average asset allocations across Conservative, Diversified 50, Balanced, Growth and High Growth risk profiles. The value takes the difference of 10 year annualised performance of each adjacent risk profile, and calculates the average overall. These portfolios use index values as asset class exposures, including Australian equities: S&P/ASX 300 TR Index AUD, International Equities: MSCI AC World TR Index AUD, MSCI AC World ex Australia NR Index (AUD Hedged). International Bonds: Bloomberg Barclays Global Aggregate TR Index. Australian Bond: Bloomberg AusBond Composite 0 Year Index AUD. Example is provided for illustrative purposes only. Real returns may vary. Past performance is not a reliable indicator of future performance.

IMPORTANT INFORMATION AND DISCLOSURES

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