

Why You Should Hire a Financial Advisor

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The role of a financial advisor has evolved significantly over the past few decades. With advancements in technology, individual investors now have the tools to research, trade, and build portfolios directly from their smartphones. So, what value do advisors provide in this modern landscape? Traditionally, advisors focused on giving stock tips and executing trades. Today, their role has shifted to offering comprehensive financial services and advice. Success in investing is no longer solely about outperforming the market each year. For many, true value lies in achieving peace of mind, leaving a [legacy](#), or ensuring financial security for loved ones. A recent study by Vanguard suggests that working with a professional advisor can add about 3% to your annual net returns. While this figure can vary, advisors who take a holistic approach and prioritize their clients' best interests can significantly help investors reach their personal financial goals.

The role of a financial advisor has evolved significantly over the past few decades. The model of working with a stockbroker to build a portfolio has largely been replaced by working with a financial planner who has access to investment resources and can act as a comprehensive partner in their clients' wealth building and preservation goals

A person who is not working with an advisor may wonder how to articulate the type of advice relationship they are looking for. Here are some questions to ask yourself that will help clarify the type of advice solution that is a fit for you.

- Are you looking for a sounding board to collaborate with or someone to take financial responsibilities off your plate?
- Is it important to have a [comprehensive planning](#) resource or do you only want investment management?
- What is your level of financial sophistication?
- How often do you want to meet about financial topics?
- Do you value a personal relationship or are you satisfied with a low-cost cookie-cutter solution?

The following are some areas where a financial advisor adds value.

- **Asset Allocation:** An advisor will take the time with you to understand the way you view the world, money, and life to get a sense for your true risk tolerance and preferences. While portfolio management is in some ways very technical and quantitative, it is also very personal and qualitative. Good advisors know that collaborating to build a portfolio that their client feels comfortable with is one of the most important predictors of long-term success.
- **Fees & expense ratios:** Fees are an often-overlooked aspect of investment performance. We frequently see prospective clients bring in portfolios where they are being charged a high management fee and that manager is investing them in funds that also have high fees, creating a drag on performance. Fees should be adequate to compensate advisors

and portfolio managers for high-quality professional work, but not so much that a large chunk of the investment return is going to these expenses. While mutual funds are trending towards becoming cheaper, a person buying funds may find that they are paying 2%+ to the funds and managers without knowing it. A fiduciary will help their client understand what they are paying and why.

- **Rebalancing:** As markets fluctuate and life circumstances change, it's essential to regularly reassess your portfolio allocation. Does it still align with your long-term goals? Are you exposed to more risk than you realize? In today's environment, many investors are heavily weighted in stocks due to market growth and may not be aware of the associated risks. At Evergreen, we advocate for a methodical rebalancing approach tailored to the current market conditions, rather than relying on automated quarterly adjustments. We can help you identify potential risks and create a plan to adjust your portfolio efficiently and cost-effectively.
- **Behavioral Coaching:** Investing is inherently emotional, especially with the constant barrage of news and [market updates](#). Advisors play a crucial role in helping you maintain a long-term perspective and stay focused on your overall financial plan. They guide you to concentrate on controllable factors such as [tax planning](#), cash flow management, and asset allocation. Above all, a good advisor acts as your advocate, helping you navigate the complexities of financial decisions.
- **Asset Location:** The location of your investments can be as important as the investments themselves. Different types of securities in various accounts can affect your long-term returns. For example, holding municipal bonds that generate tax-free income in taxable accounts while placing other income-generating securities in tax-deferred accounts can be beneficial. Advisors can help you evaluate the tax-equivalent yield and strategically place your investments in an effort to maximize returns.
- **Withdrawal Strategies:** The order in which you withdraw funds from your accounts can significantly impact your tax situation. We work with clients to develop personalized withdrawal strategies tailored to their individual circumstances. This approach, combined with integrated tax and investment planning, helps determine the optimal amount and source of withdrawals. The more diverse your accounts, the greater the potential for added value through careful planning.
- **Estate & Tax Planning:** Effective [estate and tax planning](#) can have a more profound impact on your financial future than simply trying to beat the market. Mistakes in these areas can lead to unintended beneficiaries, family disputes, higher taxes, and complicated probate processes. While financial planners do not draft legal documents, they can help clarify your goals, review your plans, and illustrate the impact of your decisions.

Quantifying the exact value advisors add can be challenging. In our experience, when a client hires us with clear goals and an open mind to advice, there are a variety of opportunities to meaningfully support those objectives and set them up for success. If you're interested in learning more about how Evergreen assists clients, feel free to reach out to us at

info@evergreengavekal.com.

[1] “Putting a value on your value: Quantifying Advisor’s Alpha”
https://advisors.vanguard.com/insights/article/TWE_ResPuttingAValueOnValue

[2] Morningstar U.S. Fund
Fee Study <https://www.morningstar.com/lp/annual-us-fund>

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