

## **New Research Sponsored by the Retirement Income Industry Association Quantifies the Value of Financial Advisors in Improving Households' Bottom-line**

Boston, MA (January 20, 2010) Households that regularly get advice before they make major financial decisions do better financially than those that only rarely or never get advice, announces Francois Gadenne, Executive Director and Chairman of the [Retirement Income Industry Association \(RIIA\)](#). That's the bottom-line finding from the fourth in a series of research reports sponsored by RIIA, [Financial Advisors and Boomers: Regular Use May Be Beneficial to Your Wealth](#).

"Our goal in doing this research was to ask the critical question: Is there any advantage to getting professional financial help?" explains Larry Cohen, Vice President and Director of Strategic Business Insights and co-author of the study. "Does using a financial professional improve the household's bottom-line? Based upon this study, the answer is an unequivocal 'yes'. Households that always or sometimes receive advice had considerably more assets in 2004 than households that did not or didn't know if they received advice."

When analyzing a ten year period from 1994 to 2004, the differences in the asset holdings of the regularly advised and less regularly advised households are striking. "The inflation adjusted difference in financial assets over the ten year period for regularly advised households was **\$106,000**," says Elvin Turner, Managing Director of Turner Consulting, LLC and co-author of the report "In contrast, the number for households that never received advice was **\$29,000**."

"This study strongly endorses the role of the advisor," observes Cohen, "although it does not prove how much advisors or investors contributed to the sterling results; either investors who choose to regularly use advisors make better financial decisions or the advisor helps investors achieve better results. What's most likely is that it's a little of both."

Cohen comments on the structure of the report. "When constructing this comparison," he says, "we did not interview the same people in 2004 as we did in 1994. Rather, we analyzed the random sample of households representing millions of people in 1994 and compared it to a similar statistically valid sample of households in 2004."

Cohen notes that in the **MacroMonitor** program, his firm has gathered comprehensive financial services data on households every other year since the late 1970s. "Using data from other years, we constructed a similar analysis for the ten year periods from 1996 to 2006 and from 1998 to 2008 and saw the same advice benefits for the 10 year periods ending in 2004, 2006 and 2008. Putting it all together," he concludes, "we see that regular advice benefits households through different markets over a 14 year slice of modern history."

### **Collaborating, Developing and Implementing a Comprehensive Strategy**

The study also sought to uncover the reasons behind the results achieved by households that receive advice regularly. "What is the basis for this 'Advisor Advantage'?" questions Turner. Two important behaviors noted in the study are the willingness of these households to collaborate with their advisors

on making important financial decisions and developing long term strategies. “Collaboration is so important. The research suggests that collaborative advisors deliver the most benefit to households by helping them develop a comprehensive financial strategy that not only focuses on investing wisely, but also protecting the household from the unexpected,” he explains.

In addition, the research shows that households must consistently participate in this collaboration by bringing in their accumulated awareness from their own financial information sources, seeking the right advisors, obtaining advice on specific topic areas, and updating themselves on new developments in topic areas.

**Different Types of Advisors Add Value**

Households use different types of financial advisors based on how often they seek advice. Generally, the “always” advised households tend to pick one of many kinds of financial advisors more than “sometimes” advised households.

Type of Advisor Often Used by Households Receiving Difference Frequency of Advice

<u>Type of Advisor</u>	<u>Households that Always Received Advice Before Making Major Financial Decisions</u>	<u>Households that Sometimes Received Advice Before Making Major Financial Decisions</u>
Full Service Broker Dealers, Financial Planners, Bank/Savings-and-Loan Advisors, Lawyers, Captive Insurance Agents, Credit Union Advisors, Private Bankers	✓	✓
Independent Financial Planners and Certified Public Accountants	✓	
Mutual Fund Advisors, Independent Insurance Agents, and Discount Brokers		✓

Over the past two years, reports Cohen, the “always and sometimes” advised households use full-service brokers, certified financial planners, bank/savings-and-loan advisors, lawyers, captive agents, credit union advisors and private bankers to a comparable degree. But the “always” households are more likely to use independent financial planners and certified public accountants. At the same time, the “sometimes” households are more likely to use mutual fund advisors, independent insurance agents, and discount brokers.

The report also includes information on the type of advice obtained and provides details regarding older and wealthier households. Additionally, the study offers key information based on Life Segments such as “Builders”, “Pre-Retired”, and “Retired” among investor households.

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**About the Retirement Income Industry Association ([www.riia-usa.org](http://www.riia-usa.org))**

RIIA's mission as a national not-for-profit organization is to bring the retirement income industry together with a "View Across Silos" to develop the products, processes and advisory services Americans need to create a secure retirement. Because RIIA members span the entire industry – banks, insurers, mutual fund companies, brokerage houses, financial advisors and distributors, plan sponsors, researchers, technology, marketing, academics, and media – they create a forum for sharing the freshest outlooks, the most modern thinking, the latest research and the newest product development within the realm of retirement income. This unique view provides investors and advisors with unbiased perspectives on key retirement income issues.

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